

Introduction to the Theory of Interpersonal Action



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Part 1

Praxeology and Categories of Consciousness

A.

Exact Laws of Human Action

The goal of praxeology is to discover and to make explicit “exact laws” of human action of the general form “if you do **X**, then **Y** must necessarily happen or result.”

The reason economics has had some success in this is because economics deals largely with what one may call “calculative action” or what Mises referred to as “catallactic action.” Because economics treats the money economy, it deals with countable units that can be mathematically manipulated. And thus, when we read Mises’s description of two laws of economics, the *law of returns* and the *law of marginal utility*, we will see that he introduces simple mathematical symbols such as $n-1$ or p/q .

The laws of economics, or the law-like propositions of economics, seem to be formulable because of the fact that economics deals with the money economy and the assumption of identical money units subject to simple or complex mathematical operations. For example, one of the fundamental notions of Austrian economics is the notion that when the government prints more money, this money printing does not increase the amount of goods and services offered in the economy, and thus the ratio between the monetary unit and the available goods and services necessarily changes. This reduces to a simple mathematical comparison of $n+1/1$ to $n/1$.

We conclude that economics is able to formulate law-like propositions of exactness primarily due to the fact that economics assumes identical money units (or identical commodity units) to which mathematical operations may be applied.

B.

Must exact laws of human action be strictly mathematical in nature, or are other kinds of exact laws of human action possible? Because of mathematics, we may say “if I **have** 4, and I **take away** 2, then I will **have** 2.” This is an “exact” law-like proposition concerning the action of taking away 2 units, and the exactness seems to derive from our ability to apply mathematics to the action in question. But are there *nonmathematical* exact-law propositions that may be formulated about human actions?

Two examples cited in the past are:

1. In walking toward a location (action **X**), one must necessarily walk away from a different location (necessary result **Y**).
2. If one makes an automobile more fuel efficient by making the automobile more aerodynamic, one necessarily makes the automobile harder to bring to a stop (i.e., the braking power needed to bring the car to a stop in the same distance must increase).

Thus, it is possible, in principle, to formulate exact laws of human action that are nonmathematical in the sense that they do not require or assume a number of identical units to which mathematical operations are applied. The actor performs an intentional action: he walks toward a location, or he makes a car more fuel efficient by improving its aerodynamics. To these intentional actions, necessary consequences or results are attached—results or consequences that were not the conscious intention of the actor. The result or consequence **Y** is a necessary “accompaniment” to the action **X** that the actor performs.

This indicates that the essence of necessity in human action is not mathematical in nature (in the sense of numbers or mathematical operations or ratios). The essence of necessity in human action is an **identity relationship**. By “identity relationship,” we do not mean $A = A$. By “identity relationship,” we mean a demonstration of an identity between **A** and **B**, such as

$$12 \times 2 = 3 \times 8$$

12×2 and 3×8 are not identical in **every** respect. They are only identical in a **circumscribed** and **specific** respect, and we conceive mathematics as an exact science that demonstrates the *specific sense* in which the action of multiplying 2 by 12 is identical to the action of multiplying 3 by 8.

Similarly, walking toward a location and walking away from a different location are not identical in **every** respect. But we can see that walking toward a location is the same thing as walking away from a different location in **some** respect. The respect in which walking toward a location (phenomenon **A**) is the same as walking away from a different location (phenomenon **B**) we call the *identity relationship*.

In his essay “Economics and Knowledge,” Hayek referred to these identity relationships as “tautological transformations,” and he referred to praxeology (which he called the Pure Logic of Choice) as “the system of tautologies—those series of propositions which are necessarily true because they are merely transformations of the assumptions from which we start.”

In this kind of procedure, we begin with an assumption (in our case, action **X**), and we show how action **X** must necessarily entail **Y**, a necessary accompaniment that may not be fully recognized by the actor who performs action **X**. Result **Y** is the so-called unintended consequence. As Lionel Robbins explains in *An Essay on The Nature & Significance of Economic Science*:

The analytic method is simply a way of discovering the necessary consequences of complex collocations of facts—consequences whose counterpart in reality is not so immediately discernible as the counterpart of the original postulates.

We conclude that it is possible to formulate nonmathematical exact laws of human action. The essence of these exact laws is an identity relationship—a demonstration of the sense in which **A** and **B** are identical.

C.

Interpersonal Action

So far, we have dealt with “calculative” or “catallactic” actions (the subject matter of economics), and we have dealt with “physical” or “spatial” actions such as walking toward a location or changing the shape of a car.

The most important realm of human action for libertarian social thought is the interpersonal realm of human action. Interpersonal actions are actions in which one actor acts toward another actor. This is the area of human action that has up until now been the province of traditional ethics, objective ethics, natural law ethics, and recently, the argumentation ethics. The goal is now to treat this realm of action as a branch of praxeology, and this means the attempt to demonstrate *exact laws* (similar to what was discussed above) in the *interpersonal realm* of human action.

We define an interpersonal action as an action in which the mind (consciousness) of another actor is the object of one’s action. An interpersonal action occurs when actor **A** “locates,” in the field of his own mind or consciousness, the mind or consciousness of another actor **B**. In other words, for me, an actor, an interpersonal action happens when another person’s mind or consciousness “appears” (in a sense yet to be described) in my consciousness field. When another mind or

consciousness is the object of my action (is the object of my intentional consciousness), this “is” (this constitutes) an *interpersonal action*.

(If I merely interact with a warm body, this is not necessarily an interpersonal action. Interacting with another object may simply be a physical action. An interpersonal action is the specific case when the object with which I interact is a mind or consciousness similar to my own.)

If interpersonal action occurs when another mind or consciousness appears as the object of my mind or consciousness, then the question becomes: What is the identity relationship or tautological transformation concerning this assumed situation, analogous to the identity relationships discussed above? The identity relationship or tautological transformation that we may demonstrate, applied to the case when another mind or consciousness is the object of my mind or consciousness, will be an exact law of interpersonal action, given the definition of interpersonal action above.

D.

The Structure of Interpersonal Action

When we speak to another person face-to-face or speak to another person on the telephone, we act under the assumption that we are in the presence of another mind or consciousness similar to our own. When we interact socially, we isolate or locate within the field of our consciousness another mind toward which we direct our communications or actions. For example, when we lie, we lie toward another mind. This implies that we have located another mind in some specific realm or region of our overall field of consciousness. (I don't direct my lie to the empty sky or toward a rock; I direct it to another mind in order to deceive that other mind.)

When we examine the nature of the other mind that we locate (in order to direct our actions or communications toward it), we will find that the other mind never belongs to the category of things we may observe sensually or perceptually. The other mind is always and at all times something that “presents” to us as an “unobservable.” When I am in the

presence of another mind, the other mind is not present to me in the same sense as the front half of the basketball I see; rather, when I am in the presence of another mind, the other mind is always present to me in the same sense that the *back half of the basketball* is present to me. That is, another mind, when present, is always present to me as a nonperceptible or nonobservable “presence”—something that is “there now” but not now observable. Just as the back half of a basketball is “present” now, but not now observable, when I interact with another person, the mind I interact with is “present” now, but not now observable.

Thus, for our consciousness, there is a class or category of things that “appear” for us, not as observable things, but as nonobservable things. This category includes things such as other minds, the other side of objects, the inside of objects, concepts, and other entities of similar nature. These are “things” that are “present” to us in the sense that we locate them within the field of our consciousness, although we never observe them. We may refer to this category of “things” as the category of nonperceptible (or nonperceptual) presence.

Thus, there are at least two categories of consciousness (and in the present theory, **only** two categories of consciousness):

1. A category of perceptual presences (visual sensations, audible sensations, tactile sensations, olfactory sensations, imagined or mental images or sounds, etc.). This is the class of things that “present” to my consciousness perceptually.
2. A category of nonperceptual presences (as just described and defined).

E.

Two Categories of Consciousness

These two categories of consciousness ultimately derive from the same source as the social-scientific category pairs supply/demand and supply/value. (Supply/value is the category pair on which the law of marginal utility is based.)

Each of these pairs consists of a category of an **object** of action (the supply) and a category of an intangible/immaterial "**attitude**" of the actor in relation to that object (demand or value).

Demand and *value* as we conceive them are of the same nature as the concept of *utility*: they are conceived as an actor's immaterial and intangible "attitude" toward the object of his action. These things (demand, value, utility, etc.,) are not considered "extended" entities having spatial dimensions or observable characteristics.

The category pair means/ends is, we will argue, of this same essential structure. The "end" of the actor is identical to his *purpose* or *intention*. These all refer to the same thing: the immaterial "attitude" of the actor in relation to the object of his action (the means).

Thus, we have several examples of fundamental category pairs of social science: supply and value, supply and demand, means and ends. The recurring pattern is: the object of the actor's action in relation to the actor's immaterial/intangible attitude toward the object of his action.

We view these category pairs as historical social concepts reflecting an underlying structure of consciousness. In other words, the category pairs of social science and social thought have been conceived in different ways throughout history, but all have derived from the fundamental binary structure of consciousness. There is a category of things that appear to a consciousness perceptually; things that may be sensed, imagined, or observed. This is the aspect of consciousness from which the historical social-scientific categories *supply* and *means* have been derived. There is a category of things that appear nonperceptually

or that are “nonperceptually present.” This is the aspect of consciousness from which the historical social-scientific categories *demand*, *value*, *ends*, *purposes*, *intentions*, *utility*, and so on, have been derived.

F.

Category Pairs: History

The category pairs supply/demand and supply/value were developed within the science of economics, which as mentioned, treated the money economy and included the assumption of identical monetary or commodity units. The assumption of identical monetary or commodity units made possible the introduction of mathematical operations ($n-1$, p/q , etc.), which in turn made possible the formulation of law-like propositions in regard to the economic (catallactic) aspect of human action. This bestowed the social science of economics, to some extent, with an aura of scientific legitimacy.

By contrast, category pairs such as happiness/unhappiness, satisfaction/dissatisfaction, pleasure/pain, ease/unease, means/ends, and so on, although ultimately derived from the same binary structure of consciousness as supply/demand and supply/value, were generally developed within branches of social study that could not make the assumption of identical units subject to mathematical operations (e.g., the disciplines of ethics, morals, and political science). For this reason, these branches of social study were prevented from formulating law-like propositions of exactness that applied in their field or were prevented from formulating law-like propositions of equal stature to those put forth by economics. These disciplines were generally denied the aura of scientific legitimacy.

The most significant difference between the former and the latter group of category pairs, however, is that economic theory evolved in such a way that the concept “supply” on the one hand, and the concepts “demand” and “value” on the other, came to denote entities of a *fundamentally different nature*. Broadly speaking, by “supply,” one means the objective quantity or amount of a thing available for

utilization by a person or group. By “demand” or “value,” one means a kind of assessment of the supply on the part of a person or group (the aforementioned “attitude” of the person toward the supply). “Demand” means the person wants more of a thing, implying an assessment of an insufficient supply. “Value” is an assessment of the importance of the thing to the person and implies an attempt to gain or keep the thing in question. One concept (supply) refers to the *object*; one concept (demand or value) refers to the actor’s “attitude” toward the object.

If we look at the second group of category pairs—those that were developed outside of economic science—we will notice that the intrapair relationship is not the same as the intrapair relationship of the economic category pairs. In the second group of category pairs, the entities referred to in each pair are generally considered entities of the *same* nature. For example, “pleasure” is a kind of feeling experienced by a person, and “pain” is a kind of feeling experienced by a person. The same holds for the category pairs happiness/unhappiness, satisfaction/dissatisfaction, ease/unease, and so on. One may have the experience of happiness, or one may have the experience of unhappiness. The two conceptions are fundamentally alike in the sense that both refer to a kind of experience that an individual may have.

The situation surrounding means and ends is slightly more complex. We can say at a minimum that means and ends are generally considered similar with respect to the way an individual would verify their presence or attainment. An individual verifies the presence of a particular means he is utilizing by perceiving or observing those means. I see the shovel I intend to use to dig a hole. Similarly, an individual verifies that the end he sought has been attained by perceiving or observing that the end has been attained. I see the hole which it was my intention to dig. Means and ends are generally considered entities of a similar nature in the sense that both are considered to be, at least in principle, perceptible or observable entities.

The essential point is that the conception of the category pairs of theoretical economics has evolved further than the conception of the category pairs of the normative disciplines. In economics, the

development of the category pairs has been toward a conception in which each category denotes an entity of an *altogether different* nature. In the normative disciplines, each category of the category pair tends to denote an entity of an essentially *similar* nature.

G.

Category Pairs: Reconception

The foregoing considerations imply that theoretical advancement in the fields subsumed by the normative disciplines is dependent on the evolution of the conception of the category pairs employed by these disciplines. In particular, these category pairs must be reconceived such that each category denotes an entity of a fundamentally different nature. In the present theory, for example, we conceive *means* as those things in action (in consciousness) that are perceptible, sensible, or observable. (This includes all “mental” perceptions, sensations, imaginings, etc.) By contrast, we conceive *ends*, or the *end*, as fundamentally nonperceptible and nonobservable. An end, qua end, can never be perceived, sensed, or observed; only means can be perceived, sensed, or observed. In the present theory, ends belong to the category of *nonperceptible presences*; the category of things that—from the actor’s point of view—are the nonobservable aspect of what the actor is now doing.

Mises is working with a similar conception of the means/ends relationship. In his conception, ends are considered beyond rational or scientific treatment, and only means can be assessed rationally or scientifically.

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. (TH-14)

As soon as we start to refute by arguments an ultimate judgment of value, we look upon it as a means to attain definite ends. But then we merely shift the discussion to another plane. We no longer view the principle concerned as an ultimate value but as a means to attain an ultimate value, and we are again faced with the same problem. (TH-23)

In fact, he who passes judgment of an alleged end, reduces it from the rank of an end to that of a means. He values it from the viewpoint of an (higher) end and asks whether it is a suitable means to attain this (higher) end. (MM, 22–23)

As these passages demonstrate, Mises was aware that to examine a thing (*X*) with regard to its suitability is to examine it with regard to its suitability for purpose *Y*, and therefore *X* is examined as a *means* to attain *Y*. We cannot examine “ends” with respect to their suitability or fitness. When an entity is in my conscious view such that I can “examine” it in some regard, it thereby occupies a definable categorial “location” in my consciousness. Every object or entity brought into my conscious view occupies this same categorial “location.” This particular category Mises refers to as *means*.

The present theory explains the nonrationality of ends to which Mises refers in terms of a category of nonperceptual or nonobservable “presence.” This category is comprised of things that from the actor’s point of view are “present” but not presently observable (e.g., the mind of another person the actor is addressing, the back side of a wall, the inside of a box, etc.). The category of *ends* and the category of *nonperceptual presence* are identical. By contrast, the category *means* refers to those things that are perceptually present to the actor; those things that the actor presently perceives, observes, or senses. The two categories thus refer to “objects” of a fundamentally different kind.

The foregoing considerations imply that the category pair happiness/unhappiness (satisfaction/dissatisfaction, pleasure/pain, ease/unease, etc.) should be reconceived so that each category refers to an object of a fundamentally different nature. Following what has

been discussed regarding the category pairs supply/demand, supply/value, and means/ends, this means we will conceive one of the categories (e.g., happiness) as referring to that which is perceptible, sensible, or observable to a consciousness, and we will conceive the other category (unhappiness) as referring to those things in consciousness that are “present” but not presently perceptible.

Let us make a brief sketch of our proposed reconception in relation to the historical conceptions of the binary category pairs.

H.

Category Pairs: Reconception

In economics, the category pairs supply/demand and supply/value were conceived such that each category refers to an object of a fundamentally different nature: (1) an object and (2) an “attitude” toward that object on the part of an actor. In this conception, the *object* is (generally) conceived as belonging to objective, extended nature, while the “attitude” is generally conceived as belonging to the actor or “subject.” The object (the supply) is considered an “objective” entity while the actor’s “attitude” is considered a “subjective” entity.

By contrast, in our proposed reconception, the object is considered a *subjective* entity. In this conception, the term “object” refers to the perceptual or sensual or observational content of a consciousness (“object” here does not refer to an entity assumed to exist independent of conscious awareness). We are conceiving the entire field of one’s conscious awareness in terms of two categories: (1) a category of the perceptions, sensations, or observations that appear to this consciousness (or that constitute it), and (2) a category of “things” that are present to this consciousness, but not presently observed, perceived, or sensed by it (the aforementioned nonperceptible presences). In this conception, the notion “object” refers exclusively to the perceptual content of a consciousness.

Thus, in our conception, it is this *subjective* object that stands in relation to the actor’s immaterial “attitude.” In this conception, the object and

the attitude related to this object are both aspects of the actor's consciousness; they are both *subjective* phenomena.

Turning back to the economic category pairs supply/demand and supply/value, when the actor possesses an attitude of "demand" or of "value" toward a given supply, in our conception, "supply" refers to the perceptual/observational/sensible content of his consciousness, and only to this content. The "object" is that which is currently present to a consciousness as a perception, sensation, or observation. This object (or perceptual content), in combination with the nonperceptual presence (the actor's immaterial "attitude"), constitutes the totality of the actor's conscious field (the totality of the actor's conscious awareness). This conception, entirely subjective, wherein the various phenomena are conceived as aspects of a single consciousness, implies a corresponding *subjective* conception of economic science. It was this entirely subjective conception of economics that Mises practiced and advocated and that Hayek was referring to in his fateful essay "Economics and Knowledge."

It is important to remember that the so-called "data," from which we set out in this sort of analysis, are...all facts given to the person in question, the things as they are known to (or believed by) him to exist, and not, strictly speaking, objective facts. It is only because of this that the propositions we deduce are necessarily a priori valid and that we preserve the consistency of the argument.

[In this sort of analysis] "data" meant those facts, and only those facts, which were present in the mind of the acting person, and only this subjective interpretation of the term "datum" made those propositions necessary truths. "Datum" meant given, known, to the person under consideration.

It was this entirely subjective conception of economics that Hayek argued against in "Economics and Knowledge," and it was partially due to Hayek's arguments that this subjective approach to social

phenomena was abandoned within the economics profession. Since that time, the underlying epistemological structure of economics has consisted of both objective and subjective elements, and economists have implicitly assumed these elements are theoretically commensurate, as one would in assuming that a carved wooden “X” is interchangeable with the mathematical symbol “X.”

I.

Category Pairs: Reconception

We now turn to the noneconomic category pairs such as happiness/unhappiness, satisfaction/dissatisfaction, pleasure/pain, and means/ends. In the traditional or standard conception of the noneconomic category pairs, both categories refer to a subjective phenomenon, and to a phenomenon considered—at least in principle—observable or perceptible to the person in question. Generally speaking, both categories refer to subjective entities that the actor may see, feel, experience, or observe. The actor can *experience* happiness and the actor can *experience* unhappiness. The actor can *see* his means, and the actor can *see* his end, and so on.

By contrast, our reconception of the noneconomic category pairs consists of reconceiving one of the categories (for example, unhappiness, dissatisfaction, pain, and ends) as a category of nonperceptual presence. In our conception, one category consists of entities that are perceivable or sensible or observable by the actor, while the second category consists of entities that are present but not presently perceivable, sensible, or observable by the actor.

It is important to note that in this conception, there is no conceived temporal separation between the two categorial phenomena that constitute the actor’s conscious awareness. The nonperceptual presence is “copresent” with the object that is perceptually present to the actor. The backside of the wall is copresent with the wall; the inside of a box is copresent with the box; the mind of another person is copresent with that person, and so on.

Below we list the different historical conceptions and the proposed reconception:

Supply/Demand

Supply: objective

Demand: subjective

Supply: observable/perceivable by actor himself

Demand: observable/perceivable by actor himself

Supply/Value

Supply: objective

Value: subjective

Supply: observable/perceivable by actor himself

Value: observable/perceivable by actor himself

Means/Ends

Means: subjective

Ends: subjective

Means: observable/perceivable by actor himself

Ends: observable/perceivable by actor himself

Happiness/Unhappiness

Happiness: subjective

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Unhappiness: subjective

Happiness: observable/perceivable by actor himself

Unhappiness: observable/perceivable by actor himself

Proposed Reconception

Perceptual Presence: subjective

Nonperceptual Presence: subjective

Perceptual Presence: observable/perceivable by actor himself

Nonperceptual Presence: **NOT** observable/perceivable by actor himself

Notes: 1. Here we assume that the actor's "demand" or "value" in regard to the supply has traditionally been conceived as perceivable or sensible to the actor himself. 2. The categories happiness/unhappiness are here considered identical to those of satisfaction/dissatisfaction, pleasure/pain, ease/unease, and so on.

Part 2

Theory and Structure

A.

Our goal is a praxeological theory of interpersonal action. This means the attempt to conceive exact laws of human action in the interpersonal realm of human action. A theory of necessity linking two nonidentical entities requires an atemporal *identity* relationship between the two entities.

In the present theory, we conceive consciousness in terms of two categories: a category of perceptual presences and a category of presences not perceived. This conception of consciousness is a rendering from the point of view of the individual, unitary, conscious subject. There are fundamentally two categories of “things” that constitute my conscious field: those things that appear to me perceptually (perceptions, sensations, imaginings, mental images, etc.) and those “things” that are present but which I do not presently perceive, sense, or have a mental image of.

A simple theory of interpersonal action is implicit in this general theory of consciousness structure. The mind or consciousness of the person with whom I interact belongs to the category of things that are present to me, but which I do not presently observe. The perceptual or sensual aspects of this person (the body I see, the voice I hear, etc.) belong to the category of things perceptually present to me. The person with whom I interact is thus entirely constituted of these two fundamental consciousness categories. In other words, the person with whom I interact is constituted of two distinct parts (categories) of *me*, the unitary consciousness. This is a *subjective* as opposed to an *objective* conception of social interaction.

This theory of the structure of consciousness solves the problem that Alfred Schutz referred to in *The Phenomenology of the Social World*:

We must, then, leave unsolved the notoriously difficult problems which surround the constitution of the Thou within the subjectivity of private experience. We are not going to be asking, therefore, how the Thou is constituted in an Ego...As important as these questions may be for epistemology and, therefore, for social science, we may safely leave them aside in the present work. (1972, p. 98)

The “Thou” (the person with whom I interact presently) is constituted within the subjectivity of my private experience of two classes of things. On the one hand, the Thou is constituted of perceptual presences (visual sensations, audio sensations, tactile sensations, olfactory sensations, etc.). On the other hand, the Thou is constituted of “presences” that are not perceived (the back side of the person, the inside of the person, the mind of the person, etc.). The mind of the person with whom I interact belongs to the category of things that are present to me (I believe this person’s mind is “here now,” with this person) but not presently observable or perceivable by me.

B.

The present theory is essentially a theory about the structure of consciousness. We conceive consciousness as a binary structure. We interpret the various historical concept pairs of social science and social thought (e.g., supply/demand, supply/value, means/ends, happiness/unhappiness, pleasure/pain, satisfaction/dissatisfaction, good/bad, moral/immoral, just/unjust, etc.) as having derived from the two fundamental consciousness categories. The binary nature of our consciousness renders our conscious experience in binary form, and we in turn express this experienced binary form in various ways in our social science and social thought. The different concept pairs signify the different ways we have interpreted the binary structure of our consciousness throughout history.

I, actor **A**, am constituted, as it were, of two categories: a category of perceptual presences and a category of presences not perceived. We define interpersonal action as occurring for actor **A** when the mind or consciousness of another actor (**B**) is “present” for **A**. As previously argued, from the point of view of **A**, the mind or consciousness of **B** belongs to the category of those things present to **A**, but not presently observed by **A**. **B**’s mind is “present” to **A** as a nonperceptual presence. We define interpersonal action as the situation in which the particular nonperceptual presence present for **A** is the mind or consciousness of another actor **B**.

It is important to note that in our conception of interpersonal action, the presence of the mind of actor **B** (as a nonperceptual presence) is consistent with *any set of perceptual contents* present for actor **A**. For example, let us assume that **A** is on the telephone with **B**. We assume **B**’s mind is present for **A** as a nonperceptual presence. This constitutes interpersonal action for actor **A**. Also present for **A** are perceptual presences (e.g., **B**’s voice, the sight of the telephone, the touch of the telephone, etc.).

Let us now assume that during the telephone conversation person **B** stops speaking. We assume further that **B**’s mind is nonetheless present for **A** as a nonperceptual presence (**A** believes he is still in the “presence” of **B** although **B** is not currently speaking). In this case, the voice of **B** is not one of the perceptual presences present for **A**, although **A** is still engaged in interpersonal action. This is because the defining characteristic of interpersonal action is the presence of the mind of another actor **B**, and the presence of the mind of another actor **B**, as something that does not appear perceptually, is consistent with *any set of perceptual contents* appearing for actor **A**. In our conception, the phenomenon of interpersonal action is entirely independent of the perceptions, observations, or sensations present to **A** during interpersonal action.

C.

An Exact Law of Interpersonal Action

Above, we have defined interpersonal action in terms of the fundamental category pair “perceptual presence/nonperceptual presence.” If we now substitute for the fundamental category pair some of the historical category pairs, we obtain some interesting results. Recall that we had discussed category pairs such as supply/demand and supply/value, and we had conceived that the term “supply” referred to the object of the actor’s action while the terms “demand” and “value” referred to the actor’s immaterial “attitude” toward the object of his action. What we had in mind was a conception, analogous to the fundamental category pair (perceptual presence/nonperceptual presence) in which “supply” refers to those things in action (in consciousness) that are perceptible, observable, and sensible, while “demand” and “value” refer to that in action which is nonperceptible, nonobservable, and nonsensible. Here, we are reconceiving the category pairs supply/demand and supply/value to conform to the conception of the fundamental category pair, so that “supply” is identical to the category of perceptual presence, and “demand” and “value” are identical to the category of nonperceptual presence.

Returning to the notion of interpersonal action then, if we use the older terminology (use the older terms that express the binary nature of consciousness), we would conceive that when actor **A** is engaged in interpersonal action, those things that are perceptible or sensible or observable to **A** would constitute his “supply,” while those things present to him, but not presently perceptible, would constitute his “demand” or his “value.” We are simply giving the older names to the newly conceived categories.

If we make this same substitution using the older category names happiness/unhappiness, satisfaction/dissatisfaction, pleasure/pain, then we obtain the result that those things perceptible to **A** during interpersonal action constitute his “happiness” (or satisfaction, or pleasure) while those things nonperceptually present to **A** during

interpersonal action constitute his “unhappiness” (or dissatisfaction, or pain).

Thus, we have an identity relationship or “tautological transformation.” Interpersonal action occurs when the mind of actor **B** appears in the conscious field of actor **A**. The mind of actor **B** appearing in the conscious field of actor **A** is a nonperceptual presence appearing in the conscious field of actor **A**. A nonperceptual presence appearing in the conscious field of actor **A** constitutes unhappiness (or dissatisfaction, or pain) for **A**. Interpersonal action thus constitutes unhappiness (or dissatisfaction, or pain) for actor **A**.

This insight was the basis for an earlier version of the present theory presented in *Striving and Attainment* (2008, pp. 98–107). When we conceive consciousness and human action in terms of the two categories happiness/unhappiness (satisfaction/dissatisfaction, ease/unease, pleasure/pain, etc.), there is a sense in which we can conceive a necessary relationship between interpersonal action and human happiness.

D.

Original Insight

The theory of interpersonal action is based on a prior theory of social interaction conceived in terms of “striving” and “attainment” (Knott, 2008, 2006). In these earlier presentations, satisfaction (or happiness) was conceived as a situation in which a “striven for” want changes to an “attained” want. When the thing or state striven for by the actor is attained, this constitutes happiness or satisfaction for the individual. This is a formal conception and does not refer to the particular or concrete content that may be striven for or attained. Consciousness was conceived as a simple intentional structure in which striven for things are continually changing to attained things constituting the experience of satisfaction or happiness for the individual concerned. Unhappiness or dissatisfaction was conceived as the reverse situation in which an “attained want” changes to a “striven for want” for the individual. Thus, there were two conceived states that the entities of intentional consciousness could “occupy.” For an actor, an entity may be “attained”

or an entity may be “striven for.” These were conceived as the two primary categories of intentional consciousness (categories of action).

How is an actor aware that a thing he has striven for has become a thing attained? The answer given is that “attainment” entails the “presence” of a perception or observation. A person “attains” ice cream when a person sees or holds or tastes ice cream. A person “attains” approval when a person hears, reads, or observes approval. We conceive that the observation or perception of an entity by an individual is identical to the individual’s “attainment” of that entity. Here, the individual “attains” an object not in a normative or social or legal sense, but rather in a perceptual or observational sense. Those things that enter the conscious field of the individual (those things the actor perceives, observes, or senses) are “attained” by him. And as indicated, things are *attained* as *satisfaction* for the individual. Or, for the individual consciousness, “attainment” constitutes satisfaction.

The insight giving rise to the theory of interpersonal action was that if attainment constitutes satisfaction, and if there are entities that cannot be attained, then such entities may impact the happiness of the consciousness that strives to attain them.

The defining characteristic of “direct” social interaction (which we refer to as *interpersonal action*) is when the mind of another actor (**B**) is the object of actor **A**’s action. Given the two categories of consciousness—striving and attainment—the mind of actor **B** must either be striven for or attained by actor **A**. (To understand our meaning, it may be helpful to think in terms of the *thoughts* or *intentions* of actor **B**. When we speak of the “mind” or “consciousness” of actor **B**, we’re referring to the unobserved (by **A**) thoughts and intentions of **B** as contrasted to the observable aspects of **B**.) If actor **A** can “strive” for the thoughts and intentions of actor **B** but cannot “attain” them, then in some sense yet to be defined, such striving cannot result in happiness for actor **A**.

The original conception was that market transactions in which an actor does not refer to the mind of another person are somehow “objective.” An example is a transaction in which the actor deposits a coin in a

vending machine. In this transaction, the actor interacts with a physical coin and a physical vending machine and need not refer to the thoughts or intentions of another actor. By contrast, when one actor coerces another, he must manipulate the “wants” of the other actor in order to do so (i.e., in order to coerce person **B**, I must change the *goals* of person **B** so that person **B** gives me what I want). The goals of person **B** (his intentions, purposes, thoughts, etc.), as mental phenomena of person **B**, are not “objective” to me in the same way that a physical coin or vending machine is “objective” to me. And this suggests that when I seek to coerce another person by seeking a change in the mind of that person, I cannot “attain” this change in the same way I can attain an item from a vending machine. My striving for the mental entities of another person cannot result in their attainment (as happiness) in the same way that my striving for physical objects can result in *their* attainment (as happiness). This suggested a possible reason, grounded in action/consciousness categories, why an actor may prefer “objective” market exchanges over coercive exchanges.

The theory is an attempt to provide a “scientific” basis for certain libertarian intuitions about social interaction and the market process. Libertarian social theory advocates the market economy over the command economy. And libertarian social theory generally objects to the use of coercion as a means of social exchange. The question is whether a basis for these preferences can be found in human nature.

Part 3

Interpretation

A.

The theory of interpersonal action explains the libertarian preference for market society in terms of the structure (the categories) of consciousness (what Mises referred to as the structure or categories of *action*). Libertarian *economic* theory explains the preference for market society in terms of the abundance or paucity of goods, the efficiency or inefficiency of the distribution of goods, and the impact on standards of living resulting from policies intended to restrict or influence market transactions. Libertarian *ethics* theory explains the preference for market society in terms of ethical conduct. Market society is the corollary of *good* or *just* social conduct; the command society is the corollary of *evil* or *unjust* social conduct.

The theory of interpersonal action provides an explanation of the libertarian preference for market society that is independent of the material (the “economic”) circumstances of any individual or society. It also provides an explanation of the libertarian preference for market society that is independent of social analysis from an ethical or moral point of view. The significance of the market society is that it is a technique or method for conducting *social interaction* without engaging in *interpersonal action*. As market society evolves and expands—beginning with the simple posting of prices, evolving to the introduction of mechanical and electronic vending machines, and evolving further to electronic commerce—the individual is ever more enabled to conduct social exchanges without engaging in interpersonal action. As the market evolves and expands, methods of social interaction that do not require interpersonal action evolve and expand. The individual interacts

with posted prices, with automated vending machines, and with computer technology.

From an objective point of view (from the point of view of an observer of the market as a whole), the individual (**A**) who interacts with market technology engages in social interaction, because other people (**B**) come into contact with this same technology at an earlier or later time. At some point in time, person **B** posts the price that actor **A** now observes; at some point in time, person **B** refills the vending machine that actor **A** now uses; at some point in time, person **B** fulfills the Internet order that actor **A** now places. However, from the point of view of actor **A** *at the time of his action*, each of these transactions or interactions may be conducted without reference to the mind or consciousness of another person. In one sense (in the objective sense), the actor who interacts with market technology is engaged in social interaction. In another sense (in the subjective sense), the actor who interacts with market technology is not engaged in social interaction; he interacts with an inanimate object. The significance of market society is that it is a technique for engaging in social interaction without engaging in interpersonal action. And this is the basis for the libertarian preference for the market society. Market technology—the price system, automated transactions, electronic communications and transactions, and so on—is a method by which an individual may avoid the dissatisfaction or unhappiness inherent in interpersonal action while still enjoying the benefits of social interaction and social exchange.

B.

Interpretation Continued

The theory does not imply that one *ought* or *ought not* engage in interpersonal action. Instead, it implies that the libertarian preference for market society has a basis in the categories of consciousness (categories of action). Referring to the categories of his consciousness, an actor may come to associate various *actions* with a given *category of action*. For example, an actor may associate the *action* of eating ice cream with *satisfaction* or *happiness*, while the same actor may

associate the *action* of interacting with another person (interpersonal action) with *dissatisfaction* or *unhappiness*.

It is not maintained that an actor *must* associate any particular kind of action with a particular category of action; it is only maintained that he *may* do so. If conscious actors do indeed make these kinds of associations, this may explain why they choose or prefer some methods of social interaction over others, and why they believe that some developments in society constitute “progress” while other developments in society constitute “decline” or “decay.”

If a person associates interpersonal action with dissatisfaction or unhappiness, and if he associates methods of social interaction that do not entail interpersonal action with satisfaction or happiness, then he may interpret a situation in society in which market technology is expanding as “social progress,” and he may interpret a situation in society in which market technology is contracting as “social decay” or “social decline.”

Our thesis is that the phenomenon we have historically referred to as “market society” or as the “evolution of market society” is the development of forms of social interaction that do not require interpersonal action. According to this interpretation then, the phenomenon of *prices* (“market prices”) is a *historical example* of this development and evolution, but not an essential characteristic of it. The introduction or emergence of prices (“the price system”) was, according to our interpretation, one concrete historical instance of a broader phenomenon: the development and evolution of forms of social interaction that obviate the need for interpersonal action.

From this point of view, the significance of prices is not their role in allocating goods and services spatially and temporally among various people. Rather, the significance of prices is to be seen in the role they play in the consciousness of the actor who posts or observes a price. The one who posts a price may do so without engaging in interpersonal action. Similarly, the one who observes a price may do so without engaging in interpersonal action. The written price thus enables social

interaction to occur without interpersonal action. Seen in this light, the “price system” is a historical example of a broader evolutionary process in which forms of social interaction are developed that obviate the need for interpersonal action. From this point of view, the price system is not significant because its utilization leads to greater material well-being. Instead, the price system is significant because the actor who employs it as a method of social interaction may consider it more personally satisfying than “direct” interpersonal action. The actor may associate the written price, qua perceptual object, with the category of *satisfaction*, and he may associate the mind of another person, qua nonperceptual presence, with the category of *dissatisfaction*. The actor may therefore tend to choose social interaction via the price system as it seems to him personally satisfying, and he may tend to avoid social interaction via interpersonal action as it seems to him personally unsatisfying.

C.

Interpretation of Social Evolution

A recurring theme of libertarian social theory is the relationship between the self-interested actions of individuals, the expansion of market phenomena, and the improvement in mankind’s condition.

Consider Adam Smith’s invisible-hand metaphor:

As every individual, therefore, endeavors as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to

promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. (AS-456)

The individual, pursuing only his own gain, unintentionally also “promotes the public interest.” If we consider Carl Menger’s explanation of the origin of money, the same notion is present:

As *each* economizing individual becomes increasingly more aware of his economic interest, he is led by this *interest*, *without any agreement, without legislative compulsion, and even without regard to the public interest*, to give his commodities in exchange for other, more saleable, commodities, even if he does not need them for any immediate consumption purpose. With economic progress, therefore, we can everywhere observe the phenomenon of a certain number of goods, especially those that are most easily saleable at a given time and place, becoming, under the powerful influence of *custom*, acceptable to everyone in trade, and thus capable of being given in exchange for any other commodity. These goods were called “*Geld*” by our ancestors, a term derived from “*gelten*” which means to compensate or pay. Hence the term “*Geld*” in our language designates the means of payment as such. (POE-260)

Both of these passages conceive a relationship between self-interested individual action and some economic or market-related benefit to society. In Smith’s case, the benefit is the increase in the revenue or capital of society, and in Menger’s case, the benefit resulting from self-interested individual action is the emergence and evolution of money. The two essential components of this kind of theory are (1) the concept of individual, self-interested action, and (2) a social benefit that results from this self-interested action but which was not the intention of the actor performing the action. Mises too provides an account of social evolution based on self-interested action:

The task with which science is faced in respect of the origins of society can only consist in the demonstration of those factors which can and must result in association and its progressive intensification. Praxeology solves the problem. If and as far as labor under the division of labor is more productive than isolated labor, and if and as far as man is able to realize this fact, human action itself tends toward cooperation and association; man becomes a social being not in sacrificing his own concerns for the sake of a mythical Moloch, society, but in aiming at an improvement in his own welfare. Experience teaches that this condition—higher productivity achieved under the division of labor—is present because its cause—the inborn inequality of men and the inequality in the geographical distribution of the natural factors of production—is real. Thus we are in a position to comprehend the course of social evolution. (HA-160)

For Smith, the individual, in increasing the value of his capital, unintentionally increases the revenue of society. For Menger, the individual, in trading for more marketable goods, unintentionally fosters the development of money. For Mises, the individual, in recognizing the higher productivity of his labor under the division of labor, is led to intensify association and social cooperation. Thus, an important focus of libertarian social theory is the relationship between individual action and the evolution of the market. The question is: what factors within the conscious field of the individual actor steer him toward those actions that constitute the market? The present theory suggests an answer to this question that is independent of historically conceived market phenomena such as capital, labor, revenue, money, productivity, division of labor, interest, and so on.

D.

The Relationship between the Theory of Interpersonal Action and Libertarian Social Theory

One of the central concerns of libertarian social theory, as distinct from libertarian economics, is the use of coercion in social exchange. Coercion, as we define it, is distinct from other forms of harm such as violence, assault, and aggression. By “coercion,” we mean a specific kind of *trade* or *exchange*. When I coerce someone, I take something (**X**) away from another person (or threaten to do so), with the intention of offering **X** back to that person in an exchange for something I want. In the prototypical coercive exchange, I point a gun at another person (**B**) and exclaim: “Give me **Y** or I’ll shoot.” My goal in such an exchange is to obtain **Y** by offering **X** (in this case, **B**’s well-being) to person **B** in exchange. As I believe that **B** already has **X** (as I believe **B** already has his well-being), I take **X** away from **B**, or threaten to do so, and then offer **X** back to **B** in exchange for **Y**, my ultimate goal. This is the universal form of the coercive exchange.

The coercive exchange is central to libertarian social theory because it is the primary means by which nonlibertarian society prevents libertarian society from emerging. Libertarian society is not prevented by daily acts of violence against libertarians. Libertarian society is prevented by means of coercive exchanges. The nonlibertarian (**A**) wants **Y** (generally, for the libertarian to obey all the rules of nonlibertarian society). The libertarian (**B**) wants **X** (generally to avoid physical harm and imprisonment). As **A** believes **B** already has **X** (i.e., as the nonlibertarian believes that the libertarian is not currently suffering harm and/or is not currently imprisoned), **A** threatens to take **X** away from **B**, and then offers **X** back to **B** in exchange for **Y**. Thus, nonlibertarian society is maintained, and libertarian society prevented, by means of coercive exchanges.

To conduct a coercive exchange, I must locate, in the field of my consciousness, another being possessing the same categories of consciousness as myself (i.e., an entity “possessing” the categories of

happiness/unhappiness, pleasure/pain, satisfaction/dissatisfaction, etc.). Knowing how these categories function in my own consciousness, I intend to apply this knowledge toward the manipulation of these same categories in **B**'s consciousness, in order to attain some goal of mine. To do so, I must locate within the field of my consciousness, being **B**, a being in possession of the same consciousness categories I possess. The "locating" or "appearance" of another consciousness **B**, within the field of my own consciousness, is the essential characteristic of (is our definition of) *interpersonal action*. And thus, for me, **A**, *the means of coercion necessarily requires interpersonal action*. To conduct a coercive exchange, I must locate another consciousness (another consciousness must "appear") within my conscious field.

(It is important to remember that we are here referring to a *subjective* and not an *objective* "location" of another consciousness. In our meaning, I "locate" another consciousness not by ascertaining the spatial coordinates of another human body; rather, I "locate" another consciousness in the subjective sense when another consciousness appears in some part of my conscious field. Furthermore, the other consciousness does not appear to me in the observational sense just as the back of the wall does not appear to me in the observational sense. The other consciousness appears as an unperceived presence, that is, as something copresent with my current perceptions, observations, or sensations.)

To the extent I socially interact via market technology (as distinct from interpersonal action), another consciousness does not appear within my conscious field. As coercion requires the appearance of another consciousness within my conscious field, social interaction via market technology precludes coercion in the subjective sense (i.e., when I'm interacting with a written price, with a vending machine, or with a computer, I am not engaged in interpersonal action, and thus, not engaged in coercion in the subjective sense). An expansion of social interaction via market technology implies a correlative contraction in interpersonal action, the prerequisite or necessary condition of coercion.

The present theory provides a new insight into the relationship between the *market* on the one hand and the notion of “coerced” versus “uncoerced” exchanges on the other hand. How is the market related to the diminishment of coerced exchanges? Our answer is that in a market exchange, the coerced/uncoerced distinction does not apply because we define market exchange as social interaction that does not entail interpersonal action. Thus, social interaction via market technology tends to diminish coercive exchanges because in a market exchange, there is no interpersonal action and therefore coercion, as we define it, cannot occur. Expansion of the market system diminishes coercive exchanges by replacing interpersonal action with forms of social interaction that do not entail interpersonal action, and in which therefore, the phenomenon of coercion cannot arise.

Key

AS – Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1981

HA – Mises, *Human Action*, 1966

MM – Mises, *Money, Method, and the Market Process*, 1990

POE – Menger, *Principles of Economics*, 1994

TH – Mises, *Theory and History*, 1985

