

## **The Theory of Imputation: A context of value spreads between means and ends**

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### Abstract:

In the beginning of the paper, we formulate an objective – establishment of the reasonable backgrounds for future research on the field of imputation theory. In order to attain this end – as it will be showed, there is only one remaining sound question among the ruins of the old imputation theory – the problem of value-relationship of means and their ends.

Our investigations of the imputation theory, will lead us to reconstruction of the old value theory apparatus as a consequence of the existence of two different phenomena labeled in the present literature as “value”. We will therefore coin two new terms – “value ex ante” and “value in action”. Later, we will establish new, “praxeological point”-analysis in order to overcome difficulties of decision-making research.

Finally, rules for imputation analysis will be formulated and their validity demonstrated in confrontation with the interest theory of Professor J. G. Hülsmann.

### Contents:

The theory of imputation: A context of value spreads between means and ends .....	2
1 Why it is important to study imputation .....	2
2 Toward the general theory of imputation.....	3
3 J. G. Hülsmann; on the front of the interest .....	7
4 The Austrian theory of value .....	8
4.1 The nature of action.....	8
4.2 Means and ends.....	10
4.3 The Theory of Value .....	10
4.3.1 Value as an actual behavior?.....	10
4.3.2 Behind the Value – Problem of two Values.....	11
4.3.3 Murray N. Rothbard: The harmony of two values .....	13
5 Means, ends and value – restatement of the imputation theory .....	15
5.1 World of “one-stage” production processes .....	15
5.2 World of “more-stage” production processes.....	17
6 Lesson concerning nature of value spreads.....	20
6.1 The case confrontation .....	22
7 Conclusion.....	25
8 References .....	26

# The theory of imputation: A context of value spreads between means and ends<sup>1</sup>

## 1 Why it is important to study imputation

Imputation, as the problem of value and valuation of the factors of production, is not regarded as a very fashionable field of research among the present-day Austrian economists. Frankly speaking, the debate concerning this problem has been dead for nearly 80 years. Misesian ordinalistic theory of value smashed down cardinalistic approaches of Böhm-Bawerk and Wieser. Cardinal values could not explain pricing process of the factors of production – the major aim of the imputation theory, because there are simply no cardinal values at all. As Mises wrote:

“Valuation ... can never attach to a good something that could be called a quantity or magnitude of value. ... One cannot add up values or valuations. One can add up prices expressed in terms of money, but not scales of preference. ...

A value judgment never consists in anything other than preferring *a* to *b*. The process of value imputation does not result in derivation of the value of the single productive agents from the value of their joint product. ... It is only the market that, in establishing prices for each factor of production, creates the conditions required for economic calculation. Economic calculation always deals with prices, never with values.”(Mises (1996), p. 335)

Or in other words, on the market, there are two price-determining powers – valuation and appraisal. “Valuation is a value judgment expressive of a difference in value. Appraisal is the anticipation of an expected fact.” (ibid., p. 332) Valuation is preferring *a* to *b*. Appraisal is based on a prediction of “ what amount of money will be required for the purchase of a definite commodity.” (ibid., p. 332) The system of the market economy works in the following way: consumers value goods on the basis of their appraisal of the money. Producers (-entrepreneurs) appraise factors of production according to the expected prices of consumption goods. Valuation, in Mises’ eyes, is only an indirect phenomenon on the market for the factors of production. And as far as most investigators have been concerned

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<sup>1</sup> I would like to thank Jörg Guido Hülsmann, Mark Thornton, Pavol Juhos and Miroslav Kollár for comments on this paper; the usual caveats apply.

with explanation of the market phenomena, questions raised by the theory of imputation, an offshoot of the theory of value, has been of no significant importance for them.

This really holds true for most of the research. However, in the recent development, new claim brought implicitly problem of imputation on the daylight again. Namely, professor Hülsmann<sup>2</sup> in his article on the interest theory formulated existence of the general value spread between means and their ends. Because factors of production are regarded as means, they are, according to this point of view, always necessarily in value relationship with their ends and are therefore subject of valuation. Investigation of this value spread is very important – it seems to allow us to explain the problems related with the nature of ordinary interest and also to open unexplored areas for investigations that have not been considered so far at all, explicitly analysis of means and their potential ends on the same value scales.

It is now much more clear, that the problem of imputation has been considered only from the very narrow point of view of pricing of production factors so far. In its cardinalistic formulation it is useless. However, in the formulation as a universal problem of means-ends value relationship its investigation could shed light on the general problems of value and valuation necessarily linked with essential topics concerning the interest theory, socialist calculation debate, welfare economics and many others. The theory of value constitutes one of the unavoidable pillars of praxeological research. Hence, we will try to reconstruct and establish solid backgrounds for future investigations concerning value of means and their ends.

## **2 Toward the general theory of imputation**

General problems of value of means and their ends constitute problem of imputation for us. Our first step will be devoted to explanation of this formulation in the context of previous Austrian approaches related with the problem of imputation.

As has been said, alleged focus of the theory of imputation was always value of the goods of higher orders – factors of production. The orders in the point of view of the first two generations of the Austrian school were derived from casual relations – number of casual steps to the production of the consumer good represented also the order of the considered good (Menger(1994), p. 57; Böhm-Bawerk(1959), p. 169). As far as this approach is based on the grounds of physical relations, it is highly ambiguous from the praxeological point of view.

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<sup>2</sup> Hülsmann (2002), esp. pp. 86-92

Therefore the order of the good played no special role in the process of valuation – the same principle held true for all orders. As Menger put it:

“The value of goods of *higher order* is ... , in the final analysis, nothing but a special form of the importance we attribute to our lives and well-being. Thus, as with goods of first order, the factor that is ultimately responsible for the value of goods of higher order is merely the importance that we attribute to those satisfactions with respect to which we are aware of being dependent on the availability of the goods of higher order whose value is under consideration.” (Menger (1994), p. 152)

In Mises’ works we see explicit recognition of orders as unimportant for the explanation of the valuation of goods:

“It is ... not necessary ... to arrange producers’ goods in various orders from the second to the *n*th. It is no less superfluous to enter into pedantic discussions of whether a concrete good has to be called a good of the lowest order or should rather be attributed to one of the higher orders. Whether raw coffee beans or roast coffee beans or ground coffee or coffee prepared for drinking or only coffee prepared and mixed with cream and sugar are to be called a consumers’ good ready for consumption is of no importance. ... For with regard to the problem of valuation, all that we say about a consumers’ good can be applied to any good of a higher order (except those of the highest order) if we consider it as a product.” (Mises (1996), p. 94)

The main problem here was regarded not the order of the good as such, but the fact, that higher order goods are always used in cooperation in order to bring about final satisfaction. This was seen already by early Austrians (Böhm-Bawerk(1959), p. 161; Wieser(1956), p. 72) and fact of complementarity was discussed by Mises (Mises(1996), pp. 93-94), who made distinction between consumers and producers goods on this base, and also by Rothbard (Rothbard(2004) p. 13, 34).

But how is the value of these complements derived? Böhm-Bawerk (1959) and Wieser(1956) came up with concurrent cardinalist solutions of this problem. In spite of their fundamental methodological differences – as Böhm used marginalist method and Wieser made an attempt for the theory of value distribution, they had one thing in common as a consequence of their cardinalistic approach: equations. In case that you have more unknowns, cardinal value of which you want to investigate, you need sufficient palette of equations with cardinal numbers to solve it. And it does not matter whether you use Bawerkian equations derived from dynamic changes or Wieserian equations of static equilibrium. But how to solve the problem? What to equalize? The key was already offered by Menger:

“The aggregate value of all complementary quantities of goods of higher order ... necessary for the production of a good of lower order is equal to the prospective value of the product.” (Menger(1994), p. 161)

The solution was therefore based on two basic principles. First, equation of value of cause with value of dependent result bringing satisfaction was supposed. We should remember that this was supposed to hold true generally for good of every order, i.e. generally for means and their ends. And second, with assumptions of the first principle and the existence of cardinal utilities of the product on the hand, it should have been only the question of approach how to count values of respective definite factors of production.

However, as it was said in the previous section, Mises identified fallaciousness of these approaches:

“A value judgment never consists in anything other than preferring *a* to *b*. The process of value imputation does not result in derivation of the value of the single productive agents from the value of their joint product.” (Mises(1996), p. 335)

Without cardinality, all imputational analysis proposed by Böhm or Wieser becomes useless. It is only theoretical play without counterpart in the real world. The result of this argumentation was abandonment of the concept of imputation at all. Nevertheless, and this is of highest importance, the first assumption used by the imputation theorists was retained in the Misesian system:

“It is permissible to declare that, due allowance being made for time preference, the value attached to a product is equal to the value of the total complex of complementary factors of production.” (Mises(1996), p. 335)

However, this value equation phenomenon is in high contradiction with the very concept of the value defended by Mises himself. This inconsistency was identified by professor Hülsmann:

“...value imputation theory cannot be reconciled with Mises’s own work on the problem of economic calculation, the point of which is precisely that there is no such thing as value calculation ... The reason is ... that values are never equal (and thus potential elements of mathematical equations); rather, one value is always higher or lower than other values.” (Hülsmann (2002), p. 89)

It is precisely this red thread of alleged value equations between causes and their results, i.e. means and their ends, linking all Austrians from Menger to Mises that successfully prevented any deep investigations on the field of value relations between means and their ends. In the eyes of professor Hülsmann it was kind of Mengerian-imputation-path-dependency disease:

“From the point of view of Menger’s theory of value imputation, the very question of a value spread between means and ends could not possibly arise. And the authority of his opinion effectively prevented the question from arising from his disciples in subsequent generations—a case of intellectual path-dependency.” (ibid., p. 88)

Or put it from the point of view of strict Misesian schizophrenic: if we, on the one hand, claim that value is, in general, purely ordinal relationship, whereas, on the other hand, argue equal valuation of two phenomenon (means and ends), it is as to say that there is no value relationship between these two phenomenon at all.

It is clear that this could not be justified on the base of arguments with which Mises himself rejected the second claim of cardinalists. Ascribed implicit conclusion of unfeasibility of any investigation on the field of the value of means and their ends is therefore simply incorrect, there is no value equation in human action.

It is true, that the scope of means-ends ordinal-value relationship is more general in comparison with the scope of the former imputation theory. This basic assumption that there is some value relation between ends and goods – means<sup>3</sup>, was formerly narrowed by orientation on *cardinalistic* valuation, and analysis of *complementary* goods based on the value *equality* between means and ends.

However, as it was showed, all these narrowing assumptions are untenable – there are no cardinal values, there is no value equality between means and their ends, and therefore there could be no analysis of complementary goods based on these two previous assumptions... It is only means-ends value relationship that remained from the old theory of

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<sup>3</sup> Theory of value-interdependence between consumers and producers goods must be grounded in the general categories of human action – means and ends. Austrian authors are aware of this and the existence of means-ends value relation constitutes basic principle of their systems. See for example Menger (1994): “The value of goods [i.e. means] arises from their relationship to our needs [i.e. ends], and is not inherent in the goods themselves. With *changes in this relationship*, value arises and disappears.” (emphasis in the original) (p.120) See also Böhm-Bawerk (1959) p. 135, Wieser (1956) pp. 6-7 and Mises (1996) p. 96.

imputation. And as far as means-ends value relation constitutes the only piece of the former theory of imputation that could be reasonably investigated, it is the theory of imputation.

### 3 J. G. Hülsmann; on the front of the interest

“... each party attaches a higher value to the goods he receives than to that he gives away.”

(Mises (1996), p. 331)

“Thus the payment of interest must ... be regarded ... as the exchange of one economic good (the use of capital) for another (money, for instance)”

(Menger (1994), p. 156)

Since the explicit formulation of the problem we now call imputation was made by professor Hülsmann (Hülsmann(2002)), first step of our inquiry will be devoted to understanding of his argument. Later sections will deal with its understanding in the context of the Austrian value theory.

In his article “A Theory of Interest” professor Hülsmann formulates the inconsistency and unfeasibility of previous Austrian approaches to the theory of interest. As a consequence, he brings up a new aprioristic theory of interest – an attempt of interest-imputation synthesis. This is an entirely new point of view, since the theory of interest was always regarded as a time-value phenomenon and the theory of imputation was a problem of means-ends value relation. Interest in his view is a consequence of the general value spread between means and ends. The reason for value spread springs from the fact that

“[t]he end is what really counts for the acting person, whereas the means is merely the thing or the action that is in between his present state of affairs and the state of affairs in which his end is realized.”(Hülsmann (2002), p. 86-87)

This lower status of means compared to their ends is very important, because

“...it follows from this fact that, by their very nature, ends have, in the eyes of the acting person, a higher value than the corresponding means.” (ibid., p. 87)

Or in other words ends are always preferred to the respective means. This could be demonstrated on a hypothetical example:

“...if an acting person could choose between either having his end realized or having the means to attain it, he would choose the end. This is a direct implication of the very nature of ends and means. One cannot even conceive of choice being different without running into contradictions. If a means is ever chosen, then the only purpose of this choice is to attain the end it serves. The very nature of a means implies that it is not sought for its own sake. Its value necessarily ranks below the value of the end, and the means would have no value without the end it serves. (ibid., p. 87)

It is unthinkable to prefer a means to its end, which it is intended to fulfill. In such a case we would choose not to fulfill the end because we wanted to fulfill the very same end. This is certainly an excellent example of self-contradiction. From this, it is derived that we always prefer ends to its means i.e. we value an end higher than its means. This allows professor Hülsmann to

“... give a realist definition of ordinary interest ... [where] [o]rdinary interest is the fundamental spread between the value of an end and the value of the means that serve to attain this end.” (ibid., p. 88)

If this reasoning were true, two general economic problems – interest and imputation, put in the article in the question would be solved. However, is such an explanation possible? Is it really result of the correct deduction from the axiom of action? Is valuation of means and their ends theoretically feasible? Few sentences of the article devoted to this problem do not fully answer our questions. Before we could come with affirmative or negative statement, thorough investigation of means and ends and their nature is inevitable.

## **4 The Austrian theory of value**

Professor Hülsmann formulated the problem of the theoretical vacuum of value relation between means and their ends. The following sub-sections will be devoted to the reconstruction of the Austrian value theory in the context of this problem. We will start our reasoning from the axiom of action; follow with the definition of means and ends; and finally, we will come up with the value theory.

### **4.1 The nature of action**

Human action is purposeful behavior (Mises (1996), p. 11). Action means not simply giving preference. It requires choice in order to acquire its result – an end. Mises formulates



three inescapable prerequisites of human action - "...uneasiness..." has to be felt, "...the image of a more satisfactory state..." must be present and "...the expectation that purposeful behavior has causal connection with removing or at least to alleviating felt uneasiness..." must be held. As Mises puts it: "[t]hese are the general conditions of human action." (ibid., pp. 11-14, 22)

But what does the term "uneasiness" mean? And how does Mises understand it? The question is not directly answered with introduction of this term. Reader is for long passages of the book left only with ambiguous implicit definitions (ibid., pp. 13, 92). But finally, after nearly one hundred pages, Mises comes to the clear interpretation:

"Action is always directed toward the future; it is essentially and necessarily always a planning and acting for a better future. Its aim is always to render future conditions more satisfactory than they would be without the interference of action. The uneasiness that impels a man to act is caused by a dissatisfaction with expected future conditions as they would probably develop if nothing were done to alter them. *In any case action can influence only the future, never the present* that with every infinitesimal fraction of a second sinks down into the past." (emphases added) (ibid., p. 101)

There are three important categories in the picture. First, pre-action state of affairs. Second, result of an action. Third, counterfactual result to the second. The important point here is that the first one just does not count. It plays no direct role in action, it might be, in the best case, some kind of clue that there is a third one. Every opposing point of view would be self-defeating. Action is defined as purposeful behavior. Our aim – purpose, is an action-result category – we could not change something from which springs the action otherwise we would undermine the very same action. It is important to understand here, that all pre-action categories are bare historical datum. Felt pain of my teeth at 1 a.m. just is. Its presence as a pre-action category could not be undone by this action from definition.

And what is then cause of our actions? The answer is – it is true that we could not change pre-action categories, however, what we are able to interfere with are action-result categories, according to their higher or lesser satisfactoriness. In other words, it is not the present state of uneasiness that is relevant for our actions but the potential states of uneasiness that would have occurred in the absence of action taken into consideration. The compared states are action-result categories. The present state of affairs plays no direct role in the actor's decision – we do not go to the dentist because of our present pain. We go there because we expect that if we did not, the pain would remain. It is from its very definition that human action is action-result oriented.

## 4..2 Means and ends

We have seen that it is (action-result) uneasiness that directs our actions; therefore “[s]trictly speaking the end, goal, or aim of any action is always the relief from a felt uneasiness.” (ibid. p. 92) Means<sup>4</sup>, on the other hand, is what serves to the attainment of this ultimate end.

“A means is what serves to the attainment of any end, goal, or aim. Means are not in the given universe; in this universe there exist only things. A thing becomes a means when human reason plans to employ it for the attainment of some end and human action really employs it for this purpose. Thinking man sees the serviceableness of things, i.e., their ability to minister to his ends, and *acting man makes them means.*” (emphases added) (ibid., p. 92)

Means is a thing of the external world, not necessary material, regarded by acting man to be in causal connection with attaining a desired end and consequently used. Means are always scarce compared with desired services, otherwise there would be no need for action in connection with them and they would be only “general conditions of human welfare” (ibid., p. 93). Thinking the opposite would bring us into self-contradiction: if all our respective ends are satisfied without taking care of supposed “means”, it does not serve in relief of any uneasiness – attainment of an end. It is not means at all.

## 4..3 The Theory of Value

### 4.3.1 Value as an actual behavior?

So far, we have derived categories of means and ends – categories imaginable only under condition of scarcity. Condition, that is inevitable for any reasonable consideration of human action. What are further implications?

In Mises’ view “[a]cting man chooses between various opportunities offered for choice. He prefers one alternative to others.” (ibid., p. 94) Choice is an inescapable category of action – behavior without choice involved suffers lack of purposefulness. Choice between various opportunities represents value, i.e. relative desirability of different action-result alternatives, customarily ascribed as preference scales. However, “[t]hese scales have no independent existence apart from the actual behavior of individuals.” (ibid., p. 95). They are meaningful only as an inseparable part of action.

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<sup>4</sup> There is no difference between the terms “means” and “goods” ibid., p. 93

Value is also not inherent in goods "...[it] is the importance that acting man attaches to ultimate ends<sup>5</sup>. Only to ultimate ends is primary and original value assigned. Means are valued derivatively according to their serviceableness in contributing to the attainment of ultimate ends." (ibid., p. 96) By choosing means, we are choosing the respective end.

### 4.3.2 Behind the Value – Problem of two Values

"... value ... [is] a *trilateral* relationship involving one individual and two economic goods [= means]." (emphases in the original) (Hülsmann(2003), p. xxxvi)

But the way of Mises' exposition might lead to a confrontation in definition. Value is either ordinal relation and therefore present only in action:

"...[value] scales have no independent existence apart from the actual behavior of individuals. ... Every action is always in perfect agreement with the scale of values or wants because these scales are nothing but an instrument for the interpretation of a man's acting." (ibid., p. 95)

or, as it was said, this ordinal relation of goods is only mirrored value of ultimate ends:

"Only to ultimate ends is primary and original value assigned." (ibid., p. 96)

and not necessary present in "actual behavior". It has already been shown that the existence of ultimate ends ("satisfactions") is a prerequisite of action and therefore a pre-action category:

"Acting man is eager to substitute a more satisfactory state of affairs for a less satisfactory. His mind imagines conditions which suit him better, and his action aims at bringing about this desired state." (Mises(1996), p. 13)

Without the existence of this "value ex ante"<sup>6</sup> – relation of ultimate ends, there would be no incentive to act. Thus it is necessary to conclude that it is from the fundamental praxeological

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<sup>5</sup> Terms „ultimate end“ and „end“ are in this paper regarded as interchangeable.

<sup>6</sup> Murray Rothbard (Rothbard (2004), pp. 1061-1074) coined the term "utility ex ante". In Rothbard's eyes there is no distinction between terms „utility“ and „value“ (Rothbard (2004), p. 18) – "utility ex ante" and "value ex ante" are therefore the same terms. The term "value ex ante" will be used in the present article, however, in a slightly different meaning compared to the Rothbard's. Whereas Rothbard basically distinguishes between "value ex ante" and "value ex post", our investigations are concerned only with the first one and we make distinctions (not necessarily mutually exclusive) inside of it: "value ex ante" and "value in action". As it will be shown later, our "value ex ante" represents preferences that are reasons for actions of an acting person (ultimate ends) and "value in action" only its derivative, consequence of "value ex ante" and relation of states of affairs

assumption that value is also “outside” of action. All of Mises’ predecessors were forced to assume within their explanation, that there is something behind value – as it was Menger’s “satisfaction” (Menger(1994), p. 115) or Böhm’s and Wieser’s “utility” (Böhm-Bawerk(1959), p. 143, Wieser(1956), pp. 24-26). Does not this state of affairs shade the light of praxeology with psychologization?

This weak point was explained in much more satisfactory manner in Rothbard (2004). He vividly distinguishes between this “value ex ante” (ranking of the ultimate ends) and its derivate “value in action” (ranking concerned with actual behavior):

“The original source of value is the ranking of ends by human actors, who then impute value to consumers’ goods, and so on to the orders of producers’ goods, in accordance with their expected ability to contribute toward serving the various ends.” (ibid., p. 20)

These (ultimate) ends are therefore desired states of particular means, choice concerning means and their intermediary states is only on derivative basis; it is “[t]he choice of which ends to include in the actor’s value scale and the assignment of rank to the various ends [that] constitute the process of *value judgment*.” (emphases in the original) (Rothbard (2004), p.18) Such a value judgment (“value ex ante”) could have following form:

“(First) 1. Going for a drive  
(Second) 2. Playing bridge  
(Third) 3. Continuing to watch baseball game” (ibid., p.18)

This “value ex ante” represents consideration of desired ultimate state of means and creates basis for an action. In other words, praxeology must assume a kind of valuation preceding action. Misesian theory is built on this assumption, it needs it, but Mises himself is at least not clear enough in relation with it.

In the framework of human action is therefore the category of “value ex ante” (satisfaction = well-being = uneasiness = scale of ultimate ends) represented by the mutual relation of different thinkable states of affairs (ultimate ends) – considered states of uneasiness. It is present in every action as the pre-action nexus “better ultimate state of affairs seen” – “worse ultimate state of affairs seen”. It should be noted that the concept of “value ex

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regarded as necessary for its attaining. It seems that also for Rothbard’s mainly utilitaristic uses is our definition suitable because our “value ex ante” is what really counts and is then “in action” demonstrated. This demonstration could be direct – by attaining ultimate ends but also indirect – represented by attaining means.

ante” *is by its nature pre-action* – it must precede every action. No action is feasible outside the scope of this nexus. There is no other than this better-worse ordinal relation implied within the context of human action. Any attempt for a more “exact” or even cardinal knowledge loses its significance in the pale of bare psychologization. There is no thinkable procedure of escaping this ordinal logic: more states – ultimate ends<sup>7</sup>, are thought of, one is better, and the rest are worse. That is what we know.

And now, we have approached the crucial point of our discussion – what is, from the point of view of the previous context, relation between “value ex ante” and “value in action”? Answer to this question represents also the key to already formulated problem of imputation. This hint was given by Murray Rothbard in the small passage of his *Man, Economy and State*.

### 4.3.3 Murray N. Rothbard: The harmony of two values

In understanding of the phenomenon of imputation Rothbard at least occasionally diverts himself from the line projected by his predecessors. The principle of value imputation is explained not on the equation of the value of product to the value of the factors of production. Its basis therefore lays not on equal but on a transformed-ordinal relationship:

“Human actors value *means* strictly in accordance with their valuation of the ends that they believe the means can serve. Obviously, consumers’ goods are graded in value in accordance with the ends that men expect them to satisfy. ... Similarly, producers’ goods are valued in accordance with their expected contribution in producing consumers’ goods. ... Hence, those consumers’ goods serving to attain more highly valued ends will be valued more highly than those serving less highly valued ends, and those producers’ goods serving to produce more highly valued consumers’ goods will themselves be valued more highly than other producers’ goods.”

These are the basic criteria of the ordinal theory of value imputation in a nutshell. Value is imputed from “value ex ante” of the ultimate end attained by a consumer good to this good as “value in action” – good with more important dependent satisfaction<sup>8</sup> is valued higher to the competing good with less important dependent satisfaction. To the production goods is “value in action” imputed in the very same manner – as it was said earlier there are no considerable differences in valuation between consumers and producers goods and Rothbard’s indirect way through the consumers goods is not necessary: production goods with higher dependent

<sup>7</sup> “Strictly speaking the end, goal, or aim of any action is always the relief from a felt uneasiness.” Mises (1996), p. 92

<sup>8</sup> *ibid.* p. 18 “We are not at all concerned with the specific content of men’s ends, but only with the fact that various ends are ranked in the order of their importance. These scales of preference may be called happiness or welfare or utility or satisfaction or contentment. Which name we choose for value scales is not important.”

satisfaction are valued higher to the goods producing not so important dependent satisfaction<sup>9</sup>.  
Therefore

“... The original source of value is the ranking of ends by human actors, who then impute value to consumers’ goods, and so on to the orders of producers’ goods, in accordance with their expected ability to contribute toward serving the various ends.” (Rothbard (2004), p. 20)

Or more easily, value of ultimate ends – “value ex ante” is deciding element in case of the valuation (“in action”) of both – producers and consumers goods among themselves. To put it into an example – if Mr. Smith has two ultimate ends on his mind for this afternoon – riding a bicycle or assassinating his enemy, but disposition of time and money enables him only to attain means for one end, he has to choose. Let’s say that he chooses riding a bicycle – he “values ex ante” riding a bicycle higher than the assassination. Consequently, with this valuation on mind he acts accordingly and “values in action” – consequently he buys the bicycle and gives up buying the gun. He values the bicycle higher than the gun but this is only consequence of his “valuation ex ante” and his recognition of which means are suitable for attaining desired ends. Bicycle as such is of no importance for him. Only hope of its suitability for attaining his ultimate end is directing. We see that “valuation in action” which is the only way of valuation of the means from their very definition is never independent and always in accordance with relevant “valuation ex ante”.

For summation of the laws concerning two distinguished values: We “value ex ante” only ultimate ends – only those are of real importance for us. Based on “value ex ante” we “value in action” – we choose certain states of affairs. These states of affairs, however, are not necessary important for us as such but we see their importance in context of attaining ultimate ends. We could therefore “value in action” means among themselves; means and ultimate ends that compete with this means in concrete action; and two (or more) competing ultimate ends in concrete action.

There is an important consequence of the distinction between these two categories - “value ex ante” and “value in action” springing from the facts that we “value ex ante” only ultimate ends, and that we do not value means with its ultimate end (“ex ante” we do not value means at all and “in action” we choose only between competing states of affairs): It is

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<sup>9</sup> On another place: “It is clear that the utility of a consumers’ good is the end directly served. The utility of a producers’ good is its contribution in producing consumers’ goods. With value imputed backward from ends to consumers’ goods through the various orders of producers’ goods, the utility of any producers’ good is its contribution to its product—the lower-stage producers’ good or the consumers’ good.” *ibid.*, p. 33

logically impossible to value means with its end. To put both on the same “value scale” would be unthinkable – teleological cause of “valuation in action” of means is “valuation ex ante” of its end. If we combined both into one big Valuation, it would be equal to the statement that the effect is the cause of itself. This would be in contradiction with the very definition of cause and effect.

The only problem is that Rothbard probably did not fully recognize the nature of his changed point of view and on other places he still speaks in the equational fashion of previous generations<sup>10</sup>. This, however, changes nothing on the fact that every means is valued (“in action”) in accordance with its ultimate ends (“ex ante”). It represents the same choice. This fact will be crucial for our future investigations.

## 5 Means, ends and value – restatement of the imputation theory

Now, we came to the point where we have to use the theoretical knowledge we have gained in the previous sections. We will deepen our understanding of imputation concerning means, respective ends, and applications of “value in action” and “value ex ante”. Our analysis will start under simple conditions; later, further assumptions will be added; and in the end, general rules will be formulated.

### 5.1 World of “one-stage” production processes<sup>11</sup>

Imagine an individual. This individual, from the point of view of praxeology, is located in “praxeological point A”<sup>12</sup> (PP-A). By the term “praxeological point”, we will understand the *concrete pre-action contemplations of individual and the concrete state of his environment*. In other words, this individual possesses knowledge of some concrete ultimate ends and has some concrete things under his control in his environment.

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<sup>10</sup> For example: “..the value of the additional horse is equal to the value of the sixth-ranking end...” *ibid.*, p. 29; “...the marginal utility of each good is equal to the value of the least important end of which he would be deprived ...” *ibid.* p. 30; “Thus, the value assigned to a unit of a factor of production is equal to the *value of its marginal product*, or its *marginal productivity*.” *ibid.*, p. 34; “... the supply of that factor which must be given up or lost equals in value the value of the entire product...” *ibid.*, p. 40

<sup>11</sup> As it was stated before, order of a definite good plays no specific role in the principle of valuation. „Order“ in this section will simply mean number of decisions which are to be taken in relation with some good, before the satisfaction is attained. This way of analysis is undertaken only from the instructional point of view – it is easier to explain the basic principles in the situation, where not so many decisions and alternatives are needed to be considered. Basic principles, however, are order-invariant.

<sup>12</sup> The names of praxeological points, means, uses and ends are just of an illustrative character. There is no inevitable interconnection between points and concrete names.

The static auxiliary tool of “praxeological point” *will help us to understand the relation and interdependence of concrete decision-making aspects* in the dynamics of human action. It also enables us to deal with the problem of value by itself and not distort our analysis by the phenomenon of time that is not under the present scope of investigation. This holds true especially for the actions the end of which is fulfilled in the same “physical time” as they are performed, for example exchange. In the “praxeological point”-analysis, we are easily able to see “pre action” and “action result” categories and not to confuse ourselves with considerations of unchanged physical world.

Let’s say that our individual recognizes one thing in his environment that possesses the ability to satisfy his ultimate ends<sup>13</sup> as a result of purposeful behavior. However, he also knows that this thing is scarce compared to the desired ends (end 1, end 2 (E1, E2)) that it is able to satisfy. This thing is the means (M1). It is obvious that pre-action contemplations of individual comprise “value ex ante” of respective ends.

Conditions are clear – the individual has disposition of a thing and he knows which end is more valuable. Under these conditions as criterion, the individual moves from PP-A in order to attain the considered end. That is to say – the individual “values in action” and behaves respectively in order to attain E1 and give up E2. We see, that there is no choice concerning M1. This is direct implication of the knowledge gained in the part devoted to the explanation of uneasiness, M1 just is. It is the individual’s ability, his potential. It gives him the opportunity of attaining different various ends (E1, E2), but it is not the subject of valuation and choice at all. It simply is. It could not be thought otherwise and is therefore not subject of any action. The subjects of valuation “ex ante” and “in action” and consequently subjects of action are E1, and E2.

One might try to reject this argumentation on the following grounds: But what if one of the ends of this individual is also the retaining of M1? This might be true as well, but retaining of it represents shifting from praxeological point PP-A, represented by “value in action”, and attaining an end – possession of physically same thing as M1 under changed conditions of praxeological reality. Any individual after action is not the same individual in the praxeological sense of the word, he already possesses experience of performed action. And the physically same M1 out of PP-A is not praxeological M1 any more! It is the subject of a different praxeological consideration and has nothing in common with M1 except the

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<sup>13</sup> The difference between the “praxeological point” and the ultimate end is that the former comprises a complex state of affairs for the individual and the latter is a particular part of these affairs. With attaining of the former we could arrive to the latter, but the latter does not necessarily have to be sufficient for attainment of the former.



historical causal connection that is, in this praxeological consideration, worthless. It is simply because

“... [p]raxeology does not deal with the external world, but with man’s conduct with regard to it. Praxeological reality is not the physical universe, but man’s conscious reaction to the given state of this universe. Economics is not about things and tangible material objects; it is about men, their meanings and actions.” (Mises (1996), p. 92)

Now, let’s turn considerations a little further: imagine an individual in PP-E. He possesses two means (M1 and M2). There are three different relevant uses: M1 and M2 together (U1); M1 alone (U2); M2 alone (U3). These uses are all regarded as desired, however, we see that either U1 is attained, or U2 and U3 are attained, it is impossible to have both. We see that from the praxeological point of view is physical distinction between supposed ends worthless and often misleading, therefore the category of physical use (U) is brought up. For an acting man not physical connection of obtainable things is important, but their praxeological relatedness – whether concrete choice represents mutual exclusion or inclusion of physical events. Therefore “U1” and “U2 with U3” represent directly obtainable competing ultimate ends; let’s say E1 and E2 respectively. Let’s say that the individual “values ex ante“ E2, higher than E1. He chooses E1 ”in action”. And here again, as a consequence of the action-result orientation of every action, means M1 and M2 play only the role of inevitable pre-action abilities. They are not the subject of decisions or desires and consequently neither of valuation. The only subjects of valuation in this example are potential ends.

## **5..2 World of “more-stage” production processes**

The distinction of so-called stages of production would be from the pure praxeological point of view not important for our value-analysis in the world of unchanging ultimate ends in course of their fulfillment and perfect knowledge. An individual would have a means, which he would employ somehow, and finally, the desired end would be attained. The fact of causal complicity of this process might have been true as well; however, it would be only kind of external difference between this case and cases that were dealt with in the previous section. The main reason of our study of intermediary “praxeological points” is the possibility of change in preferences (“valuation ex ante”) – voluntary, or inevitable under the constraints of objective reality. This could be exercised before attaining of the previously chosen ultimate end. But it should be kept in mind that every our action is performed and could be explained

only in the context of actual ultimate ends, thus only these are of real importance for us. Ultimate ends might change in the process of action, but the rules governing the character of “valuation in action” are based on the same principles in case of the ends causally and as well prexeologically<sup>14</sup> indirectly obtainable, as for those obtainable directly.

Now, imagine new example – a person in some PP-A. He possesses four means M1, M2, M3, M4. There are three conflicting alternatives of using these means:

1. Person could move from PP-A to PP-B and put every means into a physically separate use: M1 in U1, M2 in U2, M3 in U3, M4 in U4. These uses together represent one alternative. This alternative represents attainment of the ultimate end – E1, it is the direct cause of satisfaction.
2. Person could also move from PP-A to PP-C instead. PP-C represents the result of a joint employment of M1 and M2 in U5, and a joint employment of M3 and M4 in U6. However, in PP-C the ultimate end is not attained. From the point of view of PP-A, it represents only qE2 – quasi-end. The reaching of PP-C is desirable only from one reason – U5 gives rise to means M12 and U6 gives rise to means M34. And by employing M12 and M34 together, there is an obtainable ultimate end E2 or
3. by separate use of M12 (U7) and M34 (U8), there is an ultimate end E3.

These are the alternatives. As we have already shown during the explanation of the Rothbard’s rules for imputation, acting man takes into consideration only ultimate ends – the reasons why he acts at all. Behind every action, there is always a “valuation ex ante” of ultimate ends. In our case, it is concerned with E1, E2 and E3. This is the decision individual has to make. We will presuppose that E2 is valued higher than E1 and E3 in PP-A. This is the crucial information. If there is a “value ex ante” of  $E2 > E1$  and  $E2 > E3$ , the move from PP-A to PP-C would represent “value in action”  $qE23 > E1$ , qE23 represents quasi end where individual again could decide between E2 and E3. This “value in action” will be in strict accordance with imputation in the Rothbardian exposition – we “value in action” quasi-ends of higher-valued ultimate ends higher than quasi-ends of lower-valued ultimate ends in question or the alternative ultimate ends themselves as it is in our example. And in PP-C, individual again stands in front of the similar decision considered in the previous section concerning “one-stage production process”

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<sup>14</sup> This is in the meaning of existence of perspective “praxeological points” before attaining of the end.

No comparative value relation between an end and its own quasi-end is present here. We have chosen the end in our minds and, as a consequence of the presupposed law of cause and effect, anytime we make a decision between choosing respective quasi-ends we are making a decision between respective ends. The decision between respective ends is ordinal, as it was shown. The decision between respective quasi-ends therefore necessarily has to be ordinal too, however we always have to keep in mind the causes of such a decision.

It is of highest importance to understand here, that there is no thinkable value relation between quasi-ends and the ends that they are designed to serve as they both represent one and the same choice. The reasoning is following:

1. From its definition, means (in this argumentation in the meaning of perspective quasi-end) could not be “valued ex ante” it could only be “valued in action”.

2. Choosing quasi-end (“value in action”) automatically needs the presupposition of choice of its respective ultimate end (“value ex ante”) – there is always ultimate end counterpart of “value ex ante” related with every “valuation in action”.

3. From 1., it is clear that to think about valuation of means with its ultimate end is possible only in realm of “valuation in action”.

4. Professor Hülsmann asserts that we “value in action” end (E1) higher than its means (M1).

5. Based on 2., to “value in action” in point 4. necessarily exists “value ex ante” where E1 is valued higher than end linked with M1.

6. Since E1 is end of M1, the logical conclusion from the previous points is that E1 is valued higher than itself. This is certain contradiction – we do not value something with itself because concrete state of affairs does not represent competing alternative to itself – giving up one of them represents giving up also the other one and choosing one represents also choosing the other one.

7. It is now clear that we do not “value in action” means with its ends and according to the same logic we do not “value in action” two consequent means of the same end<sup>15</sup> – contradiction in potential attempt for valuation would be the same one: presupposed “ex ante valuation” of concrete end with itself.

The logic is clear: *We could not choose something we regret, nor regret something we choose.*

In the end of this section, we will articulate general rules of the imputation theory:

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<sup>15</sup> We could imagine these two as some M1 in perspective qE11 with which we want to obtain M2 in qE12 transformable into an ultimate E1.

1. Every action is only action-result oriented – only action-result categories could be valued.
2. Only ultimate ends (= uneasiness = action-result desires) are really valued (“ex ante”), their quasi-ends are valued only derivatively. No choice could be thought of between these two (ends and *their* quasi ends) and also between consequent quasi-ends of the same end – choice represents taking and giving up, whereas these have to be either chosen or given up together from the nature of the choice.
3. Means in the role of conditions of relevant praxeological point are not valued at all<sup>16</sup>, only ultimate ends and quasi-ends – action-result means, are valued, “ex ante” and “in action”, second one only “in action”. Means that in particular “praxeological point” represent our abilities just are. They are “given”, or they are the result of previous quasi-ends.

## 6 Lesson concerning nature of value spreads

After the formulation of rules for imputation, our last task is to consider the approach of professor Hülsmann in the light of our investigations. It is clear that whereas the formulation of our and his problem is the same one – the question of means-ends value relation, our conclusions are of different manner: we claim that there is no valuation between means and their ends, on the contrary, professor Hülsmann’s approach is based on this assumption. Confrontation is therefore necessary – both conclusions could not hold true simultaneously.

Professor Hülsmann’s case is based on two already quoted sentences:

“...if an acting person could choose between either having his end realized or having the means to attain it, he would choose the end. ... One cannot even conceive of choice being different without running into contradictions.” (Hülsmann(2002) , p. 87)

It is important to understand the meaning of implication: “... if an acting person *could* choose...” (emphases added), then he would run into contradictions. But what if an acting person just could not come to such a choice *per se* without running into contradictions? In

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<sup>16</sup> There is also no reason to call them means at all. We do it only as a consequence of convention and in order to avoid another terminological confrontation in this paper.

such a case, professor Hülsmann's question concerning the concrete result of such a choice would be of no importance.

Now, our analysis will be undertaken in the two-fold way. First, it will be shown that there are means that are not valued at all and consequently no value spread is present. Second, it will be showed that even in the case of the remaining means (quasi-ends according to our definition), no value spread is thinkable.

Let's imagine a person in "praxeological point A". He possesses a thing – a glass of lemonade. The simple fact that he has a glass of lemonade in point A is of no direct importance for him. It is the pre-action state of possible actions and possible alleviating of uneasiness. The thing "lemonade in point A" is of no importance for the acting person since action is only action result-oriented. The contrary consideration would mean that there is some uneasiness felt in PP-A that could be alleviated by "lemonade in PP-A". However, no action would be thinkable in the world where effect could change its preceding cause. Every such action would necessarily lead towards never-ending vicious effects changing causes, changing effects ...

What IS important is his expectation that "lemonade in point A" is connected with a causal consequent ultimate ends, let's say "drinking of lemonade tomorrow" (E1) and competing "drinking of lemonade the day after tomorrow" (E2). In another words: the means "lemonade in PP-A" is an inescapable ability – the result of now unavoidable preceding actions. It is and could not be undone or changed. Consequently, it could not be the subject of valuation too. There is no choice and value connected with it. The only choice is connected with its employment in prospective ends, but this question is, as we have already seen, of a different manner.

We have just shown that part of means, in professor Hülsmann's definition, is not the subject of value, valuation, and choice at all. No general value spread between means and consequent ends is therefore thinkable.

The second approach will be based on our analysis of quasi-ends. The attaining of the praxeological point, where the quasi-end is fulfilled is tantamount to acquiring a means. Here, valuation of means is faced. Is it thinkable in such a case to value means with its end? As we have already shown in one of the previous sections above, it is impossible:

Choosing quasi-ends automatically needs the presupposition of choosing its respective end. On the other hand, regretting a quasi-end is necessarily linked with regretting its respective end. It could not be thought of otherwise. We could not choose something we regret, nor regret something we have already chosen. *Ultimate end could never "meet" its*

*means “in action” since it is contradictive to think about them in manner of two opposing alternatives.*

We come into a contradiction not only in the case of the imagined choice of means instead of its ends, as it was shown, but also in the case of choosing ends instead of its means: If we chose an end and refuse its means, we would choose to fulfill end and give up not to fulfill the very same end. There is not one general value, there is a “value ex ante” of ends and respective “value in action”. These two could not be mixed together because the first one is the cause of the second one. Application of the second one (effect) to the first one (cause) would again cause contradiction unthinkable in the realm of human action – a cause causing itself.

The only reasonable reformulation of the question is: What would an individual do in some PP-A where he is up to choose between an ultimate end (E1) and means (qE2) with which the physically same ultimate end is obtainable? However, this is a completely different question in comparison with the previous one. “Valuation ex ante” would be comparison of E1 and the “physically same ultimate end obtainable”(E2). As we have suggested, it is the question of two different competing ends. E2 could be obtained only after regretting E1 and is therefore attained under different conditions of praxeological reality than E1, which is from the definition attained without regretting E1. E2 therefore represents different ultimate end. We see that in this case not one, but two different ultimate ends are in the question. This therefore does not and could not bring about the proof of the value difference between means and their respective ends.

## **6..1 The case confrontation**

Now, we will illustrate our analysis on the exposition given by professor Hülsmann in the part devoted to the differences between “gain” and “originary interest” (Hülsmann (2002), pp. 90-92). “Gain” is understood here as a kind of counterfactual value spread – “value spread between two alternative ends”(ibid., p. 90). “Originary interest” on the other hand is defined as “value spread that exists between one end and corresponding means” (ibid., p. 90). Example of two persons Brown and Black is given. Brown owns a garden Black owns a kitchen and they agree on an exchange:

Brown’s reasoning is following: the garden is means to attain the kitchen and the kitchen is means to attain his end – many nice meals. In the context of our previous analysis, Brown is in some PP-A<sup>Brown</sup> and possesses means M1<sup>Brown</sup> (garden). He wants to shift to PP-

$B^{\text{Brown}}$  by attaining quasi-end  $qE1^{\text{Brown}}$  represented by gaining  $M2^{\text{Brown}}$  (kitchen) and finally to attain his highest ranked ultimate end  $E1^{\text{Brown}}$  (many nice meals).

Black's reasoning (in  $PP-A^{\text{Black}}$ ), on the other hand, is following: the kitchen ( $M1^{\text{Black}}$ ) is means to attain  $qE1^{\text{Black}}$  in  $PP-B^{\text{Black}}$  by gaining the garden ( $M2^{\text{Black}}$ ) and finally to get his highest ranked ultimate end  $E1^{\text{Black}}$  (enjoying the flowers).

Professor Hülsmann now tries to demonstrate here two value spreads.

First: "What prompts each of them to make the exchange is the prospect of gain." (p. 90) This is clear. They exchange, because both actors value other ultimate ends – potential forgone opportunities lower than that one they are choosing.

Second should be represented by originary interest. According to this point of view Brown values his garden lower than the kitchen and the kitchen lower than his end – nice meals, or schematically:  $\text{value } \{M1^{\text{Brown}}\} < \text{value } \{M2^{\text{Brown}}\}; \text{value } \{M2^{\text{Brown}}\} < \text{value } \{E1^{\text{Brown}}\}$ . The same should hold true *mutatis mutandis* for Black:  $\text{value } \{M1^{\text{Black}}\} < \text{value } \{M2^{\text{Black}}\}; \text{value } \{M2^{\text{Black}}\} < \text{value } \{E1^{\text{Black}}\}$ .

Later (ibid., pp. 91-92), there is a confrontation of the proposed theory of the originary interest with the old imputation theory under the criterion of understanding of the market exchanges. The old imputation theory loses its ground on this field: if we value means to its ends equally, it is impossible to explain the fact that we are giving up means to attain proposed end. There is no reason for such an action – why to act at all if we attain something we value equally to the given up thing? On the other hand, this difficulty could be overcome if we postulate value inequality between means and their ends – that means are always valued lower compared to their ends. However, this better feasibility for explanation of the phenomenon of exchange does not tell us whether the theory proposed by professor Hülsmann is the right one. Market exchanges could be consistently explained also without the basis of direct valuation between means and their ends. First we will demonstrate this on the given example:

Brown in  $PP-A^{\text{Brown}}$  possesses the garden. This concrete garden in this concrete praxeological point is unsustainable.  $PP-A^{\text{Brown}}$  represents kind of crossroad of Brown's life and whatever he will do on this crossroad he will choose and act. Brown's action is inevitable. From the praxeological point of view, "pre-action Brown" differs to the "action-result Brown" – they represent two different praxeological persons. The difference between the second one and the first one is represented by the experience of performed action. Consequently, the physically same garden in the eyes of two different persons is not the same thing. These two gardens are therefore different things also for Brown in  $PP-A^{\text{Brown}}$ , he distinguishes present

garden and the garden seen by himself after the action. It springs then from the definition of the praxeological point that action is inevitable and the garden –  $M1^{\text{Brown}}$  is, as we have showed, unsustainable.  $M1^{\text{Brown}}$  represents a fact that will be praxeologically given up whatever will Brown do. And if there is no question of choosing related with this means (“the garden in the PP-A<sup>Brown</sup>”), there is also no question of its valuation – no valuation is linked with “the garden in the PP-A<sup>Brown</sup>” because it does not represent relevant alternative for an acting person. And if  $M1^{\text{Brown}}$  is not subject of valuation, its value also could not represent constraint for the theoretical explanation of the exchange. Brown comes to an exchange since he values  $E1^{\text{Brown}}$  (meals) higher than any other competing end (for example enjoying the garden). He acts and “values in action” in accordance with his “value ex ante” – in order to attain the  $E1^{\text{Brown}}$ . Black with his “inverse” preferences acts also in accordance with these general rules. And it is of no surprise if these two exchange the kitchen and the garden.

What professor Hülsmann coined by the term “gain” is sufficient for the explanation of the phenomenon of exchange. In our terminology: acting person “values ex ante” ultimate ends and chooses and “values in action” higher those quasi-ends (represented by obtaining means) and ultimate ends that are expected to bring about or represent the most important ultimate ends. There is no reason to take into consideration “given up means” because they are given up from the definition of action. Only action-result categories (perspective ends and quasi-ends) could play role for an acting man.

The core of the difference between our opponent’s and ours’ theory is based on the confusion between praxeological and physical categories. In his demonstration of the originary interest, professor Hülsmann uses physical categories as kitchen, garden and mixes them with the praxeological category of value. The physical durability of these elements is then transformed into an alleged possibility of the value-comparison. This kind of *ceteris paribus* operation, however, is not feasible. Every action – every decision in some praxeological point, is cause of ceasing of all possessed means, and immediate “reborning” of the new group of means. Physical form of some of these new means is transformed according to the physical laws and some according to the praxeological laws – it is dependent on the form of undertaken decision: chair becomes chair if we do nothing with it, kitchen might become garden if we make an exchange. Praxeological form of all of these means, however, is, as we have already showed, changed – they represent entirely different things. It is a consequence of change of the nature of actor who possesses them.

We have just demonstrated the first point of our confrontation with the theory of professor Hülsmann from the previous section – we have showed the consequences of the fact



that there are means that are not valued and its consistency with the praxeological phenomenon of exchange. Given example enables us also to analyze the second point raised against the competing theory in the previous section.

It is now clear that it is self-contradictory to think about “value in action” of means<sup>17</sup> possessed in some praxeological point if we are in this praxeological point. It is then clear that Brown does not value the  $M1^{\text{Brown}}$  (“the garden in the  $PP-A^{\text{Brown}}$ ”) when he is in the  $PP-A^{\text{Brown}}$  and he also does not value  $M2^{\text{Brown}}$  (“the kitchen in the  $PP-B^{\text{Brown}}$ ”) when he is in the  $PP-B^{\text{Brown}}$ . The only way how to save the theory of “originary interest” is to accept that it is impossible to make these valuations but that we still could and do value means of next praxeological points with its potential ends. It is as to say that Brown in  $PP-A^{\text{Brown}}$  values  $qE1^{\text{Brown}}$  (represented by gaining  $M2^{\text{Brown}}$ ) lower compared with  $E1^{\text{Brown}}$ . But here we just have to repeat already presented argument based on the Rothbard’s observation that means are always valued according to their ends and that “value in action“ of means is always only derived from the “value ex ante” of ultimate ends. It is therefore impossible to think about such a value comparison because it puts together two different values where the first one is only dependent derivative of the second one.

Hopefully, we have showed logical superiority of our approach and the fact that the value comparison of means and their ends is self-contradictory and unnecessary for explanation of the basic economic phenomenon.

## 7 Conclusion

In the beginning, we have formulated an objective – establishment of the reasonable backgrounds for future research on the field of imputation.

First, there was need for reformulation of the problem – the old formulation was in contradiction with the modern value theory. As it was showed, there is remaining only one sound question among the ruins of the old imputation theory – the problem of value of means and their ends.

Second, every investigation using the theory of value in its background is dependent on the sound formulation of this theory. In our investigations of the imputation theory, we were forced to rebuilt the old apparatus as the consequence of the existence of two different phenomenon labeled in the present literature as “value”. We have coined two new terms –

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<sup>17</sup> It is clear that means from the definition could be valued only „in action“ and never „ex ante“.

“value ex ante” and “value in action” where the first one represents value relation of ultimate ends and the second one is pure derivative of the first one.

Third, new category – “praxeological point” was coined to analyze logical possibility and conditions of valuation.

In synthesis with the reformulated value theory we have deduced already presented basic rules:

1. Every action is only action-result oriented – only action-result categories could be valued.
2. Only ultimate ends (= uneasiness = action-result desires) are really valued (“ex ante”), their quasi-ends are valued only derivatively. No choice could be thought of between these two (ends and *their* quasi ends) and also between consequent quasi-ends of the same end – choice represents taking and giving up, whereas these have to be either chosen or given up together from the nature of the choice.
3. Means in the role of conditions of relevant praxeological point are not valued at all, only ultimate ends and quasi-ends – action-result means, are valued, “ex ante” and “in action”, second one only “in action”. Means that in particular “praxeological point” represent our abilities just are. They are “given”, or they are the result of previous quasi-ends.

These constitute rules for every theory of imputation. Their breaking, on the other hand, leads, as we have hopefully shown in the case of the discussed theory of interest, to inevitable contradictions.

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## **9 Keywords**

Human action, imputation, means-ends value spreads, theory of interest, theory of value.

## **10 Jel classification**

B19 – History of Economic Thought through 1925: Other

B25 - History of Economic Thought since 1925: Historical; Institutional; Evolutionary;  
Austrian

B53 - Current Heterodox Approaches: Austrian

D46 - Market Structure and Pricing: Value Theory

E43 - Money and Interest Rates: Determination of Interest Rates; Term Structure of Interest  
Rates