IN DEFENSE OF MISES'S THREEFOLD DIVISION OF ECONOMIC GOODS

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Resumen: Mises divide los bienes económicos en tres categorías: bienes de consumo, bienes de capital y medio de cambio (dinero). Barnett y Block (2005) sostienen que el intercambio es una forma de producción y que solo hay dos tipos de bienes, los bienes de consumo y los bienes de capital, por lo que el dinero es un bien de capital. Howden (2016) aboga por añadir una cuarta categoría de bienes económicos: los activos financieros no monetarios. El propósito de este trabajo es defender la tricotomía de Mises y aclarar que el tratamiento de la taxonomía de los bienes económicos debe someterse siempre a la prueba de los objetivos y alcances de la cataláctica o teoría de los precios.

Palabras clave: dinero; bienes de capital; cataláctica; praxeología.

Clasificación JEL: B53; E41.

Abstract: Mises divides economic goods into three categories: consumers' goods, capital good, and medium of exchange (money). Barnett & Block (2005) argue that exchange is a form of production, and there are only two types of goods, consumers' goods and capital goods, and consequently, money is a capital goods. Howden (2016) argues for adding a fourth category of economic goods: non-monetary financial assets. The purpose of this paper is to defend Mises's trichotomy and to clarify that the treatment of the taxonomy of economic goods must always be subjected to the test of the objectives and scope of catallactics or price theory.

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Keywords: money; capital goods; catallactics; praxeology.

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1. **Introduction**

Barnett & Block (2005) argue that Mises's trichotomy of the taxonomy of goods (consumers' goods–capital goods–medium of exchange) should be replaced by a more appropriate dichotomy (consumers' goods–capital goods), and they state that money is a capital good. On the other hand, Howden (2016) proposes a fourfold typology of goods by the addition of a fourth category which is nonmonetary financial assets. The purpose of this paper is to defend Mises's trichotomy, demonstrating that both Barnett & Block and Howden's arguments involve misconception and that within the framework of economic analysis (specifically, the analysis of the determination of exchange rates), Howden's proposal is superfluous to advance the economic analysis, on the other hand, Barnett & Block's position will undermine the body of price theory.

The positive significance of this defense is to reiterate that in terms of the law of price determination, money is a "purely exchange phenomenon" (Salerno 2010, p. 97), which fundamentally separates it from the category of consumption or production; it also emphasizes the methodological grounds of the constraints imposed on the economic goods taxonomy by the core goal of catallactics, which is the formulation of the price determination mechanisms.

The second section provides an outline of Barnett & Block's main arguments. The third section is devoted to pointing out in turn the failure of their reasons and clarifying misunderstandings. The fourth section briefly criticizes the proposal of Howden (2016). The final section is the conclusion.

2. **Barnett & Block's challenge to the Mises's threefold division of economic goods**

There are two main reasons for the position of Barnett & Block (2005): first, (positively) that exchange is a form of production, and money advances goods one step toward the satisfaction of human desires, and therefore money is a capital good (either producers' goods or goods of higher orders); second, (negatively) statements that apply to characterize money are equally applicable to commodities held for speculative demand, such as inventories, so there is no reason to distinguish money from inventories that are obviously capital goods.

Knies (1885) divided commodities into three categories: objects of consumption (consumers' goods), means of production (capital goods), and medium of exchange (money), because money does not involve consumption, and buying and selling is not a production action, but a transfer of goods between people. Helfferich (1923) argued that if interpersonal transfers were not production, then the inter-spatial transfers of commodities would not be production, and thus the means of transport would not be capital goods.

Mises (1953, pp. 80-86) supported Knies. Considering consumers' goods from the perspective of subjectivism, the spatial location attributes of the goods must be taken into account. As Mises put it: "things that are of perfectly identical technological composition must yet be regarded as specimens of different kinds of goods if they are not in the same place and in the same state of readiness for consumption or further production." Therefore, the means of transport and the goods being transported are capital goods. But the money that performs the exchange constitutes another category.

Barnett & Block refute this point. They believe that when it comes to consumer' goods, *Mises should refer not only to the spatial location of the goods but also the specific property rights of the goods*. According to their example: even if a candy bar is within the reach of A in space, as long as the piece of candy does not belong to A but belongs to B, then A cannot enjoy the candy bar directly. In the traditional definition of the Austrian school, say Rothbard (2009[1962], p. 8), only goods that can be used directly are consumers' goods, and goods that can be used only after further production are producers' goods. Therefore, B with a candy bar sits with A, and only when B transfers the ownership of the candy bar to A through an exchange action, does it make this very candy bar A's consumers' good. Thus, an exchange is an act of production which alters the utility of goods. And the money that performs the transaction becomes the producers' or capital goods. This is the main point of both authors which in a sense reiterates Helfferich's argument.

Then, Barnett & Block, in their rebuttal to Hoppe et al. (1998), cited Hoppe et al's statement that money is not future goods, and replaced all "money" in the original text with the word "inventory". As a result, they found that *the description applicable to the characteristics of money is also applicable to the inventory, which is typical capital goods, factors of production, and future goods.* Through such typical counter-evidence, Barnett & Block argue that Hoppe et al's statement that money is a present good is refuted, and therefore, money must be a future good, and thus a capital good. It is better to quote these two passages:

> "Yet money is demonstrably *not* a future good. In fact, when the money is spent—in the future—it loses all its utility for the present owner. It has utility only while and insofar as it is *not* spent, and its character as a present good stems from the omnipresent human condition of *uncertainty*". (Hoppe et al. 1998)
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> "Yet inventory is demonstrably *not* a future good. In fact, when the inventory is exchanged—in the future—it loses all its utility for the present owner. It has utility only while and insofar as it is *not* exchanged, and its character as a present good stems from the omnipresent human condition of *uncertainty*". (Barnett & Block 2005)

3. **The case for money be *sui generis***

3.1. *The value-price laws are the fundamental reason for the legitimacy of the trichotomy*

From the broadest praxeological perspective, Barnett & Block seem to be correct because for any individual, by definition, any means intentionally employed in his action in pursuit of an end helps advance his satisfaction. However, the trichotomy of consumers' goods–capital goods–money is not proposed in the broadest praxeological framework. Rather, it is presented in a narrower branch than praxeology, namely, catallactics. There is no right or wrong about terminology, concepts, or classifications per se and one can define a terminology or make a classification in any way he likes. But classifications serve scientific goals, that is, whether classifications are valid depends on how they contribute to the purpose of the study.[1,2]

In catallactics, the threefold taxonomy of consumers' goods–capital goods–money is devoted to investigating the causes and effects of the prices of various commodities. It is therefore the law of value and price, specifically, according to Mises's terminology (1998[1949], pp.328-30) it is the valuation and appraisement, that justify this trichotomy, with different laws of value and price governing the three classes of commodities known as consumers' goods, capital goods and money. And this fundamental reason was denied by the two authors in a single stroke.

Before proceeding with this fundamental reason, it is better to recall Mises's claims of catallactics:

> "Not logical or epistemological rigor, but considerations of expediency and traditional convention make us declare that the field of catallactics or of economics in the narrower sense is the analysis of the market phenomena. This is tantamount to the statement: Catallactics is the analysis of those actions which are conducted on the basis of monetary calculation. Market exchange and monetary calculation are inseparably linked together". (Mises 1998[1949], p. 235)

Catallactics is equivalent to price theory:

> "Catallactics, the theory of exchange ratios and prices, cannot determine at what point within these margins the concrete ratio will be established". (Mises 1998[1949], p. 324)

In the treatment of catallactics, the difference between monetary goods and non-monetary goods is obvious:

> "It is true that with regard to money the task of catallactics is broader than with regard to vendible goods. It is not the task of

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[1] The core goal of economic theory is to explain how prices are determined, see Salerno (1999), Mises (1998[1949], p. 233).

[2] Hayek(1943) expresses similar methodological considerations regarding taxonomies in the social sciences: "Like all classifications, it is merely a convenient way of arranging our facts for whatever we want to explain."

> catallactics, but of psychology and physiology, to explain why people are intent on securing the services which the various vendible commodities can render. It is a task of catallactics, however, to deal with this question with regard to money. Catallactics alone can tell us what advantages a man expects from holding money". (Mises 1998[1949], p. 397)

And praxeology is more general than catallactics:

> "All the theorems of catallactics are rigidly and without any exception valid for all phenomena of the market economy, provided the particular conditions which they presuppose are present… Praxeology deals with human action as such in a general and universal way. It deals neither with the particular conditions of the environment in which man acts nor with the concrete content of the valuations which direct his actions". (Mises 1998[1949], p. 642)

Therefore, instead of dealing with economic problems and economic objects on the most general praxeological basis, one explains the causality of prices in the presence of private property, division of labor, and monetary calculation.

Barnett & Block seemed to confuse the two perspectives. Incidentally, however, even taking the most general praxeological perspective, one must ask the two authors why they did not push their reasoning to the extreme with more scrupulousness. According to their claim, there are not even consumer goods, but only capital goods. Because the fundamental category of human action in this issue is only means and ends, according to them, since every process in which utility is raised is production, then every step before the gratification of desire is advancing towards the end, and any external object involved before the attainment of the end is compelled to be regarded as capital goods. And the ends obviously exist only in the mind of the acting man, and cannot be embodied as an external object. Thus all external objects are necessarily just potential means, not ends in themselves. Therefore, to implement Barnett & Block's proposition, one does not need money (medium of exchange) and the concept of consumer' goods, the only thing needed is capital goods, in other words, economics has become a general theory of all means.

However, the tasks faced by catallactics are not so broad, and what catallactics faces is various monetary price phenomena that need to be explained. Therefore, only commodities with market monetary prices are the core objects of economic analysis in the narrow sense, and the trichotomy of consumers' goods-capital goods —money is precisely for the conceptual distinction of goods with market prices. Although the commodity brought home waiting to be enjoyed is indeed closer to the satisfaction of desire in the sense of action, it has no market price by definition, thus the analysis for such a commodity lacks catallatics significance.

In the process of explaining the causes of prices, Austrian economics found that: for the first type of commodity (consumers' goods), it is the actors' valuation of the goods which satisfy their desires that determine the exchange rate; for the second type of commodity (capital goods), its value derives from the expected contribution to the value of its product, however, it is not the actors' direct valuation but the *appraisement* of entrepreneurs who produce for others that determines their exchange rate; for the third type of commodities (money), to explain their present value and price, one need resort to previously established prices. This is the fundamental reason for Mises's support of the trichotomy, which exists in the law governing value and price, and it is the very differences in these laws that justify such a classification.

As Mises put it:

> "The laws which govern the value of money are different from those which govern the value of production goods and from those which govern the value of consumption goods…This is a complete justification of the suggestion put forward by Knies that economic goods should be divided into means of production, objects of consumption, and media of exchange; for, after all, the primary object of economic terminology is to facilitate investigation into the theory of value". (Mises 1953, p. 86)

If one further combines Barnett & Block's dichotomy with the established Austrian theory of prices (or rather, the theory of the price of capital goods), the contradiction becomes clear as day. Even if the two authors advocate a dichotomy, they do not intend to radically revise the Austrian theory of factor of production pricing, according to their public positions. According to Barnett & Saliba (2002), and Barnett & Block (2016), the prices of factors of production and capital goods are determined by the discounted marginal revenue (DMR), which is in line with the discounted marginal value product (DMVP) approach developed by Rothbard.

What, then, determines DMVP or DMR? According to Rothbard (2009[1962], pp. 466-67), the DMVP depends on the discount rate, the marginal physical product, and the price of the finished product. (The factor of discounting is ignored below because it is irrelevant to the issue; and there is nothing wrong with replacing DMR with DMVP, since DMR depends also on the marginal physical product and the price of finished goods, although the formula of DMR is a bit more complicated due to the falling demand curve of finished goods (Rothbard 2009[1962], pp. 500-04).)

Let one now examine these two basic explanatory elements, and incorporate money as capital goods, according to the position of Barnett & Block, into this price-determining formula. The determination of the marginal physical product comes first. Factors will be used in areas where the APP (average physical product) is reduced but the MPP (marginal physical product) is positive (Rothbard 2009[1962], p. 474). The marginal physical product depends on a special law–the law of return. The law of return does not originate from the preference decision of human action, it has nothing to do with subjective value, but describes the necessary technical conditions of the real world; it states that there is an optimal ratio of output for complementary capital goods. "In this external world, given quantities of cause yield given quantities of effect." (Rothbard 2009[1962], p.470)[3] However, according to Barnett & Block, if money is a capital good, what is the objective use value of money? And what is the optimal physical output of money and complementary factors?

In terms of the authors' examples, "candy bar after purchase" is a consumer's good, while "candy bar before purchase" and "money

[3] The law of return refers to "objective use value" which is the law of the external physical world, as Mises (1998[1949], p. 127) put it:"If the two complementary goods are employed in the optimal ratio, they both render the highest output; their power to produce, their objective use-value, is fully utilized; no fraction of them is wasted."

used for purchase" are complementary factors of production that produce "candy bar after purchase". Then, how can these two complementary factors of production have an optimal ratio of physical output? If money is a capital good, it can only be concluded that the exchange ratio in which transactions take place in reality is the production combination ratio of money and complementary capital goods. However, there is no such thing as an optimal physical output ratio for money that is consistent with the law of return. One can easily conceive that as long as the demand for money continues to increase, the "productivity" per unit of money will also continue to rise, and there will never be a decrease in output after the optimal output ratio in the sense of material production[4].

In short, money is a pure exchange phenomenon, and its price determination process does not involve physical production, so it does not involve the law of return. A complete explanation of the value and price of money exists within catallatics, while consumers' goods and capital goods are concerned not only with the technical conditions of physical production but also with the reasons for consumers' specific evaluations.

Then turn to another element of the theory of marginal productivity of capital goods, namely the expected price of finished goods (consumers' goods). The marginal physical product multiplied by the product price constitutes the marginal value product. However, in the framework of Barnett & Block's dichotomy, there is no price for this finished product (consumers' goods) at all. Because, by their definition, the candy bar before the exchange is only the good of production, and only the candy bar that can be enjoyed directly after the exchange is the consumers' good. But the

[4] Regarding this point, Barnett & Block (2006) present the following definition: "the productivity of the specific capital goods that constitute money is the quantity of transactions that are mediated in a particular period of time with a given stock of money." First, this definition is suggestive of the Fisherian mechanical quantity equation, which overemphasizes the liquidity of money as a medium of payment, see Salerno (2010, pp. 18-22). Second, the productivity of money defined in this way does not match the MPP or MVP analysis paths that have been developed for complementary capital goods. If Barnett & Block's analysis of money requires the development of a special approach that differs from that of common capital goods, doesn't that suggest precisely that money should be in a class by itself?

"exchanged candy bar waiting for consumption" is not exchanged, so there is no price at all for it.

Taking Barnett & Block's dichotomy to the extreme, one cannot come up with any pricing theory. According to them, an exchange is an act of production, and the exchange ratios involved in all exchanges become some kind of combination ratios of complementary elements. Only the goods that are being consumed are some kind of consumers' goods and have no price but only the subjective valuation by the actors, however, the ordinal subjective valuation of the final products cannot be apportioned through some kind of "imputation" process to capital goods, see Mises (1998[1949], p. 332), Machaj (2012).

As mentioned above, in the analytical framework of Barnett & Block, there are not even consumers' goods, but only means; because as long as their reasoning is followed, even the sandwich someone is eating is still a capital good, and such a sandwich requires other complementary factors of production (human labor, for example, the chewing of masseter muscles) to achieve the desired goal. Therefore, without consumers' goods, there is naturally no price of consumers' goods, nor prices of capital goods (including money), but only the ratio of the combination of produced goods. However, Barnett & Block's conceptual frame cannot give any information on how the combination ratio of such complementary factors is determined. In fact, by adopting their propositions, one has abandoned the very concept of price, and cannot come up with any desirable theory of pricing. And this is the core task of catallatics and economics in the narrow sense.

3.2. *Demand for money and speculative demand: two different ways of action deriving from the same category*

In *Human Action*, Mises(1998[1949], p. 395) stated that: "Interpersonal exchange is called indirect exchange if, between the commodities and services the reciprocal exchange of which is the ultimate end of exchanging, one or several media of exchange are interposed." When Mises defines indirect exchange in this way, to some extent, it seems the meaning of the medium of exchange to someone is ambiguous.

Thus, Anderson (2007[1917], p. 82) might say that: "Money is not unique among goods in being wanted only for what it can be traded for. Wheat and corn and stocks and bonds and everything else that is speculated in is wanted, by the speculators, only as a means of getting a profit—they are more remote from the wants of the man who purchases them than the money profit he anticipates."[5] Are, then, the interposed stocks, bonds, speculatively held inventories, etc., also media of exchange? This is consistent with the logic of Barnett & Block replacing "money" with "inventory" to prove that both are future goods and thus capital goods.

However, this is only a superficial similarity of the demand for these two types of goods, because both the demand for money and the speculative demand stem from the general conditions of the future uncertainty. Fundamentally, however, the actions of holding a cash balance of money and holding speculative commodities are two related but distinct ways of dealing with future uncertainty, see Hoppe (2009) and Hansen (2019).

There is no place for money in the evenly rotating economy (ERE), and no one needs to hold money if actors know everything about the future with certainty. Similarly, there is no speculative demand in the ERE, and there is room for speculative holding of a commodity only when the future is uncertain.

In the face of an uncertain future, one's condition improves when he holds more marketable goods rather than less. When holding money, one alleviates aversion to fundamentally uncertain conditions in the future. However, speculative holding of inventories (stocks, bonds) is a proactive act of bearing uncertainty of future conditions. The former involves the demand for money and becomes a factor in determining the price of money, while the latter involves the speculative demand of entrepreneurs and

[5] In fact, Anderson (2007[1917], p. 72) also improperly claims that exchange is a production process, for the same reason as Barnett & Block: "exchange creates values". And Anderson (2007[1917], p. 223) thought that money was a kind of capital, but this seemed to confuse what Mises (1998[1949] pp. 260-62) called "capital goods" with "capital" in the sense of monetary calculation.

becomes the cause of profits and losses. Therefore, analytically, there is no reason to group them.

Admittedly, at some point, an individual's demand for money and another individual's speculative demand will be concentrated in the same monetary commodity. For example, on the eve of the Asian financial crisis in 1997, Soros borrowed Thai baht and exchanged it for US dollars. Soros then had a demand for the Thai baht just as shorting speculators had a speculative demand for stocks they were bearish on. Anyway, in this case, Soros in no way treated the Thai baht as money that could mitigate his uncertainty. Simply put, the demand for money and the speculative demand can not be simultaneously present in the same object by the very same individual.

Therefore, the analogy between holding money and holding stocks or speculative inventories, which stems from uncertainty, is invalid. Barnett & Block's negative arguments against Hoppe et al are untenable. Consequently, they cannot prove that money is a capital good in any way.

3.3. *A misconception*

Mises claims (1953, p. 85) that: "An increase in the quantity of money can no more increase the welfare of the members of a community, than a diminution of it can decrease their welfare."[6] Barnett & Block argued that Mises failed to recognize that changes in the quantity of money would alter the welfare of members of a community. They cite Friedman (1969, p. 1) and Hart (2008[1956], p. 198), pointing out the distinction between "number of money units" and "money in real terms" to show that changes in "money in real terms" do alter the welfare of society. However, as the economist who most prominently emphasizes the non-neutrality of money—that is, changes in the quantity of money bring about changes in the relative price structure and thus the effects of wealth

[6] Strictly following the subjectivist methodology, Mises is indeed somewhat ambiguous here, because values cannot be summed up interpersonally, so one cannot scientifically refer to the "welfare of members of society". But the flaw in this expression is irrelevant to the debate here.

redistribution—Mises is not concerned only with the nominal unit of money. The actual meaning of Mises's cited sentence is rather to say: in the process of market data changes, changes in demand for non-monetary goods must be accommodated by their supply; and the changes in money demand do not require an increase or decrease in the money supply to accommodate, but only a corresponding change in the price (purchasing power) of money.[7] In this sense, for a society, any amount of money is sufficient and optimal, and in a society suffering from famine, increasing food supply and production can truly alleviate the scarcity of food. This contrast between non-monetary commodity and monetary commodity reemphasizes the case of why money is in a class of its own that money is a pure exchange phenomenon, and its utility derives from the exchange itself — its price.

4. Is the trichotomy of the economic goods category exhaustive?

Howden (2016) distills two dimensions for goods: a) value in use or value in exchange, and b) the temporal dimension of providing value in the present (direct) or the future (indirect). According to Howden, good is defined as *consumers' goods* when it confers use value and direct value to the actor (Howden's complicated classification classifies money held for reservation demand as consumers' goods); it is defined as a *medium of exchange* when it has exchange value and direct value (excluding money held for reservation demand); it is defined as *producers' goods (capital goods)* when it has use but indirect value; and it is defined as a *nonmonetary financial asset* when it has exchange but indirect value.

[7] As Mises put it (1953, p. 85): "Both changes in the available quantity of production goods or consumption goods and changes in the available quantity of money involve changes in values; but whereas the changes in the value of the production goods and consumption goods do not mitigate the loss or reduce the gain of satisfaction resulting from the changes in their quantity, the changes in the value of money are accommodated in such a way to the demand for it that, despite increases or decreases in its quantity, the economic position of mankind remains the same." And this paragraph is ignored in Barnett & Block's quote.

Howden believes that the benefit of his proposed fourfold typology for economic inquiry is that "it allows the economist to define the relationships between goods in a way that reveals where value comes from." However, any revelation of the source of value is only meaningful if it helps to advance the price determination analysis because the theory of value is constructed precisely to explain the formation of prices, as Machaj (2012) put it:" Even though economic writers differed in their understanding of 'Value,' and in their definition of 'Value,' all the theories had one thing in common: 'Value' was supposed to serve as a market price explanator." Thus the constraints imposed on the taxonomy of economic goods by the task of catallatics still apply to his proposal.

And given that in the real world transactions in financial assets and their consequent market prices exist, why would such figures as Menger, Böhm-Bawerk, Mises, and Rothbard omit to analyze the pricing of nonmonetary financial assets? The answer is that for pure economic theory, *financial assets are not a type of goods at all and they do not have an independent pricing process*, which determines that they are not a fourth type of goods in their own category.

Böhm-Bawerk[8] (1962, p. 151) argues that: "rights are never goods in and of themselves, but only conditions of the subjective goods-quality of the things to which they pertain." It is only a "shadow" of economic goods. If the legal right is treated as an independent good, it involves duplication of calculation, since the specific economic good that forms the basis of the legal right is itself a good.

The essence of any financial asset is the legal right to the goods, see Böhm-Bawerk (1962, p. 128 p. 139fn. pp. 140-41). From an economic perspective, it is not difficult to discern that financial assets (whether bonds or stocks or otherwise), as legal rights, can be thoroughly broken up into titles to consumers' goods, titles to money, titles to capital goods, or a mixture of any combination of these three components. In the words of Böhm-Bawerk (1962, p. 148):

[8] Although, Böhm-Bawerk(1959, p.66) has the argument, criticized by Mises (1953, p. 82-86), that money should be categorized as a capital good on the grounds that money "serve to complete a roundabout way of production", his analysis of legal rights remains useful in advancing the understanding of the essence of financial assets.

"For where there is no corporeal object to which a right pertains, there can be no right." Therefore, financial assets cannot be understood as a separate class of goods that do not contain any distinct goods value other than the value assigned by the holder to the consumers' goods, capital goods, and money that form the basis of the financial assets.

Since financial assets, by their very nature, are necessarily legal rights to future goods, their prices necessarily involve a discounted component based on time preferences and an entrepreneurial component due to uncertainty of the future. The interest rate as a discount rate is not the price of any goods (Mises, 1998[1949], p. 532, also Garrison 2011[1988], pp. 165-69), but the arithmetic ratio of the difference in the valuation of goods in intertemporal transactions involving time in monetary terms. The entrepreneurial component of financial asset prices due to uncertainty is then caused by different subjective assessments of available investment opportunities[9].

Put simply, under the final decomposition, financial assets do not have any independent pricing process of their own; the price of a financial asset depends entirely on the pricing mechanism of the consumers' goods, capital goods, and medium of exchange to which its title refers. For catallatics, which investigates the theory of prices, there is no room for financial assets as economic goods.

Specifically, Howden believes that one of the "more striking insight" of his taxonomy is that "the value of non-monetary financial assets derives from their ability to be converted, or exchanged, into money." However, this is nothing more than a slightly misleading expression of the theory of capitalization as already elaborated by Böhm-Bawerk (1959, p.339-57), Fetter (1922, pp. 262-84), Rothbard (2009[1962], pp. 488-95) and others. The theory of capitalization presupposes the existence of money, and it extends the pricing principle of capital goods and/or consumers' goods to the pricing of assets via the discounting of interest rates. It explains the pricing principles of assets, which are complex phenomena

[9] For a more realistic approach regarding the entrepreneurial component in asset prices or rates of return of assets, see Hülsmann (2017).

compounded by fundamental elements, without requiring to presuppose a new concept of economic goods.

Therefore, Howden's proposal is redundant to the advancement of price theory. Thus, at least for the current price theory of the Austrian school approach, the trichotomy of consumers' goods-capital goods-medium of exchange has exhausted the concept of goods.

5. **Conclusions**

The taxonomy of economic goods is not completely arbitrary, it must serve and be constrained by the scope and tasks of catallatics. Barnett-Block and Howden's proposals are not outside the framework of price theory, at least they both attempt to explicate their respective taxonomies as related to the theory of value which is the foundation of pricing theory; moreover, it is hard to imagine a conception of economics that has nothing to do with pricing theory, which is the primary task of economics.

Economics is not concerned about the specific reasons why actors demand non-monetary goods (consumers' goods, capital goods), but economists must inquire about the exact reasons why people demand money, that is, it has expected purchasing power (price) in exchange. This analytical particularity of the pricing process fundamentally distinguishes money from consumers' goods and capital goods. Consumers' goods—capital goods—money is a conceptual classification for market commodities, and therefore commodities with market exchange rates. Catallatics focuses on a market society with monetary calculation in a narrower field than the general theory of action. It is these considerations that require one to maintain the trichotomy and justify this taxonomy.

Barnett & Block ignores these fundamental reasons, and in their analogy between demand for money and speculative demand, they misunderstand the two fundamentally different types of action that are both rooted in future uncertainty. The fourth category added by Howden for economic goods is found to be superfluous in the light of the objectives and framework of catallatics. Therefore, one still has solid cases to defend Mises's trichotomy of commodity taxonomy.

Conflicts of Interest

The author declares no conflict of interest.

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