

Man, Economy and State

Book Club Notes

July 8, 2020

Abstract

It will help me.

1 Fundamentals of Human Action

- Concept/axiom of human action: purposeful behaviour, intentions are core of it. Praxeology not saying WHY or HOW it comes from
- Understanding human action of others requires projection of the concept of action of others onto self
- Groups don't act; individuals do, but man is still a social being
- HA takes place in time (cornerstone of AE). Things happen sequentially, not simultaneously
- Time is the main scarce resource
- Acting is done in accordance with the end
- Preferences are revealed through action
- All means are scarce
- Uncertainty of the future: idea of the end may not fully realize thanks to errors
- Consumer vs producer goods; land and labour are original factors
- Consumer goods are valued through utility satisfied; producer goods are valued through utility satisfied by consumer goods they produce
- Psychic revenue
- Humans are forward-looking, using past as guidance
- No interpersonal measurement of utility is possible

- Universal law of time preference
- All action is an attempt to exchange a less satisfactory state of affairs for a more satisfactory one
- Humans value units of a good, not whole batches (stocks); units are subjective and not necessarily physical. Interchangibility is key
- One can't divide some concept of 'value' of stock over number of units; marginal utility
- Law of returns: with the quantity of complementary factors held constant, there always exists some optimum amount of the varying factor (average unit product)
- Factors of production have different degrees of specificity (cigar making machine vs. tobacco)
- More specific factors of production tend to drop harder in price when value of product drops (empirical, not praxeological)
- People value leisure; people who work 10% more earn 40% more money, because the disutility of labour (= utility of leisure) rises with every extra hour worked (disutility of labor = empirical observation)
- Satisfaction from the job exists and is also valued as a consumer good
- Capital goods can be produced only by act of saving and investing (i.e. lowering time preference); to produce a fish-catching net one needs to save some fish first. When building, one will consume capital
- Capital formation depends on time preference; lower time preference allows for more capital goods
- Any individual at any time can accumulate capital, leave it intact or consume it