Man, Economy and State

Book Club Notes

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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

2 Direct Exchange

- Introduction of another individual
- Different types of interaction between individuals, including slavery
- Voluntary slavery is an oxymoron
- Any forced exchange benefits only one person
- Society: any continuing pattern of interpersonal exchange
- Types of society: hegemonic, contractual
- Two types of exchanges: autistic and interpersonal
- Voluntary exchange will happen only if both parties believe they'll benefit from it, i.e. both parties value the goods of the other party more than they value goods they offer
- Law of marginal utility
- Exchange will eventually stop, because of Law of marginal utility
- Use value: marginal utility attained from consumption
- Exchange value:
- Exchange will take place when exchange value > use value
- (ways of appropriating property etc.)
- Division of labour is made possible by differences in human beings
- Law of association
- Law of comparative advantange: absolute vs. relative advantange
- Division of labour can only occur with indirect exchange
- Direct exchange problem: double coincidence of wants
- Psychic revenue stressed again; ultimately it's not physical properties that's important, but psychic benefit. There are some thing one can't quantify
- Minimum selling price of seller ¿ maximum buying price of buyer in order to exchange to take place
- With 2 people, we may not be able to determine exact price, only a range and price will be also determined by bargaining skill
- Equillibrium price is one where quantity demanded is quantity sold

- Formation of equillibrium price on a market
- Austrian term: "final state of rest"
- One price tends to be established on a market, near the intersection of supply and demand curves
- Demand curve must be vertical or rightward-sloping as price increases
- Supply curve must by
- It's essentially people on the margin that determine equillibrium price
- Psychic gain can't be measured
- Elasticity of demand:
- The less substitutes a good has, more likely for demand to be inelastic, etc.
- Elasticity of supply is not a meaningful concept
- Speculation: anticipation of change in price of a commodity
- Alternate framework to understand formation of equillibrium price: stock and total demand to hold
- Equillibrium price equates these two
- The concept obscures the volume of exchanges that take place
- Differences between moving along demand/supply curves vs. change in demand/supply curves and effects of that
- Markets are constantly changing
- Changes in demand/supply curves change relative exchange value of goods
- Formation of market supply and schedules
- Producers are constantly adjusting output to meet demand
- Demand schedules, ergo future prices, can only be anticipated
- The bearing of uncertaintny is the key concept of entrepreneurship in AE
- Anticipating whole demand schedule is
- Types of exchanges (pg. 169)
- Appropriation of land: diss on Georgism as man needs to own land to produce things etc

3 Indirect Exchange

- Neoclassical models: money as a commodity doesn't have value in itself
- Direct exchange is limited by double coincidence of wants