

# Study Guide to *Human Action* by Robert P. Murphy

## Chapter XXXVIII. The Place of Economics in Learning

### Chapter Summary

#### 1. The Study of Economics

It is a mistake to believe that establishing an institute for business-cycle research can shed light on cures for the business cycle in the way that expensive funding for a cancer institute might discover a cure for the disease. Economists do not disagree on the relevant historical facts; where they disagree is on the a priori theories used to interpret these facts of economic history.

The Historical School and the Institutionalists wanted to displace economic theory and put "empirical" studies in its place, precisely because they could not refute the laissez-faire conclusions of the economic theorists.

What is needed for sound economic theory is not lavish spending by large organizations, but clear thinking.

#### 2. Economics as a Profession

The early economists did not view economics as a profession; they wrote books and gave lectures solely to guide their fellow citizens in supporting sound economic policies. In modern times, the rise of economics as a profession is an offshoot of interventionism. Governments, labor unions, big business, and other organizations rely on economists to guide their interventionist policies. Although many of these professional economists are eminent individuals, their talents are narrowly directed to advancing the interests of the small group that they advise.

#### 3. Forecasting as a Profession

The recurrent boom-bust cycles caused by credit expansion naturally led businesses to employ economists for assistance in predicting the turning point. However, economists know only that the bust must follow the malinvestments engendered by the boom; they cannot predict the precise timing of events. Furthermore, the successful entrepreneur needs not merely accurate forecasts but forecasts better than those of his rivals. If everyone knew the date of the business downturn, no one could profit from such knowledge.

#### 4. Economics and the Universities

University professors feel pressured not only to teach but also to engage in original research. In economics, however, at any time, there are only a score of thinkers who can actually advance economic theory. Consequently, the thousands of academics engage in compartmentalized analyses of "labor economics," "international economics," and so forth, even though in reality economics is a unified whole; there cannot be specialists the way surgeons specialize in the heart or brain.

Ironically, the most consistent students see through the fallacies of interventionism preached by their professors. They take their teachings to their logical conclusion and support socialism.

### **5. General Education and Economics**

Everyone recognizes the impossibility of true neutrality in the schools in the area of religion; the liberals adopted the separation of church and state for precisely this reason. Yet the conflict exists also in history and economics. Most students are too immature to be presented with various interpretations among which they must choose, and, in any case, not enough teachers could be found to present the competing views in a neutral fashion. The only reason the political parties do not fight even more aggressively over control of the public schools is that citizens derive their views even more from other sources, such as the media.

### **6. Economics and the Citizen**

In the 16th and 17th centuries, the main political controversies centered on religion. In the 18th and 19th centuries, the issue was representative government versus royal absolutism. In the 20th (and it appears the 21st) century, virtually all political controversies revolve around economics, namely, the conflict between socialism and the market economy. Consequently, the modern citizen has a duty to familiarize him or herself with basic economic theory.

### **7. Economics and Freedom**

Modern governments are adamant in suppressing the freedom of economic thought. Politicians and pundits behave as if the preceding centuries of economic analysis did not exist. In the face of such odds, all reasonable people can do is persevere and try to show the truth to enough of their fellows.

### **Why It Matters**

In this chapter, Mises discusses the historical evolution of economics from a vocation into a profession. His description of economic education at both the elementary and university level remains accurate to this day. This chapter, along with the previous one, assists the proponent of Misesian theory in understanding the difficulties to be faced in spreading correct ideas.

### **Technical Notes**

- (1) Mises writes, "The natural sciences are ultimately based on the facts as established by laboratory experiment. Physical and biological theories are confronted with these facts, and are rejected when in conflict with them" (p. 863). Although useful as a foil with which to contrast the nature of economics, this passage may mislead some readers. Even the "facts" of laboratory experiments are theory laden; scientists cannot help but rely on antecedent theories when interpreting their observations.
- (2) Mises writes, "In countries which are not harassed by struggles between various linguistic groups public education can work very well..." (p. 872). In other works, Mises elaborates on his view that linguistic barriers determine who wields the political power in a country. In polyglot regions, therefore, there are fierce battles over the schools.

## Study Questions

### 1. The Study of Economics

- What is the radical epistemological difference between the natural sciences and the sciences of human action?
- Which insights of economic history can be helpful for economics as such?

Comment: "Economics, like logic and mathematics, is a display of abstract reasoning."

### 2. Economics as a Profession

- What is the connection between the professional economist and interventionism?
- How does interventionism imply that a political career is only open to people who identify themselves with the interests of a pressure group?

### 3. Forecasting as a Profession

- What would it imply if it were possible to calculate the future state of the market?
- What distinguishes businesspeople from statisticians with regard to the uncertainty of the future?

### 4. Economics and the Universities

- What observations does Mises make regarding tax-supported universities and their recruitment policy?
- What are the objectives of universities?
- What does scholastic tradition require?
- Why is it useless to divide economics into different branches? Why is there only one coherent body of economics?

Comment: "However, what has made many of the present-day universities by and large nurseries of socialism is not so much the conditions prevailing in the departments of economics as the teachings handed down in other departments."

### 5. General Education and Economics

Comment: "[In the domestic aspects of history, the] teacher's or the textbook author's own social philosophy colors the narrative."

- Why does general education only play a minor role in the formation of the political, social and economic ideas of the rising generation?

## **6. Economics and the Citizen**

- What is the primary civic duty in our age, according to Mises?

## **7. Economics and Freedom**

Comment: "Prices, wage rates, interest rates, and profits are dealt with as if their determination were not subject to any law."