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

Chapter V. Time

Chapter Summary

1. The Temporal Character of Praxeology

In a logical system (such as mathematics) all of the implications are coexistent and interdependent. It is not true that the axioms of geometry "cause" its theorems to be true, even though a limited human mind must work step by step through a geometrical proof.

In the sense that praxeology is a logical system, it too is "out of time." However, the system itself contains parts such as change, causality, and the notions of sooner and later.

Thus the subject matter, the content, of praxeology is intimately related to time.

2. Past, Present, and Future

It is action that makes man aware of the flux of time. Time itself is a praxeological category; one can't make sense of time without understanding action, and one can't understand action without the concept of time.

In other disciplines such as philosophy or physics, "the present" is simply an idealized boundary line between the past and the future. But in praxeology, there is a real extended present. In praxeology, the present is not defined as some unit of duration, measured by clock ticks or revolutions of heavenly bodies. Rather, the present is always defined by the presence of a ripe opportunity to take some potential action. Once the conditions have changed, making a potential action now incapable of achieving its desired end, the "moment has passed" and what was the present is now the past.

3. The Economization of Time

Time is scarce, and as such, it must be economized. This is seen most clearly by considering someone living in a paradise where every material need can be satisfied without any labor. Even in this hypothetical world, people would still need to arrange their satisfactions in a particular temporal sequence. Even though scarcity would not be an issue with regard to goods and services, nonetheless the concepts of *sooner* and *later* would still have meaning.

4. The Temporal Relation Between Actions

Actions (by the same person) can never occur simultaneously, but rather must occur in succession through time. A given action may achieve several ends at once, but it is misleading to classify this as several simultaneous actions.

It is wrong to suppose that a man has a value scale that then "causes" him to act in a certain way. On the contrary, outsiders infer an underlying value scale only to make sense of an action; it is the action that is the brute fact. It is therefore pointless when some thinkers try to judge the actions of individuals with reference to their value scales, as if they could discover some discrepancy or "irrationality."

Why It Matters

There are several reasons why this chapter is important. First, time preference is a crucial component of the Misesian theory of interest, and so Mises would naturally want to establish a special role for time in the early chapters when setting up the praxeological framework. Second, Mises wants to demonstrate that the dimension of time is different from the three dimensions of space; Mises uses what O'Driscoll and Rizzo have called Bergsonian time (see footnote 2 on page 100). Unlike space, there is something qualitatively different about time (because of its irreversibility) and this difference has tremendous relevance to action. Finally, this chapter is important because (as we discuss more in the **Technical Notes** below) it underscores the difference between praxeology and mainstream utility theory.

Technical Notes

(1) When Mises writes (p. 99) that "[i]n the frame of the praxeological system any reference to functional correspondence" is misleading and at best metaphorical, his target is mainstream economics. In a neoclassical model, all of the equilibrium values are "simultaneously determined"; it makes no sense to ask, "What causes the price of apples to be $2 per pound?" The honest neoclassical answer to that question is simply, "That's the only price at which the equations will all be true."

(2) Related to the above point is the Misesian emphasis on Bergsonian time (as opposed to mechanical, Newtonian time). Here too, mainstream models illustrate Mises's position through their contrast. In a general equilibrium model as pioneered by Arrow and Debreu, one can certainly deal with "time," but in a very abstract way. For example, one can posit N types of commodities available at any time, and moreover allow the consumer to purchase them in any time periods from $t = 1, 2, 3, \ldots, T$. The nominal gross rate of interest can even be expressed in such a framework as the markup on a particular basket of goods to be delivered at time t rather than time $t + 1$. Yet clearly this austere approach lacks something; just as a model in classical mechanics, time is simply another dimension and there is nothing peculiar to the future as opposed to the past. In the next chapter, Mises will deal with uncertainty, which is relevant to this difference in viewpoint.

(3) The discussion of consistency (pp. 102–104) again is a reaction to mainstream economics. In formal models of an ordinal value scale, mainstream economists will insist on some "rationality" criteria. For example, they will assume that an agent can compare any two options and determine which one is preferred (or if he is indifferent). They will also usually assume the value scale is transitive, meaning that if a is preferred to b and b is preferred to c, then a is necessarily preferred to c as well. This assumption is necessary in order for mainstream economists to get anywhere

with their models; in particular, if they are to employ theorems that show how a cardinal utility function can "represent" an ordinal preference ranking, it is necessary for the ranking to obey transitivity. Mises shows that in the real world, no action could ever demonstrate an intransitive value scale. (In contrast, the "demonstrated preference" approach of Paul Samuelson does allow this possibility, though Samuelson's approach can't work properly in such a case.) Mises would no doubt consider the mainstream preoccupation with value scales to attribute too much to what is really a tool of thought; action is the concrete reality.

Study Questions

1. The Temporal Character of Praxeology

- What makes thinking itself an action?
- What distinguishes the logical system from the praxeological system?

2. Past, Present, and Future

- Why is action necessarily directed towards the future?
- How does man become conscious of the notion of time?
- What role does the present play for an acting being?

3. The Economization of Time

- What does time have in common with economic goods?
- What distinguishes time from economic goods?

4. The Temporal Relation Between Actions

- What is the meaning of "sooner and later"?
- In what way (if any) do yesterday's goals serve today's actions?
- What's wrong with the argument that "if *A* is preferred to *B* and *B* is preferred to *C*, logically *A* is preferred to *C*"?
- What's the difference between the logical concept of consistency and the praxeological concept of consistency?
- How does constancy differ from rationality? Give examples.
- Why does Mises use the example of a speculator at the stock exchange? What is he trying to demonstrate?