

Economists and commoners

AN INTRODUCTION TO THE CAPITALIST 'SCIENCE'

“The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.”

“Rommel, you magnificent bastard!
I read your book!”

'positive' versus 'normative' economics

“Positive economics is in principle independent of any particular ethical position or normative judgments. ... In short, positive economics is, or can be, an 'objective' science, in precisely the same sense as any of the physical sciences...”

economics as

PERFORMATIVE

AA34 329611



ADAM SMITH 1723-1790

Twenty Pounds

£20



The division of labour in pin manufacturing:
(and the great increase in the quantity of work that results)

Bank of England

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“It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages. Nobody but a beggar chuses to depend chiefly on the benevolence of his fellow-citizens.”

“...a certain propensity in human nature ... the propensity to truck, barter, and exchange one thing for another.”

“By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.”

“The habit of sauntering and of indolent careless application, which is naturally, or rather necessarily acquired by every country workman who is obliged to change his work and his tools every half hour, and to apply his hand in twenty different ways almost every day of his life; renders him almost always slothful and lazy, and incapable of any vigorous application even on the most pressing occasions.”



WHERE DOES PROFIT COME FROM?

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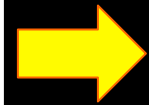
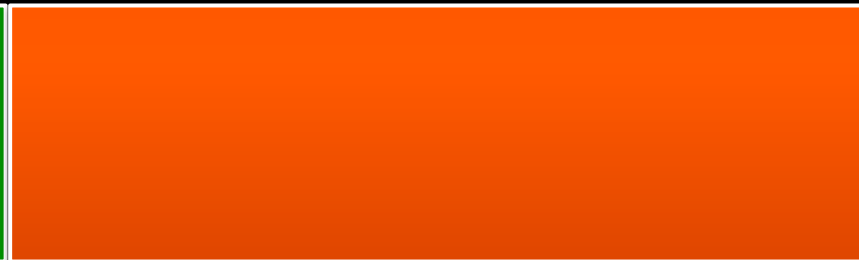
8 hours

necessary labour time:
worker produces the
value of his/her wages

surplus labour time:
worker produces
surplus value

necessary labour time:
worker produces the
value of his/her wages

surplus labour time:
worker produces
surplus value



necessary labour time:
worker produces the
value of his/her wages

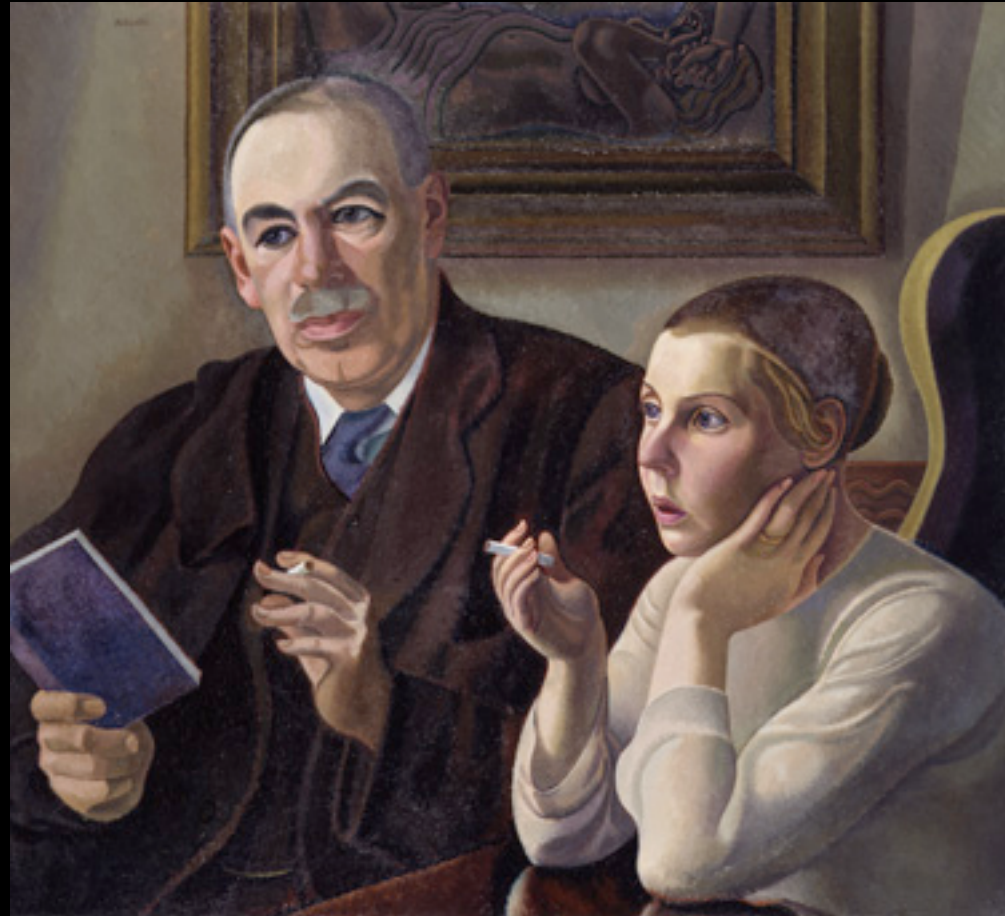
surplus labour time:
worker produces
surplus value



necessary labour time:
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value of his/her wages

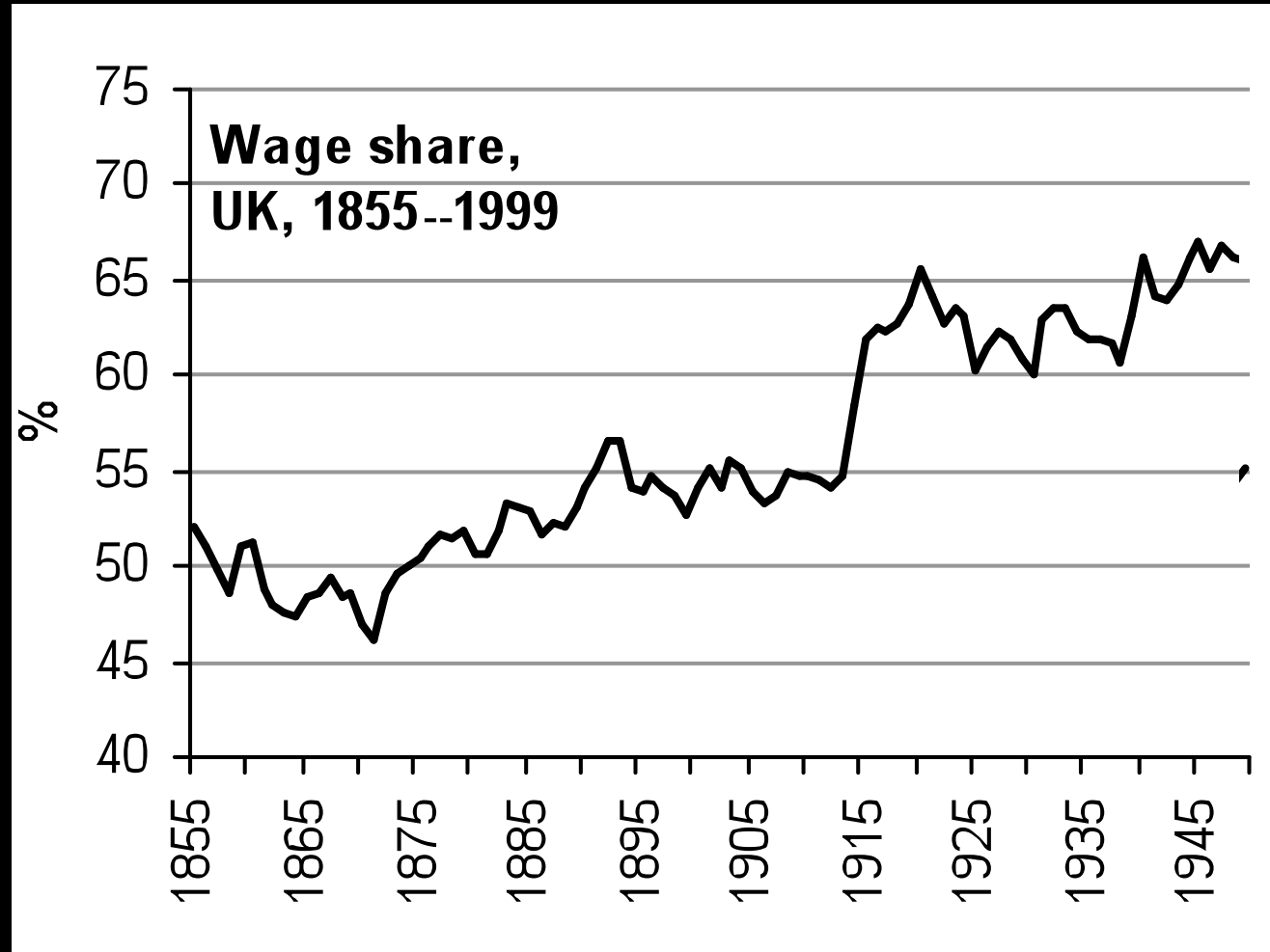
surplus labour time:
worker produces
surplus value





“Ought I, then, to join the Labour Party? Superficially that is more attractive. But looked at closer, there are great difficulties. To begin with, it is a class party, and the class is not my class. If I am going to pursue sectional interests at all, I shall pursue my own. When it comes to the class struggle as such, my local and personal patriotisms, like those of every one else, except certain unpleasant zealous ones, are attached to my own surroundings. I can be influenced by what seems to me to be justice and good sense; but **the class war will find me on the side of the educated bourgeoisie.**”

Wages had become 'sticky downwards'...

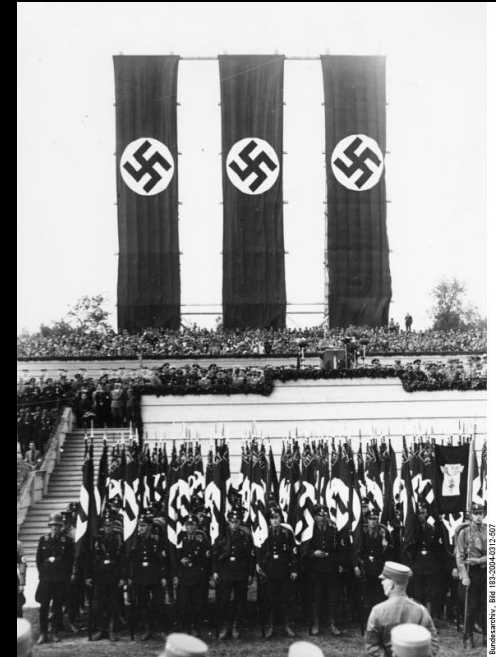


“The trade unions are strong enough to interfere with the free play of the forces of supply and demand, and public opinion, . . . supports the trade unions in their main contention that coal-miners ought not to be the victims of cruel economic forces which *they* never put in motion”

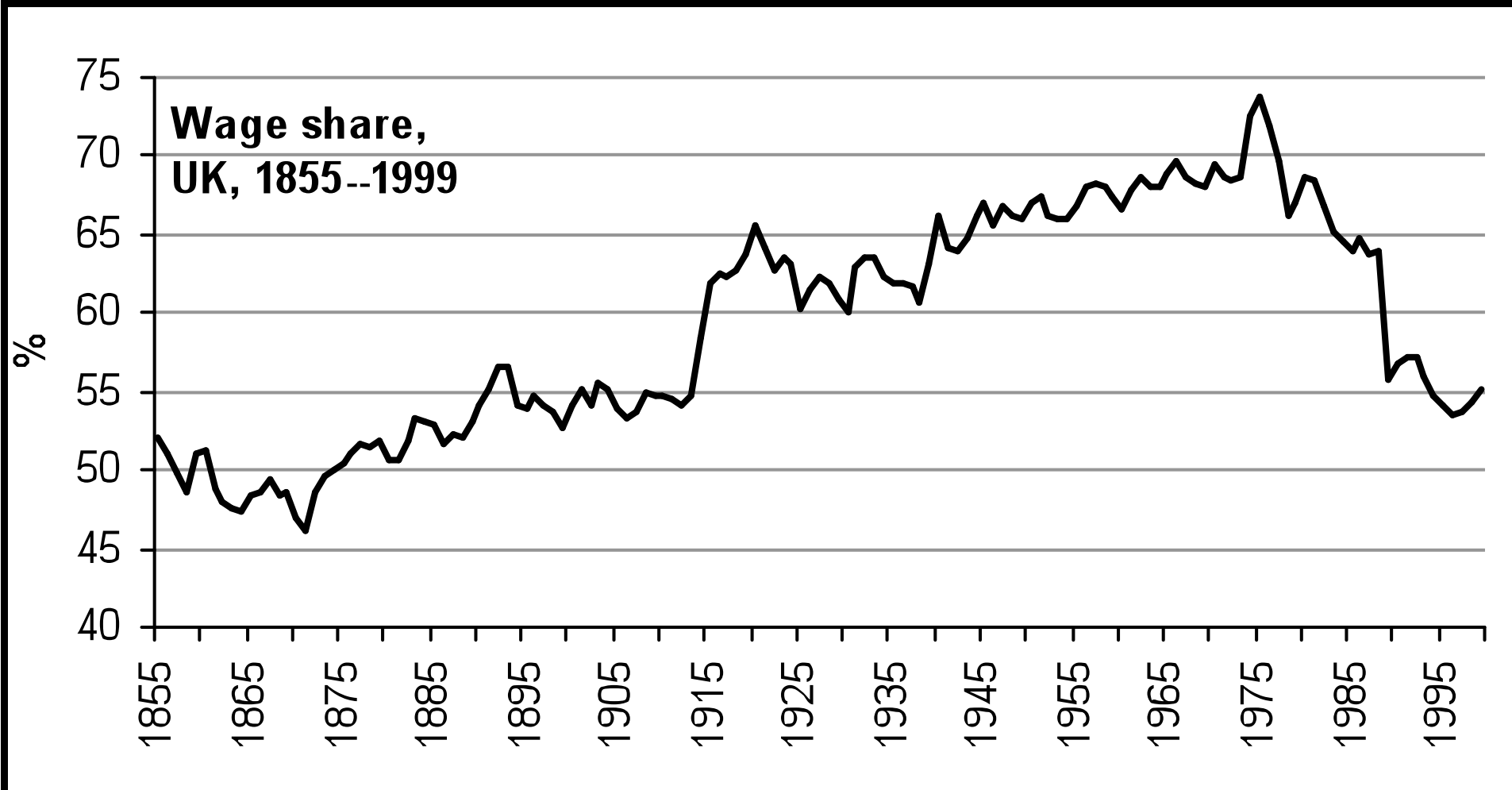
The classic tenets of laissez-faire *are not wrong in principle*, but,

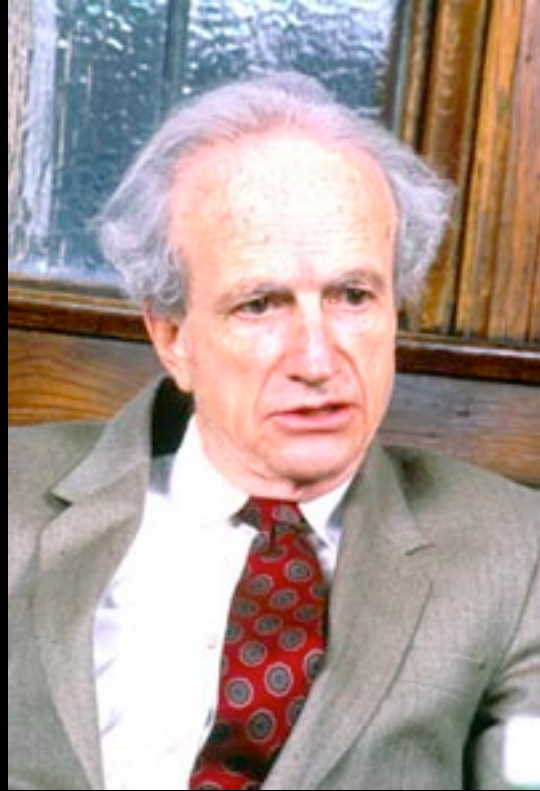
“belong to the days of fifty or a hundred years ago when trade unions were powerless, and when the economic juggernaut was allowed to crash along the highway of progress without obstruction and even with applause.”

“To those who clamoured that the General Strike was illegal and stepped outside the limits of constitutional action, Keynes gave a short reply: ‘That may be, but so what?’ Class movements may appear illegal, but this is only because the balance of forces conditioning the previous system and determining the previous legality has disappeared. The relations of force have changed, and legality must be adjusted to fit the new situation...”



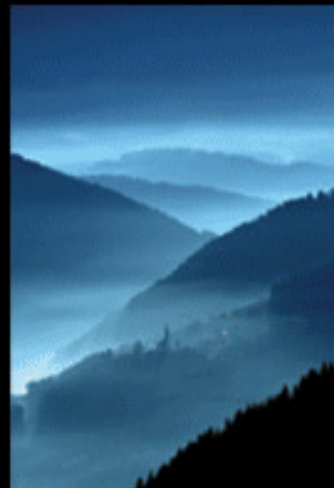
“That’s not the way the world really works anymore. We’re an empire now, and when we act, we create reality. And while you are studying that reality – judiciously, as you will – we’ll act again creating other new realities, which you can study too, and that’s how things will sort out. We’re history’s actors ... and you, all of you, will be left to just study what we do.”





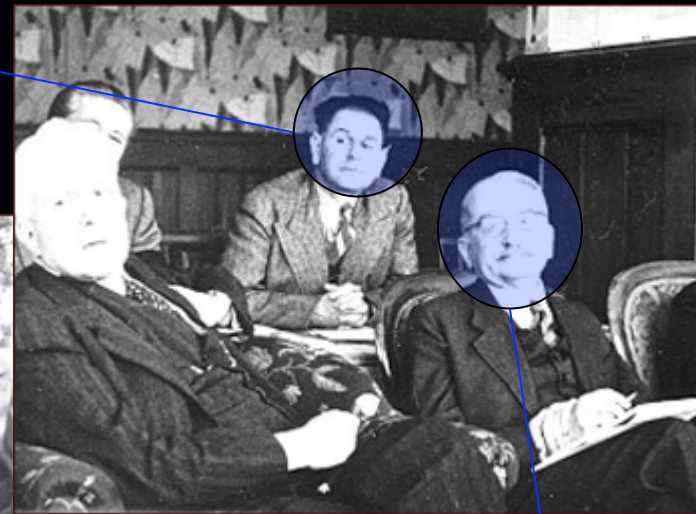
The Mont Pelerin Society

THE MONT PELERIN SOCIETY



Hayek

Karl Popper



von Mises



Milton Friedman

“Governments could require a minimum level of education which they could finance by giving parents vouchers redeemable for a specified maximum sum per child per year if spent on ‘approved’ educational services. Parents would then be free to spend this sum and any additional sum on purchasing educational services from an ‘approved’ institution of their own choice. The educational services could be rendered by private enterprises operated for profit, or by non-profit institutions of various kinds.”

GARY S. BECKER

Winner of the Nobel Prize in Economics

HUMAN CAPITAL

*A Theoretical
and Empirical
Analysis with
Special Reference
to Education*

THIRD EDITION