

## The Nature and Value of Economics

### A. Some Definitions

1. Economics: the science that studies the production of wealth under a system of division of labor
2. The division of labor: the separation of the total labor required to serve human life and well-being into separate, distinct occupations. In a division of labor society, each person lives by producing or helping to produce just one or, at most, a very few things and is supplied by the labor of others for practically all of his wants.

### B. The Need for Economics; Leading Applications of the Subject

The division of labor doesn't exist or function automatically—e.g., fall of Rome, rise of U.S. and Western World; it depends on human choices; thus knowledge of its nature and requirements is necessary

1. Survival of material civilization:
2. Understanding history and the present-day world
3. Solving current economic problems—e.g., unemployment, inflation, stagnation, shortages, international economic conflict
4. Business and financial applications—influence of anti-business ideas; defending the freedom of businessmen to make money
5. Personal, philosophical applications—understand own and others' role, not feel chronically victimized or regard self as victimizer because successful
6. Defense of individual rights

## Theme of Course: The Division of Labor Depends on the Institutions of Capitalism

### 1. Definitions

- a. capitalism: a politico-economic system based on private ownership of the means of production and characterized by the pursuit of material self-interest under freedom
- b. freedom: the absence of the initiation of physical force
- c. freedom and the necessity of limited government

### 2. The philosophical foundations of capitalism and economic activity

- a. secularism
- b. acceptance of causality—influence on: science and technology; willingness to work hard; self-responsibility; saving and capital accumulation
- c. acceptance of power of reason: consequent view of Man and the individual as valuable and competent—the base for the acceptance of the idea of individual rights and economic freedom; connection to great entrepreneurship

3. Capitalism: its nature and origin. The “spontaneous” emergence of capitalist institutions based on the rational pursuit of material self-interest under freedom: private property and private ownership of the means of production; saving and capital accumulation; economic inequality; the division of labor; exchange and money; financial self-interest and the profit motive; economic competition; the price system. The economic history of the U.S. as illustration.

### 4. The controversial character of economics and capitalism

- a. the assault on economic activity and capitalism; b. economics versus unscientific personal observations;
- c. economics versus altruism; d. economics versus irrational self-interest; e. economics versus irrationalism