

and services to the market, but now that the exchange is finished by his purchase of the goods and services of other producers, he has reached his economic objective, i.e. enjoyment and leisure. Thus production and exchange are mentally-distinguished parts of the same process: the whole production-exchange process has taken place in and with reference to the market.

22. Let the reader now reflect on the steps by which he acquires any goods or services which he desires, such as a loaf of bread, a piano (probably made in Germany), a holiday trip, hospital treatment, or a post-graduate course in the U. S. A.

CHAPTER 2

THE SCIENCE PROPER

23. All science is knowledge, and economic science is the ordered knowledge of that part of the natural order in human society which can be seen in the market. Great cities, factories, banks, mines, railways, shops, are parts of the economic *order*. Economics is not concerned with human, i.e. enacted or "positive", law, but with the great natural order of the market, which did not originate in humanly enacted or decreed law and still exists and operates quite independently of it, or in spite of it.
24. Like all sciences, economics is the study of an aspect of nature, namely the economic nature of man, which gives rise to the market and the world economic order. The economist is a naturalist. Man is by nature the only exchanging animal.
25. It is true that men economise in other ways than by exchange, e.g. by adaptativeness and by invention, both of which are integral parts of and greatly stimulate the market. But exchange is the essential feature which constitutes the market.

The Two Laws of Human Action

26. The science of economics is based on the two unalterable natural laws of human nature governing all voluntary actions:
27. LAW 1. Every action is engaged in with the object of satisfying one or more desires (including needs). After the basic desires are satisfied new ones keep arising, so that all desires are never satisfied, unlike those of

animals. Economics does not study desire (which is the field of religion, ethics, psychology or psychiatry), and does not enquire whether desires are good or bad.

28. LAW 2. Every action is, secondarily, governed by the economic principle, which may be more fully stated as follows: In satisfying desire exertion is minimised as far as all the circumstances, including other desires and the degree of available knowledge, permit.
29. Economy is not laziness. It is a sign of intelligence and the cause of efficiency, and without it neither life nor civilisation could exist. It is also a universal law, having its physical counterpart in the law of inertia or gravity. The economic man is a man of energy, enterprise, effective action and productive and bargaining ability. He gets things done, satisfies his own and other people's desires, and all with as little effort as possible.
30. Apart from the direct provision of nature, e.g. air and sunshine and the involuntary actions of our bodies which satisfy certain basic needs, the only way to satisfy desire is human effort or exertion, mental and physical. When this effort is directed to supplying the market with goods and services it is termed *labour*, i.e. productive effort. Labour is not identical with work, which can be fruitless or uneconomic.
31. Man is by nature a social and economic animal, and so naturally develops a co-operative economic organism called the market, through which more desires are satisfied, with less effort. The market and all its economic phenomena are the expression of man's economic nature.
32. All well-meant attempts to discourage any part of the market are not only unscientific but must result in economic loss, i.e. more effort for the same or less result, which is the only economic crime or sin.
33. This does not mean that harmful products, such as drugs or armaments or pornography should not be discouraged. That is a matter for moral action or social philosophy, but not for economics. When a proposed action involves a choice between ethics and economy ethics must prevail. "Life is more than meat". But the economy principle is never in conflict with ethics.
34. In the market, or the economy, goods and services are exchanged for goods and services. Money is always used in the exchange, in the form of coins or notes or by reference to them (not by reference to credits or bank deposits, which are not money). Money is the medium of exchange

and measure of value. It is used to facilitate the exchange of goods and services. People do not go to the market as vendors or purchasers for money, but for goods and services. When one party to an exchange has parted with his goods or services and received money in exchange, the exchange for him is not yet complete. It is complete only when he has parted with the money and received goods or services in exchange from other parties in the market.

Definition of the Market: "The economic nerve-centre wherein multiplicities of diverse desires are unified in the one common desire to save effort, and wherein the desires of all for the products of labour (goods and services) are satisfied with the maximum efficiency" (Dr. H. G. Pearce, Sydney).

CHAPTER 3

GOODS (WEALTH) AND SERVICES

35. *Goods*, also more correctly called wealth, do not include monopolies or privileges or political restrictions granted to some people at the expense of others. These are spurious wealth and are bought and sold on the stock exchange, or privately, or on the "black" market; they are not real wealth and are not economic but political.

Some company shares represent real wealth, which are also bought and sold on the stock exchange. But most of what is so eagerly sold on the stock exchange is spurious wealth, consisting of the legal or political right to extract wealth or services from others without giving wealth or services in exchange. They all arise from some kind of political favouritism or privilege created by misgovernment. A good example of this was the original B.H.P. which commenced with land only, though its modern companies are a combination of land (which is not wealth) and plant and machinery (real wealth) and political protection (spurious wealth).

36. Goods (wealth) are the material products of labour, e.g. bread, clothes, steel, vehicles, houses, machines, cars, computers. They are all produced, i.e. worked up, by labour into useful objects which satisfy desire. The material from which they are derived is *land* - the gifts of nature. This material is still clearly visible in the goods, but it has been changed, modified or transported by labour so as to make it fit to satisfy desires. Embodied in every form of wealth are (a) the land or material, and (b) the physical and mental effort (labour) which has conferred on