

Economics and the Practice of Human Action: The Legacy of the Austrian School

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Economics is the youngest of all sciences. Its task is to identify the secondary consequences, but it requires a perception of general consequences, including effects which are brought by an implemented or proposed economic policy not only to a certain special interests in short periods of time but also to a general interest for long periods, which somewhat contradicts the assumptions of many economic doctrines. Thus, the current state of economics or management science is difficult to be called autonomic. Economists “have opened” the domain previously reserved for “hard indicators” on the human aspects of the assessment of effectiveness. What is more, the discovery of regularity in the sequence and independence of market phenomena, in particular, a markdown role of the “invisible hand of the market” and “government interventionism” put into question the validity of the dogmas of traditional British or American schools, as a consequence of the operation of schools with the teaching of economics. This paper is the attempt to show the failure of the most popular scientific economical schools, including neoclassical ones in the area of human performance, comparing with Austrian School principles.

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Philosophers have searched targets that God or nature had tried to implement in the cycle of human history for a long time (Bochenski, 1993). They have also tried to identify the laws that govern the evolution and destiny of the human race. However, even these ancient thinkers did not hold any ideological constraints, they had to admit the futility of their efforts, which constituted a derivative of inappropriate research methods, which were based on the assumption of holism humanity or other similar concept of one nation, race, or church. Then they arbitrarily set purposes for which the previously selected communities should strive and how to assess affordability of mentioned purposes. Consequently, there was not obtained a methodically correct answer which determinants had oriented, behaving differently individuals to act together to achieve a result of relentless progress toward evolution.

Therefore, it was introduced in the way of desperation of a “divine factor” (Topolski, 1984)—any inaccuracies or inconsistencies have been sanctioned by the intervention of gods or divine revelation and the

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prophets sent by God (Janowski, 2007) and saints leaders who introduced order and harmony. They also used the “spirit of world” and the “spirit of the nation”. Other concepts assumed the existence of “forces of nature” affecting human being to unknowingly follow a path designated to him by nature.

However, other philosophers were more realistic. They did not try to guess the intentions or divine nature. They thought that you should search the human aspects in the context of government activity. Their intention was to establish the principles of political activity and technology skills to run the country. They were also based on speculation ambitious plans for the reconstruction of society. The simplest of them was derivative from systematization of historical experience, however, almost all scholars of this period were completely convinced that there was no experience of regularity and variation phenomena similar to human reasoning, in the sequence of natural events. The researchers did not look for laws governing human cooperation, because it assumed that a person can organize society according to its own plan. If social conditions do not meet the objectives of the reformers, if the inability to implement their utopia has been proven, the blame for the failure of the project was attributed to “moral defectiveness” of man. Social problems were seen as ethical, therefore, it was necessary to create an ideal society, the existence of good princes and valuable citizens. With righteous men, any utopia might look forward to implementation.

The discovery of the inevitable independence of market processes broke down the basics of this concept. Confused advocates have to face a new image of society. They saw that there was amazement that there is another context in which it can be perceived, human actions were launched than a reflection between good and evil, honesty and dishonesty. The succession of events has been dominated by the regularity of phenomena to which man must adapt to succeed. It was a pointless approach to social facts as a censor who approves or rejects the views defined in terms of their consistency with the arbitrarily designated standards and subjective judgment of their value. Someone needs to study the laws governing human behavior in a manner characteristic of physics determining the laws of nature. Human activity, including social cooperation is seen as an object of research with established relationships, not normative discipline in defining things as they are, in fact, it was a revolutionary statement, with very serious consequences for knowledge, philosophy, and social activity.

Over the next years, the effects of this radical change in the methods of inference were very limited because people believed that they refer only to a limited segment of human activity area—market relations. Proponents of classical economics encountered an obstacle in the implementation of their research, which they could not rule out or defeat—an obvious contradiction of values. Theory, in the section on determining the value was defective and forced to limit the scope of their study. Until the 19th century, political economics remained a science of “economic” aspects of human activity, the theory of wealth and selfishness. It corresponded to human behavior only in the area known as the profit motive, while other factors accounted for only a supplement. The transformation of thought, initiated by the classical economists, found acclaim among modern advocates of economic subjectivism that convert market prices as the main theory of human choice. However, researchers have failed to prove the correctness of the transition from the postulate of the classical theory of its subjective equivalent for a long time, by substituting a more satisfactory market exchange assumptions less. The general theory of choice and preference goes far beyond the horizon, which included a range of economic problems, significantly limited by the economists starting with Cantillon (Jevons, 1881), Hume (Hume, 1965), Smith (Lowe, 1954), and ending with Mill (Mill, 1869). The perception of human activity in this approach is much broader than just economically determined and focused on the purchase of movable

and overall improvement in material well-being. It is a theory which takes into account every aspect of human activity. Choosing determines all human decisions, and it is not only derived from a wide range of material goods and services—all human values are additive and the objectives and means, both material and ideological, sublime and essential, noble and despicable, are arranged in one row and subordinate to the decision to choose the best solution, at the expense of the rejection of others. Thus, no aspect of human activity, both in terms of setting goals and avoid risks, is not outside the range of interest, is a unique element—specific scale of gradation and preference.

In addition to the political economy of the classical school, there is a general theory of efficient human action—praxeology. Economic and catallactic problems here are embedded in the overall context of the research and none of the economic solutions does not allow the proper determination of human behavior in terms of making choices, economics becomes a part of a more universal science—praxeology (Espinosa, 1890).

Epistemological Aspects of the General Theory of Human Action

In the current study, any previous solution seemed to be problematic. This represented a significant departure from the traditional system of perception of knowledge. Practitioners and academics encountered problems when trying to mention classification theory and assign it to a specific context. However, on the other hand, they were convinced that previously used catalog of knowledge did not require reconstruction or extension. It was believed that the catalog is complete and if economists were not able to adjust their views to it, it meant that they applied economics in an abnormal way, inadequate to the identified problems. Equating their academic disputes of pedantic professors, an utter lack of understanding of the importance of the debates focused on the fact, scope, and logical character of economics. In “Methodenstreit” (Menger, 1871) between Austrian economists and the Prussian Historical School—a self-proclaimed “intellectual guardian of the Hohenzollern Palace” and American industrialism represented by J. Bates Clark, there was a discussion concerning the effectiveness of particular procedures. The main problem was the epistemological principles of science of human action and its logical equity. Starting from an epistemological system, in which it was difficult to fit praxeological way of thinking, and ending on the logic that the assumption was perceived as only through scientific empiricism and history. As a result, many authors have tried to negate the value and utility of praxeology, as economic theory. Supporters of historical recognition sought to convert its economic history, and the positivists recommending the substitution of “illusory” social sciences adaptation to structures and patterns of Newtonian mechanics. Both schools were characterized by compliance mentioned in the context of a radical rejection of all the achievements of economic thought.

The radicalism of the acute criticism *skomasowanej* economists was, however, soon surpassed by the universal nihilism. From ancient times, people’s thinking, speaking, and acting assumed constancy and immutability of human intentions as an unquestionable fact, and all research on this assumption. The dispute about the epistemological character of economics, writers, for the first time in the history of the human species, also questioned the previous axiom. Marxists asserted that human thinking is determined by membership in the class, and each class has its own separate logic. The product of this kind of thinking can be nothing more than an “ideological guise of” selfish class interests, and the task of “sociology of knowledge” is to unmask philosophies and scientific theories and to demonstrate their “ideological emptiness”. Economics presented as a product of the bourgeoisie and the economists determined flatterers of capital. Only a socialist utopia of a classless society could replace true “ideological lies”.

This polylogism was also presented in other forms. Historians have asserted that the logical structure of human thought and action is a consequence of changes in the course of historical evolution, provided that each of the races themselves legitimacy attributed to the use of their recognition logic. Finally, it was claimed that such a cause is not an explanation for the irrational factors determining human action (Dobrosielski, 1999). Mentioned doctrine goes far beyond the framework set out by the economy, not only question the economics and praxeology, the human knowledge and reasoning, it refers to the mathematics and physics, as well as economics. However, it seems to be a reasonable assertion that the ability to debunk mentioned conditions does not close in one area of knowledge but in epistemology and philosophy. Physicist gets upset when someone stigmatizes his theories describing them as “bourgeois”, Western or Jewish, the economist should ignore *detrakcję* or slander in the same way, according to Spinoza’s dictum “*Sane Sicut se lux et Tenebras Ipsam manifestat, sic veritas standard sui et falsi est*”. However, there is a reasonable search for identical analogy in the assumptions of economics, mathematics, and science—polylogism and irrationality are in conflict with the canons of praxeology and economics. Although similar in general respects to all fields of knowledge, a general theory of human action has in mind, emphasizing the illusory nature of the declaration that scientific research is possible to obtain results corresponding to their implementation in all ages, races, and social classes, and depreciating certain physical and biological theories as bourgeois or Western (Von Mises, 2010). But, if the solution of practical problems requires the implementation of these stigmatized doctrines, the above criticism is forgotten (Technologies used in Soviet Russia unscrupulous use all the achievements of bourgeois physics, chemistry, and biology, as if they were relevant to all social classes and the Nazi engineers and physicists did not slight theory, discoveries, and inventions “inferior” races and nations). The behavior of people of all races, nations, religions, language groups, and social classes in a simple way proves that they do not approve of the doctrines polylogism and irrational—forced, like logic, mathematics, and science.

Praxeology as a Legacy of the Austrian Economic School

In the context of praxeology, the situation is completely different. The main motive for the development of doctrines of polylogism, historicism, and irrationality was to provide an excuse for disregard of economic thought in the implementation of economic policy—socialists, racists, nationalists, and statist, finally, were defeated in their efforts in refutation of economic theories and demonstrating the correctness of their own false doctrines. This frustration led them to the negation of logical and epistemological principles in the identification of cause—effect on human action, both in terms of practical and scientific research. However, it would be wrong to assign such motives as merely caused political aspirations and no researcher cannot be authorized to construct *ex ante* demands that the criticism faced by his theory is a derivative of unfavorable attitudes and mistakes made by the evaluator voiced disapproval of the theory. What is more, he is obliged to respond to any criticism without perceiving it in the context of hidden motives pejorative or the background. It is also not correct to conceal the facts that the usefulness and accuracy of economic theory occur only in specific areas and hypothetical assumptions, which in most cases, implementation of the realities of doing business is not possible. What is particularly important, although some schools of economic confirmed in the opinion, still officially direct your thinking according to accepted dogma, not worrying about the complete lack of usability of constructed models, in fact, assume this attitude is not tenable, since the main task of comprehensive scientific study is to describe and define all the terms and conditions under which the adopted

model is correct. It is a mistake therefore to establish physics as a model or regulation for economic research. Those who commit this fallacy, should take into account that none of the physicists ever believed that the explanation of a number of assumptions or conditions of physical theory is an explanation outside of physics—a field of science. Therefore, the main problem to be solved for economic science is to identify the validation of economic theorems in the context of human activity and mental conditions, which are the subject of economics.

Mentioned assumptions make that economics as a science refers to a capitalist system and in a short period to liberalism in Western civilization, which is an aggravating factor for the science sector in other areas of learning. To take into account any objections and oppose them to often useless economic assumptions, particularly in the context of human activity, economic system should be constructed in such a way that the criticism in the section on irrationalism, historicism, behaviorism, and other varieties of polylogism. It seems not to be entitled to tolerate a state in which every day arguments are present that demonstrate the absurdity and futility of principles of economics and economists seem to ignore this fact, there is no justification for seeking solutions to the economic problems of using traditional foundations. What is more, clearly it highlights the need to construct a catallactic theory based on a permanent basis on the general theory of smooth operation—praxeology. This procedure not only protects against waves of particularistic critics but also explains a lot of problems, yet not even adequately perceived or resolved in a general way—that is, in particular, the fundamental problem of economic calculation.

It has become customary to blame the economists of backwardness. Today, it is quite correct to say that none of the economic theory cannot be considered to be perfect, since there is no knowledge of the human person, which could be described as a complete analogy also applies to every human achievement. Omniscience is therefore a denial of man, and the most elaborate theory of what seemingly is built to the highest possible level of competence (Janowski, 2006), may be reconstructed or negated thereafter. Science does not afford certainty, only to determine the theoretical optimum, the existing constraints and knowledge available in the area, which are just a point on the trajectory of development, and it is further distorted because inconsistency characterizes every human effort. This does not mean, however, that today's scientific activity in the field of economics is fragmentary, but it is also subject to evaluation, as a result of prior deficiencies and change. The allegation of an alleged backwardness of economics can be traced in two different approaches:

(1) There are naturalists and physicists who belittle the achievement of economy, because they believe that it is not a natural science, so there are no application methods and laboratory procedures. However, these manifestations of criticism can be derived from psychological education adversaries. Laboratory worker sees the study conducted by the researchers as only right and differential equations, a method of presenting the results to the signal. That investigator is unable to perceive the epistemological problems of human action, therefore, sees the economy as a derivative of mechanics;

(2) Other researchers emphasize the weakness of the social sciences because of the unsatisfactory social conditions. The life sciences over the last two years was obtained outstanding achievements and practical implementation *wzmiankowanych* results enabled the increase in standards of living to unprecedented levels, but completely failed social sciences in the area for a more satisfactory social conditions—because it cannot be excluded misery, poverty, economic crises, unemployment, war, and tyranny. These teachings are unproductive and do not contribute anything constructive to the promotion of human happiness and well-being.

Those malcontents do not notice the enormous progress that has been made in the technology of production, which contributed to the increase of wealth and prosperity, which was only possible thanks to liberal policies, based on the foundations constructed by the classical economists. On the other hand, none of the great modern inventions would not go to the consumer, if not economists, who pointed defectiveness pre-capitalistic thinking. The process is called the industrial revolution that was initiated ideological revolution, the doctrine of economists who challenged the hitherto used dogmas. It is not fair and equitable to outbid a competitor by producing better and cheaper goods which is ubiquitous deviation from traditional economics course, and the machines are perception as a source of unemployment (Balewski, 2014), while there is legitimacy for the government to “protect” effective entrepreneurs through the enrichment and protection units less effective by competition from the former. Also with social acceptance, meet the restrictions imposed by the government on businesses, which are compelled, or a violation of their freedom in the name of so-called “social welfare” (Hazlitt, 1993). Only British and French economic policy “physiocracy” enabled the development of the natural sciences, and the accumulation of achievements that have become useful for mass customers.

Unfortunately, there is widespread ignorance of the role that economic freedom played in the technological evolution in the last 200 years. Illusion introduced Marxist ideology resulted in the perception of modern industrialism, as a result of the mysterious “forces” that are not subject to any ideological factors. As a consequence, classical political economy, it is not a factor in the development of capitalism, but rather the product—the ideological superstructure, the doctrine sanctioning claims “of the capitalist exploiters”. Hence, the abolition of capitalism and its substitution by the socialist totalitarianism of a market economy and free enterprise could weaken further development of the technology. What is more, it would be possible to promote technological development due to the removal of obstacles posed by selfish capitalists.

A characteristic feature of this age of destructive wars and social disintegration is the revolt against economics. T. Carlyle (Ikeler, 1972) defined economics as “pathetic science”, and Karl Marx (Marx, 1922) stigmatized the economists as “the sycophants of the bourgeoisie”. Thus, there were favorable conditions for the development of the economy, as a science, when both the scientific community and the mass despised and ignored her achievements.

However, what is worth stressing that existence of modern civilization is based on assumptions, which are derivatives of the tips of economics to solve existing problems. Civilization will collapse, when nations will act in accordance with the doctrines that reject economic thinking.

Conclusions

It is indisputable that economics is the theoretical science and as such does not allow the evaluation of values. What is more, it is the task of identifying, for what purpose human beings should follow, and deals with resources that should be deployed to achieve the goals, but certainly not the science of their selection. The final decision, determination, and selection purposes are outside the scope of each of the sciences. Science does not provide guidance to the human being, as a means to preserve, only shows how economic activity of humans should be made up in order to achieve a predetermined goal. The above analysis provokes a statement that all economic models, based on so-called “old schools” are not utilitarian for entrepreneurs, especially in the area of definition of the determinants of human activity. What is more, in many respects, predictions based on these models contain serious defects, if you try to make the implementation of theoretically derived parameters to the reality of business. As described phenomenon has already been identified before, an element of free enterprise

has been removed from the equation because it impaired the accuracy of the model equations. It seems to be a legitimate demand of the need to validate existing economic models for the management of human resources in the context of the principles of the Austrian school of economics.

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