

THE ENTREPRENEURIAL ESSENCE OF HUMAN ACTION*

JESÚS HUERTA DE SOTO

Introduction

One cannot understand anything about economics without first grasping the concept and implications of the entrepreneurial function. If anything characterises the approach of this course and this chair—which is the focus of the Austrian School of Economics—is its dynamic perspective on processes of social cooperation, grounded in the creative and coordinating nature of the acting human being. What is an entrepreneur? This concept is very important because, in everyday language, we tend to reduce it to a businessman or a business owner. But today we shall see that, in this lecture, the term ‘entrepreneur’ has a much broader and more general meaning because every human being, by the very fact of being human, always acts ‘entrepreneurially’. We shall therefore devote today’s session to studying the entrepreneurial nature of human beings.

If there is one thing that sets this department’s approach apart from the traditional approaches to economics taught at other universities, it is precisely our dynamic conception of the entrepreneurial function. In other economics courses, in most faculties and departments, economics is typically taught by filling the classroom with formulas and, often, without even mentioning the entrepreneur or the entrepreneurial function. However, to understand economics, the most important thing is to understand the central role of the entrepreneur. Furthermore, understanding what the entrepreneurial function is is vital for any human being, regardless of the sphere in which they live or work. Moreover, there is nothing more practical

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that a good theory—and our scientific theory on the role of business—not only opens our eyes to the world around us, but is of vital importance to you, especially to you, as undergraduate and postgraduate students.

Today we will begin by defining what we mean by the entrepreneurial function. We will offer two definitions. Today's class will focus on an initial general approach to the concept of entrepreneurship, or the entrepreneurial function, as an inseparable part of the human being. Later on, once we have examined the implications of this initial approach in detail, we will move towards a more precise and detailed definition of entrepreneurship, which will include aspects related to the theory of knowledge and the transmission and communication of that knowledge. Well then, in this initial approach, we shall equate the concept of entrepreneurial function with the concept of human action. That is to say, in this initial, broad and general definition of entrepreneurship, we shall state that entrepreneurial function and human action are one and the same, because what characterises human beings is that they are actors—that is, their capacity to act. And why do human beings act? The reason we act is inseparable from our nature because we are constantly 'doing'. We act in order to, through trial and error, discover or create ends that are worthwhile to us and seek the means to achieve them.

This initial definition of entrepreneurship, which identifies it with human action, may at first glance seem like a crude generalisation, and even baffling: how can an 'actor' and an 'entrepreneur' be synonymous? However, if we give it a moment's careful thought and reflect on it, we will realise that it is by no means nonsense. In reality, action and entrepreneurship are synonyms, overlapping and essentially coinciding. Let's look at this in more depth.

Something I often do in class is to begin by analysing the etymological origin of key terms. Take, for example, the term 'empresa'. In Spanish, a Romance language of continental Europe — Romance in the sense that it derives from Latin, like French, Italian, Portuguese or Romanian—, 'empresa' derives directly from the Latin verb *inprehendo*, *pre-hendi*, *prehensum*. And what did this verb mean in ancient Rome?

In Latin, **prehendo, prehendi, prehensum** had several highly revealing meanings. It meant to discover something, to see, to perceive something suddenly, to catch—as if we were catching a fly in mid-flight or an idea that suddenly occurs to us. It could also mean to realise something that had previously gone unnoticed. All these are facets of what we might call a true diamond: *in prehendō, prehendi, prehensum*. And this is the term from which, etymologically, our Spanish word ‘*empresa*’ derives. This already gives us a very clear clue, even in its etymological origin, that the term implicitly carries the idea of action. To discover, to perceive, to realise, to grasp: these are all actions that imply movement, dynamism. For when a human being realises something or grasps an idea, they are already acting.

As the Romance languages developed, the term evolved. And in Spain, we ended up using the words ‘*empresa*’ and ‘*empresario*’ to refer to this fundamental concept of taking action. In Portugal, the equivalent term is *empreiteiro*, whilst in France *the word entrepreneur* is used. Each language brings its own particular nuance, but all these terms share the same etymological root, which takes us back to the Latin *in prehendō, prehendi, prehensum*, which implicitly contains the idea of action and discovery. Over time, this etymological meaning began to take shape in practical terms. For example, during the Middle Ages in France, those in charge of or responsible for the most important public works of the era were called *entrepreneurs*. What were those great works that have been preserved for posterity, those structures that even today are a source of pride and admiration in the cities and capitals of Europe? The cathedrals. In Germany, France and Spain alike, cathedrals represented the most ambitious and momentous projects of that era. In cities such as Burgos, Palma de Mallorca and Seville, cathedrals became symbols of faith, but also of grandeur and of humanity’s capacity to undertake projects that spanned generations. And so, in France, it was the *entrepreneurs* who were responsible for building these colossal structures, projects so grandiose that they took several centuries to complete. Often, the *entrepreneur* who began the work did not live long enough to see it finished,

and the responsibility passed to their children, then to their grandchildren, and so on, until, after 100, 200 or even 300 years, the cathedral was eventually completed. It is highly significant that in medieval France, those who took on the responsibility for these actions—which were so important from a construction perspective—were called *entrepreneurs*. For its part, the term *in prehendō, prehendi, prehensum*, which we already know is a verb, gives rise to a noun in Latin: *imprehensa*. This noun literally means ‘action’, but not just any action, rather the action of taking, grasping or seizing something. Thus, we can clearly see how, in its etymological origin, ‘*empresa*’ is closely linked to the concept of acting. A meaning that was retained and evolved in the Romance languages.

In Portuguese, meanwhile, *the word ‘empreiteiro’* is used to refer to a building contractor. If you visit Portugal today and need to carry out some home renovations, you’ll immediately be told: ‘Let’s call an *empreiteiro*.’ Personally, I always find it amusing when I’m in Portugal on business and hear that term; it’s fascinating to see how the original meaning has been refined and adapted over time. And what happened in Spain? In our case, the Castilian language began to take shape from the 10th century onwards, in the northern region of Burgos, and gradually consolidated and refined itself as the Reconquista progressed. Very soon, the term ‘*empresa*’ became established in our language. In the Spanish Middle Ages, when this term first came into use, ‘*empresa*’ had a very specific meaning. *The term* referred to the insignia that knights bore on their coats of arms—insignia adorned with symbols and floral motifs—which indicated that the knight had sworn to undertake an act of great valour and heroism. Anyone seeing the coat of arms could immediately recognise that the knight belonged to an order of chivalry — such as the Order of Calatrava or other military and religious orders established during the Reconquista — and that he had sworn an oath to perform a significant feat. If you now take the dictionary of the Royal Spanish Academy and look up ‘*empresa*’, you will see that one of the definitions of the term—I believe it is the fourth—reads: ‘A arduous and difficult undertaking that is bravely embarked upon.’ This ties in perfectly with the historical and symbolic meaning of the term, and reflects how, from its very origins, the term ‘*empresa*’ has been

linked to meaningful actions, imbued with value and purpose. Furthermore, it is interesting to note how the term ‘enterprise’ is defined (fourth definition) in the dictionary of the Royal Spanish Academy as ‘a strenuous and difficult undertaking that is courageously embarked upon’. This definition ties in directly with what we have been explaining. This is neither a coincidence nor an arbitrary idea. From this initial approach to the concept of business function, we are identifying it with the very concept of human action. However, not just any action, but a nuanced human action, characterised by the human being’s desire to grasp, discover, seize, and take hold of that which they value and which is worthwhile to them. Furthermore, human action always carries with it an implicit dose of heroism, courage and enthusiasm. And although it may seem that not all human actions have this bias, even in the most everyday or seemingly prosaic and mundane acts we find that connection. As the saying goes, “actions speak louder than words.”

Now, as we are at a university that values the richness of the Spanish language, let us turn to the pinnacle of its literature.

What does the great Miguel de Cervantes say about the value of action? Cervantes, whose statue presides over the main courtyard of this building, is a symbol of creative heroism and the impact of human action. Speaking of the statue, you, who are keen observers, Have you noticed whether this depicts Cervantes before or after the Battle of Lepanto? It seems you’ve already guessed. Correct: it’s before the battle. How do we know? Because the statue shows him with both hands intact. Let us recall that it was at Lepanto where, due to an arquebus shot, he lost the use of his left hand, which left him with nothing but a stump. Cervantes, the author who left us the immortal and timeless work of the Spanish language: *Don Quixote*. I recommend, dear pupils, that you always keep a pocket edition of *Don Quixote* on your bedside table. Take my advice: read two pages every night, every day of your life, and when you finish it, start again, and so on. It is the best way to sleep. And what is more, an exquisite style of writing will remain in your subconscious and, above all, a philosophy of life of immense value. Right then, hands up—who has a copy of *Don Quixote* on their bedside table?

And who reads it every day? No one! Well, you know what you have to do. Everyone should own a copy of **Don Quixote**. Now, another question:

who has read it from cover to cover? I see five or six hands raised, now that's a step in the right direction! I'm very pleased. The other day, when I asked about the Works of Mercy, nobody knew the answer. Today, at least, there are pupils who have read this masterpiece of our literature. But the aim is for everyone to have it and to read it and reread it.

Let's talk for a moment about *Don Quixote* and the order of knights-errant. I sincerely believe that we should all be 'knights-errant': because there is nothing more beautiful than waking up every morning thinking that one is a knight-errant. Going out into the street with the aim of righting wrongs, of fighting windmills. In our case, the windmills are two great adversaries: the neoclassical school and the State. But we must face them with joy, with enthusiasm, with boundless energy, infinite patience and without any major hang-ups. And what happened to Don Quixote? Well, after his adventures he ended up battered, covered in dust, aching all over and with broken teeth. And you know what? He didn't care in the slightest. The next day, with the help of Sancho Panza, he would clean himself up as best he could and go back into battle. Now that is an inspiring philosophy of life: getting up every morning full of spirit time and time again, no matter how many times you've been knocked down. Let us all be knights-errant, or ladies-errant, if you prefer (but let's make sure we sign up for an 'anarcho-capitalist' knighthood). And this little digression allows us to reiterate three important messages today: love in freedom, love of gold and, as we have pointed out before, the importance of chivalry as a symbol of purpose and courage (let us remember that love and freedom are inseparable, and to succeed in what we do, we must love every aspect of what we do deeply).

Now, if we turn to Chapter 2 of the first part of *Don Quixote*, we find a literary gem that illustrates this concept. You will find it on page 43 of my book *Socialism, Economic Calculation and the Role of Business*, in a footnote. There you can read the following with me: 'No sooner had Don Quixote set foot in the countryside than he was seized by a terrible thought, so terrible that it nearly...'

made him abandon the undertaking he had begun. For it occurred to him that he was not a knighted knight and that, according to the laws of chivalry, he could not and should not take up arms against any knight. And that, even if he were, he would have to carry only a sword as a novice knight, a new knight, with no *coat of arms* on his shield. Until he had earned it through his own efforts.” Take a close look at the richness of this passage. Cervantes, in just a few lines, uses the term ‘*empresa*’ in its two fundamental senses. First, as a synonym for ‘action’, when he says that Don Quixote could not begin his ‘*empresa*’ (that is, he could not undertake his action) because he had not yet been knighted. Secondly, he draws on the medieval meaning of the term, referring to the ‘*empresa*’ *on the shield*: that distinctive mark which knights used to show everyone that they had sworn to carry out a heroic and highly significant deed. This shows us how Cervantes, at the beginning of the 17th century, revives a meaning that was already anachronistic by then and integrates it into his work, adding a symbolic and literary dimension of great value.

Dear students, what is clear, both etymologically and historically, is that ‘*enterprise*’ and ‘*action*’ are synonyms. In essence, they are one and the same. Understanding this connection will help us not only to better grasp the role of enterprise, but also to appreciate the richness of our language and the depth of its literary heritage. Dear students, together we have embarked on an enterprise, a courageous one: to carry out this course in political economy. From the outset, we must clearly understand that we are all, in essence, entrepreneurs. This is obvious when we grasp the conceptual identification between *human action* and *enterprise*. We have said that human action is inseparable from its eminently entrepreneurial nature. The Latin verb in *prehendo*, *prehendi*, *prehensum* —from which ‘*enterprise*’ derives— not only signifies action, but implies, from its etymological origins in ancient Rome, an act of creativity and discovery. It is an action that consists of *discovering*, but to discover one must first seek, although on occasions discoveries occur without the search having been deliberate. This brings us to the concept of *serendipity*: the surprising, fortunate and unexpected finding of something valuable that was not being sought.

But let's take it a step further. Discovering and creating are synonymous from the perspective of human action. Take Christopher Columbus: historically, we say he discovered the Americas, but from the point of view of human action, Columbus *created* the Americas. Why? Because although the Americas existed physically, they had no meaning or significance until someone *discovered* them and made them part of their reality. That act of discovery is, in essence, a creative act. Creating and discovering, as we shall see throughout this course, involve a qualitative leap in the human mind. It is a moment of enlightenment, a flash of inexplicable lucidity, where we are suddenly able to realise ideas that had previously gone unnoticed. Discovering, creating, realising: all these terms are inseparable from the concept of human action and carry with them a qualitative nuance of added value that I want you to be very clear about. This nuance is inherent in terms such as *learning, understanding, undertaking, enterprise* and *entrepreneur*. So, in this initial approach, we have defined the entrepreneurial function by identifying it with the concept of human action. In other words, the entrepreneurial function and human action coincide. Having reached this conclusion regarding the entrepreneurial function, we are now ready to delve deeper into its implications for our understanding of human beings and their interaction with the world.

Human action: and its methodological implications

From now on, dear students, we are going to talk about human action. And to do so, I want you to understand something fundamental: economics has a significant advantage over other scientific disciplines, particularly the so-called natural or physical sciences. This advantage lies in the fact that the economist, the researcher of human action, does not observe his subject from the outside, as a physicist or a biologist does, for example. Consider the natural scientist: his subject of study is something external to himself. If he studies atoms, subatomic particles or biological processes, he needs to conduct experiments in a laboratory, formulate hypotheses and test them empirically. His entire analysis is carried out from the outside, facing a wall that separates him from his

subject of study. For example, someone studying particles in a linear accelerator is obviously not a particle themselves, nor can they experience first-hand how a particle behaves. In contrast, the social scientist—and in particular the economist—has an exceptional methodological advantage: they are a human being studying other human beings who act just like them. And this affords them first-hand knowledge of incalculable value regarding their subject of study. I, as a professor of economics, as a researcher and as a human being, have direct access to the nature of human action because I myself am a man who acts. This is not a trivial matter, dear students, but a tool of incalculable value. This advantage is called *knowledge through introspection*. As human beings who are constantly acting, we know, intimately and directly, what it is we do. We do not need a laboratory to understand what it means to have a goal, to evaluate the means of achieving it, and to undertake and complete actions. This introspective knowledge allows us direct access to the very core of human action, something no natural scientist can experience in their field.

Let us explore together the profound methodological implications of this difference. This capacity for introspection opens the door to a unique and privileged understanding of human beings in action, which forms the very foundation of all economic science. Let us delve into this fascinating discovery! This gives us an enormous advantage over scientists in other disciplines. In many other respects, we are at a disadvantage because we cannot carry out precise measurements or laboratory experiments as is done in the natural sciences. However, God, in His infinite wisdom and goodness, has not wished to leave the social scientist or economist at a total disadvantage. On the contrary, He has given us the unique ability to share the same nature as the entities we analyse: other human beings. This provides us with a very powerful tool that other fields do not possess. Thanks to this direct connection, this ability to understand from within what we do as human beings, we have a springboard for analysis of enormous value. So, what is human action? We shall look at this shortly, but first—and if you have completed the assigned readings—you will have reached the opening chapter of *Human Action*

by Ludwig von Mises, immediately following my introductory study. There you will find a fundamental statement that marks the beginning of the treatise. It reads, verbatim: '*Economics is the youngest of all sciences.*' That is the first sentence of the treatise, which from there proceeds to the very essence of the concept of human action.

Definition of human action

Mises defines human action as “any deliberate behaviour or conduct carried out by a human being.” It is important to understand this because defining something as intrinsic to us as human action without using its own terms is a challenge. For this reason, we resort to synonyms or approximations to convey its essential meaning. Human action, as Mises tells us, is deliberate behaviour carried out by human beings; in other words, it is neither a mechanical act nor an automatic reflex. Let us consider everyday examples. If someone goes to the doctor and the doctor uses a hammer on their knee to perform a reflex test, the movement of the leg is not a human action. It is a reflexive, involuntary act that involves no deliberation whatsoever. Similarly, if someone is a sleepwalker and walks in their sleep, their behaviour is not deliberate. Therefore, it is not a human action.

The term '*deliberate*' is crucial here, because it indicates that human action always involves an intention, a conscious choice, even when we are not fully aware of all the factors influencing our actions. Each of these aspects, dear students, has a profound meaning that we will unpack together. Make a note of all this, because you won't find it presented like this in any book! These are the kinds of reflections that will enrich our understanding throughout the course. For example, as I said, the behaviour of a sleepwalker is not considered a deliberate human action. Do you know what sleepwalkers do? Let me tell you about one of my granddaughters, who is a sleepwalker and drives her parents to despair. At night, whilst everyone is asleep, the girl gets up, opens the fridge, makes herself a hot chocolate, drinks it and goes back to bed, all without being aware of a thing. She is

completely asleep. If someone, whilst sleepwalking, gets up, jumps out of the window and lands in the neighbour's flat, whatever they do in that state is not a human action because it is not deliberate. They are asleep, and there is no intention or awareness behind their movements. Therefore, by defining human action as deliberate behaviour, we are excluding those behaviours which, although they may appear to be actions from the outside, do not meet the criterion of deliberation. This is a fundamental point for understanding what is and what is not a human action. But let us not be under any illusion: acting involves not only positive actions, such as doing something tangible, but also actions by omission, that is, conscious decisions not to act when circumstances permit or require it.

This reminds me of a classic English joke, which illustrates this concept very well. Imagine a ship in the middle of the ocean. On board, there is a man relaxing and sunbathing, but the waves begin to rock the ship, and the man starts to slide slowly towards the edge, at risk of falling into an ocean full of sharks with their jaws wide open. At that moment, another British passenger, with all his characteristic composure, walks past him and asks: "*By the way, do you have life insurance?*" The man, still unaware of the danger, replies cheerfully:

"*Yes, why?*" The Briton replies: "*Oh, no reason.*" And, immediately afterwards, the man falls into the water and the sharks do the rest. This joke illustrates that human actions are not always 'direct'.

The British man, by failing to intervene to save the other, has acted by omission. He could have helped, but deliberately chose not to. Thus, acting is not limited to what we do, but also to what we choose not to do. This is crucial to understanding human action in its entirety.

Apparently, sometimes from the outside we do not perceive any movement or behaviour, yet human actions may still be taking place.

This leads us to consider another interesting facet: actions can be deliberate even when they are not externally perceptible, as is the case with deliberate omissions. Now, if we have said that human actions are deliberate behaviours, the million-dollar question arises: do animals act? Let us reflect on this. Years ago I read something curious about a chimpanzee who was supposedly a law graduate at

the

Columbia University. Although it is far-fetched, it raises an interesting point about animal behaviour. Think of the *National Geographic* documentaries we've all seen. We watch bees and ants, and the narration often describes their behaviour as if they were acting in an organised manner: they wake up 'in the morning', follow established routes, gather food, build stores, and return to their base. Everything seems to suggest that ants and bees are carrying out deliberate actions. The 'society' they form is structured and organised, which could be interpreted as a sign that they 'act'. However, can we really consider those actions to be comparable to human ones? Let's explore this further. Who has dogs at home? Because, as they say, they are man's best friend. How affectionate dogs are! How happy they are to see us, aren't they? And we all think: "Look how intelligent they are, how they interact with us." (I don't have dogs at home; instead, I have 510 fish and two turtles, but that's another story.) Now, back to the big question: do animals act? This is a very interesting philosophical topic, but what is crystal clear is that there is an essential difference between animals and human beings. Animals do not act in the sense that we attribute to the concept of human action. Think, for example, of that affectionate dog you have at home. That very behaviour we see today—jumping up and barking with joy when they see us—was exactly the same 500 years ago, 5,000 years ago, or ever since humans, evolutionarily speaking, managed to domesticate them and live alongside them.

Meanwhile, human beings have been capable of achieving extraordinary things: putting a man on the moon, composing Beethoven's Ninth Symphony or, for those with more refined tastes like myself, Schubert's 'La Grande', which, incidentally, I prefer to Beethoven. They have also been capable of conceiving Picasso's Cubism or writing *Don Quixote*. And the ants? Well, they carry on doing the same thing they did 100, 500, 1,000 or 10,000 years ago. They do not act, nor are they aware that they are doing so, nor are they capable of discovering or creating anything new. That is the great difference between humans and animals. And what if, as they say, a monkey graduates in law from Columbia University? Well, that doesn't

It would say nothing about the monkey's ability to act, but it does say a great deal about the appallingly low standards of some American universities. Joking aside, it's true that it can be very tempting to interpret animal behaviour in anthropomorphic terms, but be careful: we're projecting our human perspective onto them. Have you ever seen an ant battle? It's impressive; it looks like a war between human armies, as if they were the Russians and the Ukrainians. They clash, they bite each other's heads off and, in the end, they remove the corpses. It's fascinating, yes, but it's not an action in the human sense of the word. It's pure instinct. Ants, however fascinating they may seem in their complex interactions, have not put any other ant on the moon, nor have they composed symphonies or developed concepts such as Cubism, let alone conceived and launched mobile phones, Starlink or Tesla cars. In short, dear students, however exciting and fascinating the animal world may be, we must not confuse it with that of human action. That essential difference is key to what we are studying here. The concept of human action, as we are explaining it, excludes any behaviour that is not deliberate, including purely instinctive behaviour, that of a sleepwalker, or that of animals. Therefore, what we mean by human action refers exclusively to the deliberate behaviour of human beings, whether by action or omission.

Now that we have clarified our definition, let us analyse the elements that make up the concept of human action. We have followed a very clear line of reasoning in this class: first, we identified the concept of business function with that of human action, emphasising the creative and exploratory nature inherent in entrepreneurship, and we underpinned this with its historical and etymological origins. Next, we defined human action as the deliberate behaviour of human beings, and now we are going to examine its various elements one by one. What we are going to study together regarding the components of human action presents no difficulty, as it is something intrinsic to our nature as human beings. We will analyse, in a structured manner, realities that are extremely close and intimate to each of us, precisely because all of us here are

human beings who act every day. From the moment we wake up until we go to bed, our lives are filled with human actions. This analysis will therefore be not only accessible to us, but also deeply relevant.

Essential elements of the concept of human action

Let us analyse the fundamental elements of the concept of human action, for although we might think it is self-evident, we are not wasting our time: a fundamental pillar of economic science is built around each of these elements. Thus, by studying the different components of human action, we shall begin together to lay the foundations of the scientific edifice of economics. How wonderful! We shall see how each of these foundations comes to life in our reflection. The first essential element of the concept of human action is the concept of *purpose*.

What is a *goal*? We will define it as follows: a *goal* is everything the actor aims to achieve through their action. It is an abstract, formal definition, but one that is extremely useful for understanding the concept. In English, the term used is '*goal*'. To illustrate this with an example, let's consider something as simple as a football match. Let's imagine that Real Madrid are playing against Espanyol. How many goals did they score the other day? Four.

What does the game involve? Well, there are 11 players running about (and now women too, as women's football is trying to gain prominence, although it still struggles to attract spectators). The objective, if you think about it, is quite mundane: it involves taking a round object—a ball—using your foot and trying to kick it into a space marked out by a net, known as the goal. When they manage to get that ball into the goal, something magical happens: 100,000 frenzied people shout "¡gol!" — which obviously comes from "goal" in English — with almost delirious enthusiasm. But why do they shout like that? Well, because the goal is the objective the team had set itself. It's as simple as that. Sports, in general, were invented in England, a country where it rains all day and, as some might say, is full of eccentric people who need to entertain themselves. For them, devising sports such as cricket, golf or football

It became a way to relieve boredom. And here we are, seeing how football, which began with such a simple idea, now moves masses. Although it may seem trivial, this example clearly shows us how the end or objective guides action. And this applies not only to sport, but to every decision and action in our lives. What is our objective? What do we want to achieve? These are the key questions we must ask ourselves to understand the nature of human action. Why is the end inseparable from human action? Because it is impossible to conceive of an action that has no end. Previously, human beings have realised or discovered that there is a purpose that is worthwhile to us, that is to say, one that we value.

And this is where the second essential element of the concept of human action comes in: the concept of value. You see, right in the very first lecture, we introduced this second element of the concept of human action. We have introduced the term ‘value’, which encapsulates an idea around which the entire economy has revolved and been built since its inception: the concept of value. Thousands of brilliant minds and economists have reflected on what value is. Thousands upon thousands of pages, rivers of ink, have been written on this essential concept around which the entire structure of economic science revolves. And today, here, we have just introduced it in class. Why? Because human beings discover ends that are worthwhile to them; that is to say, that have value for them. Or else, they are capable of creating those ends. But then, what is value? Let us define value as follows... Although, here a small problem arises from a scientific point of view. I shall make a brief digression—a brief digression, so to speak—economics and psychology are radically different sciences. And, in terms of the sciences of human action, which we shall explain later, these fall under a field known as praxeological science.

Praxeological science derives from the Greek term *praxis*, meaning action. Value is something that is revealed in the action itself; however, we must not fall into psychologism, because psychology belongs to another field, although it is closely related—we might say it is a first cousin of economics in many respects. Today, in presenting and defining the concept of value, I have no choice but to approach, if you will, the boundary

in psychology. I shall define value as follows: value is the psychological assessment, of varying intensity, that the agent assigns to their goal. I repeat: value is the psychological assessment, of varying intensity, that the agent assigns to their goal.

I would also like to tell you that these realities we are unravelling together—which are so personal to us and, at the same time, so important—form the very foundation of the entire economy. However, our language lacks specific, concrete terms to describe them accurately. That is why we are forced to use analogical terms to explain them. Consider, for example, when I say—and everyone tends to say—: ‘Ah, this definition makes a lot of sense. Value is a more or less intense psychological appreciation.’ That is to say, expressions such as ‘I appreciate you very much’ or ‘I value you very much’ (which are, in fact, synonyms) seem, at first glance, to make sense. Value, as we are describing it, is a psychological assessment that the actor assigns to an end, and this concept is crucial within the framework of subjective economics. But let us look closely: the word ‘appreciation’ derives from the term ‘price’, which already places us in a kind of circular reasoning, because price, as we shall see later, is nothing more than the objective result of a process based on subjective valuations.

However, we must not forget that, when using terms such as ‘psychic’ or ‘appreciation’, we are operating in a conceptual realm that seeks to explain something that is intrinsically subjective and deeply personal – that is to say, something that originates in the psyche. Value is not in itself something tangible or measurable; we cannot weigh or measure the value of an end, because it depends solely and exclusively on the individual perception of the person involved. For example, I may deeply value a goal that I have discovered or made my own, and I might try to explain that appreciation to a friend or family member, but they will never be able to feel it exactly as I do; and although we may convey enthusiasm or inspiration, what the other person will feel will be a different action, a completely new process arising from their own subjectivity. Will I be able to pass on my enthusiasm, that appreciation, to another person? It is possible, but then that other person will be, create or form part of a different action, in which they will incorporate a purpose

more or less similar to mine, to which they will also attach a certain appreciation. But I insist: it will be a different action.

Psychic evaluation means that it is subjective, that the actor assigns it to the end, and that it can be more or less intense. We are in the inner world of the human psyche, which is an ordinal world. It is a world in which we are constantly discovering ends that we value, and we can compare them by assigning them an order; it is an ordinal world, but we cannot measure them. For example, I psychically value that end 'much more', 'somewhat more', 'about the same', or 'less' than other ends. But what I cannot do is measure it. I cannot say: 'I value this end exactly 3.14 times more than another', because the inner world of subjective valuations does not allow for measurements. It only allows for comparisons of intensity, and those comparisons are always within the person themselves, not between people.

Let's take this example: What's your name? Cristina. And yours? Margarita. Very well. Suppose I say: 'I love Cristina much more than Margarita', or 'I love her a little more', or 'I love her in a similar way', or 'I love her less'. All of this makes sense in terms of psychological appreciation, of varying intensity. But what I cannot say is: "I love Margarita exactly 3.14 times more than Cristina." That makes no sense! Why? Because the inner world of the psyche does not allow for measurements, only for comparisons of intensity. And note this: these comparisons are always internal, never interpersonal. I cannot say: "Ah, you're courting Margarita too. Well, you're out of luck, because I love her twice as much as you do." How am I supposed to know that? How are you going to get inside my mind, or I inside yours, to measure how much you love Margarita compared to how much I love her? It's not possible. You cannot make interpersonal comparisons of value.

All of this forms part of each person's inner subjectivity. And to capture this conceptual richness, I have summarised it in the definition of value: a psychological, subjective, more or less intense appreciation that the actor attaches to their goal. I have done so in the knowledge that I am adopting a concept we shall explore further on, but I believe it is clear: the appreciation is psychological, subjective, more or less intense, and allows for internal comparisons within a person, but not for measurements or comparisons between

different people. In short, value is the psychological assessment that the agent assigns to their end, and all values are subjective. What does it mean for value to be subjective? Let us clarify this, as it is also important from a terminological point of view. Subjective means that it is determined by the subject involved in the action. Only the subject—the man or woman—involved in the specific action can determine the value of the end they have discovered or which they consider worthwhile. Values are not objective. Ends are not objective. Only human beings, in the context of the actions we decide to undertake, determine which ends are worthwhile to us. Those who claim that there are objective values and that, therefore, it is justified for ‘Big Brother’ to impose them on us, are lying. It is a manipulation designed to enslave us and turn us into servants of others: of ideologies, of people, or of organisations seeking to manipulate us. Value is always subjective. It is determined solely by the individual, because they are the only one who possesses first-hand information about the end when they discover, create, or realise an end that had previously gone unnoticed, and who says: “Ah! This is worth it to me. I’m going for it, because I value it.”

Thus, purpose and value are the first two essential elements of the concept of human action. And it is around these that the entire edifice of economic science begins to revolve. However, human action is far more complex than simply recognising something I value. Economics is not a theory of decision-making. It is not limited to my internal reflection, as if it were merely a matter of thinking: ‘Ah, I like this girl! I’m going to see if I can court her, because I value her.’ No, human action is much more than that; it is action, and human action is inseparable from its ‘active’ nature.

And here we come to the third essential element of human action: we mobilise our being in an attempt to achieve that end, and since we are body and soul—as I mentioned earlier—we need to engage with the world around us to seek out courses of action that will enable us to achieve that end; we are constantly searching, trying to find what are known as *means*. The means is the third essential element of the concept of human action. In English it is called ‘*means*’, curiously always in the plural, even when referring to a single one. But what is a means? A means is everything that

which the actor believes will enable them to achieve their long-awaited goal. It is the bridge that connects our current situation with the objective we value. Naturally, the means are not entities that can be objectively discerned from the outside; rather, only the acting human being is capable of creating them and recognising them as such. In other words, just as the end and the value are inseparably subjective—because they are determined by the acting subject—so too is the means subjective. Something becomes a means—and we shall see later that we shall call it an economic means or an economic good—the moment an actor thinks, realises or believes—even if he is mistaken and we might laugh at his error from the outside—that something will serve him in achieving an end of importance to him. If an actor subjectively believes that something is a means, then it becomes a means within the economy and enters, so to speak, the cycle of all economic laws. Conversely, if the actor does not subjectively believe that something will serve to achieve an end, then it does not become a means and remains outside the scope of economic laws, regardless of what one might think about it from the perspective of the natural sciences.

Let me give you an example. Suppose Pope Francis has just returned from a pastoral visit to New Guinea, where there are still tribes living in the jungle, cut off from the rest of the world. Let's imagine a tribe of exanthropophages, cannibals — I hope they no longer kill or eat one another, as the evolution of humanity has practically eliminated these practices, although in certain parts of the world there are still quite backward peoples. Now let's imagine that the son of the tribal chief is dying of a sore throat, like the one I had last week, and the tribal chief is devastated, watching his son with a fever of 39 or 40 degrees, bedridden and practically on his last legs. If the chief believes that the best thing he can do to cure his son is to call the tribe's witch doctor to perform chants and exorcisms around the sick boy, at that moment those chants and exorcisms have become a means from the perspective of economic science. Why? Because he, subjectively, believes that this will enable him to achieve his long-desired end: to save his son. It is completely irrelevant, dear students, that from our Western arrogance and superiority we laugh and say: 'This bloke

“He’s an idiot! What he should do is go and see the doctor at the nuns’ mission, which is 10 kilometres away, and get some antibiotics.” No, my dear students. In the world of economics, it is human beings who take action that matter. And it is human beings who subjectively determine their own ends, the value they attach to those ends, and the means they deem appropriate to achieve them.

How much do people – women and, increasingly, men (especially if they’re Italian) – spend on cosmetics? Billions. And there they are, slathering on creams non-stop. Some might say, perhaps with a touch of sarcasm: ‘Look, if we do a scientific study, it won’t prove a thing.’ But I don’t care. It is enough for a human being, a man or a woman, to think that by buying that product and applying it they will be better off, for that, *ipso facto*, to become a means. And, upon becoming a means, it immediately enters the processes and laws studied by economic science. Why? Because means are not something objective, but are determined subjectively by the acting subject in the context of each action. It is clear: ends, value and means are eminently, inseparably, and ontologically subjective, not objective.

We now turn to the fourth concept, the fourth element of the concept of human action, which also has a long history in economics: the concept of *utility*. Value, as we said, is the psychological assessment we attach to an end. It is the desire, the motivation we feel as we strive towards that much-coveted goal: ‘I’m raring to go to win this girl over.’ That value we assign to the end is projected onto the means, which are what we believe will enable us to achieve it, and this projection is what we call utility. Just as value is linked to the end, utility is linked to the means. We value the means in terms of utility, but not because they are ends in themselves, but because they are instruments that allow us to achieve the end. If I value an end highly and find or discover a means that I believe will help me achieve that highly valued end, I will attribute great utility to that means. In German it is called ‘nutzen’, and in English, ‘utility’.

It turns out that the entire field of economics, just as in the case of value, has devoted thousands upon thousands of pages and rivers of ink to the concept of utility. Let’s talk together about utility, utility

marginal utility, how the value of economic goods is determined, and much more throughout this course. Value and utility are, so to speak, two sides of the same coin: one refers to the end, and the other to the projection onto the means. For example, imagine I'm out for a walk in Monte del Pardo and, suddenly, I come across a problem: my bike tyre has come off and I won't be able to get home. I'm worried, without any tools, thinking: 'What am I going to do?' Suddenly, as I'm walking along the sandy path, I almost fall over and ask myself: "What's this?" Looking down, I see a half-rusty spanner. So, at that moment, I, as an actor, say: "My end is to get home, something essential. But to do that I need to fix the wheel. I need a means." And suddenly, that object that nobody valued, which was rusty and which people even kicked, I say: "Come on! This will do the job." I pick it up, and it turns out to fit perfectly; I can fix the wheel. I have discovered a means, subjectively, in the context of my action, and I attach great utility to it, so I take it with me. Someone might say to me: "Hey, why are you picking up that rusty tool off the ground?" And my reply would be: "Because, in this context, it solves my problem." I project value onto that means which I, subjectively, have discovered, through the concept of utility. Therefore, the four elements—end, value, means and utility—are subjective.

I'm going to give you another example that has become incredibly famous. It's something that's actually been recorded, too. But today, 24 September, it's your turn to hear it here in class. Look at this: in technological or physical terms, this is simply a piece of paper, a piece of cellulose with ink on it; it costs almost nothing to produce. If you compare it with what money really was—a gold coin, for example—there is no comparison. A gold coin—\$2,700 an ounce this morning—now that's worth something. And this?

What's this? This is rubbish. This piece of paper, what's it for? Well, literally, nothing. I could say: 'To wipe my bum with, perhaps.' This has no intrinsic value; it's nothing. And yet, look at this: my 10-euro note. Look, look! There you go! Look what I'm doing with it. And I'm tearing it up right in front of you and throwing it away!

What just happened in class? This, rather than an experiment—because I don't like experiments, and even less so in the field of

the social sciences—is a perfect illustration of what I’ve just said. The class was in an uproar, especially the younger students. The moment I took out the 10-euro note and began to tear it up, some of you gave a nervous smile; others looked worried; some of you even felt a pang of sadness. Why did this happen? The answer is very simple: because, to a greater or lesser extent, we are all short of money. Each of you, in your own life context, thought: “But what on earth is Professor Huerta de Soto doing?” For you, those 10 euros represented something important. Perhaps you thought: “I’m hungry and I could buy a sandwich with that.” Or: “I could treat Cristina to a night out at a nightclub, and maybe win her over.” Or even: “With that I can get home, pay for the tube or pay back what I’ve been lent.” Each of you, within your own set of actions and your particular life, has projected the value of certain specific ends onto this means. And so, when I destroyed the note, you felt an impact. They realised that something which was important to them had been destroyed with impunity. How is it possible that a simple piece of paper could have caused such an upheaval in the hearts of the whole class? The answer is simple: because each of them has subjectively projected the value of their ends onto this means. Each of them has thought: “This is a useful means because it would allow me to achieve ends that I deeply value.”

And the professor has completely shattered it! Isn’t this the ultimate proof of the concepts of means and utility? A means onto which we project utility based on the value we believe we can achieve through it, linked to an end that is important to us.

But let me tell you something else: when I prepared this lesson on Saturday night, just before the match, I already knew that this was going to be the best example to illustrate the connection between ends, means, value and utility. I have an end: my end is to explain to you today, in the clearest possible way, the subjective concepts of end, means, value and utility. To achieve this, I need to find a means. What means do I use? I prepare my lessons, take my vocal cord medication and think: ‘There is a wonderful means I have been using for 40 years.’ I decide to take out a 10-euro note and tear it up in front of the students, causing a stir in their hearts. In this way, they come to understand perfectly how a piece of paper,

the fact that, in principle, it would serve—at best—to wipe who knows what, can cause unease. Why is this? Because each of you has subjectively imagined that this banknote could be a useful means to an end: from satisfying your hunger by buying a sandwich, to meeting any other urgent need. You might think: ‘Well, how prosaic; there was no need for the lecturer to do this and destroy the banknote.’ That is your opinion, but not mine. I assure you that everyone who has attended this class today and witnessed this act will never forget the concept of utility. And, above all, that the utility of the means is always subjective.

By the way, on my way to class, I remembered a very funny story. Years ago, I was invited to give a series of lectures in Poland. It was exhausting. In the morning I had to give a lecture at one university, then at another, then at the Stock Exchange... I remember that, on the second day, the Spanish ambassador in Warsaw saw how worn-out I looked and said to me: “Listen, is something wrong?” And I replied: “Yes, I’m about to faint. They won’t even let me breathe.” We’d finish at midnight at the Liberal Club, in the centre of Warsaw. I couldn’t take any more. The ambassador, seeing me in that state, put me in his Mercedes, took me to the hotel, ordered me some tomato soup, and that soup saved my life, because otherwise, I think I would have died. Since then, I no longer accept such intense trips. Now that Javier Milei has invited me to Argentina, I’ve already said I’m going to plan the programme very selectively. I’ll give two lectures and take my ‘staff’, made up of four professors, so they can go on the radio and television. Mind you, I’m not going to let them wear me out, let that be clear. Well, that was just a little outburst. Returning to the subject, I’ll tell you an anecdote from one of the lectures I gave at a public university in Warsaw. It was a huge auditorium, packed with around 700 people, and the entire faculty was present, as well as some government ministers. I was explaining exactly the same thing I’m explaining to you today. So, I did the 10-euro note trick, because we were already in the euro era. At that moment, one of the most senior members of the faculty, who had also been a minister, stood up and said to me: “That’s all very well, Professor Huerta de Soto, very well, but

“I bet you wouldn’t do that with a 500-euro note.” Without batting an eyelid, I replied: “Oh, you don’t think so?” I took out my wallet right then and there, grabbed my famous ‘Bin Laden’ — the 500-euro note, which we call that because everyone knows it exists but few have seen it —, held it up and said: “Well, I’m doing it now.” You have no idea what a commotion it caused. It was absolute chaos. To begin with, you have to understand the context: this happened about ten years ago, before the pandemic, and 500 euros in Poland in terms of purchasing power was like 5,000 euros here, in terms of purchasing power. What I did was a bluff, like in poker. I made a gesture of tearing it up, but, of course, I didn’t tear it up. However, as I’d just torn up a 10-euro note, everyone thought I was going to do it. At that moment, they almost had to call the police. The 700 people in the auditorium stood up, rushed towards me—including the faculty—and it all ended up being a source of gossip and merriment. I’m telling you this because I still carry one of these 500-euro notes with me. Has anyone here ever seen a ‘Bin Laden’? No? Well, here it is, a 500-euro note. Tell your parents or whoever you like, because they’ve surely never seen one. This note is famous, especially on the black market, where they always used to deal in wads of 500-euro notes. Well, now we’ll pass the 500-euro note round so you can all see and touch it one by one, just like the gold coin I always carry with me.

There is an additional concept within the framework of human action, a fifth essential element without which neither the economy, human action, nor economic science can be conceived: the concept of *scarcity*. Dear students, resources, by definition, are scarce. But what exactly does scarcity mean? Scarcity means that the agent considers that the resources at their disposal are not sufficient to achieve all the ends they value. And this concept, which seems so basic, is something truly wonderful that we must understand from this very day: scarcity is not an objective reality either. Scarcity, just like ends, value, means and utility, is an intimate, psychological and subjective reality. What makes something a means is that we believe it will help us achieve an end; we assign utility to it if that end has value. But furthermore, we must consider that the means is scarce. If we do not consider it scarce, then we do not perceive it as a useful means; it does not enter into our processes of action,

neither in voluntary cooperation processes nor in the ‘cycle’ of economic processes.

Let me give you an example to illustrate this point. All of us here are involved in an activity. What is the aim? To attend this economics lecture on Tuesday 24 September, which is also the first lecture of the academic year. We attach value to this activity because we want to pass our degree or master’s, we want to learn, perhaps we think the lecturer is friendly, we have done the reading, we want to complete the course, graduate and, ultimately, earn a living and improve our lives. To achieve this aim, we seek the means. What are those means? Firstly, our time. Today we could be somewhere else, but we have chosen to be here. Second, we are all dressed; I see no one naked, which also requires resources. Third, we have tools: computers, paper, pencils. Fourthly, we are in a building, with desks and furniture that facilitate the lesson. But now I ask you something: has anyone considered the need for oxygen to breathe and survive during the lesson? As far as I know, no one. Why? Because from the perspective of this activity, none of us subjectively thinks that there is insufficient air to attend the lesson without dying of suffocation. So, there are ‘means’, in inverted commas, that are not really means. If they are not perceived as scarce or insufficient to achieve all our aims, we do not even take them into account when acting. Therefore, the concept of a means is inseparable from the concept of scarcity. The concept of scarcity is determined subjectively by the actor in each context. Scarcity means that the actor considers the means at their disposal to be insufficient to achieve all the ends they seek to attain. However, there are also ‘means’—in inverted commas—that are not such because they are not considered scarce; that is to say, they are not insufficient to achieve the ends in the context of our action, so there is no scarcity, and where there is no scarcity, there is no human action. In the absence of scarcity, we do not think creatively, we do not concern ourselves with economising, we do not define property rights, nor do we consider exchanges. None of this, as we shall see throughout the course, takes place when there is no scarcity.

In traditional economics, these ‘resources’ – which are not in short supply – are referred to as free goods. Personally, I’m not particularly keen on that

this term. In contrast, economic goods are the true means, those that are scarce. Murray N. Rothbard refers to them as ‘given conditions of human well-being’. There are many given conditions of human well-being that are not scarce and, therefore, are not taken into account at all when acting. For example, nobody acts in relation to the air we are breathing at this very moment, because we do not perceive it as scarce. However, the category of ‘free good’ or ‘given condition of human well-being’ is not a static category. What do ‘static’ and ‘dynamic’ mean? Both terms derive from Greek. ‘Static’ referred to something still or stationary, something that could be weighed and measured. It was a concept used even theologically in ancient Greece. On the other hand, ‘dynamic’ meant force, power, something in motion. Therefore, ‘free goods’ or ‘non-scarce goods’ are not a static category. I say “resources” in inverted commas because, as we have already said, true resources, by definition, must be scarce. For example, right now none of us is considering any problem or action in relation to the air we breathe in the context of this class. But what if the context changes? Imagine that my mother, who is a magnificent cook, has prepared a spectacular fabada. “With beans and cider, no need for petrol!” I ate it at lunchtime, and we all know that digesting broad beans can be... rather heavy going. What if, as a result of digestion, one of us sitting here produces a foul-smelling gas that gradually spreads amongst our classmates? What happens at that moment? The free good, which nobody had worried about before, becomes a problem. As soon as we smell the stench, we start to act. One says: “Hey, mate, that’s disgusting.” Another gets up and changes seats. Another complains. In other words, the category of a free good is not static; it can change. Events or phenomena may occur that transform something that was previously free into something that becomes, or is considered, subjectively scarce. And of course, we start to act: I get up, the other complains, the other criticises him, and so on. We will look at this in more detail later in the course.

But here an interesting paradox arises: when a good is freely available, we do not act upon it, and therefore human beings do not apply their creative capacity or take action to resolve anything related

to it. However, when goods become scarce, we mobilise our active and entrepreneurial spirit to resolve that scarcity. Paradoxically, it is at that moment that the ‘horn of plenty’ and prosperity emerge.

Let’s look at this through a historical example. In Cantabria, in the caves of Altamira, 40,000 years ago, almost all goods were free. The population was very small—just a few thousand people, organised into tribes. Bison roamed freely; water was a free good; so was the land. However, they lived in conditions of absolute poverty and subsistence, taking refuge in caves, with a life expectancy of barely 20 or 30 years. Everything was in superabundance, yet they were poor. Today, if you look at Cantabria, or simply search for it on Google Maps, you will see that its entire surface area is divided into plots. Everything is private property: farms, land, homes. Instead of a few thousand people, there are now two and a half million, and, moreover, with ‘infinitely’ greater prosperity. Why? Because as soon as the environment begins to be seen as scarce, human beings are forced to channel their entrepreneurial creativity into overcoming that situation of scarcity. At that moment, the immense creative capacity of human beings is set in motion, and this ultimately generates the ‘horn of prosperity and abundance’.

The history of civilisation is, therefore, a story in which an increasing number of freely available resources have become scarce, and this transformation has culminated in the progress and prosperity we know today. Take the oceans, for example. Three-quarters of the Earth’s surface is covered by oceans, which are virtually uninhabited. Let us also consider regions such as the North Pole, Antarctica, or vast expanses of the planet like the Sahara; yet, the population tends to concentrate in areas where resources begin to be scarce, and it is precisely there that civilisations and cities emerge. Now, there are barely 8 billion of us. Did you know that the entire world’s population could fit into an area half the size of Argentina if it had the population density of Brussels? In reality, the world is practically empty. In an environment of freedom, capitalism and respect for property rights, there could be 8 billion, 80 billion, or even

more, and live in a far more prosperous world, with levels of abundance that we cannot even imagine today. But to achieve this, it would be essential that the evolutionary process encountered no obstacles, and that no hindrances were placed in the way of entrepreneurial creativity. However, how do states and major international organisations, such as the UN, react today? Instead of allowing human beings to act creatively, to economise and to assign property rights, as they have done for thousands of years, these organisations intervene. For example, when the oceans, continental shelves, or the resources they contain begin to run short—oil, minerals, whales, fish stocks—or when space begins to run short, even in places like the Moon, ‘Big Brother’ appears and says: ‘Hold on a moment, nobody acts freely here. Let’s declare this a public good and allocate it as decided by the UN or UNCTAD.’ This, dear students, is nothing more than blocking the progress of civilisation. The only solution when a good begins to become scarce, for whatever reason, is to open it up to creative human action. This requires respecting the laws of the economy, property rights, and allowing innovation. The opposite—that is, declaring resources to be public goods subject to centralised intervention—is to hold back the progress of humanity.

So, take note: at the start of the next class, we will discuss all the questions relating to this. Remember that resources, by definition, must be scarce. And this has nothing to do with what we observe in the outside world. It may be that, from a physical or engineering point of view, something appears abundant but, from an economic perspective, is extremely scarce. Or vice versa: something that appears very scarce might, in reality, be a free good.

For example, imagine I have a small bag of grains of sand from a beach in Japan. Just a tiny bag. It is unlikely anyone would think that could be useful for any purpose, and for all intents and purposes, it would be considered a free good, not an economic good. This reminds me of a curious example from Franco’s Spain. Back then, it was common to see in small parishes ‘little bottles of water from the River Jordan’, which were used to baptise children. Suppose I now travel to Israel, take a five-litre container

of water from the Jordan and bring it back. Apart from the fact that I'd probably get strange looks at the airport, nobody would value that water; it would remain, for all intents and purposes, a free good. But, What if I come up with a business idea? I decide to bottle that water and present it in a special way: "Wouldn't you love to baptise your child with water from the River Jordan?" I add a story, some context, and sell it for 10 euros a bottle. Suddenly, something that previously had no subjective value begins to be perceived as scarce and valuable. It becomes an economic good. This illustration shows us how something can go from being a free good to an economic good, depending solely on people's subjective perception.

Another example. The other day I was returning from the Balearic Islands and my plane was landing on Iberia's Runway 3 at Barajas Airport. As we approached, I noticed some huge round tanks. I asked, "What are those?" I was told they were fuel tanks. There were dozens of them, enormous, some the size of a building. From a physical point of view, it looked like a tremendous abundance, tonnes and tonnes of fuel. However, despite this apparent abundance, fuel is still perceived as scarce in relation to our needs. That is why it is carefully stored, protected, and regarded as an economic good. Therefore, the concept of scarcity must not cloud your judgement or lead you to be misled by what appears observable from the external world or what technology or engineering might tell us. In the fields of economics, the sciences of human action and social science, scarcity is always determined in subjective terms. A good is scarce if, and only if, the actor considers it scarce. If it is not perceived as scarce, the actor does not even bother to act upon it.

That is why there are crude and completely erroneous definitions of economics. For example, in a footnote on page 44 of my treatise, I mention one that states that 'economics is the science that studies human action affected by scarcity'.

What utter nonsense! Yes, by definition, one acts only in environments where resources are perceived to be scarce. No one acts or considers ends and means in relation to the air we breathe, unless, of course, our mother has made us a bean stew. It is

an absurd tautology to say ‘human action affected by scarcity’ if human action presupposes, in all its forms, that scarcity exists; because otherwise, one does not act.

And as I want to start tomorrow’s class by talking about time — *kairos*, *chronos* — (we’re going to have a brilliant time tomorrow!), let’s finish today with the final two elements of the concept of human action. We’ve already discussed end, value, means, utility and scarcity. Now let’s move on to the sixth and seventh elements. Well, once a human being discovers an end that is worthwhile and finds means that are useful for achieving it — and which, by definition, are scarce — what they do is draw up, implicitly or explicitly, a *plan of action*. Because, take note, economics is not a science of decision-making. What does this ‘science of decision-making’ mean? Every time I hear this expression, it literally makes me sick. As if we could just pop some data into a computer and it would, as if by magic, spit out the right decision.

No! Economics is all about action. You have to take action, and taking action requires a plan of action. And what is a plan of action? I define it, once again, in a footnote on page 44: “It is the actor’s forward-looking mental projection of the different stages they must go through before reaching their long-awaited goal.” In other words, it is the forward-looking mental representation that the actor constructs of the stages, elements and possible circumstances related to their action.

The plan, therefore, is also eminently personal. And be careful with this business of the plan. The vast majority of the actions we are involved in are so routine that our plan is tacit, implicit; we already know it and do not consciously devise it. But that does not mean it ceases to exist. Someone might say: ‘Today in class with Professor Huerta de Soto we discussed how every human action presupposes a plan. So, tomorrow I’ll get up, and before doing anything else, pen and paper in hand, I’ll write down my plan for the day: point number one, get out of bed; point number two, go to the bathroom; point number three, go to the fridge; point number four, make myself breakfast. ‘This guy’s mad!’ No, that’s not it. The fact that you carry out these actions automatically, because they’re part of your usual routine, doesn’t mean you don’t have a plan. In these cases, the plan is so

We take it for granted that you don't need to put it in writing. However, when it comes to more complex actions, we do sit down to draw up an explicit plan. For example, suppose you decide to go on holiday with some friends. What do we do? We work out which days we're free, calculate the budget, choose the departure dates, and book rural accommodation. All of this involves creating a more detailed and formalised plan. The degree of specificity or formality of the plan will depend on the nature of the action. But every human action presupposes, in one way or another, a plan.

Let me share a personal example with you. When I was single, I kept a 'girls' file'. I'd meet a girl, take a liking to her, and jot down: 'Her name is so-and-so, she likes this, that happened.' If she turned me down, I'd note that down too. The weekend would come round and I'd say: "Who shall I ring?" I'd open the file, go through the entries, and make a list. I'd ring four of them, one after the other: rejection, rejection, "this one's said yes!" We'd go out, and if it didn't go well, I'd note it down in my file. My brothers used to laugh at me and say, "You're mad, Tito." But I saw it as a planned system. I admit I might have gone a bit overboard, but all this shows that we plan our actions, even the most trivial ones. Of course, most of our daily actions are so mundane that they don't require such a detailed plan. However, planning is always there, even if we don't notice it.

I was going to tell you something more controversial about Keynes, but perhaps it's a bit much for the first class. Well, I'll go ahead and say it: Keynes was also someone who wrote everything down, including the casual homosexual encounters he had in parks, on the underground, or in public toilets; often with young lads. This is documented in his biographies thanks to the clever people he left behind. We won't normally go to such extremes, of course, but it serves to illustrate that planning, though it may be more or less explicit depending on the action, always exists. Every action always presupposes a plan, more or less explicit.

Now, the relevant issue is not just that every action requires a plan, but who should be responsible for that plan. Think about this, because it is crucial for today's lesson and for you to leave with a good impression. Who do you think should draw up the

A plan of action? Is it each of you, as the actors involved, or a third party? Should the actor themselves plan it, knowing their aim, the means at their disposal, the value they place on those means, and the specific circumstances of their action? Or should 'Big Brother' plan it, delegating this task to so-called experts who impose the planning of our lives on us from above? Consider this: Who plans more successfully, not only from a moral point of view — that is, what is right — but also from a practical point of view? The answer is clear: the actor themselves. Only they know what is necessary to plan their own action. It is impossible to plan the actions of other human beings correctly. This is the key issue. This question has already been raised today. Later on, we shall see how it relates to the theory of the impossibility of statism and socialism, but for now, let us move on.

Finally, and with this I shall conclude today's lesson, let us recap the elements of the concept of human action: end, value, means, utility, scarcity, and plan of action. And now we introduce the seventh element: *the personal act of will*. What does this mean? It means that, although we are breaking human action down into its various elements, in real life everything is interconnected and integrated. Economics is not a science of decision-making, as some present it. It is not an abstract theory that merely constructs decision trees, assigns weights and probabilities, and feeds a computer to produce the 'optimal decision'. No, gentlemen. Economics is a science of action. To act means to mobilise our whole person, our whole being, our entire self, in pursuit of an end. And this demands an act of will. Constructing economics in isolation from the human being, as a mere theory of decision-making, is absurd. What we are studying are human actions, and every action demands concrete acts of will.

Thank you very much, dear students. We'll continue tomorrow at the same time.