

Economics 412
Austrian Economics I
Fall 2003

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Office Hours: MWF 11-12, or by appointment

Required Texts

Callahan, Gene. *Economics for Real People* (Auburn, AL: Ludwig von Mises Institute, 2002).

Ebeling, Richard M., ed., *Austrian Economics: A Reader* (Hillsdale, MI: Hillsdale College Press, 1990).

Supplementary Texts

Mises, Ludwig von. *Human Action: A Treatise on Economics* (Irvington-on-Hudson, NY: Foundation for Economic Education, 4th ed., 1996); also online at www.mises.org.

Rothbard, Murray N. *Man, Economy, and State: A Treatise on Economic Principles* (Auburn, AL: Ludwig von Mises Institute, 1993).

Course Requirements

There will be two exams and a final. Each exam will be in essay format, and will count for one-third of the total grade. (Make-up exams will only be granted for a medical reason or College-approved absence.)

However, students have the OPTION of writing a term paper INSTEAD OF taking the final exam. *If a student opts to write a paper instead of taking a final exam, he or she must get the topic APPROVED BEFORE THANKSGIVING RECESS. The paper will be due ON THE LAST DAY OF CLASS, i.e. EARLIER than the date of the final exam.*

Assigned readings from the Callahan and Ebeling texts, and from handouts, are mandatory. Students are expected to read this material *before* coming to class on the designated day. Readings from the Mises and Rothbard texts, as well as web articles, are not mandatory, but are encouraged for the serious student (and especially the student opting to write a term paper).

Class attendance is not mandatory. However (as always) it is very unlikely that a student will do well on the exams if he or she frequently misses class. There is no credit for class participation, but students are encouraged to raise their hands and ask questions when I am not making sense.

Let me state at the outset that we will be covering a LOT of material this semester. I will try to make the exams “tough but fair.” If you keep up, you should have no problem getting a good grade. But if you know you won’t have time to do the readings, you may want to reconsider taking this class.

Overview

The “Austrian” school of economics is so named because its original members were from Austria. However, in modern times the term refers to the body of thought passed on by these founding Austrians. (In our sense, then, an Austrian economist does

not necessarily have “von” in his name and does not necessarily study the economy of Vienna.)

In this course, I will introduce students to the Austrian version of economic theory. I will place particular emphasis on the ideas and legacy of Ludwig von Mises. We will focus on major themes and methodological issues, rather than specific applications (which will be handled in the follow-up course, Austrian Economics II). When appropriate, I will distinguish the Austrian approach from competing schools, such as the neoclassical and Keynesian.

Tentative Schedule

Thursday, August 28: Introduction

Readings: Callahan 11-14, 301-314; Ebeling xi-39.

Handout: Rockwell, “Why Austrian Economics Matters.”

Web Articles: Mises, “The Historical Setting of the Austrian School.”

<http://www.mises.org/hsofase.asp>

Murphy, “An Austrian in Grad School: Confronting the Mainstream.”

<http://mises.org/fullarticle.asp?record=1285&month=59>

Lecture: Origins and historical setting of the Austrian school.

Tuesday, September 2: The Science of Economics

Readings: Callahan 17-32; Ebeling 43-123; Mises 1-10.

Web Articles: Callahan & Murphy, “Economics for Polymers.”

<http://www.mises.org/fullarticle.asp?record=499&month=24>

Murphy, “Econometrics: A Strange Process.”

<http://mises.org/fullarticle.asp?record=1001&month=46>

Lecture: The method of the social sciences, and specifically of economics.

Thursday, September 4: Praxeology

Readings: Mises 11-69, 92-97; Rothbard 1-66.

Web Article: Murphy, “Mises’ Non-Trivial Insight.”

<http://www.mises.org/fullstory.asp?control=1304>

Lecture: The definition and implications of Mises’ “action axiom.”

Tuesday, September 9: “Robinson Crusoe” Economics

Readings: Callahan 33-46; Mises 92-98.

Lecture: Analysis of the isolated individual.

Thursday, September 11: Direct Exchange

Readings: Callahan 61-82; Mises 194-198; Rothbard 67-108.
Lecture: Analysis of barter exchange between many individuals.

Tuesday, September 16: Indirect Exchange

Readings: Callahan 83-96; Ebeling 483-504; Mises 398-429; Rothbard 160-240.
Lecture: On the origins and analysis of money.

Thursday, September 18: Time

Readings: Callahan 47-60; Ebeling 414-422; Mises 479-520.
Lecture: The Misesian view of time preference.

Tuesday, September 23: Capital

Readings: Callahan 123-138; Ebeling 337-413; Rothbard 273-301.
Web Article: Callahan & Murphy, "Assessing the Damage."
<http://mises.org/fullarticle.asp?record=787&month=36>
Lecture: Stages of production and the capital structure.

Thursday, September 25: Interest

Readings: Ebeling 464-482; Mises 524-537; Rothbard 313-386.
Web Article: Murphy, "Some Problems with the Pure Time Preference Theory of Interest." <http://homepages.nyu.edu/~rpm213/files/Dissertation.pdf>, pp. 58-126.
Lecture: The pure time preference theory of interest.

Tuesday, September 30: Review Session

Thursday, October 2: Exam I

Tuesday, October 7: States of Rest

Readings: Callahan 97-102; Mises 232-250.
Lecture: The plain state of rest, the final state of rest, and the evenly rotating economy.

Tuesday, October 14: Economic Functions

Readings: Callahan 103-122; Mises 251-256.
Lecture: The roles of laborer, landowner, capitalist, and entrepreneur.

Thursday, October 16: Entrepreneurship

Readings: Ebeling 304-336.

Lecture: The Kirznerian view of entrepreneurship.

Tuesday, October 21: The Market Process

Readings: Ebeling 226-280; Rothbard 463-501.

Lecture: The Austrian emphasis on competition and profit & loss.

Thursday, October 23: Consumer Sovereignty

Readings: Mises 257-315; Rothbard 561-566.

Web Article: Kirzner, "Mises and His Understanding of the Capitalist System."

<http://www.cato.org/pubs/journal/cj19n2/cj19n2-2.pdf>

Lecture: Mises vs. Rothbard on Hutt's "consumer sovereignty."

Tuesday, October 28: Society

Readings: Mises 143-176.

Lecture: Mises' views on cooperation.

Thursday, October 30: Spontaneous Order

Readings: Ebeling 134-149, 183-214.

Lecture: The "Hayekian" view on social cooperation.

Tuesday, November 4: Austrian Business Cycle Theory I

Readings: Callahan 203-230; Mises Chapter XX.

Lecture: Overview of the ABCT.

Thursday, November 6: Austrian Business Cycle Theory II

Lecture: Objections against ABCT.

Tuesday, November 11: Monetary Policy

Readings: Callahan 197-202; Ebeling 505-530.

Web Article: Callahan & Murphy, "Spilled Milk."

<http://www.mises.org/fullarticle.asp?record=584&month=28>

(This article contains material not in the Callahan text.)

Lecture: Misesian support of gold standard vs. monetarist "steady growth."

Thursday, November 13: Review Session

Tuesday, November 18: Exam II

Thursday, November 20: Banking **Paper Proposals Due**

Readings: Mises 434-448.

Web Article: Hülsmann, “Banks Cannot Create Money.”

http://www.independent.org/tii/media/pdf/TIR51_Hulsman.pdf

Lecture: Austrians for and against FRB.

Tuesday, November 25: Socialist Calculation

Readings: Callahan 159-176; Ebeling 553-569.

Lecture: Mises and Hayek on socialist economy.

Tuesday, December 2: Interventionism

Readings: Callahan 177-188; Ebeling 599-654.

Lecture: Why there is no middle ground.

Thursday, December 4: Economics in Society

Readings: Mises Part Seven.

Lecture: Mises’ views on the role of economics.

Tuesday, December 9: Review Session **Papers Due**