

Mises University

August 4-10, 2002

Class Details

SUNDAY, August 4

Mises and the Foundation of Austrian Scholarship Hoppe. A broad overview of Mises's life and his major intellectual contributions, covering the role of Austrian theory in academia and in public opinion. 8:15-9:30pm

MONDAY, August 5

The Early History of the Austrian School. Hülsmann. Explains the origin of and nature of economic science, presents the main writers and schools in the Austrian lineage, and gives an introduction to the most important debates before 1871. READING: Holcombe, ed., *15 Great Austrian Economists*, Auburn, Ala.: Mises Institute. 9:00-10:00am

The Marginalist Revolution. Salerno. The founding of the Austrian School proper centered on Menger's seminal insights concerning the origin and nature of economic value and marginal utility, which corrected a persistent error in the classical school. 10:15-11:15am

Value, Utility, and Price. Herbener. Beginning from the concept of subjective value, this class develops Austrian theories of utility and price. These theories are compared and contrasted to their mainstream counterparts. 11:30am-12:30pm

Calculation and Price Theory. Salerno. Mises's solution to the problem of economic calculation in the socialist commonwealth pointed toward a reformulation of price theory itself. But because of the growing influence of alternative traditions during the '30s and '40s, Misesian price theory was overlooked, even by Austrians. 1:30-2:30pm

Money and Banking. Block. Explains why we have money, barter and the double coincidence of wants, and the case for free-enterprise money, whatever it turns out to be. Explains private minting, the separation of money and state, and offers criticism of Friedman, Mundell, Hayek, and Greenspan.. READING: Rothbard: *What Has Government Done to Our Money*. 2:45-3:45pm

Wages and Labor. Vedder. A fixation on the problem of unemployment during the 1930s led to the eventual dominance of macroeconomic planning as a theory and policy, which ironically turned out to intensify the problem of unemployment. Austrians, in contrast, regard intervention with wages as a form of price control. READING: *Out of Work* by Vedder and Gallaway. 4:00-5:00pm

TUESDAY August 6

Praxeology: The Austrian Method. Hoppe. The axiomatic-deductive character of economics. The rise of positivism. The positivist research program refuted, and its persistence explained. READING: *Economic Science and the Austrian Method* by Hoppe. 9:00-10:00am

Time Preference and Interest. Herbener. This class explores the concept of time preference and demonstrates how it alone determines the rate of interest. Other theories of interest are critiqued. 10:15-11:15am

Capital. Garrison. Dating from the writings of Carl Menger and Eugen von Böhm-Bawerk, the Austrian School was set apart from other schools of thought by its capital theory. Market mechanisms for allocating resources over time emerged as a central focus of Austrian economics. READING: Garrison, Roger, W. "Eugen von Böhm-Bawerk," in Randall Holcombe, ed., *Fifteen Great Austrian Economists*, Auburn, AL: Ludwig von Mises Institute. 11:30am-

12:30pm

Austrian Theory of the Trade Cycle. Garrison. Pioneered by Mises and Hayek, the Austrian theory of the trade cycle is the most fully developed implication of Austrian macroeconomic relationships. Policy-induced distortions of the interest rate misallocate resources and trigger a boom-bust sequence. **READING:** Garrison, Roger W. "The Austrian Theory: A Summary," in Ludwig von Mises et al., *The Austrian Theory of the Business Cycle and Other Essays*, compiled by Richard M. Ebeling with an Introduction and Summary by Roger W. Garrison. Auburn, AL: Ludwig von Mises Institute. 1:30-2:30pm

Monopoly and Competition. Block. The neoclassical case for antitrust, and the Austrian criticism; a theoretical account. The difference between Austrian rivalrous competition and neoclassical perfect competition. **READING:** Rothbard, chapter 10 of *Man, Economy and State*. 2:45-3:45pm.

The Great Depression. Vedder. The preconditions that led to the crash in 1929 and explanation of its depth and length, with a focus on government interventions that might as well have been designed to make a bad situation worse. 4:00-5:00pm

WEDNESDAY, August 7

A. Theory of Profit, Loss, and Entrepreneurship Salerno. The theory of entrepreneurship plays virtually no role in neoclassical economic theory, and, even in Austrian accounts of the issue, confusion abounds. This lecture integrates price theory with the theory of economic change. **READING:** "Profit and Loss" by Mises. 9:00-10:00am

B. Epistemological Problems of Economics. Gordon. How is knowledge of economics possible? Criticisms of Austrian methodology and Austrian responses. Advanced class. 9:00-10:00am.

A. Statistical Malfeasance in Government Data. Vedder. Economic history is riddled with mythology driven by highly misleading government data. This lecture encourages economists to look beneath the surface. 10:15-11:15am.

B. Economics of Risk and Insurance. Hoppe. The logical requirements of insurance and insurability. Insurance vs. welfare, with special reference to the health-care industry. 10:15-11:15am

A. Austrian Theory of the Trade Cycle II. Garrison. The Austrian theory of the trade cycle applies to the interwar expansion and to the expansion of the 1990s. The theory serves in only a limited way for policy prescription but constitutes a fruitful basis for proposing fundamental monetary reforms. **READING:** Garrison, Roger W. "The Great Depression Revisited," *The Independent Review*, vol. 3, no. 4 (Spring), 1999, pp. 595-603. 11:30am-12:30pm

B. The Theory of the Firm. Klein. A critique of the neoclassical theory of the firm and an outline of an alternative, Austrian theory that emphasizes entrepreneurship and economic calculation. Implications for firm boundaries, financial structure, and internal organization are developed. **READING:** Peter G. Klein, "Economic Calculation and the Limits of Organization," *Review of Austrian Economics* 9, no. 2 (1996): 3-28. 11:30am-12:30pm

A. Labor, Unemployment, and Fiscal Policy. From the New Deal to our own time, government presumes itself responsible for correcting recessions with fiscal and monetary policy. This lecture covers the pathetic history of these interventions and explains the theoretical failings. 1:30-2:30pm

B. Problems in Cycle Theory. Hülsmann. Explains the main issues in business cycle theory and the relationship between empirical and theoretical research. Criticizes the Misesian business-cycle theory and presents a general theory of error cycles, integrating monetary theory and property economics. **READING:** Hülsmann, "Toward a General Theory of Error Cycles," *QJAE* 1 (4), 1998. 1:30-2:30pm

A. Austrian Financial Economics. Vedder. The school of thought that demonstrated the impossibility of economy

without capital markets has also contributed to the theory of financial markets and their regulation. 2:45-3:45pm

B. Economics of F.A. Hayek. Klein. An overview of the life and work of F.A. Hayek, Austrian economist and winner of the 1974 Nobel Prize in economics. Emphasizes Hayek's contributions to business-cycle theory and his later work on knowledge, prices and competition as a discovery procedure. READING: Peter G. Klein, "F.A. Hayek (1899-1992)," in Randall G. Holcombe, ed., *Fifteen Great Austrian Economists* (Auburn, Ala.: Mises Institute 1999).

A. Austrian School in the History of Ideas. Gordon, Herbener. A seminar/discussion concerning the uniqueness of the Austrian contribution. "The Place of Mises's Human Action in the Development of Modern Economic Thought," *QJAE*, Vol. 2, No. 1 (Spring 1999), pp. 35-65. Roger Backhouse, "Austrian Economics and the Mainstream: A View From the Boundary", *Quarterly Journal of Austrian Economics*, Vol.3, No.2, Summer, 2000, pp. 31-43. 4:00-5:00pm

B. Money and Banking. Block, Salerno. A seminar/discussion centered on the theory of money and the workings of free-market banking institutions, with a consideration of reform proposals in light of monetary and banking history. 4:00-5:00pm

C. Firms and Financial Markets. Klein, Thornton. In light of the new controversies concerning conflicts of interest and regulation, a seminar/discussion on the role of traders, advisers, stockholders, and managers. 4:00-5:00pm.

THURSDAY, August 8

A. Environmental Economics. Block. Public goods, externalities, pollution, liability, species extinction, garbage disposal, global warming, forest renewal, running out of resources, etc. READING: "Law, Property Rights, and Air Pollution" by Rothbard. 9:00-10:00am

B. Critique of Keynesian Macroeconomics. Herbener. This class critically examines the economics of Keynes's General Theory. Austrian explanations are suggested in place of his. 9:00-10:00am.

A. Macroeconomics of Taxes and Tax Reform. Garrison. Despite their common preference for low (or no) taxes, Austrians and Supply-Siders differ markedly in their analysis of alternative tax schemes and of deficit finance. The same Austrian macroeconomic framework that underlies trade cycle theory proves to be a reliable guide to tax reform. READING: Garrison, Roger W. "The Flat Tax: Simplicity Desimplified," *The Freeman*, vol. 46, no. 10 (October), 1996, pp. 670-74. 10:15-11:15pm

B. Foundations of Welfare Economics. Hülsmann. Deals with the central theoretical issues in welfare and growth theory. Discusses to what extent economic theory can justify public policy, and how economics relates to political philosophy. READING: Hoppe, *Theory of Socialism and Capitalism*, 1989, chap. 7. 10:15-11:15pm

A. Austria and Chicago on Law and Economics. Hoppe. Justice, law, efficiency, wealth, and social welfare: the Austrian-Rothbardian theory contrasted to Chicago views (Coase, Posner). 11:30-12:30pm

B. Theory and History. Gordon. How praxeology can help explain historical events. Mises's views on philosophies of history, and a Misesian refutation of Marxism. 11:30-12:30pm

A. Two Kinds of Free Banking. Hülsmann.. Explains how competitive banking in a fractional-reserve system perverts Say's Law and leads to business cycles. Deals with alternative solutions to this problem: 100 percent banking, central banking, option clauses, and regulations. READING: Hülsmann, "Banks Cannot Create Money," *Independent Review* 10 (1), 2000. 1:30-2:30pm

B. Monetarist vs. Austrian Views of the Trade Cycle. Garrison. Despite their identification of central bank policy as the source of macroeconomic instability, the Austrians and the Monetarists clash over key issues of theory and its application. The absence of capital theory in monetarist thinking and the inattention to the role of the interest rates

lead to a policy prescription that temporarily conceals rather than prevents unsustainable booms. **READING:** Garrison, Roger W. "Friedman's 'Plucking Model': Comment," *Economic Inquiry*, vol. 34, no. 4 (October), 1996. (This Comment is incorporated into Garrison, Roger W. *Time and Money: The Macroeconomics of Capital Structure*. London: Routledge, 2001, Chapter 11). 1:30-2:30pm

A. Economics as a Profession. Klein. What are the career prospects for a young Austrian economist? This workshop on career strategy explores current options for graduate and professional education, academic employment, and work with applied policy groups, with an emphasis on long-term goals. **READING:** "Sticking with Economics: An Interview with Peter G. Klein," *Austrian Economics Newsletter* 15, no. 2 (Winter 1995). 2:45-3:45pm

B. Human Action in the History of Thought. Salerno. Mises's 1940/1949 was much more than a summing up of his previous work. It was an attempt to rescue and dramatically extended the Mengerian paradigm against divergent paths than had development in previous decades. The result was, perhaps, the most remarkable book ever written in economic science. 2:45-3:45pm

A. A Critique of Public Choice on Government. Thornton, Block. According to Buchanan and Tullock, government is really a voluntary organization, at least in theory. Will raise numerous Austrian criticisms of this perspective. **READING:** Rothbard, the *Logic of Action Two*, chapter 17. 4:00-5:00pm

B. Common Errors in Economic Theory. Herbener, Klein. It's not just beginners at economics who are error prone. The same fallacies crop up again and again, even in the work of Nobel laureates. Murray Rothbard, "Breaking Out of the Walrasian Box," *Review of Austrian Economics*, Vol.1 (1987), pp. 97-108. 4:00-5:00pm

C. Economics and Ethics. Gordon, Long. The relationship between the two, and why the subjects must be kept separate, despite the pressures of neoclassical economics to make them one subject. Murray Rothbard, "Toward a Reconstruction of Utility and Welfare Economics." 4:00-5:00pm

D. Theory and History. Hoppe, Hülsmann. Discusses the methodological and epistemological differences between Austrian theory and mainstream theory. Explains the role of empirical studies in economic science. Hoppe, *Economic Science and the Austrian Method*, Auburn, Ala.: Mises Institute, 1995. 4:00-5:00pm

FRIDAY, August 9

A. The Rawlsian Invasion of Economics. Gordon. Problems with mainstream welfare economics and the use of Rawls's theory of justice as an alternative approach. 9:00-10:00am.

B. The Free Market and Shareholder Rights. Klein. This lecture presents an Austrian theory of corporate governance, showing how capitalist-entrepreneurs (shareholders) can limit discretionary behavior on the part of hired managers. Applications include the collapse of Enron, the strange behavior of market for initial public offerings, and the role of the SEC and FASB in setting disclosure rules. **READING:** Peter G. Klein, "Entrepreneurship and Corporate Governance," *Quarterly Journal of Austrian Economics* 2, no. 2 (1999): 19-42. 9:00-10:00am.

A. International Monetary Systems. Salerno. Considers currency markets, fixed vs. floating rates under fiat money and the gold standard, currency boards, and the difference between true and false gold standards. 10:15-11:15am

B. The American Austrians. Herbener. The thought of Frank Fetter, Benjamin Anderson, and Henry Hazlitt are discussed in this class. The place of the early American Austrians in the history of thought is considered. 10:15-11:15am

A. Extensions and Applications in Austrian Macroeconomics. Garrison While there is broad agreement within the Austrian School about the essential nature of business cycles, there remain significant but rarely recognized extensions of ethical formulations found in Mises's writings and in Hayek's writings. These doctrinal differences have

resurfaced as differing views held by modern Austrian macroeconomists. READING: Garrison, Roger W. "Overconsumption and Forced Saving in the Interwar Development Business Cycle Theory," Paper presented at the Southern Economic Association Meetings, Tampa Bay, FL, November 2001. 11:30am-12:30pm

B. Economic Reasoning: Principles and Common Fallacies. Gordon. An explanation of the type of reasoning used in praxeology. Logical fallacies in popular criticisms of the free market. 11:30-12:30pm

A. Recent Monetary Crises. Herbener. The causes of and solutions to recent financial debacles around the world will be explored. The cases of Argentina, Japan, Southeast Asia, Russia, Argentina, and America will be considered. 1:30-2:30pm

B. The Case Against Neo-Polylogism Yates. The distinguishing mark of Marxist theory was the claim that capitalist and proletarian thinking were based on two different logical systems. The same claim is now advanced by sex and racial theorists. Mises attacked this view head on. 1:30-2:30pm

A. History and New Directions for Austrian Economists. Salerno. Insights and comments from the editor of the *Quarterly Journal of Austrian Economics*, the leading academic journal for Austrian economics. 2:45-3:45pm

B. The Economics of Information Technology. Klein. Is there a "New Economy," and is standard (Austrian) economics still useful? This lecture explores the causes and consequences of the information-technology revolution with an emphasis on network effects and increasing returns, "tipping," venture capital, intellectual property, and the Microsoft case. READING: Council of Economic Advisers, "Doing Business in the New Economy," chapter 3 of *The Economic Report of the President*, 2001 (Washington: U.S. Government Printing Office, 2001). 2:45-3:45pm

A. Protection and the Market for Security. Hoppe. The theory of the state, and the monopolistic production of security (law and order). The nature of protection, and the competitive production of security. 4:00-5:00pm

B. Why Economists Should Study Logic and Philosophy. Long. Mises began his New York seminar with one recommended READING: a text on logic. Why? 4:00-5:00pm

SATURDAY, August 10

A. The Economics of Prohibitionism. Thornton. While mainstream economists and reform advocates sputter in confusion and self contradiction, Austrian analysis provides a clear understanding of the effects of prohibition. Not surprisingly, Austrian policy analysis provides a workable alternative solution. "The Potency of Illegal Drugs," *Journal of Drug Issues*, Vol. 28 No. 3, (Summer 1998) pp. 725-740. 9:00-10:00am

B. The Place of the Equilibrium Construct. Hülsmann. Discusses the nature and scope of equilibrium analysis, as well as its political implications. Criticizes the equilibrium theories of Knight, Mises, Selgin, Lachmann, and game theory. READING: Hülsmann, "A Realist Approach to Equilibrium Analysis," *QJAE* 3 (4), 2000. 9:00-10:00am

A. Economics of Political Centralization. Hoppe. Economic vs. political competition and integration. Imperialism and the role of war in history. Political centralization vs. secession. 10:15-11:15am

B. The Utopianism of Marx and Keynes. Herbener. This class examines what Marx and Keynes were really striving to achieve. How their theories served their utopian goals will be discussed. 10:15-11:15am

A. Knowledge and Judgement. Hülsmann. The transmission of information through the price system is the central theme in the economic thought of F.A. Hayek, I. Kirzner, and their disciples. This lecture criticizes the Hayekian approach and explains the role of information within the Misesian approach. READING: Hülsmann, "Knowledge, Judgement, and the Use of Property," *RAE* 10 (1), 1997. 11:30-12:30pm

B. The Case Against All Antitrust Legislation. Block. Considers, and rejects, support of antitrust as offered by such supposed advocates of free enterprise as Bork, Brozen and Posner. **READING:** Block, Walter, "Total Repeal of Anti-trust Legislation: A Critique of Bork, Brozen and Posner, *Review of Austrian Economics*, Vol. 8, No. 1, 1994, pp. 31-64. 11:30-12:30pm

A. Twenty Greatest Economics Books. Gordon. What are they? 1:30-2:30pm

B. Apriorism and Positivism in the Social Sciences. Long. The Misesian method is often dismissed, but it has a long and intellectually substantive history in the social sciences, unlike positivism in the social sciences, which is riddled with problems. 1:30-2:30m

Mündliche Prüfung. These oral examinations are offered for those who desire honors certificates. You will be asked questions by the faculty pertaining to the main lectures, as well as extensions and applications depending on the classes you attended. If you pass, your certificate will be signed by the members of the faculty jury. 2:45-5:00pm

Required Reading before attending: see <http://www.mises.org/misesuniv.asp>

- "What is Austrian Economics?" at Mises.org
- *An Introduction to Austrian Economics* by Thomas Taylor
- *Economic Science and the Austrian Method* by Hans-Hermann Hoppe
- *The Philosophical Origins of Austrian Economics* by David Gordon
- "Social Science and Natural Science" by Ludwig von Mises
- "Liberty and Property" by Ludwig von Mises
- "Middle-of-the-Road Policy Leads to Socialism" by Ludwig von Mises
- *What Has Government Done to Our Money?* by Murray N. Rothbard
- "Economic Calculation in the Socialist Commonwealth" by Ludwig von Mises
- "Praxeology and Understanding" by George Selgin
- *The Historical Setting of the Austrian School* by Ludwig von Mises
- "Mises and the Role of the Economist in Public Policy" by Murray N. Rothbard
- *The Austrian Theory of the Trade Cycle and Other Essays* by Mises, Hayek, Rothbard, and Haberler