

## **Austrian Economics**

**Econ 403**

**Spring 2017**

**Tuesday and Thursday, 1:30 - 2:45pm Krug Hall 204**

**Lecturer Michael Szpindor Watson**

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**Office hours by appointment and Tuesdays and Wednesdays 3:15pm-4:15pm**

### **COURSE OBJECTIVES AND LEARNING OUTCOMES:**

This course is designed to introduce you to the foundations of Austrian economics and to better your writing skills. We will be exploring some of the key figures and themes in Austrian economics. By the end, you should be able to explain the unique insights of Austrian economics and have a more complete understanding of the discipline of economics.

### **PREREQUISITES**

ECON 306 and 311

### **COURSE MATERIALS:**

1. Rothbard, Murray N. 2009. *Man, Economy, and State with Power and Market*. Auburn: Ludwig von Mises Institute.

PDF: <http://mises.org/books/mespm.pdf>

Audiobooks:

<https://mises.org/library/man-economy-and-state-power-and-market-0>

[http://www.audible.com/pd/Business/Man-Economy-and-State-with-Power-and-Market-Scholars-Edition-Audiobook/B016QYZMDS/ref=a\\_search\\_c4\\_1\\_2\\_srTtl?qid=1483492862&sr=1-2](http://www.audible.com/pd/Business/Man-Economy-and-State-with-Power-and-Market-Scholars-Edition-Audiobook/B016QYZMDS/ref=a_search_c4_1_2_srTtl?qid=1483492862&sr=1-2)

If you drive a lot, then listening to the book will complement reading it.

Recommended: Robert P. Murphy, *Study Guide to Murray N. Rothbard's Man, Economy, and State with Power and Market*, Scholar's Edition (Ludwig von Mises Institute). The book is a "sparknotes" version of the Rothbard book and provides succinct summaries of it along with helpful insights. The book is available for a

cheap price online and available for free in a pdf format.

<https://mises.org/library/study-guide-man-economy-and-state>

2. James Taylor, *An Introduction to Austrian Economics* (Ludwig von Mises Institute). The book is available for a cheap price online and available for free in pdf format.

<https://mises.org/library/introduction-austrian-economics>

3. Individualism and Economic Order by Friedrich Von Hayek. PDF or epub:

<https://mises.org/library/individualism-and-economic-order>.

4. There is a massive amount of optional and helpful videos on Youtube. I strongly suggest you look them up – often the speakers are more articulate than myself.

### **CLASS FORMAT AND ASSIGNMENTS:**

There are no exams. No final or midterm. Rather each week on Sunday at midnight a 2-3 page paper will be due on our readings – I will grade them when I wake up Monday morning. Tuesday you will receive them back with letter grades. Submit them on blackboard/mymason.

In every paper I will be asking myself several questions: Do I understand what you have written? Do you understand what you have read? If you have erred in your understanding is it obvious that you seriously engaged the reading? Have you gone beyond summarizing the readings? Show me that you have tackled the readings. I want to see exploration, debate, abstract thinking, application, disagreement, agreement, comparison, questions, and answers. Compare Austrian Economics to what is considered mainstream economics. Always define the terms you use. Don't be afraid to quote the readings – it helps take up space in the weekly essays and convinces me you read something.

Some days I will list off some questions to discuss in your papers, if you wish – but what you discuss in your papers is up to you. Go beyond the questions I ask, they are mostly there to get you started. If you have a background in philosophy use it. Use your knowledge in tax policy, public choice, history, accounting, statistics, political science, sociology, language, theology, etc. Entertain and educate me.

Follow my former professor's guidelines: "Typed, name, no title page, spellchecked, no right justifying, double spaced, not a "book report" in the way of Grade 5 – an adult's *comment* on the reading, telling your colleagues something

they might have missed, say, or some central idea that could use clarification, or some craziness you spot. Don't just summarize. Assume that your boss has read the material somewhat hurriedly: you are helping her get more deeply into it."

I strongly suggest you read that former professor's book on writing: Deirdre McCloskey, *Economical Writing*. 2<sup>nd</sup> ed. Waveland Press, Inc, 2000, ISBN: 1577660633, 90 pp.

Every Thursday I will lecture and Tuesday will be a combination of lecture, discussion, questions, and going over your papers. Be prepared to hear sections of your paper read in class – read the paper out loud to yourself before submitting it.

Optional: You may replace 4 written assignments with a 10-15 page paper on Austrian Economics. If you are applying to graduate school or need a written example for applications or whatnot the paper is a good idea. Run the idea past me before you write it. It's due the last day of class on blackboard/mymason.

Optional: You may replace an assignment with a presentation, up to two assignments/presentations. The presentation will be on a reading in the syllabus determined by me (it could be a chapter or a section of a chapter). Powerpoint presentation is acceptable. 10-20 min.

Grading:

Written assignments: 80% of grade

Attendance: 20% of grade

There is no curve, however, I want to give good grades. If your writing increases in quality by the end of the semester, your grade will be weighted toward the latter. I will drop your two worst grades for the written assignments and will allow 3 absentees without any deduction from attendance.

#### **ACADEMIC DISHONESTY:**

Plagiarism will not be tolerated. If I suspect you of plagiarism, I will seek the appropriate punishment. Please review George Mason University's Student Handbook ([http://si.gmu.edu/documents/Student\\_Handbook.pdf](http://si.gmu.edu/documents/Student_Handbook.pdf)) and Honor Code: (<http://mason.gmu.edu/~montecin/plagiarism.htm>).

## TENTATIVE SCHEDULE OF EVENTS

Schedule of Topics (subject to revision):

Week & Topic	Assigned Readings from Required Text
<p><b>Week 1:</b></p> <p>1/24 - Syllabus introductions etc.</p> <p>1/26 - 1/31 Introduction to Austrian Economics and the Austrian School</p>	<p>Taylor: Ch.1 "Introduction" (p.7-11)</p> <p>"What is Austrian Economics" Mises Institute  <a href="https://mises.org/about-mises/what-austrian-economics">https://mises.org/about-mises/what-austrian-economics</a></p> <p>Boettke : "Austrian School of Economics"  <a href="http://www.econlib.org/library/Enc/AustrianSchoolofEconomics.html">http://www.econlib.org/library/Enc/AustrianSchoolofEconomics.html</a></p> <p>Videos:  <a href="https://www.youtube.com/watch?v=GjxZvBG91lk">https://www.youtube.com/watch?v=GjxZvBG91lk</a>  <a href="https://www.youtube.com/watch?v=SLfnpwHu4Hw">https://www.youtube.com/watch?v=SLfnpwHu4Hw</a></p> <p>1<sup>st</sup> Assignment due 1/29. What is Austrian economics? What are the main ideas? Theory, history, and application are all fair game. Compare to what you have already learned in your other economic courses. Compare to any other fields you are familiar with.</p>
<p><b>Week 2</b></p> <p>Praxeology</p> <p>2/2 -2/7</p>	<p>Rothbard: Ch.1 "Fundamentals of Human Action" (p.1-77)</p> <p>Optional: Rothbard "Praxeology: The Methodology of Austrian Economics"</p> <p>Optional: <a href="https://mises.org/library/praxeology-methodology-austrian-economics">https://mises.org/library/praxeology-methodology-austrian-economics</a></p> <p>Videos:  <a href="https://www.youtube.com/watch?v=1PRTFAXX5Us">https://www.youtube.com/watch?v=1PRTFAXX5Us</a></p> <p>2<sup>nd</sup> Assignment due 2/5. What is praxeology and what isn't praxeology? How does it form the foundation of economic theory?</p>
<p><b>Week 3:</b></p> <p>Equilibration and the Market Process</p> <p>2/9 - 2/14</p>	<p>Rothbard: Ch.4 "Prices and Consumption" (p.233-257)</p> <p>Taylor: Ch.4 "The Subjective Theory of Value" (p.40-51)</p> <p>Taylor: Ch.5 "The Market and the Market Process" (p.52-62)</p> <p>Videos: <a href="https://www.youtube.com/watch?v=ZChb3CH8LSA">https://www.youtube.com/watch?v=ZChb3CH8LSA</a>  <a href="https://www.youtube.com/watch?v=c-rCenyYnyk">https://www.youtube.com/watch?v=c-rCenyYnyk</a></p>

<p><b>Week 4:</b> Monetary Theory 2/16 - 2/21</p>	<p>Rothbard: Ch. 3 "The Pattern of Indirect Exchange" (p. 187-198) Rothbard: Ch. 4 "Prices and Consumption (p. 261- 276) Rothbard: Ch. 11 "Money and Its Purchasing Power" (p. 755-767, 811-818) Optional: Rothbard "The Austrian Theory of Money"  Explain the evolution from barter to money. After writing your assignment read my blogpost: <a href="https://mises.org/blog/did-debt-exist-money-it-doesnt-matter">https://mises.org/blog/did-debt-exist-money-it-doesnt-matter</a>. What do you make of my argument of inter-temporal barter? Is money a commodity?</p>
<p><b>Week 5:</b> The Structure of Production 2/23 - 2/28</p>	<p>Rothbard: Ch.3 "The Pattern of Indirect Exchange" (p.206-212) Rothbard: Ch. 5 "Production: The Structure" (p.319-361) Rothbard: Ch.6 "Production: The Rate of Interest and Its Determination" (p.367-410) What is an interest rate and what does it do?</p>
<p><b>Week 6:</b> Capital Based Macro 3/2 - 3/7</p>	<p><a href="https://www.auburn.edu/~garriro/cbm.htm">https://www.auburn.edu/~garriro/cbm.htm</a>  "The Austrian School," 9.1-9.9 in Brian Snowdon and Howard R. Vane, <i>Modern Macroeconomics: Its Origins, Development and Current State</i>. Aldershot, England: Edward Elgar, 2005.  Video: <a href="https://www.youtube.com/watch?v=t7PBL3jSOAQ">https://www.youtube.com/watch?v=t7PBL3jSOAQ</a>  What is capital? Why does the distinction between homogenous and heterogeneous capital matter? What is the relationship between interest rates and capital? What is the market of loanable funds? Explain the relationship between the PPF curve (tradeoff of C &amp; I), the loanable funds market, and the Hayekian triangle (structure of production).</p>
<p><b>Week 7:</b> Austrian Business Cycle Theory (ABCT) 3/9 - 3/21</p>	<p><a href="https://www.auburn.edu/~garriro/cbm.htm">https://www.auburn.edu/~garriro/cbm.htm</a>  "The Austrian School," 9.10-9.13 in Brian Snowdon and Howard R. Vane, <i>Modern Macroeconomics: Its Origins, Development and Current State</i>. Aldershot, England: Edward Elgar, 2005.  Rothbard: Ch.12 "The Economics of Violent Intervention in the Market" (p.989-1025)  Excellent lecture: <a href="https://www.youtube.com/watch?v=tR-">https://www.youtube.com/watch?v=tR-</a></p>

	<p><a href="#">Tta3Pm28</a></p> <p>Hayek rap video:  <a href="https://www.youtube.com/watch?v=d0nERTFo-Sk">https://www.youtube.com/watch?v=d0nERTFo-Sk</a>  <a href="https://www.youtube.com/watch?v=GTQnarzmTOc">https://www.youtube.com/watch?v=GTQnarzmTOc</a></p> <p>Explain how an Austrian business cycle develops and corrects. Any historical episodes remind you of ABCT? Which one? Explain. Pay careful attention to the role of the supply of money, interest rates, and malinvestment. Is ABCT complementary to other business cycle theories?</p>
<p>- No Class - Spring Break</p>	
<p><b>Week 8:</b> Entrepreneurship, Competition &amp; Monopoly 3/23 - 3/28</p>	<p>Rothbard: Ch. 8 "Entrepreneurship and Change" (p.509-552)  Hayek: "The Meaning of Competition"  Rothbard: Ch.10 "Monopoly and Competition" (p.629-738)</p> <p>How does Hayek's and Rothbard's discussion of competition compare against perfect competition? What is monopoly? Does Rothbard push his argument too far regarding monopoly?</p> <p>Who is the entrepreneur? What is his role in the economy? Does mainstream neoclassical economics ignore the entrepreneur?</p>
<p><b>Week 9:</b> Interventionism 3/30 - 4/3</p>	<p>Rothbard: Ch.12 "The Economics of Violent Intervention in the Market" (p.875-961)</p>
<p><b>Week 10:</b> Socialism I 4/6 - 4/11</p>	<p>Ludwig von Mises: Economic Calculation in the Socialist Commonwealth <a href="https://mises.org/library/economic-calculation-socialist-commonwealth">https://mises.org/library/economic-calculation-socialist-commonwealth</a></p> <p>Audiobook: <a href="https://mises.org/library/economic-calculation-socialist-commonwealth-1">https://mises.org/library/economic-calculation-socialist-commonwealth-1</a></p> <p>Hayek: "The Use of Knowledge in Society"</p> <p>Break down Mises' and Hayek's arguments separately. Are they compatible? Hayek's argument goes beyond the socialist debate...explain. Mises' relies on the inability for economic calculation...explain.</p>

<p><b>Week 11:</b></p> <p>Socialism II</p> <p>4/13 - 4/18</p>	<p>Hayek: Socialist Calculation I-III</p>
<p><b>Week 12:</b></p> <p>Philanthropy and Charity</p> <p>4/20 - 4/25</p>	<p>Ludwig von Mises: <i>Human Action</i> 195-196 "Exchange Within Society"</p> <p><a href="https://mises.org/library/human-action-0">https://mises.org/library/human-action-0</a></p> <p>Boettke and Coyne: The Political Economy of the Philanthropic Enterprise (check on mymason)</p> <p>Boettke and Prychitko: Is an Independent Nonprofit Sector Prone to Failure? Toward an Austrian School Interpretation of Nonprofit and Voluntary Action</p> <p><a href="http://www.conversationsonphilanthropy.org/contributors/david-l-prychitko/">http://www.conversationsonphilanthropy.org/contributors/david-l-prychitko/</a></p> <p>Szpindor Watson: Mueller and Mises: Integrating the Gift and "Final Distribution" within Praxeology 182-195</p> <p>Explain why philanthropy is different than market exchange. Does the difference make government welfare more cumbersome...impossible? Apply Hayek's knowledge problem argument and the calculation problem argument from Mises to philanthropy and government welfare.</p>
<p><b>Week 13:</b></p> <p>Contra the Austrians</p> <p>4/27-5/2</p>	<p>Caplan's article on Austrian Economics:</p> <p><a href="http://econfaculty.gmu.edu/bcaplan/whyaust.htm">http://econfaculty.gmu.edu/bcaplan/whyaust.htm</a></p> <p>Pick an article in this list that responds to Caplan:</p> <p><a href="https://mises.org/blog/caplan-and-responses">https://mises.org/blog/caplan-and-responses</a></p> <p>Video: Caplan and Boettke debate Austrian Economics:</p> <p><a href="https://www.youtube.com/watch?v=DPm5wDjaOSk">https://www.youtube.com/watch?v=DPm5wDjaOSk</a></p> <p>You've read Rothbard, Mises, Hayek, etc. You should have some understanding of Austrian economics. What do you make of Caplan's article? Is his article a caricature of Austrian economics? Does he make any points you agree or disagree with?</p>

<b>Week 14:</b> 5/4 Concluding remarks or replacement class for missed day	Last Assignment:  For those writing the optional paper you will give a short 10 min presentation.  2-3 pg paper on a topic we have covered and how it has affected your thinking about policy or your political views. Does Austrian economics contribute anything or is it all bunk? <b>DUE WEDNSDAY 5/3!!!!</b>
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