

**Theory of the Market Process I**  
**ECON 880-001**  
**Fall 2017**  
**Thursday, 7:20 – 10:00pm**  
**Music/Theater Building 1002**

**Professor Christopher J. Coyne**  
**Department of Economics**  
**James Buchanan Hall, Suite D101**  
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**Office hours by appointment**

**COURSE OBJECTIVES:**

This course investigates various aspects of the Austrian school of economics. The main goal is to introduce you to the theories and insights of the Austrian school. In addition to providing an introduction to the ideas that constitute Austrian economics, a second aim is to demonstrate how Austrian economics provides a set of tools for making original and novel scholarly contributions to the broader economics discipline. Toward this end, another goal of this course is to help you develop the skills required to generate original applications and research in the field of Austrian economics. You will internalize important prevailing strands in the existing literature and work on developing, organizing, and conveying original insights that build on these ideas through written work.

**LEARNING OUTCOMES:**

Upon completion of this course, you will:

1. Understand the foundations of Austrian economics.
2. Understand the major strands of academic literature in Austrian economics.
3. Be able to synthesize existing ideas about Austrian economics and build on these ideas to generate novel contributions to this literature.
4. For MA students – be able to apply the core concepts in the field of Austrian economics to current events.
5. For PhD students - be able to write academic papers in the field of Austrian economics suitable for peer review.

**REQUIRED MATERIALS:**

The reading for this course comes from two sources: excerpts from books and journal articles listed below.

**SCHEDULED OUTLINE OF COURSE EVENTS:****1. Background and Historical Context (August 31)****MA & PhD Students**

- Boettke, Peter J. and Peter T. Leeson. 2003. "[The Austrian School of Economics, 1950-2000](#)," In Warren Samuels, Jeff Biddle and John Davis, eds. *A Companion to the History of Economic Thought*. Oxford: Blackwell.
- Boettke, Peter J. 1997. "[Where Did Economics Go Wrong: Modern Economics as a Flight from Reality?](#)" *Critical Review* 11(1): 11-64.
- Boettke, Peter J. 2008. "[Austrian School of Economics](#)." *The Concise Encyclopedia of Economics*

**2. Method (September 7)****MA & PhD Students**

- Buchanan, James M. 1964. "[What Should Economists Do?](#)" *Southern Economic Journal* 30(3): 213-222.
- Mises, Ludwig von. 1949. [Human Action](#), pp. 1-69.

**3. Economic Calculation (September 14)****MA Students**

- Boettke, Peter J. 1998. "[Economic Calculation: The Austrian Contribution to Political Economy](#)," *Advances in Austrian Economics* 5: 131-158.
- Hayek, F.A. 1948. [Individualism and Economic Order](#), pp. 119-208.

**PhD Students**

- Boettke, Peter J. 1998. "[Economic Calculation: The Austrian Contribution to Political Economy](#)," *Advances in Austrian Economics* 5: 131-158.
- Mises, Ludwig von. 1949. [Human Action](#), pp. 200-231; 698-715.
- Hayek, F.A. 1948. [Individualism and Economic Order](#), pp. 119-208.

**4. Entrepreneurship and The Market Process (September 21)****MA Students**

- Hayek, F.A. 1980. [Individualism and Economic Order](#), pp. 92-106.
- Kirzner, Israel M. 1997. "[Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach](#)," *Journal of Economic Literature* 35(1): 60-85.

**PhD Students**

- Hayek, F.A. 1980. [Individualism and Economic Order](#), pp. 92-106.
- Kirzner, Israel M. 1997. "[Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach](#)," *Journal of Economic Literature* 35(1): 60-85.
- Mises, Ludwig von. 1949. [Human Action](#), pp. 232-256; 289-300.

**5. Industrial Organization (September 28)****MA & PhD Students**

- Foss, Nicolai J. 1994. "[The Theory of the Firm: The Austrians as Precursors and Critics of Contemporary Theory](#)," *The Review of Austrian Economics* 7(1): 31-65.
- Hayek, F.A. 1968 [2002] "[Competition as a Discovery Procedure](#)"
- Langois, Richard. 2013. "[The Austrian Theory of the Firm: Retrospect and Prospect](#)," *Review of Austrian Economics* 26(3): 247-258.

**6. October 5, no class meeting**

In lieu of class meeting, watch Peter Boettke, "[Austrian Economics Today](#)"

**7. PhD student paper discussion, details to be discussed in class (October 12)****8. Capital & Business Cycle Theory (October 19)****MA Students**

- Garrison, Roger. 1989. "[The Austrian Theory of the Business Cycle In the Light of Modern Macroeconomics](#)," *Review of Austrian Economics* 3: 3-29.
- Hayek, F.A. 1989. "[The Pretence of Knowledge](#)," *The American Economic Review* 79(6): 3-7.
- Rothbard, Murray N. 1962. [Man, Economy and State](#), pp. 989-1023.

**PhD Students**

- Hayek, F.A. 1989. "[The Pretence of Knowledge](#)," *The American Economic Review* 79(6): 3-7.
- Lachmann, Ludwig M. 1977. [Capital and Its Structure](#). Kansas City, MO: Sheed Andrews McMeel, pp. 1-19; 53-85.
- Mises, Ludwig von. 1949. [Human Action](#), pp. 538-586.

October 25, Deirdre McCloskey, [Annual Hayek Lecture](#) (optional).

**9. Spontaneous Order (October 26)****MA & PhD Students**

- Benson, Bruce L. 1989. "[The Spontaneous Evolution of Commercial Law](#)," *Southern Economic Journal* 55(3): 644-661.
- Leeson, Peter T. and Christopher J. Coyne. (2012) "[Conflict-Inhibiting Norms](#)," in Michelle Garfinkel and Stergios Skaperdas, eds., *Oxford Handbook of the Economics of Peace and Conflict*. Oxford: Oxford University Press.
- Menger, Carl. 1892. "[On the Origins of Money](#)," *Economic Journal* 2: 239-255.

**10. The Dynamics of Interventionism (November 2)****MA & PhD Students**

Ikeda, Sanford. 2005. "The Dynamics of Interventionism," *Advances in Austrian Economics* 8: 21-58.

Mises, Ludwig von, 1949. [\*Human Action\*](#), pp. 855-861.

Rothbard, Murray N. 1962. [\*Man, Economy and State\*](#), pp. 875-914.

**11. Political Economy (November 9)****MA Students & PhD Students**

Boettke, Peter J. and Peter T. Leeson. 2003. "[An Austrian Perspective on Public Choice](#)," In Charles Rowley and Friedrich Schneider, eds. *Encyclopedia of Public Choice*. Boston: Kluwer.

Boettke, Peter J. and Peter T. Leeson. 2004. "[Liberalism, Socialism, and Robust Political Economy](#)," *Journal of Markets or Morality* 7(1): 99-111.

Buchanan, James M. 1991. "[The Minimal Politics of Market Order](#)," *The Cato Journal* 11(2): 215-226.

DiLorenzo, Thomas J. 1988. "[Competition and Political Entrepreneurship: Austrian Insights Into Public Choice Theory](#)," *The Review of Austrian Economics* 2(1): 59-71.

**12. The Social Aspects of the Market (November 16)****MA & PhD Students**

Storr, Virgil H. 2008. "[The Market as a Social Space: On the Meaningful Extraneous Conversations that Occur in Markets](#)," *The Review of Austrian Economics* 21(2-3): 135-150.

Boettke, Peter J. and Virgil Storr. 2002. "[Post Classical Political Economy](#)," *American Journal of Economics & Sociology* 61(1): 161-191.

Lewis, Paul and Emily Chamlee-Wright. 2008. "[Social Embeddedness, Social Capital and the Market Process](#)," *The Review of Austrian Economics* 21(2/3): 107-118.

Meadowcroft, John and Mark Pennington. 2008. "Bonding and Bridging: Social Capital and the Communitarian Critique of Liberal Markets," *The Review of Austrian Economics* 21(2/3): 119-133.

**13. No class, November 23, Thanksgiving Break**

**14. The Law of Association (November 30)****MA & PhD Students**

Donald J. Boudreaux, “[Deirdre McCloskey and Economists’ Ideas about Ideas](#),” July 2014, Online Library of Liberty (read the entire symposium – lead article, responses, and discussion)

Horwitz, Steve. 2008. “[Monetary Calculation and the Extension of Social Cooperation Into Anonymity](#),” *Journal of Private Enterprise* 23(2): pp. 81-93.

Mises, Ludwig von. 1949. *Human Action*, pp. 143-174.

Rajan, Raghuram 2004. “[Assume Anarchy](#),” *Finance & Development*, September: 56-57.

**15. The Economics of War and Foreign Intervention (December 7)****MA & PhD Students**

Coyne, Christopher J. and Adam Pellillo. 2012. “[The Political Economy of War and Peace](#),” in Michael Reksulak, Laura Razzolini, and William F. Shughart II, eds., *The Elgar Companion to Public Choice*, 2nd Edition (Edward Elgar Publishing).

Duncan, Thomas K. and Christopher J. Coyne. 2015. “[The Political Economy of Foreign Intervention](#),” in Peter J. Boettke and Christopher J. Coyne (eds.) *The Oxford Handbook of Austrian Economics*.

Mises, Ludwig von. 1949. *Human Action*, pp. 821-832.

**GRADING AND ASSIGNMENTS:****MA Students**

Your grade will be based on quizzes (50%) and current event journals (50%). Quizzes will be administered at the beginning of class throughout the semester. The quiz will test your knowledge of the content of the required readings for the class as listed above. There are no makeup quizzes, and students must be on time to receive a quiz. Once collected, quizzes will not be distributed to latecomers. A separate handout will be provided with the details of the current event journal.

MA students may opt into the PhD requirements listed below. If you choose this option please let me know during the first week of class.

**PhD Students**

Your grade will be based on a weekly question regarding the readings and class participation (20%), quizzes (40%), and a final paper (40%). You must submit one question related to the readings by 8pm on the day before each class meeting (Wednesday). The purpose of the question is to facilitate class discussion. You will be graded on whether your question is submitted on time and on its quality, as well as your participation in the discussion portion of each class.

Quizzes will be administered at the beginning of class throughout the semester. The quizzes will test your knowledge of the content of the required readings for the class as listed above. There

are no makeup quizzes, and students must be on time to receive a quiz. Once collected, quizzes will not be distributed to latecomers.

Final paper: Your final paper will be due by the date of the final exam, Thursday, December 14, 2015, by 3:00pm by email ([ccoayne3@gmu.edu](mailto:ccoayne3@gmu.edu))

The purpose of this assignment is for you to develop an academic paper suitable for publication in academic journals. Papers should be double-spaced with conventional font size and margins and consist of original thinking. Literature reviews, summaries of the readings, extensively paraphrasing or quoting others, etc. are, therefore, not permitted. Your paper should look like, read like, and ‘feel’ like an academic journal article.

The grade of your paper will be determined based on the potential of your paper for publication in an academic journal, such as the *Review of Austrian Economics*. An “A” paper will be one that is close to being ready for submission. A “B” paper is one that has potential but requires significant work prior to submission. A “C” paper is one which lacks the potential, even with significant work, for submission. Late final papers will not be accepted and will receive a grade of 0. No coauthored papers or papers submitted for other classes are allowed.

#### **SPECIAL ACCOMODATIONS:**

If you require any special accommodations, please see me immediately following the first class so that we can work together to make sure that you have what you need to succeed in this course.

#### **POLICY REGARDING AUDIO/VIDEO RECORDING & PICTURES:**

For the privacy and comfort of your fellow students, audio and video recordings, as well as photography, is strictly prohibited during class.

#### **ACADEMIC DISHONESTY:**

Cheating will not be tolerated and can result in a failing grade, dismissal from class, and expulsion from the university. If I suspect you of cheating, I will seek the appropriate punishment under George Mason University guidelines. Please review the [George Mason University Honor System and Code](#).