BootCamp2015

A BASIC COURSE IN AUSTRIAN ECONOMICS

SYLLABUS

MisesInstitute

AUBURN, ALABAMA | JULY 25, 2015

Mises Institute
518 West Magnolia Avenue
Auburn, Ala. 36832
mises.org

BootCamp2015

PROGRAM



WOLFE HALL, MISES INSTITUTE | 518 W. MAGNOLIA AVENUE, AUBURN AL

8:30 – 9:00 a.m.	Coffee, bookstore open
9:00 – 9:40 a.m.	**Human Action** Bob Murphy
9:40 – 10:20 a.m.	**Markets and Prices** Lucas Engelhardt
10:20 – 11:30 a.m.	Brunch
11:30 a.m. – 12:10 p.m.	**The Entrepreneur** Timothy Terrell
12:10 – 12:50 p.m.	**Intervention** Ryan McMaken
1:10 – 1:50 p.m.	**Money** Malavika Nair
1:50 – 2:30 p.m.	**Business Cycles** Jonathan Newman
3:30 p.m.	Bookstore closes
3:30 p.m.	Closing cookout and Awards Ceremony of Mises University
6:00 p.m.	Institute closes

Contents

LECTURE 1 Human Action

I. Action and Praxeology

A. Economics: part of a science of action, praxeology.
B. Action: use of means to achieve an end.
C. Choice between alternatives.
D. Actors act on most highly-valued preference.
E. Praxeology: deduced from concept of action (and a few other premises).

II. Method in Praxeology

A. Praxeology: a deductive science.
B. Start with true premise, what deductively follows is also true.
C. Principles of praxeology are *a priori true*. Known to be true by merely thinking about them.
D. Praxeology doesn't consist of hypotheses that must be tested.

III. Methodological Individualism

A. Only individuals act.
B. Metaphorical statement: countries, classes, etc., act.
C. "Actions" of countries, classes, etc., explained through actions of individuals.
D. Collective entities exist, they don't act.

IV. Critics of Praxeology

A. Logical positivists: *a priori* statements are about words. No knowledge of the world is given.
B. Logical positivists: all true statements about the world are empirical hypotheses.
C. Logical positivists: poor arguments to support their views. Praxeology gives *a priori* knowledge about the world.

Suggested Reading

Hans-Hermann Hoppe, *Economic Science and the Austrian Method* (Auburn, Ala.: Mises Institute, 2007). https://mises.org/library/economic-science-and-austrian-method

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Notes:

LECTURE 2 Markets and Prices

I. Value and Utility

  A. Value is subjective.
  B. Utility ordinal, not cardinal.
  C. Law of marginal utility.
  D. Contrast of Austrian and psychological view of law.
  E. Individuals rank units of different goods on preference scales.

II. Price Determination

  A. Exchange requires double inequality.
  B. Rankings of goods on people’s preference scales determine prices.
  C. Law of demand and supply.

III. Factor Pricing

  A. Prices of consumer goods determine prices of production goods though imputation.
  B. Fallacy of cost of production theories.

Suggested Reading

Murray Rothbard, *Man, Economy, and State with Power and Market (*Auburn, Ala.: Mises Institute, 2009), chap. 2, “Direct Exchange.” For more advanced reading, chap. 3–9. https://mises.org/library/man-economy-and-state-power-and-market

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Notes:

LECTURE 3 The Entrepreneur

I. Consumer Sovereignty and the Economy

A. Consumer demand determines what is produced.
B. Imputation and prices of production goods.
C. Continual changes in consumer preferences, technology, and resource supplies.

II. Role of the Entrepreneur

A. Change, uncertainty, and opportunity for gains.
B. Anticipation of changes in preferences.
C. Anticipation of changes in technology and resources.
D. Entrepreneurs' use of judgment and appraisal.

III. Profit and Loss

A. Profit as residual gain after factors of production paid.
B. Incorrect anticipations result in losses.
C. Difference of profit and rate of interest.
D. Profit and disequilibrium.
E. The ERE (evenly rotating economy).
F. Capitalists and entrepreneurs.

Suggested Reading

Ludwig von Mises, *Profit and Loss* (Auburn, Ala.: Mises Institute, 2008). https://mises.org/library/profit-and-loss-0

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Notes:

LECTURE 4 Interventionism

I. Definition of Interventionism

A. Interferes with market; not replacement.
B. No third system between capitalism and socialism.
C. Interventionism not a third system.

II. Mises's Critique of Interventionism

A. Interventions do not achieve purposes of those who support them.
B. Interventions require further interventions to correct problems.
C. New interventions also fail.
D. Unless corrected, interventions lead to full state control.
E. Interventionism: a form of socialism; calculation argument shows it is impossible.

III. Examples of Criticism of Intervention

A. Price controls.
B. Minimum wage laws.
C. Tariffs.
D. Taxation.

Suggested Reading

Ludwig von Mises, "Middle-of-the-Road Policy Leads to Socialism," in *Planning for Freedom* (South Holland, Ill.: Libertarian Press, 1974), chap. 2.
https://mises.org/library/planning-freedom-and-twelve-other-essays-and-addresses

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LECTURE 5

Money

I. History and Origins of Money

A. Barter and lack of coincidence of wants.
B. Menger: most marketable commodity among economic actors. No agreement or legislation needed.
C. Nomadic society: livestock.
D. Agricultural society: metals (copper, silver, gold).
E. Coinage: genuine, fixed weights. Divisible, portable.
F. Silver and gold historically used as "best" money.

II. Value of Money

A. Mises: regression theorem (money commodity has independent value). Marginal utility applies to money.
B. Use value and exchange value.
C. The monetary unit as medium of exchange to express exchange ratios.

III. Money and Banking

A. Warehouse banks and money substitutes.
B. "Free" banks and fractional reserve.
C. Fiduciary media.
D. Credit.

IV. Money and the State

A. Kings and physical debasement.
B. Modern states and compulsory monopoly over minting.
C. Classical gold standard: 1870s–1914.
D. Money supply: increase (dilution) confers no social good.
E. Modern central banks: monetary "policy" as socio-political tool.
F. Inflation.

Suggested Reading

Carl Menger, *Principles of Economics* (Auburn, Ala.: Mises Institute, 2011), part 7, "The Theory of Money." https://mises.org/library/principles-economics

Ludwig von Mises, *The Theory of Money and Credit* (Indianapolis, Ind.: Liberty Fund, 1980), part 2, "The Value of Money," chaps. 1 and 2. https://mises.org/library/theory-money-and-credit

Murray Rothbard, *What has Government Done to Our Money?* (Auburn, Ala.: Mises Institute, 2010). https://mises.org/library/what-has-government-done-our-money

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LECTURE 6 Business Cycles

I. What Is a Business Cycle?

A. Stages of the cycle.
B. Malinvestment during boom.
C. Cluster of entrepreneurial error.
D. Depression is liquidation of malinvestment.

II. Structure of Production

A. Lower vs. higher stages of production.
B. Choice between stages depends on interest rate.
C. Interest rate, time preference, and economic growth.

III. Austrian Theory of the Cycle

A. Expansion of bank credit affects interest rate.
B. Result is malinvestment.

IV. Depression

A. Wage rates and unemployment.
B. Need to adjust particular prices, not aggregate demand.
C. Contrast with Keynesian theory.

Suggested Reading

Murray Rothbard, *America's Great Depression (Auburn, Ala.: Mises Institute*, 2000), chap. 1, "The Positive Theory of the Cycle." https://mises.org/library/americas-great-depression

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ABOUT The Lecturers

Lucas Engelhardt completed his PhD in economics at Ohio State University and is currently assistant professor of economics at Kent State University, Stark. He is a former Mises Fellow, and his research is primarily focused on business cycles, but also includes work on problems of central planning, and the theory of interest. (lengelha@kent.edu)

Ryan McMaken is communications director and the editor of *Mises Daily* and *The Austrian* at the Mises Institute. He has degrees in economics and political science from the University of Colorado, was a lobbyist at the Colorado General Assembly, and taught political science for eight years in Colorado. He was the economist and spokesman for the Colorado Division of Housing from 2008 to 2014. He wrote his master's thesis on Murray Rothbard's critique of Conservative foreign policy, and he is the author of *Commie Cowboys: The Bourgeoisie and the Nation-State in the Western Genre*. (rwmcmaken@mises.org)

Robert P. Murphy is a researcher at the Free Market Institute at Texas Tech University, president of Consulting by RPM, Inc., runs the blog Free Advice., and Research Fellow at the Independent Institute. He was a Mises Fellow and received his PhD in economics from New York University. Murphy is the author of *The Study Guide to Human Action*, *The Study Guide to Man, Economy, and State with Power and Market*, *The Politically Incorrect Guide to Capitalism*, *The Politically Correct Guide to the Great Depression and the New Deal*, *Chaos Theory*, *Lessons for the Young Economist*, and *Choice*. (rpm@ConsultingByRPM.com)

Malavika Nair is assistant professor of economics at Troy University and a member of the Manuel Johnson Center for Political Economy. She received her PhD in economics from Suffolk University in Boston. Her research areas are monetary and financial institutions, monetary history, the caste, and Austrian economics. She is a former Mises Fellow working in comparative monetary systems and the implications of private enterprise in banking and money. She has published in *The Quarterly Review of Economics and Finance*, *Journal of Business Ethics*, *Quarterly Journal of Austrian Economics*, *The Independent Review,* and the *Review of Austrian Economics*. (mnair@troy.edu)

Jonathan Newman is a PhD student in economics and teaches undergraduate macroeconomics and money and banking at Auburn University. He is a Mises Institute Fellow, and his research interests include labor economics and the history of economic thought. (jrnewma1@gmail.com)

Timothy Terrell is associate professor of economics at Wofford College in Spartanburg, South Carolina. He obtained his MA from Clemson University and his PhD from Auburn University, where he was a Mises Fellow. Dr. Terrell has written on ethical and policy issues for a number of publications, including *The Free Market, The Freeman*, and *Markets and Morality*, and is assistant editor of the *Quarterly Journal of Austrian Economics*. (terrelltd@wofford.edu)