

BECO 5376 Austrian Economics  
Tuesday 5pm-7:50pm in Rawls 00027

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Austrian Economics is a school of thought within the mainline tradition of economics spanning from Adam Smith to the present that emphasizes the ability of voluntary interaction to best mobilize and coordinate our fragmented and tacit knowledge in order to achieve high standards of living and a more efficient allocation of resources. This course will cover the core of Austrian economic theory and how it differs from, and is similar to, other schools of thought and then will apply Austrian theory to contemporary economic and business problems.

This is a *GRADUATE* class in Austrian Economics. When you are done you are expected to be able to produce *NEW* knowledge in Austrian Economics. The course will be organized with that goal in mind. In addition to reading core areas of Austrian economics you will frequently propose research ideas and review work in progress related to the topics being covered and will produce a major research paper by the end of the course.

**Books:**

Ludwig Von Mises, *Human Action*: <http://mises.org/books/humanaction.pdf>

Frederick Von Hayek, *Individualism and Economic Order*

Israel Kirzner, *Competition and Entrepreneurship*

Murray Rothbard, *Man, Economy, & State*: <http://mises.org/books/mespm.pdf>

Robert Murphy, *Choice: Cooperation, Enterprise, and Human Action*

These will be supplemented with numerous journal articles, excerpts, book chapters, and other material available online or to be handed out in class.

**Grading:**

|                                          |     |
|------------------------------------------|-----|
| Pop Quizzes/article summaries/proposals: | 15% |
| Research Paper:                          | 35% |
| Midterm:                                 | 25% |
| Final Exam:                              | 25% |

Quizzes will be given in class frequently throughout the semester to assess whether you have done the reading prior to the class period.

A (93-100), A- (90-92), B+ (88-89), B (83-87), B- (80-82), C+ (78-79), C (73-77), C- (70-72), D+ (68-69), D (65-67), F (< 65).

### **Term Paper**

You will be expected to write and present a term paper by the last day of class. Proposed topics are due to me by Oct. 12<sup>th</sup>. Proposals should contain an abstract, outline, and brief bibliography. You should describe what your topic is, why I should care about it, and how you expect to execute it. Final papers should be written as a draft of a journal article suitable for submission to the *Review of Austrian Economics*, *Quarterly Journal of Austrian Economics*, or another peer reviewed social science journal appropriate for your topic.

### **Article Summaries and Proposals**

These will be brief in class presentations where you summarize a recent journal article related to the week's topic or propose how you would do your own research paper on the week's topic. Proposals should be done in a manner described above. Summarizations should be done in the form of a referee report.

### **Human Action Reading Group**

See supplement.

### **Course Outline:**

#### **1. Introduction (1/23) No RM**

Boettke, Peter J. 1997. "Where Did Economics Go Wrong: Modern Economics as a Flight from Reality?" *Critical Review* 11(1): 11-64.

<http://econfaculty.gmu.edu/pboettke/pubs/03%20Journal%20Articles/1997/1997%20where%20did%20economics%20go%20wrong,%20critical%20review.pdf>

Boettke, Peter J. 1999. "Is There an Intellectual Market Niche for Austrian Economics," *The Review of Austrian Economics* 11(1-2): 1-4.

[http://www.gmu.edu/depts/rae/archives/VOL11\\_1-2\\_1999/boettke.pdf](http://www.gmu.edu/depts/rae/archives/VOL11_1-2_1999/boettke.pdf)

Boettke, Peter J. 2008. "Austrian School of Economics." *The Concise Encyclopedia of Economics*

<http://www.econlib.org/library/Enc/AustrianSchoolofEconomics.html>

Mises, Ludwig von. 1969. "The Historical Setting of the Austrian School of Economics."

<http://mises.org/etexts/histsetting.pdf>

## **2. Method (1/30) No BP**

Mises, Ludwig von. 1949. *Human Action*, pp. 1-71 (required) and pp. 72-142 (optional).

Rothbard, Murray N. 1962. *Man, Economy and State*, pp. 1-21.

Murphy, Robert. 2015. *Choice: Cooperation, Enterprise, and Human Action*, pp. 21-44.

Stringham, Edward. 2010. "Economic value and costs are subjective." In *Handbook on Contemporary Austrian Economics*. Cheltenham: Edward Elgar.

## **3. Economic Calculation (2/6)**

Hayek, F.A. 1948. *Individualism and Economic Order*, pp. 119-208.

Mises, Ludwig von. 1949. *Human Action*, pp. 200-231; 698-715.

Boettke, Peter J. 1998. "Economic Calculation: The Austrian Contribution to Political Economy," *Advances in Austrian Economics* 5: 131-158.

[http://econfaculty.gmu.edu/pboettke/pubs/pdf/Economic\\_Calculation.pdf](http://econfaculty.gmu.edu/pboettke/pubs/pdf/Economic_Calculation.pdf)

[Murphy, Robert. 2015. \*Choice\*, pp. 93-112.](#)

## **4. Capital and Production (2/13)**

Mises, Ludwig von. 1949. *Human Action*, pp. 140-142; 257-264; 479-523.

Rothbard, Murray N. 1962. *Man, Economy and State*, pp. 47-70; 319-451.

Lachmann, Ludwig M. 1977. *Capital and Its Structure*. Kansas City, MO: Sheed Andrews McMeel, pp. 1-19; 53-85.

<http://mises.org/books/capitalstructure.pdf>

Powell, Benjamin 2010. "Some Implications of Capital Heterogeneity." In *Handbook on Contemporary Austrian Economics*. Cheltenham: Edward Elgar.

<http://www.benjaminwpowell.com/scholarly-publications/book-chapters/some-implications-of-capita-%20heterogeneity-proofs.pdf>

Foss, Kirsten, Nicolai Foss, Peter Klein, and Sandra Klein. 2006. "The Entrepreneurial Organization of Heterogeneous Capital." <http://web.missouri.edu/~kleinp/papers/06013.pdf>

Murphy, Robert. 2012. "Man, Economy, and State at 50." Available at: <https://mises.org/library/man-economy-and-state-50>. (Focus on the last section where it discusses Rothbard's diagram vs. the mainstream "circular flow" diagram.)

### **5. Industrial Organization (2/20) No BP OR RM Reschedule**

Rothbard, Murray N. 1962. Man, Economy and State, pp. 629-754.

Kirzner, Israel M. 1973. Competition and Entrepreneurship, pp. 88-134.

Boudreaux, Donald J. and Thomas J. DiLorenzo. "The Protectionist Roots of Antitrust," The Review of Austrian Economics 6(2): 81-96.  
[http://mises.org/journals/rae/pdf/RAE6\\_2\\_3.pdf](http://mises.org/journals/rae/pdf/RAE6_2_3.pdf)

DiLorenzo, Thomas. 1996. "The Myth of Natural Monopoly," The Review of Austrian Economics 9(2): 43-58.  
[http://mises.org/journals/rae/pdf/RAE9\\_2\\_3.pdf](http://mises.org/journals/rae/pdf/RAE9_2_3.pdf)

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.  
[http://mises.org/journals/rae/pdf/RAE7\\_1\\_2.pdf](http://mises.org/journals/rae/pdf/RAE7_1_2.pdf)

Klein, Peter G. 1996. "Economic Calculation and the Limits of the Organization," The Review of Austrian Economics 9(2): 3-28.  
[http://mises.org/journals/rae/pdf/RAE9\\_2\\_1.pdf](http://mises.org/journals/rae/pdf/RAE9_2_1.pdf)

Klein, Peter G. 1999. "Entrepreneurship and Corporate Governance," The Quarterly Journal of Austrian Economics 2(2): 19-42.  
[http://mises.org/journals/qjae/pdf/qjae2\\_2\\_2.pdf](http://mises.org/journals/qjae/pdf/qjae2_2_2.pdf)

Lewin, Peter and Steven E. Phelan. 2000. "An Austrian Theory of the Firm," The Review of Austrian Economics 13(1): 59-79.  
[http://www.gmu.edu/depts/rae/archives/VOL13\\_1\\_2000/lewin&phelan.pdf](http://www.gmu.edu/depts/rae/archives/VOL13_1_2000/lewin&phelan.pdf)

### **6. Entrepreneurship (2/27) No RM. MS in town**

Hayek, F.A. 1980. Individualism and Economic Order, pp. 92-106.

Kirzner, Israel M. 1973. Competition and Entrepreneurship, pp. 30-87.

Mises, Ludwig von. 1949. Human Action, pp. 232-256; 289-300.

Rothbard, Murray N. 1962. Man, Economy and State, pp. 509-555.

Baumol, William. 1990. "Entrepreneurship: Productive, Unproductive and Destructive," *Journal of Political Economy* 98(5): 893-921.

Holcombe, Randall G. 1998. "Entrepreneurship and Economic Growth," *Quarterly Journal of Austrian Economics* 1(2): 45-62.

[http://www.mises.org/journals/qjae/pdf/qjae1\\_2\\_3.pdf](http://www.mises.org/journals/qjae/pdf/qjae1_2_3.pdf)

Holcombe, Randall G. 2003. "The Origins of Entrepreneurial Opportunities," *The Review of Austrian* 16(1): 25-43.

[http://www.gmu.edu/depts/rae/archives/VOL16\\_1\\_2003/2\\_Holcombe.pdf](http://www.gmu.edu/depts/rae/archives/VOL16_1_2003/2_Holcombe.pdf)

Kirzner, Israel M. 1997. "Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach," *Journal of Economic Literature* 35(1): 60-85.

### **7. The Dynamics of Interventionism (3/6)**

Mises, Ludwig von, 1949. *Human Action*, pp. 716-769.

Rothbard, Murray N. 1962. *Man, Economy and State*, pp. 875-914.

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

Redford, Audrey, and Benjamin Powell. "Dynamics of Intervention in the War on Drugs: The Build-up to the Harrison Act of 1914." *Independent Review*. Forthcoming.

### **8. Austrian Labor Economics (3/20) No RM**

Boettke, Peter, and William Luther. 2012. "Labor Economics from an Austrian Perspective." [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2130999##](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2130999##)

Powell, Benjamin. "The Economics of Immigration: An Austrian Contribution." *Review of Austrian Economics* 29 (2016): 343-349.

Society for the Development of Austrian Economics Presidential Address. November 2015.

### **9. Money and Banking (3/27)**

Murphy, Robert. 2015. *Choice*, pp. 165-221.

Hayek, Friedrich. 1990 *The Denationalisation of Money*, pp. 23-65, available at:

<https://mises.org/system/tdf/Denationalisation%20of%20Money%20The%20Argument%20Refined%205.pdf?file=1&type=document>.

White, Larry and George Selgin. "Competitive Payments Systems and the Unit of Account," *American Economic Review* 74 (September 1984): 699-712.

White, Lawrence and George Selgin. "How Would the Invisible Hand Handle Money?" *Journal of Economic Literature* 32 (December 1994): 1718-49.

Selgin, George and Larry White, 1996, "In Defense of Fiduciary Media," *Review of Austrian Economics*, Vol. 9, No. 2, pp. 83-107, available at:  
[https://mises.org/system/tdf/rae9\\_2\\_5\\_4.pdf?file=1&type=document](https://mises.org/system/tdf/rae9_2_5_4.pdf?file=1&type=document).

Luther, William and Lawrence White. 2016. "Positively Valued Fiat Money After the Sovereign Collapses: The Case of Somalia," *Review of Behavioral Economics*, 3(3-4), 2016: 311-334.

## **10. Business Cycles (4/10)**

Mises, Ludwig von, 1949. *Human Action*, pp. 535-583.

Rothbard, Murray N. 1962. *Man, Economy and State*, pp. 989-1023.

Powell, Benjamin. "Explaining Japan's Recession." *Quarterly Journal of Austrian Economics* 5, No. 2 (2002): 35-50.

Boettke, Peter and Steve Horwitz. 2009. "The House that Uncle Same Built."  
<https://admin.fee.org/files/doclib/houseunclesambuiltbooklet.pdf>

Cachanosky, Nicolas. 2014. The Mises-Hayek Business Cycle Theory, Fiat Currencies, and Open Economies. *The Review of Austrian Economics*. DOI: 27.3:281-299. DOI: 10.1007/s11138-012-0188-2

## **11. Austrian Economics and Public Choice/Political Economy (4/17) No RM**

Boettke, Peter J., Christopher J. Coyne and Peter T. Leeson. 2007. "Saving Government Failure from Itself: Recasting Political Economy from an Austrian Perspective," *Constitutional Political Economy* 18: 127-143.  
<http://econfaculty.gmu.edu/pboettke/pubs/03%20Journal%20Articles/2007/2007%20Saving%20Government%20Failure%20Theory%20from%20Itself.pdf>

Boettke, Peter J. and Edward J. Lopez. 2002. "Austrian Economics and Public Choice," *The Review of Austrian Economics* 15(2/3): 111-119.  
[http://www.gmu.edu/depts/rae/archives/VOL15\\_2-3\\_2002/boettke&lopez.pdf](http://www.gmu.edu/depts/rae/archives/VOL15_2-3_2002/boettke&lopez.pdf)

Benson, Bruce L. 2002. "Regulatory Disequilibrium and Inefficiency: The Case of Interstate Trucking," *The Review of Austrian Economics* 15(2/3): 229-255.

[http://www.gmu.edu/depts/rae/archives/VOL15\\_2-3\\_2002/benson.pdf](http://www.gmu.edu/depts/rae/archives/VOL15_2-3_2002/benson.pdf)

Benson, Bruce L. 1999. "An Economic Theory of the Evolution of Governance and the Emergence of the State," *The Review of Austrian Economics* 12(2): 131-160.

[http://www.gmu.edu/depts/rae/archives/VOL12\\_2\\_1999/benson.pdf](http://www.gmu.edu/depts/rae/archives/VOL12_2_1999/benson.pdf)

Buchanan, James M. and Viktor J. Vanberg. 2002. "Constitutional Implications of Radical Subjectivism," *The Review of Austrian Economics* 15(2/3): 121-129.

[http://www.gmu.edu/depts/rae/archives/VOL15\\_2-3\\_2002/buchanan&vanberg.pdf](http://www.gmu.edu/depts/rae/archives/VOL15_2-3_2002/buchanan&vanberg.pdf)

DiLorenzo, Thomas J. 1988. "Competition and Political Entrepreneurship: Austrian Insights Into Public Choice Theory," *The Review of Austrian Economics* 2(1): 59-71. *Econ* 880 9

[http://mises.org/journals/rae/pdf/RAE2\\_1\\_3.pdf](http://mises.org/journals/rae/pdf/RAE2_1_3.pdf)

DiLorenzo, Thomas J. 1990. "The Subjectivist Roots of James Buchanan's Economics," *The Review of Austrian Economics* 4(1): 180-195.

[http://mises.org/journals/rae/pdf/RAE4\\_1\\_6.pdf](http://mises.org/journals/rae/pdf/RAE4_1_6.pdf)

Holcombe, Randall G. 1997. "A Theory of the Theory of Public Goods," *The Review of Austrian Economics* 10(1): 1-22.

[http://mises.org/journals/rae/pdf/RAE10\\_1\\_1.pdf](http://mises.org/journals/rae/pdf/RAE10_1_1.pdf)

Holcombe, Randall G. 2002. "Political Entrepreneurship and the Democratic Allocation of Economic Resources," *The Review of Austrian Economics* 15(2/3): 143-159.

[http://www.gmu.edu/depts/rae/archives/VOL15\\_2-3\\_2002/holcombe.pdf](http://www.gmu.edu/depts/rae/archives/VOL15_2-3_2002/holcombe.pdf)

Ikeda, Sanford. 2003. "How Compatible are Public Choice and Austrian Political Economy?" *The Review of Austrian Economics* 16(1): 63-75.

[http://www.gmu.edu/depts/rae/archives/VOL16\\_1\\_2003/4\\_Ikeda.pdf](http://www.gmu.edu/depts/rae/archives/VOL16_1_2003/4_Ikeda.pdf)

## **12. Austrian Development Economics (4/24) No RM**

Mises, Ludwig von, 1949. *Human Action*, pp. 159-165; 664-688.

Hunt, Shelby D. (2002), "Resource-Advantage Theory and Austrian Economics." In N.J. Foss and P.G. Klein, eds., *Entrepreneurship and the Firm: Austrian Perspectives on Economic Organization*. Northampton, MA: Edward Elgar: 248-72.

Powell, Benjamin. 2005. "State Development Planning: Did it Create an East Asian Miracle?" *The Review of Austrian Economics* 18(3/4): 305- 323.

[http://www.gmu.edu/depts/rae/archives/VOL18\\_3-4\\_2005/4-Powell.pdf](http://www.gmu.edu/depts/rae/archives/VOL18_3-4_2005/4-Powell.pdf)

Rothbard, Murray N. 1992. "How and How Not to Desocialize," *The Review of Austrian Economics* 6(1): 65-77.

[http://mises.org/journals/rae/pdf/RAE6\\_1\\_2.pdf](http://mises.org/journals/rae/pdf/RAE6_1_2.pdf)

Williamson, Claudia. R. 2010. "Exploring the Failure of Foreign Aid," The Role of Incentives and Information," *The Review of Austrian Economics* 23(1): 17-33.

### **13. Austrian Law and Economics (5/1)**

Benson, Bruce L. 1989. "The Spontaneous Evolution of Commercial Law," *Southern Economic Journal* 55(3): 644-661.

Leeson, Peter 2012. "An Austrian Approach to Law and Economics, with Special Reference to Superstition." *Review of Austrian Economics* 25(3) 2012: 185-198.

Rizzo, Mario. 1980. "Law amid Flux: The Economics of Negligence and Strict Liability in Tort." *Journal of Legal Studies* 9 (2): 291-318.

Stringham, Edward. 2001. "Kaldor-Hicks Efficiency and the Problem of Central Planning," *The Quarterly Journal of Austrian Economics* 4(2): 41-50.  
[http://mises.org/journals/qjae/pdf/qjae4\\_2\\_3.pdf](http://mises.org/journals/qjae/pdf/qjae4_2_3.pdf)

### **14. Research Presentations (5/8)**

#### **Final Exam 5/14 7:30pm**

#### **RELIGIOUS HOLY DAYS**

A student who intends to observe a religious holy day should make that intention known to the instructor prior to the absence. A student who is absent from classes for the observance of a religious holy day shall be allowed to take an examination or complete an assignment scheduled for that day within a reasonable time after the absence. In such cases, it is the student's responsibility to make alternate arrangements no less than one week prior to the actual date of the religious holy day.

#### **STUDENTS WITH SPECIAL NEEDS**

Any student who, because of a disability, may require special arrangements in order to meet the course requirements should contact the instructor as soon as possible to make any necessary arrangements. Students should present appropriate verification from Student Disability Services during the instructor's office hours. Please note instructors are not allowed to provide classroom accommodations to a student until appropriate verification from Student Disability Services has been provided. For additional information, you may contact the Student Disability Services office in 335 West Hall or 806-742-2405.



## **ACADEMIC INTEGRITY POLICY**

The integrity and reputation of the Texas Tech University and Texas Tech University Health Science Centers depend on the honesty of the entire academic community in all of its endeavors. This implies that the Institutions' faculty, students, administration and staff are willing to adhere to and uphold the code of academic conduct.

Students are expected to represent themselves honestly in all work submitted for academic purposes. When a student puts his or her name on any material submitted as an academic assignment, he or she vouches that both the content of the assignment and the process through which the assignment was produced conform to the standards of the code of academic conduct. This principle applies to all forms of academic assignments including, but not limited to, papers, tests, homework assignments, artistic productions, laboratory reports, presentations, and computer programs.

Any action that indicates a lack of academic honesty and integrity shall be considered a violation of the code of academic conduct. Examples of violations include:

- **Cheating:** Unauthorized giving, receiving, or use of material or information in academic assignments, or the attempt to do so.
- **Plagiarism:** Use of ideas, data or specific passages of another person's work that is unacknowledged or falsely acknowledged. Any paraphrasing or quotation must be appropriately acknowledged.
- **Falsification of Research:** Fraudulent or deceptive generation of data or the knowing use of data gathered in such a manner.
- **Unauthorized Collaboration:** Unauthorized collaboration in the performance of course assignments.
- **Multiple Submissions:** Presentation of the same assignment for credit in two distinct courses without prior approval.
- **Misrepresentation:** Performance of an academic assignment on behalf of another student.
- **Falsification of Academic Records:** Forging the signature of either an instructor or advisor on registration, course waiver, capstone, or change of grade forms.
- **False Testimony:** Knowingly presenting false accusations or false testimony before the honor board or its representatives.
- **Improper Disclosure:** Failure of an Honor Board member to maintain the strict confidentiality of honor board proceedings

The Academic Integrity policy is from the Texas Tech Student Handbook. For more information, go to the Texas Tech Student Handbook, 2008-2009, Code of Student Conduct, Part IX, Section B, Item Number 3. If you have questions about the academic integrity policy/honor code, speak with your faculty advisor or the course instructor.