

MANUEL H. JOHNSON CENTER FOR POLITICAL ECONOMY
SORRELL COLLEGE OF BUSINESS
TROY UNIVERSITY

ECO 6668

Advanced Austrian Economics

Tuesday and Thursday 10:00 AM-11:15 AM, Fall 2016

Bibb Graves Hall, Room 222, Troy Campus

Professor: Dr. G.P.Manish Office: Bibb Graves Hall Room 137R

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Prerequisites: Graduate standing, acceptance into the graduate economics program and all undergraduate pre-requisite courses or equivalent completed, or permission of instructor.

Description: Further study of price theory in the Austrian tradition and of the theory of the market process. Important topics covered include the role of the equilibrium construct in Austrian versus neoclassical price theory, capital theory, and the Austrian theory of the business cycle.

Office Hours: Monday: 10:00 am – 11:00 am

Tuesday and Thursday: 11:15 am – 1:45 pm

If the times above do not work we can schedule an appointment.

Grading

Component	Weight
Paper	30%
Mid-Term Exam	35%
Final Exam	35%

No early, make-up, or alternate exams will be provided.

Grading Scale

A	89.5-100
B	79.5-89.49
C	69.5-79.49
D	59.5-69.49
F	Less than or equal to 59.49

Attendance: Attendance is optional. I do not take attendance. I do, however, strongly encourage you to attend regularly. In case you choose to miss a class the onus is on you to get notes from a classmate and get up to speed with what was covered. I will not provide you with any additional notes to help you catch up.

Class Procedure: Each class will be a blend of a short lecture by me on the relevant topics and of a class discussion of these topics following that. I will thus wear two hats in every time we meet: That of professor at the beginning when I present the short lecture and then of a discussant once the topics of the day are thrown open for class discussion. Participation in these discussions on your part is strongly encouraged. The lion's share of the learning during this course will be the result of the free sharing and discussion of ideas.

Research Paper: A research paper on a subject that is related to the material covered in the course will count for 30% of your final grade. *This paper must not be a mere summary of ideas already presented and discussed in the readings and in class. Instead, it must be an attempt on your part to construct an argument that is original and new.* I am more than happy to discuss ideas for potential paper both during office hours as well as after each class.

The paper that you submit must be typed and double spaced. While it need not be the finished article, it must be something more than just the statement of an idea. Instead, it must contain a fairly well-developed argument. I highly encourage you to consider presenting your paper at the Austrian Economics Research Conference and/or the annual conference of the Association of Private Enterprise Education, which are both held in the spring (March/April) of each year. If you are interested in doing so please feel free to talk to me about it.

The final draft of your paper is due by the end of day on December 6th, 2016. No late submissions will be accepted.

Academic Integrity: Troy University has a rigorous Standards of Conduct and Honor Code, which requires all members of the Troy University community to maintain the highest standards of academic honesty and integrity. Cheating, plagiarism, lying, and stealing are all prohibited. All violations of the Standards of Conduct and Honors Code will result in me taking the appropriate punishment procedures. See <http://troy.troy.edu/judicialaffairs/standardsofconduct.pdf> for more information.

Cheating or plagiarism, of any type, will not be tolerated. If you are caught cheating on an exam or an assignment you will receive a 'zero' for the assignment at a minimum and likely an 'F' for the course.

Incomplete Grade Policy: If circumstances will prevent the student from completing the course by the end of the term, the student should complete a request for an incomplete grade.

Requesting an Incomplete Grade

A grade of incomplete or "INC" is not automatically assigned to students, but rather must be requested by the student by submitting a *Petition for and Work to Remove an Incomplete Grade* Form. Requests for an incomplete grade must be made on or before the date of the final assignment or test of the term. The form will not be available after the last day of the term. A grade of "INC" does not replace an "F" and will not be awarded for excessive absences. An "INC" will only be awarded to student presenting a valid case for the inability to complete coursework by the conclusion of the term.

It is ultimately the instructor's decision to grant or deny a request for an incomplete grade, subject to the policy rules below.

Policy/Rules for granting an Incomplete (INC)

- An incomplete cannot be issued without a request from the student.
- To qualify for an incomplete, the student *must*:
 - Have completed over 50% of the course material and have a documented reason for requesting the incomplete. (50% means all assignments/exams up to and including the mid-term point, test, and/or assignments.)
 - Be passing the course at the time of their request.

If both of the above criteria are not met an incomplete cannot be granted.

An INC is not a substitute for an F. If a student has earned an "F" by not submitting all the work or by receiving an overall F average, then the F stands.

Campus Disability Services: It is the policy of Troy University to provide accessible programs, services, activities, reasonable accommodations, and a harassment-free environment, for any student or employee with a documented disability as defined by Section 504 of the Rehabilitation Act of 1973, as amended, and by the Americans with Disabilities Act of 1990. To provide the best possible services to students, employees, and visitors, Troy University has designated the Disability Services Coordinator and the Director of Human Resources on each campus the responsible parties for coordinating accommodations for persons with disabilities. For more information about physical access to buildings or grounds, academic or workplace accommodations, or other ADA related services individuals should contact the Disability Services Coordinator or Director of Human Resources on the specific campus. For information regarding services at Troy main campus, contact the Director of Adaptive Needs at (334) 670-3220; for services at Troy University/Montgomery, contact the Disability Services Coordinator at (334) 241-9587; and for services at the Troy University/Dothan campus, contact the Director of Counseling and Career Services at (334) 983-6556.

Policies and procedures for students with disabilities can be found here:

http://www.troy.edu/student-services/oracle/2010-2011_Oracle.pdf

Links to Helpful Resources

Dramatis Personae

R. Holcombe (ed). [*15 Great Austrian Economists*](#)
L. v. Mises, [*The Historical Setting of the Austrian School*](#)
L. v. Mises, [*Notes and Recollections*](#)
R. Garrison and I. Kirzner, [*Friedrich August von Hayek*](#)

Journals

[*Review of Austrian Economics*](#)
[*Quarterly Journal of Austrian Economics*](#)
[*Advances in Austrian Economics*](#)
[*The Independent Review*](#)
[*Journal of Prices and Markets*](#)
[*Journal of Private Enterprise*](#)
[*History of Political Economy*](#)
[*Journal of the History of Economic Thought*](#)
[*Research in the History of Economic Thought and Methodology*](#)

Course Outline (Tentative and Subject to Change): Please note that all the required articles and chapters are available online. The links have been provided below. Some of the recommended readings are not available for free online. If interested I encourage you to either acquire them or borrow them (if available) from the library.

Week 1 (8/18): The Classical Background and the Marginal Revolution

Required:

Adam Smith, [*Wealth of Nations*](#), Chs.6, 7.
David Ricardo, [*On the Principles of Political Economy and Taxation*](#), Ch. 1 (Sections I-V), Ch.4
J.S. Mill, [*Principles of Political Economy*](#), Book III, Chs.1-4.
E. v. Bohm Bawerk, [*The Significance of the Austrian School*](#)

E. v. Bohm Bawerk, [*The Positive Theory of Capital*](#), Bk. VI, Ch.3

Recommended:

F. v. Wieser, [*Natural Value*](#), Author's Preface

William Jaffe, [*Menger, Jevons and Walras De-Homogenized*](#)

E. v. Bohm Bawerk, [*Karl Marx and the Close of his System*](#), Chs.1-4

E. v. Bohm Bawerk, [*Value, Cost and Marginal Utility*](#)

E. v. Bohm Bawerk, [*The Ultimate Standard of Value*](#)

Week II (8/23; 8/25): Action, Value and Exchange

Required:

E. v. Bohm Bawerk, [*The Positive Theory of Capital*](#), Bk. III, Chs.1-6

L. v. Mises, [*Human Action*](#), Ch.1 (11-22), Ch.2 (64-71), Ch.4-6, Ch.7 (119-127)

Carl Menger, [*Principles of Economics*](#), Ch.1, Ch.4

M.N. Rothbard, [*Man, Economy and State*](#), Ch.1 (1-33), Ch.2 (84-91)

Recommended:

Phillip Wicksteed, [*The Common Sense of Political Economy*](#), Chs.1, 2, 4

Week III (8/30; 9/1): Price Formation and Appraisalment

Required:

E. v. Bohm Bawerk, [*The Positive Theory of Capital*](#), Bk. IV, Chs.2-5

M.N. Rothbard, [*Man, Economy and State*](#), Ch.2 (106-142)

Phillip Wicksteed, [*The Common Sense of Political Economy*](#), Ch.6 (213-237)

L. v. Mises, [*Human Action*](#), Ch.16 (324-330)

Recommended:

Carl Menger, [*Principles of Economics*](#), Ch.5

G.P. Manish, [*Error, Equilibrium and Equilibration in Austrian Price Theory*](#)

Arthur Marget, [*Theory of Prices \(Volume II\)*](#), Ch.5 (221-263)

Week IV (9/6; 9/8): Money and its Purchasing Power

Required:

Carl Menger, [*Principles of Economics*](#), Chs.6, 7, 8

L. v. Mises, [*The Theory of Money and Credit*](#), Part I, Chs.1, 3 (50-62); Part II, Chs.1, 2 (108-114, 123-124, 131-146), 6 (206-212)

L. v. Mises, [*Human Action*](#), Ch.17 (395-429)

M.N. Rothbard, [*Man, Economy and State*](#), Ch.4 (233-257, 261-276)

Recommended:

W.H. Hutt, [*The Yield From Money Held*](#)

Week V (9/13; 9/15): Economic Calculation and the Socialist Calculation Debate

Required:

F. A. Hayek, [*Individualism and Economic Order*](#), Chs.7-9
L. v. Mises, [*Economic Calculation in the Socialist Commonwealth*](#)
L. v. Mises, [*Human Action*](#), Chs.11-13, 25, 26
F. A. Hayek, [*Individualism and Economic Order*](#), Ch.4

Recommended:

D. Lavoie, [*Rivalry and Central Planning*](#)
P. Boettke, [*Calculation and Coordination*](#), Chs.2, 6, 7
T.J.B. Hoff, [*Economic Calculation in the Socialist Society*](#)

Week VI (9/20; 9/22): Equilibrium, the Entrepreneur and Factor Prices

Required:

Carl Menger, [*Principles of Economics*](#), Ch.3 (149-174)
L. v. Mises, [*Human Action*](#), Ch.14 (237-238, 245-257), Ch.15 (258-260, 270-279, 286-291, 308-311), Ch.16 (330-336)
L. v. Mises, [*Profit and Loss*](#), p.7-33
E. v. Bohm Bawerk, [*The Positive Theory of Capital*](#), Bk. IV, Ch.7
M. N. Rothbard, [*Man, Economy and State*](#), Ch.1 (33-42), Ch.7 (453-478), Ch.8 (509-516)

Week VII (9/27; 9/29): Equilibrium, Coordination and the Market Process - I

Required:

F.A. Hayek, [*Individualism and Economic Order*](#), Ch.5
I. Kirzner, [*Market Theory and the Price System*](#), Ch.7 (105-128), Ch.11
I. Kirzner, [*Competition and Entrepreneurship*](#), Ch.1, 2
I. Kirzner, [*The Economic Calculation Debate: Lessons for Austrians*](#)
I. Kirzner, [*Entrepreneurial Discovery and the Competitive Market Process*](#)
P. Boettke, [*Information and Knowledge: Austrian Economics in Search of its Uniqueness*](#)
P. Boettke and F. Sautet, [*The Genius of Mises and the Brilliance of Kirzner*](#)

Recommended:

F.A. Hayek, [*Individualism and Economic Order*](#), Ch.2
F.A. Hayek, [*Competition as a Discovery Procedure*](#)
P. Boettke and C. Coyne, [*Swedish Influences and Austrian Advances: The Contributions of the Swedish and Austrian Schools to Market Process Theory*](#)

Week VIII (10/4, 10/6): Equilibrium, Coordination and the Market Process – II

Required:

J.T. Salerno, [*Postscript: Why a Socialist Economy is Impossible*](#)
J.T. Salerno, [*Mises and Hayek De-homogenized*](#)
J.T. Salerno, [*Reply to Yeager on Mises and Hayek on Calculation and Knowledge*](#)
J.T. Salerno, [*The Place of Human Action in the Development of Modern Economic Thought*](#)
M.N. Rothbard, [*The End of Socialism and the Calculation Debate Revisited*](#)
I. Kirzner, [*Mises and His Understanding of the Capitalist System*](#)

Recommended:

J.T. Salerno, [*The Entrepreneur: Real and Imagined*](#)

I. Kirzner, [*The Driving Force of the Market: Essays in Austrian Economics*](#), Pt. III, Ch.8

Week IX (10/11, 10/13): The Production Structure, the Time Market and Capitalization

Required:

M.N. Rothbard, [*Man, Economy and State*](#), Ch.1 (13-17), Ch.5 (319-353), Ch.6 (367-426), Ch.7 (479-495)

L. v. Mises, [*Human Action*](#), Ch.18 (480-487), Ch.19

Recommended:

E. v. Bohm Bawerk, [*The Positive Theory of Capital*](#), Bks. V, VI, VII

F.A. Fetter, [*Economic Principles*](#), Pt. IV

Week X (10/18, 10/20): Capital and Capital Goods

Required:

E. v. Bohm Bawerk, [*The Positive Theory of Capital*](#), Bk. I, Chs.1, 2; Bk. II, Chs.1-3

L. v. Mises, [*Human Action*](#), Ch.18

M. N. Rothbard, [*Man, Economy and State*](#), Ch.8 (537-546)

Recommended:

L.M. Lachmann, [*Capital and its Structure*](#), Chs.1-4

P. Lewin, [*Capital in Disequilibrium*](#)

Week XI (10/25; 10/27): Capital and Growth

Required:

E. v. Bohm Bawerk, [*The Positive Theory of Capital*](#), Bk. II, Chs.4-6

M. N. Rothbard, [*Man, Economy and State*](#), Ch.1 (47-70), Ch.8 (517-536)

F. A. Hayek, [*Prices and Production*](#), Lecture II

Recommended:

L.M. Lachmann, [*Capital and its Structure*](#), Ch.5

Week XII (11/1; 11/3): Business Cycle Theory

Required:

F. A. Hayek, [*Prices and Production*](#), Lecture III

L. v. Mises, [*Human Action*](#), Ch.20

R. Garrison, [*The Austrian School: Capital Based Macroeconomics*](#)

J.T. Salerno, [*A Reformulation of Austrian Business Cycle Theory in Light of the Financial Crisis*](#)

Recommended:

R. Garrison, [*Hayekian Trade Cycle Theory: A Re-appraisal*](#)

R. Ebeling (ed). [*The Austrian Theory of the Trade Cycle and Other Essays*](#)

N. Cachanosky, [*The Mises-Hayek Business Cycle Theory, Fiat Currencies and Open Economies*](#)

N. Cachanosky and P. Lewin, [*The Financial Foundations of Austrian Business Cycle Theory*](#)

Week XIII (11/8; 11/10): The Distinctiveness of Austrian Macroeconomics – I

Required:

- F.A. Hayek, [*The Mythology of Capital*](#)
F.A. Hayek, [*The Paradox of Saving*](#)
R. Garrison, [*The Austrian School: Capital Based Macroeconomics*](#)
R. Garrison, [*Austrian Capital Theory and the Future of Macroeconomics*](#)
A. Ravier, [*Rethinking Capital-Based Macroeconomics*](#)

Week XIV (11/15; 11/17): The Distinctiveness of Austrian Macroeconomics – II

Required:

- F. A. Hayek, [*Prices and Production*](#), Lecture I
F.A. Hayek, [*Monetary Theory and the Trade Cycle*](#), Ch. 3
R. Garrison and D. Bellante, [*Phillips Curves and Hayekian Triangles: Two Perspectives on Monetary Dynamics*](#)
R. Garrison, [*New Classical and Old Austrian Economics: Equilibrium Business Cycle Theory in Perspective*](#)
R. Garrison, [*Austrian Business Cycle Theory in Light of Modern Macroeconomics*](#)

Recommended:

- F.A. Hayek, [*Monetary Theory and the Trade Cycle*](#), Ch.2
S. Horwitz, [*Microfoundations and Macroeconomics: An Austrian Perspective*](#)