

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

ECO 4461

Austrian Economics

Tuesday and Thursday, 11:30 AM – 12:45 PM, Fall 2014

Hawkins Hall, Room 119, Troy Campus

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

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Prerequisites

Principles of Microeconomics (EC 2252) and Principles of Macroeconomics (EC 2251)

Description

This course aims to provide an introduction to the essential ideas of the Austrian School of Economics. To this end the goal is to cover the theories of value, price, money, growth and business cycles as expounded by the Austrians. An emphasis will be placed throughout the course on the twin and related issues of time and uncertainty, a meticulous and insightful treatment of which is the hallmark of this school of thought.

Office Hours

Tuesday and Thursday: 9:00 – 10:00 am; 1:00-3:30 pm

Grading

Component	Weight
Mid-term Exam	30%
Final Exam	30%
Assignments	25%
Participation	10%

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

Assignments

This course will involve the submission of four assignments. Each assignment will consist of an essay (recommended length 1200+ words) on a topic of interest to you that is also related to the subject matter covered in class. You are expected to propose a topic in writing by the last day of each month (i.e., August, September, October and November) and submit the essay by the 15th day of the following month.

You can scour the internet as well as the Troy library for topics that might interest you. Two websites that contain a lot of literature related to the Austrian School are highly recommended: mises.org and econlib.org. Please also feel free to speak to me and discuss potential topics in the classroom or during my office hours.

Participation

Given that this is an elective course and all of you have already been introduced to the subject of economics, I expect you to participate in class and for class sessions to be discussion based. Comments and perspectives on the material being covered as well as questions and difficulties are all more than welcome. **Merely showing up to class will not be sufficient to obtain the full portion of the total grade allotted to participation. Active participation will be necessary to ensure this.**

ABSENCE AND INCOMPLETE GRADE POLICY

Attendance is optional. *I do not take attendance; however, in order to participate you must (obviously!) be present and on time.*

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.

Procedure

This is a lecture based course. However, discussion is welcome and encouraged. From time to time, audio/video resources will be employed as well.

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. *If you are caught cheating or plagiarizing in your assignment or exam, you will get an F for that assignment. (If more than 20% of your submitted assignment or exam is copied and pasted from the internet that will constitute plagiarism).*

Troy University Email Accounts

All students were required to obtain and use the TROY e-mail address that is automatically assigned to them as TROY students. All official correspondence (including bills, statements, e-mails from instructors and grades, etc.) will be sent ONLY to the troy.edu (@troy.edu) address. All students are responsible for ensuring that the correct e-mail address is listed in Blackboard by the beginning of Week #1. E-mail is the only way the instructor can, at least initially, communicate with you. It is your responsibility to make sure a valid e-mail address is provided. Failure on your part to do so can result in your missing important information that could affect your grade. Your troy.edu e-mail address is the same as your Web Express user ID following by @troy.edu. Students are responsible for the information that is sent to their TROY e-mail account. You can get to your e-mail account by logging onto the course and clicking “E-mail Login”.

You are able to forward your TROY e-mail to another e-mail account. You must first access your TROY e-mail account through the TROY e-mail link found on the Web site. After you log in to your TROY e-mail account, click on “options” on the left hand side of the page. Then click on “forwarding.” This will enable you to set up the e-mail address to which you will forward your e-mail.

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

Enrollment

Students are responsible for verifying their enrollment in this class.

Schedule adjustments should be made by the deadlines published in the Schedule of Classes (Deadlines each semester are published in the Schedule of Classes available from the Registrar's Website www.registrar.gmu.edu)

Other Useful Campus Resources

Academic Catalog

http://www.troy.edu/catalogs/1112undergrad_pdf/index.html

Academic Regulations

http://www.troy.edu/catalogs/1011undergrad/5U_acad_regs.html#GradingSystem

Office of Student Development

<http://troy.troy.edu/studentdevelopment/index.html>

Personal Counseling Services

<http://troy.troy.edu/save/counseling.html>

Troy University Libraries

<http://library.troy.edu/>

Textbooks

Required

Carl Menger, [Principles of Economics](#)

Eugen von Bohm Bawerk, [The Positive Theory of Capital](#)

Ludwig von Mises, [Human Action](#)

Murray Rothbard, [Man, Economy and State](#)

Thomas C. Taylor, [An Introduction to Austrian Economics](#)

Course Outline

(This outline is tentative and is subject to change)

I. Introduction: The Historical and Intellectual Setting of the Austrian School

- i. The Historical Setting and the Main Personalities

Readings: Schulak and Unterkofler, [The Austrian School of Economics](#), Chs.1, 5, 7, 8, 17, 18, 24;
Mises, [The Historical Setting of the Austrian School](#), Part I

- ii. The Intellectual Scene: A Brief Overview of the Classical Theory of Value and Price

Readings: Smith, [Wealth of Nations](#), Book I Chs.4 (parts 13-18), 5 (parts 1-4), 7.
Ricardo, [On The Principles of Political Economy](#), Chs.1 (parts 1-11), 4.

II. Human Action and Its First Implications: Means, Ends and the Value of Goods

- i. The Concept of Human Action

Readings: Rothbard, Ch.1 (p. 1-2); Mises, Part I, Ch.1 (parts 1 and 2).

- ii. Scarcity, Means and Ends

Readings: Rothbard, Ch.1 (p. 2-6); Mises, Part I, Ch.4 (part 1).

iii. The Concept of Value

Readings: Bohm Bawerk, Book III, Chs.1 and 2.

iv. The Scale of Value and Action as an Exchange

Readings: Rothbard, Ch.1 (p. 17-21); Mises, Part I, Ch.4 (parts 2-4).

v. The Law of Marginal Utility

Readings: Rothbard, Ch.1 (p. 21-33); Bohm Bawerk, Book III, Ch.4.

III. The Order of Goods and the Value of Producer Goods

i. The Order of Goods

Readings: Menger, Ch.1 (part 2); Rothbard, Ch.1 (p. 8-13).

ii. The Complementary Nature of Producer Goods

Readings: Menger, Ch.1 (part 3).

iii. Time, Uncertainty and the Value of Complementary Groups of Producer Goods

Readings: Menger, Ch.1 (part 4), Bohm Bawerk, Book III, Ch. 10 (p. 179-183).

iv. The Value of Individual Producer Goods

Readings: Menger, Ch. 3 (part 3, p. 162-165).

IV. Socialism and the Problem of Economic Calculation

i. Socialism and the Economic Problem

Readings: Taylor, Ch.2; Mises, Ch.26 (part 1).

ii. Economic Calculation under Socialism

Readings: Mises, [Economic Calculation in the Socialist Commonwealth](#), Ch.2

iii. The Argument Applied to India and the Soviet Union

Readings: Boettke, [Calculation and Coordination](#), Chs. 6 and 7;
Manish, [Central Economic Planning and India's Economic Performance](#)

V. The Necessary Conditions for Exchange and the Laws of Price Formation

- i. The Necessary Conditions for the Emergence of Interpersonal Exchange

Readings: Menger, Ch.4; Rothbard, Ch.2 (p. 84-88)

- ii. Price Formation on the Market

Readings: Rothbard, Ch.2 (p. 103-126); Bohm Bawerk, Book IV, Chs.2-5.

VI. The Evenly Rotating Economy, the Rate of Interest and Factor Prices

- i. The Concept of the Evenly Rotating Economy

Readings: Rothbard, Ch.5 (p. 320-323); Taylor, p. 63-64.

- ii. Time Preference and the Rate of Interest

Readings: Rothbard, Ch.1 (p. 13-17), Ch. 5 (p. 345-353), Ch.6 (p. 367-389).

- iii. The Law of Returns and the Pricing of the Factors of Production

Readings: Rothbard, Ch.1 (p. 33-38), Ch.7 (p. 453-478); Taylor, Ch.6.

VII. Change, Uncertainty and Entrepreneurship

- i. From the Evenly Rotating Economy to the Real World

Readings: Taylor, Ch.7

- ii. The Emergence and Function of Profit and Loss

Readings: Mises, [Profit and Loss](#), Part A; Rothbard, Ch.8 (509-516);
Kirzner, Israel M. “Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach.” *Journal of Economic Literature* 35, no. 1 (1997): 60–85.

VIII. Money and Its Purchasing Power

- i. The Emergence of Money

Readings: Menger, Ch.8 (parts 1 and 2); Rothbard, Ch.3 (p. 187-193).

- ii. The Determination of Money Prices

Readings: Rothbard, Ch.4 (p. 233-247)

- iii. The Determination of the Purchasing Power of Money

Readings: Rothbard, [The Mystery of Banking](#), Ch.3
iv. The Non-Neutrality of Money

Readings: Rothbard, Ch.11 (p. 811-815).

IX. Economic Growth and the Business Cycle

i. The Structure of Production and the Importance of Savings

Readings: Rothbard, Ch.1 (p. 47-58), Ch.6 (p. 390-404)

ii. Economic Growth

Readings: Rothbard, Ch.8 (p. 517-527).

iii. The Business Cycle

Readings: Rothbard, Ch.12 (p. 994-1004); Rothbard, [Economic Depressions: Their Causes and Cure](#)