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# LUDWIG VON MISES INSTITUTE HOME STUDY COURSE IN AUSTRIAN ECONOMICS

52–Week Lesson Plan and Study Guide

Compiled by Robert P. Murphy



Ludwig  
von Mises  
Institute  

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AUBURN, ALABAMA

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## INTRODUCTION

Since its founding with Carl Menger's *Principles of Economics* in 1871, the Austrian School of economics has provided a coherent, realistic framework for understanding the market economy. In the twentieth century, the Austrian economists—notably Ludwig von Mises, Friedrich Hayek, and Murray Rothbard—elaborated upon the pure theory, but also applied it to political and historical analyses. The consistent theme throughout was the resilience and creativity of free individuals.

The Ludwig von Mises Institute was established in 1982 to carry on this intellectual tradition. In addition to its numerous publications and academic conferences, the Mises Institute now (with the rise of the Internet) reaches millions of readers worldwide. With thousands of daily commentaries, years' worth of academic journal articles, scores of lectures in both audio and video format, and even dozens of major Austrian books—all available at the click of a mouse—any enthusiast with sufficient dedication can become an expert in the Austrian worldview.

Ironically, this cornucopia of resources makes it difficult for the newcomer to first learn the basics and then gradually digest more advanced material. Since I became affiliated with the Mises Institute a few years ago, I personally have received email requests for a home study curriculum, while the Institute itself has fielded many similar requests during its history. This gap has finally been filled with the *Mises Institute Home Study Course in Austrian Economics*.

*The Home Study Course* is a year-long study of not merely economic theory, but also the “Austrian” approach to politics, history, and ethics. The course is divided into fifty-two topics (one for each week), which are grouped into the categories of Core Austrian Theory, Ethical Foundations, Applied Economic Topics, Government Distortions, Economic History, Alternative Schools of Thought, and Perspectives on the Past and Future.

For each week's topic, the course provides an audio lecture (on a CD in MP3 format) from an expert in the area, and assigns a reading selection from either the books or booklet of supplemental readings, all included with the *Home Study Course*. Finally, for each topic there is a list of study questions tailored to that week's reading.

The audio lectures are generally drawn from previous Mises Institute events (such as the popular Mises University and other seminars), but there are also lectures given by affiliated speakers in other venues. In addition, there are two interviews (on consumer protection and education) recorded specifically for this *Home Study Course*. The lecturers include many of today's

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important Austrian thinkers, such as Hans-Hermann Hoppe, Walter Block, Joseph Salerno, Thomas DiLorenzo, Thomas Woods, Jörg Guido Hülsmann, George Reisman, Ralph Raico, Robert Higgs, Roger Garrison, Peter Klein, Jeffrey Herbener, Mark Thornton, Lew Rockwell, David Gordon, Richard Vedder, Richard Ebeling, David Osterfeld, and Robert Murphy. In addition, there are classic lectures by Ludwig von Mises, Murray Rothbard, and Robert LeFevre. This provides an advantage that no classroom can provide: the best thinkers and lectures stretching back half a century.

*The Home Study Course* also includes the following foundational library of sixteen books:

- *15 Great Austrian Economists* (Randall G. Holcombe, ed.)
- *Against Leviathan* (Robert Higgs)
- *An Introduction to Economic Reasoning* (David Gordon)
- *Introduction to Austrian Economics* (Thomas Taylor)
- *Antitrust: The Case for Repeal* (Dominick Armentano)
- *Austrian Theory of the Trade Cycle and Other Essays* (Ludwig von Mises, Gottfried Haberler, Murray N. Rothbard, and Friedrich A. Hayek)
- *Chaos Theory: Two Essays on Market Anarchy* (Robert Murphy)
- *Economic Calculation in the Socialist Commonwealth* (Ludwig von Mises)
- *Economic Science and the Austrian Method*, (Hans-Hermann Hoppe)
- *Economics for Real People* (Gene Callahan)
- *Economics in One Lesson* (Henry Hazlitt)
- *Economics of Liberty, The* (Llewellyn H. Rockwell, Jr., ed. )
- *Education, Free and Compulsory* (Murray N. Rothbard)
- *Theory and History* (Ludwig von Mises)
- *Two Essays by Ludwig von Mises* (Ludwig von Mises)
- *What Has Government Done to Our Money?* (Murray N. Rothbard)

Finally, the *Home Study Course* comes with a packet containing the following supplemental readings, chosen to ensure that the student will be familiar with even the most advanced areas of the literature:

Block, Walter, "Free Market Transportation: Denationalizing the Roads," *Journal of Libertarian Studies* 3, no. 2 (1979): 209–38.

Block, Walter, "Coase and Demsetz on Private Property Rights," *Journal of Libertarian Studies* 1, no. 2 (1977): 111–15.

Callahan, Gene, "Rethinking Patent Law," Mises.org Daily Article, July 18, 2000.

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- Callahan, Gene, “In Praise of Bugs,” *Mises.org Daily Article*, March 27, 2000.
- Hoppe, Hans-Hermann, “On Certainty and Uncertainty, Or: How Rational Can Our Expectations Be?” *Review of Austrian Economics* 10, no. 1 (1997): 49–78.
- Klein, Peter, “Entrepreneurship and Corporate Governance,” *Quarterly Journal of Austrian Economics* 2, no. 2 (Summer, 1999): 19–42.
- Mises, Ludwig von, *Money, Method, and the Market Process*, chapter 12: “The Plight of the Underdeveloped Nations” (Norwell, Mass.: Kluwer Academic Publishers, 1990).
- Mises, Ludwig von, *Money, Method, and the Market Process*, chapter 21: “The Idea of Liberty is Western” (Norwell, Mass.: Kluwer Academic Publishers, 1990).
- Rothbard, Murray N. *For a New Liberty*, chapter 2: “Property and Exchange,” 2nd ed. (1973, 1978; Auburn, Ala.: Ludwig von Mises Institute, 2005).
- Rothbard, Murray N. “World War I as Fulfillment: Power and the Intellectuals,” *Journal of Libertarian Studies* IX, no. 1 (Winter, 1989): 82–124.

Here is my suggested approach to get the most out of the course: Each week, first listen to the audio lecture. (Because most of the speakers could not assume that their audience consisted of experts, the lectures generally serve as a great introduction to the topic.) Second, glance over (but do not yet try to answer) the assigned study questions. Finally—and this will take the bulk of the week’s time—tackle the assigned reading(s), answering the study questions as you go along.

The *Home Study Course* is designed to give as much as the student wishes to take out of it. The novice can listen to the lectures and skip the more difficult readings, while the decades-long enthusiast can boggle over the advanced journal articles and the (few) tough study questions. But regardless of one’s background, the dedicated student can, with the help of the *Mises Institute Home Study Course in Austrian Economics*, truly become an expert in Austrian economics, and gain a deep understanding of the Austrian influence on related disciplines in the social sciences.

Robert P. Murphy  
July, 2005

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## SUPPLEMENTAL READINGS

(in lesson-plan order):

Rothbard, Murray N. *For a New Liberty: The Libertarian Manifesto*, chapter 2: “Property and Exchange,” rev. ed. (New York: Collier Books, 2002).

Klein, Peter, “Entrepreneurship and Corporate Governance,” *Quarterly Journal of Austrian Economics* 2, no. 2 (Summer, 1999): 19-42.

Hoppe, Hans-Hermann, “On Certainty and Uncertainty, Or: How Rational Can Our Expectations Be?” *Review of Austrian Economics* 10, no. 1 (1997): 49-78.

Block, Walter, “Free Market Transportation: Denationalizing the Roads,” *Journal of Libertarian Studies* 3, no. 2 (1979): 209-38.

Callahan, Gene, “Rethinking Patent Law,” Mises.org Daily Article, July 18, 2000.

Callahan, Gene, “In Praise of Bugs,” Mises.org Daily Article, March 27, 2000.

Mises, Ludwig von, *Money, Method, and the Market Process*, chapter 21: “The Idea of Liberty is Western,” Richard Ebeling, ed. (Norwell, Mass.: Kluwer Academic Publishers, 1990).

Mises, Ludwig von Mises, *Money, Method, and the Market Process*, Chapter 12, “The Plight of the Underdeveloped Nations,” Richard Ebeling, ed. (Norwell, Mass.: Kluwer Academic Publishers, 1990).

Rothbard, Murray N. “World War I as Fulfillment: Power and the Intellectuals,” *Journal of Libertarian Studies* IX, no. 1 (Winter, 1989): 81-125.

Block, Walter, “Coase and Demsetz on Private Property Rights,” *Journal of Libertarian Studies* 1, no. 2 (1977): 111-15.



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## WEEK 1: WHAT IS AUSTRIAN ECONOMICS?

### AUDIO:

“Mises and the Foundation of Austrian Economics”  
Hülsmann, Mises University (2003)

### READINGS:

“Introduction”  
Holcombe, ed., *Fifteen Great Austrian Economists*

“Introduction: Stayin’ Alive”  
“Appendix A: A Brief History of the Austrian School”  
Callahan, *Economics for Real People*

“Introduction”  
Taylor, *An Introduction to Austrian Economics*

### STUDY QUESTIONS:

1. Why is the school called “Austrian”?
2. Who was the founder of the Austrian School?
3. According to Taylor, what was the primary contribution of Wieser?
4. According to Taylor, what was the primary contribution of Böhm-Bawerk?
5. What was the *Methodenstreit*?
6. Describe the popularity of the Austrian School in different periods.
7. How does the Austrian School differ from the neoclassical mainstream?
8. How does Austrian macroeconomics differ from orthodox Keynesianism?
9. Are all Austrians necessarily in favor of laissez-faire?
10. Is Austrian economics really just a political philosophy?
11. Who were the most important followers of Mises?

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## NOTES

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## WEEK 2: MENDER AND THE FOUNDERS

### AUDIO:

“Marginalist Revolution”  
Salerno, Mises University (2001)

### READINGS:

“Carl Menger: The Founding of the Austrian School”  
“Eugen von Böhm-Bawerk: Capital, Interest, and Time”  
Holcombe, ed., *Fifteen Great Austrian Economists*, chapters 6 and 8  
“Alone Again, Unnaturally: On the Economic Circumstances of the Isolated Individual”  
Callahan, *Economics for Real People*, chapter 2  
“The Subjective Theory of Value”  
Taylor, *An Introduction to Austrian Economics*, chapter 4

### STUDY QUESTIONS:

1. What is marginal utility?
2. What is the law of diminishing marginal utility?
3. Can utility be compared between different people?
4. If we take money from a rich man and give it to a poor man, have we raised total social utility?
5. Does marginal utility involve a cardinal conception of utility? I.e., are there units of utility?
6. What is the purpose of Böhm-Bawerk’s example involving sacks of grain?
7. What is the water-diamond paradox?
8. Does the term *subjective theory of value* imply that Austrians consider their theory to be true only for some people?
9. Can marginal utility analysis be applied to units of money?
10. Why were the ideas of Menger so revolutionary? What did the classical economists believe?
11. Isn’t the value of a good equivalent to the amount of resources used to produce it?
12. Other pioneers of marginal utility analysis used mathematical expositions. Why didn’t Menger?
13. Why did Schumpeter say that “Menger is nobody’s pupil”?
14. What is Menger’s theory of goods?
15. Would Menger classify oxygen as a good?

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## NOTES

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## WEEK 3: LUDWIG VON MISES

### AUDIO:

“Mises in One Lesson,” Rothbard, classroom lecture (1985)

### READINGS:

“Ludwig von Mises: The Dean of the Austrian School”  
Holcombe, ed., *Fifteen Great Austrian Economists*, chapter 10

### STUDY QUESTIONS:

1. Did Mises always intend to be an economist?
2. What book formed Mises’s initial views on economics?
3. What was Mises’s major post from 1909 until he left Austria?
4. In monetary theory, what was the “problem of the Austrian circle”?
5. In *The Theory of Money and Credit*, how did Mises solve this problem?
6. In what sense did Mises’s monetary theory integrate micro- and macroeconomics?
7. How did Mises differ from Menger and Böhm-Bawerk on the nature of utility?
8. What were the three building blocks (formed by previous economists) that Mises used to construct his theory of business cycles?
9. How did Mises contribute to the debate over socialism?
10. What is praxeology?
11. Name some economists influenced by Mises.
12. What were the main themes of *Omnipotent Government* and *Bureaucracy*?
13. What was the German-language predecessor of *Human Action*?
14. Did the American economics profession welcome Mises?
15. Was Mises a believer in logical positivism?

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## NOTES

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## WEEK 4: FRIEDRICH VON HAYEK

### AUDIO:

“The Economics of F. A. Hayek”  
Klein, Mises University (2001)

### READINGS:

“F.A. Hayek: Austrian Economist and Social Theorist”  
Holcombe, ed., *Fifteen Great Austrian Economists*, chapter 12

### STUDY QUESTIONS:

1. Why did Hayek receive the Nobel Prize in economics?
2. Under which Austrian did Hayek actually study?
3. What caused Hayek to abandon his socialist views?
4. How did Hayek spread the Misesian cycle theory to the English world?
5. Name some reasons why Hayek may not have offered a full-scale refutation of Keynes's *General Theory*.
6. Which major economists attacked Austrian capital theory?
7. After leaving the LSE, where did Hayek teach, and in what capacity?
8. How did Mises and Hayek differ in their views of society?
9. What is a “Hayekian triangle”?
10. Describe some of Hayek's insights on knowledge.
11. Why did Hayek describe competition as a “discovery procedure”?
12. What is a “spontaneous order”?
13. Describe some of the controversies in interpreting Hayek's thought.

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## NOTES

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## WEEK 5: METHODOLOGICAL FOUNDATIONS

### AUDIO:

“The Austrian Method: Praxeology”  
Hoppe, Mises University (2001)

### READINGS:

“The Method of Economics”  
“Action and Preference, Part 1”  
“Action and Preference, Part 2”  
Gordon, *An Introduction to Economic Reasoning*, chapters 1–3  
*Economic Science and the Austrian Method*, Hoppe  
“What’s Going On?: On The Nature of Economics”  
Callahan, *Economics for Real People*, chapter 1

### STUDY QUESTIONS:

1. What is the difference between a valid argument, and an argument with a true conclusion?
2. For Hoppe, what is the subject matter of economics?
3. Do other free market schools share the Austrian methodology?
4. What does praxeology mean?
5. What is the ultimate starting point of praxeology?
6. If economic theorems are tautologies, do they teach us anything new about the world?
7. When Mises first wrote on methodological matters, did he think he was offering a critique of orthodox economics?
8. Were any of the classical economists praxeologists?
9. Give an example of a praxeological theorem.
10. Since economic theorems are always valid, does that mean their conclusions apply to every situation?
11. To be scientific, shouldn’t we test economic laws?
12. What does synthetic a priori mean?
13. Does praxeology assume that all people are perfect calculators?
14. Does praxeology assume all people are basically selfish?

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## NOTES

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## WEEK 6: VALUE, UTILITY, AND PRICE

### AUDIO:

“Value, Utility, and Price”  
Herbener, Mises University (2001)

### READINGS:

“Let’s Stay Together: On Direct Exchange and the Social Order”  
Callahan, *Economics for Real People*, chapter 4

“The Market and Market Prices”  
Taylor, *An Introduction to Austrian Economics*, chapter 5

### STUDY QUESTIONS:

1. What is the division of labor?
2. What is the law of association?
3. Which party benefits from a voluntary trade?
4. Should someone trade with a man who has a lower productivity in every good?
5. Give an example of a price formed in a barter economy.
6. For Austrians, what is the ultimate cause of market prices?
7. Do prices measure value?
8. If someone thinks a TV is worth more than its purchase price (say \$100), why doesn’t he keep buying TVs until he runs out of money?
9. If value is subjective, does that mean market prices are subjective too?
10. What is an equilibrium price?
11. What is the source or cause of prices for factors of production?
12. In economics, what is the difference between desiring and demanding a good?
13. Why are demand curves downward sloping?
14. Are supply decisions purely objective, or do they involve value judgments?
15. Would we expect different prices for the same good to persist on the market?

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## NOTES

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## WEEK 7: TIME PREFERENCE AND INTEREST

### AUDIO:

“Time Preference and Interest”  
Herbener, Mises University (2003)

### READINGS:

“Frank A. Fetter: Forgotten Giant”  
Holcombe, ed., *Fifteen Great Austrian Economists*, chapter 9

“As Time Goes By: On the Factor of Time in Human Action”  
Callahan, *Economics for Real People*, chapter 3

“Production in an Evenly Rotating Economy”  
Taylor, *An Introduction to Austrian Economics*, chapter 6

### STUDY QUESTIONS:

1. What is time preference?
2. For Mises, is the existence of time preference merely a psychological regularity?
3. If I would rather “consume” a package of fireworks next July instead of today, is that a violation of time preference?
4. What is the difference between rent and interest?
5. Can an investor earn interest just in the loan market?
6. What is Fetter’s capitalization theory?
7. Why don’t Austrians think the productivity of capital goods explains interest?
8. Is it accurate to describe the interest rate as “the price of money”?
9. Mises adopts a “pure” time preference theory of interest. But isn’t the rate of interest determined by the supply and demand for loanable funds?
10. Do rich people always save more than poor people?

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## NOTES

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## WEEK 8: CAPITAL

### AUDIO:

“Capital”

Murphy, Mises University (2004, session 1)

### READINGS:

“Make a New Plan, Stan: On the Place of Capital in the Economy”

Callahan, *Economics for Real People*, chapter 8

### STUDY QUESTIONS:

1. What is capital?
2. In what sense is the classification of capital goods a subjective enterprise?
3. Why did Callahan choose the title, “Make a New Plan, Stan” (besides the reference to Simon and Garfunkel)?
4. Give an example of a first-order good and a corresponding higher-order good.
5. Why are market prices necessary to compute a firm’s total capital?
6. Is there such a thing as “social capital”?
7. What is meant by the term, “structure of production”?
8. How do Austrians differ from mainstream economists in their views on capital?
9. How do people benefit from the capital structure?
10. What is consumer sovereignty?
11. What was Alfred Marshall’s objection to Menger’s orders of production?
12. How does Callahan answer this objection?
13. Why did Böhm-Bawerk claim that “roundabout” processes were more productive?

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## NOTES

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## WEEK 9: PROFIT, LOSS, AND ENTREPRENEURSHIP

### AUDIO:

“Profit, Loss, and Entrepreneurship”  
Salerno, Mises University (2001)

### READINGS:

“A Place Where Nothing Ever Happens: On the Employment of Imaginary Constructs in Economics”

“Butcher, Baker, Candlestick Maker: On Economic Roles and the Theory of Distribution”  
Callahan, *Economics for Real People*, chapters 6 and 7

“From an Evenly Rotating Economy to the Real World”  
Taylor, *An Introduction to Austrian Economics*, chapter 7

### STUDY QUESTIONS:

1. What is the difference between profit and interest?
2. Which imaginary construction is useful for illustrating this difference?
3. How do Austrians justify the use of imaginary constructions?
4. Is there a “normal rate of profit” in a market economy?
5. In what sense is all action entrepreneurial?
6. How does entrepreneurship relate to consumer satisfaction?
7. What is the connection between disequilibrium and entrepreneurship?
8. What does “market process” mean?
9. What does Mises say is the “ultimate source” of profits and losses?
10. Isn't it true that one man's profit is another's loss?

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## NOTES

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## WEEK 10: THE ETHICS OF LIBERTY

### AUDIO:

“On Libertarian Political Philosophy”  
Block from “A Seminar With Walter Block” (2004)

### READINGS:

“Property and Exchange”  
Rothbard, *For a New Liberty*, chapter 2 (Supplemental Readings)

### STUDY QUESTIONS:

1. What is the nonaggression axiom?
2. How does the axiom imply “civil liberties”?
3. What constitutes a crime to the libertarian?
4. Are libertarians left- or right-wingers?
5. Can a libertarian support taxation?
6. What are the three different approaches to libertarian ethics?
7. Describe Rothbard’s objections to the utilitarian approach.
8. What is natural law theory?
9. What is the right to self-ownership, and how does Rothbard justify it?
10. What is the homestead principle of ownership?
11. Don’t the needs of society sometimes outweigh the rights of individuals?
12. How does Rothbard explain the foundations of exchange and contract?
13. Don’t we need to balance property rights against human rights?

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## NOTES

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## WEEK 11: PROPERTY AND OWNERSHIP

### AUDIO:

“Property Classifications,” LeFevre, Freedom School circa 1960

### READINGS:

“The Free Rider Confusion”

“Property Rights, Taxation, and the Supply-Siders”

Rockwell, ed., *The Economics of Liberty*

### STUDY QUESTIONS:

1. How does common property lead to a free rider problem?
2. Is this the same “free rider” problem of mainstream economics?
3. What was Gorbachev’s diagnosis of the Soviet Union’s economic woes?
4. Why are externalities not merely a problem for markets?
5. Why might common ownership lead to overhunting in forests?
6. What is the supply-side argument for cutting marginal tax rates?
7. What may have been a strategic error on the part of supply-siders?
8. What is the “income effect” that Paul Samuelson discussed in his textbook?
9. What does Bethel think is even more important than tax rates in the explanation of Third World poverty?
10. How does the progressive tax code promote a class system?

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## NOTES

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## WEEK 12: LIBERTY AND PROPERTY

### AUDIO:

“Liberty and Property”  
Mises, Mont Pelerin Society (1954)

### READINGS:

“Liberty and Property”  
Mises, *Two Essays by Ludwig von Mises*

### STUDY QUESTIONS:

1. What was liberty in the eyes of ancient Greek and Roman writers?
2. What was a second notion of liberty, held by European princes?
3. What does Mises consider the “characteristic feature of capitalism that distinguishes it from pre-capitalistic methods of production”?
4. In what sense are capitalists, entrepreneurs, and landowners “mandataries” of the consumers?
5. Mises says that representative government may be viewed as an attempt to model political affairs after the market, but that this design can never be fully achieved. Why not?
6. What is the connection between “heretics” such as Kafka, Whitman, and Schopenhauer to private property?
7. Why are terms such as “chocolate king” inappropriate?
8. Why does Mises think the socialist chiefs should have tried to earn a living selling hot dogs?
9. Why does Mises think the “one-party principle” is a misnomer?
10. How does Mises evaluate the bargain by which Russians gave away their liberty in order to achieve prosperity?
11. Why does Mises write, “Government is essentially the negation of liberty”?
12. Does Mises think government is a necessary evil?
13. Why can’t there be any freedom under a socialist system?
14. Why does Mises say that private property in the material factors of production “is not a restriction of the freedom of all other people to choose what suits them best”?
15. What is the “distinctive principle of Western social philosophy,” and what is its connection to liberty and property?

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## NOTES

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## WEEK 13: PUBLIC GOODS AND EXTERNALITIES

### AUDIO:

“Public Spending and Public Goods”  
DiLorenzo, Mises University (2004, session 2)

### READINGS:

“One Man Gathers What Another Man Spills: On Externalities, Positive and Negative”  
Callahan, *Economics for Real People*, chapter 15

### STUDY QUESTIONS:

1. What is welfare economics?
2. What is a positive (negative) externality? Give an example of each.
3. What was Pigou’s policy recommendation in the case of a positive externality?
4. What was Pigou’s policy recommendation in the case of a negative externality?
5. Explain Lionel Robbins’s critique of the Pigovian analysis.
6. What is the Pareto criterion of an improvement in social welfare?
7. According to Rothbard, how can the observer draw conclusions about another’s preferences?
8. What is Ronald Coase’s famous treatment of this issue?
9. If transactions costs are high, is government intervention justified?
10. What is a (so-called) “public good”? Give some examples.
11. What is a free rider? How does it relate to public goods?
12. What are some problems with these objections to free markets?
13. How could a free market provide public goods? Give an example from the real world.
14. Does mainstream welfare economics smuggle value judgments into (what should be) value-free economic science?
15. Even if the market provided too little of a particular public good, should we expect government to do better?

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## NOTES

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## WEEK 14: WELFARE AND EFFICIENCY

### AUDIO:

“Foundations of Welfare Economics”  
Hülsmann, Mises University (2003)

### READINGS:

“The Third Way: On Government Interference in the Market Process”  
Callahan, *Economics for Real People*, chapter 11

### STUDY QUESTIONS:

1. What is the problem with all government efforts to improve on the market?
2. How does a mainstream economist use “efficiency” as a criterion for settling disputes?
3. What is the efficiency objection to the free market?
4. Why are secure property rights important to society?
5. What is the relevance of Callahan’s example of swimmers reaching the Olympics?
6. What is a problem with the Pareto criterion?
7. If there were at least one person in society who despised all government interventions, could the State ever effect a Pareto improvement?
8. If at least one person will always object to any change from the status quo, is society always or never at a Pareto optimum?

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## NOTES

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## WEEK 15: COMPETITION AND MONOPOLY

### AUDIO:

“Monopoly and Competition”  
DiLorenzo, Mises University (2001)

### READINGS:

“Competition and Monopoly: Theory and Evidence”  
Armentano, *Antitrust: The Case for Repeal*, chapter 3

### STUDY QUESTIONS:

1. In mainstream theory, what is a “perfectly competitive” market?
2. In mainstream theory, what is the definition of a monopoly?
3. What is allocative inefficiency?
4. What is technical inefficiency?
5. Why does uncertainty upset the orthodox benchmark of competitive equilibrium?
6. What is the Austrian approach to competition?
7. Name some problems with orthodox monopoly theory.
8. Couldn't a monopolist cut prices to discourage rival entrants into his industry?
9. What is the relevance of economies of scale to mergers among firms?
10. What is the conventional account of the Standard Oil case?
11. What were the managerial innovations of Standard Oil?
12. How did the price of kerosene move following Standard Oil's rise to dominance?
13. How many competitors did Standard Oil have in 1911?
14. Why do some empirical studies use profit as a measure of “monopoly power”?
15. What are some problems with these studies?

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## NOTES

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## WEEK 16: THE FIRM

### AUDIO:

“The Theory of the Firm”  
Klein, Mises University (2003)

### READINGS:

“Entrepreneurship and Corporate Governance”  
Klein, *Quarterly Journal of Austrian Economics* 2, no. 2 (Summer, 1999)  
(Supplemental Readings)

### STUDY QUESTIONS:

1. Why does Klein characterize the traditional theory of the firm as “a calculus problem”?
2. In neoclassical theory, what is a production function?
3. Mainstream economists have grown dissatisfied with certain aspects of the orthodox approach, but (according to Klein) what is the “more serious problem” that they generally overlook?
4. What are the “two alternative perspectives” on the firm?
5. What is the Coasian explanation for the sizes of different firms?
6. Beginning with the Coasian framework, what two elements does Klein add for an Austrian theory of the firm?
7. According to Rothbard, what provides an upper limit to the size of a firm?
8. What is the “principal-agent problem”?
9. How do capital markets, and in particular takeovers, allow shareholders to rein in management?
10. What are the four areas that Klein believes an Austrian theory of corporate governance should address?

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## NOTES

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## WEEK 17: WAGES AND LABOR

### AUDIO:

“Wages and Labor”  
Vedder, Mises University (2001)

### READINGS:

“The Curse of Machinery”  
“Spread-the-Work Schemes”  
“Minimum Wage Laws”  
“Do Unions Really Raise Wages?”  
“Enough to Buy Back the Product”  
Hazlitt, *Economics in One Lesson*, chapters VII, VIII, XIX, XX, and XXI  
“Butcher, Baker, Candlestick Maker: On Economic Roles and the Theory of Distribution”  
Callahan, *Economics for Real People*, chapter 7

### STUDY QUESTIONS:

1. What is the definition of a laborer?
2. What is the difference between rents and wages?
3. Won't workers be paid starvation wages without government regulation?
4. What is marginal productivity?
5. How can a worker increase his or her marginal productivity?
6. What are the effects of capital accumulation on wages?
7. Do workers benefit from high prices?
8. Why do professional athletes earn higher salaries than teachers or nurses?
9. Do “labor-saving” inventions destroy jobs?
10. What is the cause of unemployment?
11. Is the value of a good proportional to the amount of labor required to make it?
12. Without unions, how would workers bargain with employers?
13. Can unions raise wages for union members?
14. Can unions raise wages for all workers in society?
15. In a recession, should we raise wages so that consumers can have more money to spend?

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## NOTES

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## WEEK 18: MONEY

### AUDIO:

“What is Money? Part One,” LeFevre, Freedom School circa 1960

### READINGS:

“Money in a Free Society”

“Government Meddling With Money,” thru part 6

Rothbard, *What Has Government Done to Our Money?*, sections II and III (thru part 6)

“Money Changes Everything: On Indirect Exchange and Economic Calculation”

“What Goes Up, Must Come Down: On the Effect of Fluctuations in the Money Supply”

Callahan, *Economics for Real People*, chapters 5 and 9

### STUDY QUESTIONS:

1. What are the disadvantages of barter?
2. What is the definition of money?
3. Is it possible that a wise king invented money?
4. What are some qualities that characterize a good money?
5. Do money prices measure subjective value?
6. Can increases in the supply of money make everyone richer?
7. Can increases in the supply of money be completely neutral?
8. What is the optimum quantity of money?
9. Why do people give up valuable goods and services for money?
10. In a free society how would money be measured?
11. What is counterfeiting?
12. What is inflation? Why is it harmful?
13. Should government try to stabilize the price level?
14. Would an ideal money have a constant purchasing power?
15. What is Gresham’s Law?

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## NOTES

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## WEEK 19: BANKING

### AUDIO:

“Banking and the Business Cycle,” Rothbard, classroom lecture

### READINGS:

“Permitting Banks to Refuse Payment”

“Central Banking: Removing the Checks on Inflation”

“Central Banking: Directing the Inflation”

Rothbard, *What Has Government Done to Our Money?*, section III, parts 7–9

“Credit Diverts Production”

“The Assault on Saving”

Hazlitt, *Economics in One Lesson*, chapters VI and XXIV

Debunking the Bankers

Rockwell, ed., *The Economics of Liberty*, section 2

### STUDY QUESTIONS:

1. What are the functions of a bank?
2. How does the existence of banks encourage saving and investment?
3. What is fractional reserve banking?
4. What is central banking?
5. Is government oversight necessary to ensure sound banking?
6. Why is the government interested in controlling the banking system?
7. In what sense can banks “create money” by making loans?
8. Wouldn’t banks lose money if they held 100 percent reserves?
9. Don’t high interest rates slow economic growth?
10. Should the government give (or guarantee) low-interest loans to farmers and other important groups?
11. Does saving cause business depressions?
12. How does saving lead to capital accumulation?

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## NOTES

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## WEEK 20: INTERNATIONAL TRADE

### AUDIO:

“Free Trade: The Current Debate”

Hülsmann, Salerno, Thornton, Austrian Scholar’s Conference (2004)

### READINGS:

“Let’s Stay Together: On Direction Exchange and the Social Order”

Callahan, *Economics for Real People*, chapter 4

“Frédéric Bastiat: Between the French and Marginalist Revolutions”

Holcombe, ed., *Fifteen Great Austrian Economists*, chapter 5

### STUDY QUESTIONS:

1. What is the law of association?
2. What is the law of comparative advantage?
3. If U.S. workers are more productive than Mexican workers in every good and service, will the U.S. be hurt by trade with Mexico?
4. Suppose U.S. workers can make either 2 TVs or 10 radios per hour, while Mexican workers can make either 1 TV or 7 radios per hour. Which nation has the comparative advantage in radio production?
5. Continuing with this example, if we only consider unfettered trade between U.S. and Mexico, describe the likely flow of goods. (I.e., describe the pattern of exports and imports for each country with respect to these two goods.)
6. Should the U.S. government lower tariff barriers only if other governments agree to do likewise?
7. What was the subject of Bastiat’s *The Law*?
8. What was the subject of Bastiat’s *Economic Sophisms*?
9. What was the subject of Bastiat’s *Economic Harmonies*?
10. Describe Bastiat’s famous essay, “The Candlemaker’s Petition.”
11. Why did Bastiat (satirically) recommend that French ships dump their goods after leaving port?

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## NOTES

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## WEEK 21: CONSUMER PROTECTION

### AUDIO:

“Consumer Protection”  
Murphy, Interview with Jeff Tucker (2005)

### READINGS:

“The U.S. Food and Drug Administration: A Billy Club Is Not a Substitute for Eyeglasses”  
Higgs, *Against Leviathan*, chapter 9

“Private Law”  
Murphy, *Chaos Theory*

### STUDY QUESTIONS:

1. Is it reasonable to require that a medical product be completely safe?
2. Describe the history of the F.D.A.
3. What are some of the typical activities of the F.D.A.?
4. Describe the incentives of the F.D.A. when it comes to approving a new drug.
5. How does Higgs evaluate the success of the F.D.A. in providing safety?
6. Why does Higgs say that “more than health is at stake” on this issue?
7. How does name brand recognition allow for safer products?
8. Describe the function of intermediaries in providing consumer protection.
9. In the present system, how do unions and government licensing restrict service and raise prices? In a free society, how might trade associations offer consumer protection?
10. Describe the role of insurance in medical malpractice in the current system.
11. Describe the possible role of insurance in air travel in a hypothetical libertarian society.
12. Wouldn't private safety inspectors be susceptible to bribes by big corporations?
13. If the entire world became a bastion of private property and free enterprise, would consumer protection standards necessarily be uniform in every area?
14. In the interview, Murphy erroneously referred to “Underwriters Association” and their symbol, “UA.” Which certification organization did he actually have in mind?

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## NOTES

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## WEEK 22: RESOURCE ECONOMICS AND ENVIRONMENTALISM

### AUDIO:

“Conservation and Property Rights,” Rothbard

### READINGS:

“The Environmentalist Threat”  
Rockwell, ed., *The Economics of Liberty*, ed.

### STUDY QUESTIONS:

1. How is the environmentalist movement similar to Marxism?
2. Whom does Rockwell consider the father of environmentalism?
3. Aren't extreme environmentalists just a harmless fringe group?
4. How is environmentalism a type of religion?
5. What are the alleged sins of Christianity, according to some ecologists?
6. What is the acceptable standard of living for humans, in the minds of some environmentalists?
7. What was Albert J. Nock's view of Nature?
8. Describe the dangerous legal trends illustrated in the Exxon case.
9. Is wetlands policy moderate at least under Republican administrations?
10. Describe some of the environmentalist warnings that are based on dubious scientific claims.
11. Which U.S. president does Rockwell associate with the rise of the modern environmentalist movement?
12. How does environmentalism promote world government?
13. How would a free market address environmentalist concerns?

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## NOTES

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## WEEK 23: RISK AND INSURANCE

### AUDIO:

“The Economics of Risk and Insurance”  
Hoppe, Mises University (2001)

### READINGS:

“On Certainty and Uncertainty, Or: How Rational Can Our Expectations Be?”  
Hoppe, *Review of Austrian Economics* 10, no. 1 (1997) (Supplemental Readings)

### STUDY QUESTIONS:

1. Would people act if they had perfect certainty?
2. Why is the notion of perfect uncertainty a contradiction?
3. Why is our knowledge of the physical world ultimately uncertain?
4. What is the difference between class and case probability?
5. In developing these concepts, Ludwig von Mises relied upon which mathematician?
6. Under what conditions is insurance feasible?
7. Describe some practical difficulties in implementing this theory of insurance.
8. Can human actions be considered insurable risks?
9. How does rational expectations theory differ from orthodox general equilibrium theory?
10. List three flaws with the rational expectations approach.
11. Why can't the positivist method be applied to predicting one's own future actions?
12. Why does Hoppe compare Lachmann to the German historicists?
13. Why are the propositions of praxeology counterexamples to Lachmann's views?
14. Do a priori propositions provide us knowledge of the “real” world?
15. What is Mises's approach to the singular events of human history?

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## NOTES

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## WEEK 24: ROADS

### AUDIO:

“Privatization: Roads, Eminent Domain”  
Block, Mises University (2004, session 2)

### READINGS:

“Free Market Transportation: Denationalizing the Roads”  
Block, *Journal of Libertarian Studies*, 3, no. 2 (1979) (Supplemental Readings)

### STUDY QUESTIONS:

1. What is the lethal menace that Block describes in the beginning of his article?
2. Describe the record of government road management in terms of fatalities.
3. Why has the government escaped opprobrium in spite of this performance?
4. Aren't road accidents really the fault of bad drivers?
5. Why should we expect private owners of roads to act more responsibly than government officials?
6. What incentives for safety would exist in a private road system?
7. Wouldn't private roads involve thousands of toll booths?
8. Don't we need the government tool of “eminent domain” for an orderly road network?
9. What is Block's answer to the charge that a road owner could hold a family hostage in their home by blocking exit?
10. Who would decide the rules of the road?
11. How would a private system deal with traffic snarls?
12. How would “green light time” be distributed?
13. Could road owners compete with each other?
14. What is “double decking”?
15. Is it Block's responsibility to completely predict the features of a private market in roads?

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## NOTES

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## WEEK 25: EDUCATION

### AUDIO:

“The Economics and Politics of Education”  
Murphy, Interview with Jeff Tucker (2005)

### READINGS:

Rothbard, *Education: Free and Compulsory*

### STUDY QUESTIONS:

1. How does Rothbard describe a person’s education, starting from infancy?
2. In what sense is everyone “self-educated”?
3. What is the use of formal instruction?
4. In what limited sense is “equality among men” beneficial?
5. What is the problem with imposing uniform curricula for all students of a particular age?
6. How does the State infringe on parental authority?
7. Are State schools benign so long as private schools exist as alternatives?
8. What was the role of Luther in European State education?
9. Which European State was the first to have compulsory education?
10. Did Napoleon favor State control of education?
11. Why do totalitarian governments wish to control education?
12. Was education always a compulsory affair in the American colonies?
13. What was Thomas Jefferson’s (mixed) position on government schooling?
14. Which two groups were the major forces behind compulsory education in the U.S.?
15. What was the role of Horace Mann?
16. How could a free market provide effective education for poor children?

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## NOTES

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## WEEK 26: SECURITY

### AUDIO:

“The Microeconomics of Security Services”  
Murphy, Mises University (2004, session 1)

### READINGS:

Murphy, *Chaos Theory: Two Essays on Market Anarchy*

### STUDY QUESTIONS:

1. What is anarcho-capitalism?
2. Are all Austrians anarcho-capitalists?
3. How could law be privately provided?
4. Do anarchists believe that all humans are basically decent and law-abiding?
5. How are insurance companies involved in Murphy’s proposals?
6. Wouldn’t Murphy’s system basically be a State run by insurance companies?
7. Give an example of experts or “authorities” from other disciplines where force is definitely not involved.
8. How might social/economic pressure persuade disputants to submit to arbitration?
9. How does the Misesian calculation argument relate to military defense?
10. Why would insurance companies ever pay for military defense?
11. Why does Murphy think that private militaries should have their budgets multiplied by a certain factor before comparing them to government budgets?
12. If the U.S. military is second to none, doesn’t this prove that government is the best way to provide defense?
13. Perhaps a draft is detestable for moral reasons, but doesn’t it give a society the best means to defend itself from attack?
14. Wouldn’t a private army take over a society?
15. Would an anarchist society need to develop nuclear weapons in order to deter invasion?

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## NOTES

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## WEEK 27: THE INTERNET ECONOMY

### AUDIO:

“The Economics of Information Technology”  
Klein, Mises University (2003)

### READINGS:

“Rethinking Patent Law,” Callahan, Mises.org Daily Article, July 18, 2000  
(Supplemental Readings)

“In Praise of Bugs,” Callahan, Mises.org Daily Article, March 27, 2000  
(Supplemental Readings)

### STUDY QUESTIONS:

1. Describe Amazon.com’s patent.
2. What did British Telecom announce as its patented innovation?
3. Why does Callahan challenge Gleick’s statement that “[patent law] fueled industrial progress in the early United States”?
4. Why does Callahan say that patent law is not grounded in the common law?
5. What is Gleick’s analysis of the specific case of the incentives facing Jeff Bezos?
6. Describe the typical attitude of Walter Mossberg concerning PC software.
7. Why does Callahan think the partnership for which he worked couldn’t possibly be accused of sacrificing the end user’s needs when it came to software quality?
8. Why was 61 percent accuracy the point at which debugging of Callahan’s program should stop?
9. Is it really true that home appliances besides computers never crash?
10. What alternatives do customers have to “buggy” Windows?
11. Describe some of the proposed reforms of the software industry, and Callahan’s reaction.

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## NOTES

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## WEEK 28: INTERVENTIONISM

### AUDIO:

“Interventionism”

Reisman, Mises University (2003)

### READINGS:

“Middle-of-the-Road Policy Leads to Socialism”

Mises, *Two Essays by Ludwig von Mises*

“The Third Way: On Government Interference in the Market Process”

“Fiddling with Prices While the Market Burns: On Price Floors and Price Ceilings  
and Other Interferences with Market Prices”

Callahan, *Economics for Real People*, chapters 11 and 12

### STUDY QUESTIONS:

1. What is interventionism?
2. How does interventionism differ from full socialism?
3. Name some examples of typical interventions.
4. Describe the “dynamics of intervention.”
5. Why does Mises think an initial price control will lead to more such interventions?
6. How might a government intervention lead to results that even its proponents consider worse than the initial state of affairs?
7. Isn't it best to adopt a moderate position, which avoids the excesses of pure socialism and pure capitalism?
8. If interventions fail to achieve their official goals, why do politicians continue to propose them?
9. If interventions fail to achieve their official goals, why do voters continue to support them?
10. What are the “two roads to socialism” described by Mises?
11. Is interventionism a viable economic system?
12. Does the history of the U.S. validate Mises's views on the trends of interventionism?

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## NOTES

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## WEEK 29: PRICE CONTROLS

### AUDIO:

“Interventionism: Rent Control, Wage Laws, Unionism, Tariffs”  
Block, Mises University (2004, session 2)

### READINGS:

“How the Price System Works”  
“‘Stabilizing’ Commodities”  
“Government Price-Fixing”  
“What Rent Control Does”  
“Minimum Wage Laws”  
Hazlitt, *Economics in One Lesson*, chapters XV–XIX  
“Fiddling with Prices While the Market Burns: On Price Floors and Price Ceilings  
and Other Interferences with Market Prices”  
Callahan, *Economics for Real People*, chapter 12

### STUDY QUESTIONS:

1. What is a price control?
2. What is a shortage?
3. What is a surplus?
4. Is a shortage the same thing as scarcity?
5. What are some of the effects of rent control?
6. What are the effects of minimum wage laws?
7. What are the effects of “price supports” for agricultural products?
8. Shouldn’t the government outlaw “price gouging” after a natural disaster, at least for essential items such as canned food and bottled water?
9. What function do market prices serve?
10. Shouldn’t the government try to raise the prices of stock shares, in order to promote investment and growth?
11. How do corporate “raiders” promote efficiency when they engage in leveraged buyouts?
12. Why does Callahan write that “. . . there is no use crying over spilled milk”?

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## NOTES

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## WEEK 30: THE BUSINESS CYCLE

### AUDIO:

“Austrian Theory of the Trade Cycle”  
Garrison, Mises University (2001)

### READINGS:

Mises et al., *The Austrian Theory of the Trade Cycle and Other Essays*

“Inflation and the Business Trade Cycle”  
Taylor, *An Introduction to Austrian Economics*, chapter 8

“Times Are Hard: On the Causes of the Business Cycle”  
Callahan, *Economics for Real People*, chapter 13

### STUDY QUESTIONS:

1. Is the business cycle a natural feature of the market economy?
2. What is the natural rate of interest?
3. What is the connection between central banking and the business cycle?
4. How does the Federal Reserve lower market interest rates?
5. Why are low interest rates politically popular?
6. How does an artificially lower interest rate affect the structure of production?
7. What is the boom period?
8. Can the boom be maintained indefinitely?
9. In what sense is the “bust” good for the economy?
10. Should the government use the printing press to stimulate the economy if there is widespread unemployment?
11. What is capital consumption?
12. Why do entrepreneurs make bad investments during the boom period? Doesn't the market weed out those who make poor forecasts?

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## NOTES

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## WEEK 31: CALCULATION AND SOCIALISM

### AUDIO:

“Calculation and Price Theory”  
Salerno, Mises University (2003)

### READINGS:

Mises, *Economic Calculation in the Socialist Commonwealth*

“A World Become One: On the Difficulties of the Socialist Commonwealth”  
Callahan, *Economics for Real People*, chapter 10

“Social Cooperation and Resource Allocation”  
“Economic Calculation”  
Taylor, *An Introduction to Austrian Economics*, chapters 2 and 3

### STUDY QUESTIONS:

1. For Mises, what is the defining characteristic of socialism?
2. Is it possible to have money in a socialist commonwealth?
3. Does the “calculation problem” involve the difficulty of discovering technological recipes for production?
4. Does the calculation problem involve the possibility that the central planners might be selfish and ignore the desires of their subjects?
5. Why doesn’t the capitalist society suffer from the calculation problem?
6. Would Robinson Crusoe be able to “centrally plan” his “economy”?
7. Can’t central planners rely on mainstream economic theory (such as the rule that price should equal marginal cost) to guide them?
8. Perhaps Mises’s essay contained relevant points when it was first penned, but don’t modern computers offer a way to solve the calculation problem?
9. What is “market socialism”?
10. How might the Soviet Union have benefited from world prices established in foreign, capitalist countries?

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## NOTES

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## WEEK 32: ANTITRUST

### AUDIO:

“The Case Against All Antitrust Legislation”  
DiLorenzo, Mises University (2003)

### READINGS:

Armentano, *Antitrust: The Case for Repeal*

### STUDY QUESTIONS:

1. What is a trust?
2. Does Armentano think that antitrust regulators have simply gone too far?
3. What is the connection between mainstream economic theory and antitrust regulation?
4. What is bundling in the context of the Microsoft case? Why is it allegedly harmful?
5. What are network effects and path dependence?
6. What is the barriers-to-entry doctrine?
7. What are the eight planks of Armentano’s summary of the case against antitrust?
8. What does it mean to view antitrust as “industrial policy”?
9. Why might consumers prefer heterogeneous products, even though their production involves higher costs than homogeneous goods?
10. What is “predatory price cutting”?
11. What is “price discrimination”? Why is it allegedly harmful?
12. What are “tying agreements”?
13. Give an example of a horizontal and a vertical merger.
14. What is the Herfindahl Index of market concentration?
15. Why can’t the authorities simply look at the pre- and post-merger levels of output to determine if a merger enhances social welfare?

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## NOTES

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## WEEK 33: INFLATION

### AUDIO:

“The Economics of Inflation”  
Reisman, Mises University (2003)

### READINGS:

“Permitting Banks to Refuse Payment”  
“Central Banking: Removing the Checks on Inflation”  
“Central Banking: Directing the Inflation”  
“Going Off the Gold Standard”  
“Fiat Money and the Gold Problem”  
“Fiat Money and Gresham’s Law”  
“Government and Money”  
“Phase IX: Fluctuating Fiat Currencies, March 1973-?”  
Rothbard, *What Has Government Done to Our Money?*,  
section III, parts 7–13, and section IV, part 9  
“The Mirage of Inflation”  
Hazlitt, *Economics in One Lesson*, chapter XXIII  
“Can We Still Avoid Inflation?”  
Mises et al., *The Austrian Theory of the Trade Cycle and Other Essays*, Mises

### STUDY QUESTIONS:

1. What is the cause of massive increases in prices?
2. What is the connection between central banking and inflation?
3. Why would a government want to inflate the money supply?
4. If the government prints 10 percent more money, will all prices rise by 10 percent?
5. What happens to people living on a fixed income under inflation?
6. How does the gold standard relate to the problem of inflation?
7. In mainstream theory, what is the “velocity of circulation” of money?
8. What are some of the economic doctrines that justify inflation?
9. Can inflation cure unemployment?
10. Could there be inflation without government interference with money?

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## NOTES

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## WEEK 34: PROTECTIONISM

### AUDIO:

“Protectionism, War, and the Southern Tradition”  
Rockwell, *Costs of War* (1994)

### READINGS:

“Who’s ‘Protected’ by Tariffs?”  
“The Drive for Exports”  
Hazlitt, *Economics in One Lesson*, chapters XI and XII  
“U.S. Trade Law: Losing Its Bearings”  
Rockwell, ed., *The Economics of Liberty*

### STUDY QUESTIONS:

1. What was Adam Smith’s case for free trade?
2. According to Hazlitt, what is the central fallacy involved in protectionism?
3. If a tariff is eliminated, could this reduce employment in the formerly protected industry?
4. Could the removal of a tariff reduce overall employment?
5. How does the removal of a tariff make consumers richer on net?
6. Why does Hazlitt think that the imposition of a new tariff is politically popular, despite the harmful, offsetting consequences that he describes?
7. How do tariffs reduce average (real) wages?
8. Why must exports equal imports in the long run?
9. Should the government subsidize exports to achieve a favorable balance of trade?
10. Why does Tabarrok use quotation marks to describe “voluntary” import restrictions?
11. How do protectionist measures hurt certain domestic companies?
12. Which groups often instigate particular protectionism measures?

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## NOTES

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## WEEK 35: DRUG PROHIBITION

### AUDIO:

“Hard Drugs for Little Kids?”

Thornton, presented to the Auburn Libertarian Club (2005)

### READINGS:

“End the War on Drugs,”

“Drugs and Adultery”

“Would Legalization Increase Drug Use?”

Rockwell, ed., *The Economics of Liberty*

### STUDY QUESTIONS:

1. Why do politicians favor the war metaphor?
2. Why does Sobran think public compliance is necessary for law enforcement?
3. Why might legalization make it easier to keep drugs away from children?
4. Were drugs such as cocaine and opium always illegal in the U.S.?
5. What punishment did Bill Bennett consider for drug dealers?
6. In Rockwell’s view, what keeps children from becoming drug addicts?
7. What points does Rockwell make in his adultery analogy?
8. How has the War on Drugs eroded personal liberties?
9. What were “speakeasies”?
10. Describe the number of arrests for drunkenness before and during Prohibition.
11. Why might drug prohibition increase the potency of banned narcotics?

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## NOTES

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## WEEKS 36–37: THEORY AND HISTORY

### AUDIO:

“Theory and History”  
Gordon, Mises University (2003)

“Theory and History”  
Hoppe, History of Liberty (2001)

### READINGS:

Mises, *Theory and History*

### STUDY QUESTIONS:

1. What is methodological dualism, and why is it necessary for the social scientist?
2. Is the case of a Christian martyr consistent with Mises’s view of people as choosing means to achieve subjective ends?
3. How are value judgments “springs of human action”?
4. Can the practicing historian fully avoid value judgments? Does this render history an arbitrary enterprise?
5. When economists opposed socialism, did they resort to value judgments? If so, what type of judgments?
6. What is the rational basis for human cooperation?
7. What are Mises’s views on the various doctrines of “natural law”?
8. What is Mises’s restatement of the utilitarian doctrine?
9. What is Mises’s view of determinism? Does it imply fatalism?
10. Name some problems with the Marxist approach to history.
11. What is the “ultimate given” of history?
12. Define historicism and list some of its defects.
13. Define scientism and list some of its defects.
14. What is the difference between thymology and praxeology?
15. What is the “specific understanding of history”?

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## NOTES

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## WEEK 38: THE WELFARE STATE

### AUDIO:

“The Great Society and the Republican Welfare State”  
Woods, *History of Liberty* (2001)

### READINGS:

Welfare Statism  
Higgs, *Against Leviathan*, part I  
“The Great Society and 25 Years of Decline”  
Rockwell, ed., *The Economics of Liberty*

### STUDY QUESTIONS:

1. What is the typical academic view of income equality?
2. What are some of the problems with the standard statistics concerning income distribution?
3. Why is it ironic that modern Americans experience anxiety?
4. Before the rise of the welfare state, how did people deal with medical, economic, and other crises?
5. What is generally considered the first welfare state in the modern sense?
6. Describe the growth of the welfare state under the New Deal.
7. Describe the growth of the welfare state under the Great Society.
8. Describe the growth of the welfare state during the Nixon presidency.
9. Does Higgs think the welfare state indeed provides security, but at the cost of freedom?
10. Briefly summarize Higgs’s nineteen consequences of income redistribution.

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## NOTES

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## WEEK 39: TAXATION

### AUDIO:

“Taxes in American History”  
DiLorenzo, *The Trouble with Taxation* (2005)

### READINGS:

“Death and Taxes”  
“A Carnival of Taxation”  
Higgs, *Against Leviathan*, chapters 18 and 19  
“Taxes Discourage Production”  
Hazlitt, *Economics in One Lesson*, chapter V

### STUDY QUESTIONS:

1. Why do taxes discourage production?
2. Why is it misleading to view taxes as the “price” of government services?
3. What was the Whiskey Rebellion?
4. In what type of situation do governments typically introduce innovations in tax collection?
5. Why did the purchasing power of money decline during America’s major wars?
6. Why was Benjamin Franklin wrong to view inflation as a neutral tax?
7. Describe taxes as a percentage of NNP during the twentieth century.
8. What has happened to the percentage of family income taken in taxation since 1957?
9. In 1994, which country taxed the highest share of GDP?
10. In 1994, which country collected the most tax revenue?

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## NOTES

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## WEEK 40: WAR AND LEVIATHAN

### AUDIO:

“War and the Leviathan State”  
Higgs, *Costs of War* (1994)

### READINGS:

“*War and Leviathan in Twentieth-Century America: Conscription as the Keystone*”  
“*Crisis and Quasi-corporatist Policymaking: The Case in Historical Perspective*”  
“*The Cold War Is Over, but U.S. Preparation for It Continues*”  
Higgs, *Against Leviathan*, chapters 24, 25, and 30

### STUDY QUESTIONS:

1. What is the general pattern of wars and the growth of government power?
2. Does Higgs attribute the American “Leviathan” to the New Deal?
3. What does Higgs single out as the most consequential of wartime measures?
4. Describe the size and scope of the U.S. federal government on the eve of World War I.
5. How did wartime crises transform big business into a complacent proponent of government intervention?
6. What is corporatism?
7. Is corporatism different from fascism?
8. How did wartime crises aid in the growth of corporatism?
9. What is the MICC?
10. Why does Higgs claim that the Pentagon is still preparing to fight the Soviet Union?

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## NOTES

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## WEEK 41: THE BIRTH OF FREEDOM IN EUROPE

### AUDIO:

“The Rise of the West”  
Raico, *History of Liberty* (2001)

### READINGS:

“The Idea of Liberty is Western”  
Mises, *Money, Method, and the Market Process*, chapter 21 (Supplemental Readings)

### STUDY QUESTIONS:

1. How does Mises characterize the history of civilization?
2. What does freedom always mean?
3. What was the “imperishable glory” of the ancient Greeks?
4. What is the purpose of representative government, judicial review, freedom of the press, and other features of a liberal society?
5. According to Mises, how has the “age of capitalism” influenced punitive measures in law enforcement?
6. From a modern viewpoint, how would one classify the political system of the Greek city-states?
7. Were the “hymns to liberty” of the ancient Greeks therefore mendacious?
8. How did classical studies (part of any liberal European education) keep alive the spirit of freedom?
9. In light of the tremendous popularity of the ideas of liberty and freedom, how does Mises explain the success of socialist movements?
10. What psychological explanation does Mises give for the anti-market bias of many intellectuals?
11. How does Mises compare the relative freedom in the Soviet Union versus fascist Italy?
12. How does the personal life of Karl Marx illustrate the “difference between liberty and slavery”?
13. Besides constitutions and bills of rights, what does society need for individuals to truly possess freedom?
14. Under capitalism, aren’t workers at the mercy of their employers?
15. Describe the historical fortunes of Eastern societies.

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## NOTES

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## WEEK 42: THE INDUSTRIAL REVOLUTION

### AUDIO:

“The Industrial Revolution”  
Raico, Mises University (2001)

### READINGS:

“The Plight of the Underdeveloped Nations”  
Mises, *Money, Method, and the Market Process*, chapter 12 (Supplemental Readings)

### STUDY QUESTIONS:

1. Do investors send capital to underdeveloped nations out of altruism?
2. Does foreign investment help underdeveloped nations?
3. Why did Mises consider it pointless for the British government to criticize the Iranian nationalization of the oil industry?
4. What effect does expropriation have on the willingness of investors to send capital into a country?
5. How did the West achieve its “Industrial Revolution”?
6. Do the underdeveloped nations lack the technical knowledge to effect their own industrialization?
7. What should these nations do to emulate the material progress of the West?
8. What happened when these nations sent their scholars to train at Western universities?
9. In Mises’s view, what is the necessary condition for a rise in living standards?
10. Does Mises agree with progressive intellectuals that Europe and America are (partly) to blame for the poverty of the underdeveloped nations?
11. Describe the popularity of socialist versus free market treatises in these nations.
12. How does Mises evaluate foreign-aid programs?
13. Is economic growth merely an issue of capital accumulation?

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## NOTES

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## WEEK 43: MERCANTILISM

### AUDIO:

“Marx and Mercantilism”  
Osterfeld, Marx and Marxism (1988)

### READINGS:

“Unmitigated Mercantilism”  
Higgs, *Against Leviathan*, chapter 20

### STUDY QUESTIONS:

1. What is mercantilism?
2. Is mercantilism a dead doctrine?
3. What is the official justification for the Export-Import Bank?
4. Regarding the claim that the Bank creates jobs in the U.S. export industry, Higgs writes that this is “not just bad economics” but also “inapt arithmetic.” Explain.
5. According to Higgs, what is the actual purpose of the Bank?
6. Without such a Bank, would U.S. exporters be able to compete?
7. Who is the most prominent corporate beneficiary of the Bank?
8. What is Higgs’s six-point summary of “how the Eximbank works”?
9. Describe the creation of the Export-Import Bank.
10. Why have some accused the Bank of helping tyrannical foreign regimes?
11. Why did Ron Paul describe the Bank as “welfare for the rich”?

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## NOTES

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## WEEK 44: THE PROGRESSIVE ERA

### AUDIO:

“The Progressive Era”  
Woods, *History of Liberty* (2001)

### READINGS:

“World War I as Fulfillment: Power and the Intellectuals”  
Rothbard, *Journal of Libertarian Studies* IX, no. 1 (Winter, 1989)  
(Supplemental Readings)

### STUDY QUESTIONS:

1. How does Rothbard define progressivism?
2. Why would big business support the government regulations tied to progressivism?
3. What role did various Christian groups (both Protestant and Catholic) play in the political fortunes of progressivism?
4. What is a “postmillennialist,” and why is it relevant for Rothbard’s paper?
5. What does Rothbard mean by “progressive intellectual”?
6. How did the Democratic Party transform over time in terms of its support of liberty?
7. Describe the role of William Jennings Bryan.
8. What was the 1912 Social Creed?
9. How was Prohibition related to the Progressive movement?
10. What was the connection between the Nineteenth Amendment and progressivism?
11. Describe some of the labor “reforms” of this era.
12. What was the role of the New Republic?
13. What was the role of John Dewey?
14. What was the “new” social science imported from Germany?
15. Did Irving Fisher anticipate the stock market crash?

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## NOTES

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## WEEK 45: WORLD WAR I

### AUDIO:

“World War I”

Raico, *The Struggle for Liberty*, lecture 9 (2003)

### READINGS:

“World War I as Fulfillment: Power and the Intellectuals”

Rothbard, *Journal of Libertarian Studies* IX, no. 1 (Winter, 1989)  
(Supplemental Readings)

### STUDY QUESTIONS:

1. Older historians viewed World War I as the destruction of progressivism in the U.S.  
What is Rothbard’s view?
2. Why did evangelical Christians tend to favor U.S. militarism?
3. What wartime measures paved the way for alcohol prohibition?
4. How did the government achieve prohibition six months before the actual enforcement of the Eighteenth Amendment?
5. How were brewers rhetorically linked to the wartime enemy?
6. What was the Advisory Committee on Women’s Defense Work?
7. Describe the “America First” campaign of the Women’s Committee.
8. What was a “Block Matron”?
9. How did World War I provide the impetus for government collection of statistics?
10. Describe Herbert Hoover’s actions in World War I.
11. What was the War Trade Board?

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## NOTES

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## WEEK 46: THE GREAT DEPRESSION

### AUDIO:

“The Great Depression, World War II, and American Prosperity, Part I”  
Woods, The Truth About American History, lecture 5 (2005)

### READINGS:

“Economic Depressions: Their Cause and Cure”  
Mises et al., *The Austrian Theory of the Trade Cycle and Other Essays*

### STUDY QUESTIONS:

1. According to Rothbard, how have euphemisms distorted the analysis of depressions?
2. What is the Keynesian solution to inflation?
3. What is the Keynesian solution to recession?
4. What was McCracken’s (typical) attitude toward the macroeconomy?
5. What historical correlation made Marx’s theory of business cycles superficially plausible?
6. Why is this Marxist (and popular) view inconsistent with “general economic theory”?
7. What is the function of the entrepreneur? What does this have to do with explaining the business cycle?
8. What are the three “universal facts” that Rothbard believes a good theory of the business cycle must involve?
9. On what institution did Hume and Ricardo blame cycles?
10. Why is a central bank necessary for the business cycle?
11. In which books did Hayek elaborate the Misesian cycle theory?
12. Was the Great Depression consistent with the Misesian theory?
13. Wasn’t Calvin Coolidge an apostle of laissez-faire?
14. How did Herbert Hoover make the bust period worse?
15. Did any economists predict the Great Depression?

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## NOTES

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## WEEK 47: WORLD WAR II

### AUDIO:

“World War II”

Higgs, Crisis and Liberty, lecture 7 (2003)

### READINGS:

*“The Myth of Roosevelt and the New Deal”*

*“War and Leviathan in Twentieth-Century America: Conscription as the Keystone”*

*“The Myth of War Prosperity”*

Higgs, *Against Leviathan*, chapters 4, 24, and 27

### STUDY QUESTIONS:

1. Why is FDR usually considered to be one of the greatest presidents?
2. Why do many hail FDR as a “savior” of capitalism?
3. How did the New Deal prolong the Depression?
4. How did the New Dealers benefit from their economically misguided programs?
5. How was the New Deal related to World War I emergency measures?
6. Describe the effects of conscription in the U.S. immediately before its entry into World War II.
7. Describe the changes in income taxation during World War II.
8. How did the draft justify other government interventions?
9. Why are the standard unemployment figures for the 1930s and early 1940s misleading?
10. What happened to per capita real consumption in the U.S. during World War II?

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## NOTES

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## WEEK 48: CRITIQUE OF MARXISM

### AUDIO:

“Eugen von Böhm-Bawerk’s Critique of Karl Marx”  
Ebeling, *Marx and Marxism* (1988)

### READINGS:

“Dialectical Materialism”  
Mises, *Theory and History*, chapter 7.

### STUDY QUESTIONS:

1. What two doctrines were united in dialectical materialism?
2. What are the “material productive forces”?
3. What is the Marxist view of the relation between material productive forces and social change?
4. List Mises’s “three irrefutable objections” to this fundamental thesis.
5. What purpose does “class struggle” fulfill in the Marxist worldview?
6. What is the “inherent weakness of this doctrine”?
7. What is the “essential difference” between a feudal or caste society, and modern capitalism?
8. Explain the “iron law of wages.”
9. Even if the iron law were true, why is it inconsistent with another tenet of Marxist theory?
10. Why does Mises say that the assets of large corporations are not identical with the wealth of the shareholders?
11. How did his “Hegelian brand of optimism” permit Marx to deduce “the excellence of socialism”?
12. Why does such a deduction involve circular reasoning?
13. What does Mises mean by the “ideological impregnation of thought”?
14. Why were Marx’s attacks on the French bourgeoisie of 1871 inconsistent with his teachings in *The Communist Manifesto*?
15. Why does Mises state that it is not sensible to declare (with Marx) “that ideas are a product of interests”?

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## WEEK 49: AUSTRIAN vs. MAINSTREAM

### AUDIO:

“Austrian Economics”

Block, A Seminar with Walter Block (2004)

### READINGS:

“Praxeological Economics and Mathematical Economics”

Callahan, *Economics for Real People*, Appendix B

### STUDY QUESTIONS:

1. Who are the neoclassical economists?
2. Why do the neoclassicals deride “literary” economics?
3. What is the difference between the term “rational” in mainstream versus Austrian views of economic actors?
4. For Mises, what is the fundamental gulf between praxeology and mathematics?
5. Why does the mathematical approach predispose an economist to equilibrium analysis?
6. What point does Callahan make with the example drawn from Landsburg’s text?
7. For Hayek, what is lacking in the mainstream focus on competitive equilibrium?
8. Why does the mathematical approach work well in physics but not in economics?
9. Name some events that could disrupt a mathematical model of stock prices.
10. Does Callahan think mathematics is utterly useless in economics?

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## WEEK 50: AUSTRIAN vs. CHICAGO ON LAW AND ECONOMICS

### AUDIO:

“Law and Economics”  
Hoppe, Mises University (2003)

### READINGS:

“Coase and Demsetz on Private Property Rights,”  
Block, *Journal of Libertarian Studies* 1, no. 2 (1977) (Supplemental Readings)

### STUDY QUESTIONS:

1. What was Ronald Coase’s seminal article in law and economics?
2. What is Coase’s argument by which (with low transaction costs) court assignment of liability is irrelevant to production decisions?
3. How does Block’s example of a flower bed (with high sentimental value) upset the Coasian analysis?
4. Why does Demsetz think that a volunteer military will yield the same personnel as a draft with the right to purchase exemptions?
5. How does Block’s focus on psychic income relate to Demsetz’s example?
6. How does the “let-him-buy-his-way-out” scheme square with traditional notions of property rights?
7. Do libertarians think businesses should be compensated if they are injured by competitors?
8. What is the point of Block’s example of “torture rights”?
9. Why does Block think that State judges might not be the best at estimating costs and benefits?
10. What other objections does Block raise to the Coasian prescription for cases of high transaction costs?

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## NOTES

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## WEEK 51: THE PRE-AUSTRIANS

### AUDIO:

“The Pre-Austrians,” Rothbard, classroom lecture (1985)

### READINGS:

“Richard Cantillon: The Origin of Economic Theory”

“A.R.J. Turgot: Brief, Lucid, and Brilliant”

“Jean-Baptiste Say: Neglected Champion of Laissez-Faire”

Holcombe, ed., *Fifteen Great Austrian Economists*, chapters 2–4

### STUDY QUESTIONS:

1. What was Cantillon’s lone surviving work on economics?
2. Is it appropriate to call Adam Smith the father of economics?
3. What were Cantillon’s methodological views?
4. Was Cantillon’s concept of “intrinsic value” at odds with modern subjectivist economics?
5. What is “spatial economics”?
6. How did Cantillon’s monetary views anticipate the Austrian approach?
7. How did Turgot’s prose compare to that of the Physiocrats?
8. How did Turgot anticipate Hayek?
9. What technique did Turgot use in his exposition of value theory?
10. Why does Rothbard lament Turgot’s “equal exchange value” discussion?
11. How did Turgot explain interest?
12. Name some of Say’s works.
13. What was the relation between the work of Say and Adam Smith?
14. Discuss Say’s monetary views.
15. What is Say’s Law of Markets? Why did Keynes attack it?

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## WEEK 52: THE FUTURE OF AUSTRIO-LIBERTARIANISM

### AUDIO:

“The Future of Austrian Economics”  
Rothbard, Mises University (1990)

### READINGS:

The Communist Crackup  
Rockwell, ed., *The Economics of Liberty*, part 6

### STUDY QUESTIONS:

1. Why does Rockwell think Mises could say, “I told you so” in regards to the Soviet Union?
2. Which school of economics do many economists from the former U.S.S.R. admire?
3. In which direction does Rockwell think the U.S. is headed: freedom or socialism?
4. Why does Rothbard claim that “democratic socialism” is a contradiction in terms?
5. What was the Old Right attitude toward communism?
6. Does Bandow think the Western world should use foreign aid to help countries in transition?
7. Why does Rothbard oppose government sale of “public” property in formerly communist countries?
8. What is Rothbard’s alternative recommendation?
9. What is the danger of piecemeal reform?
10. Describe Ludwig von Mises’s blueprint for a free society.

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