This course explores economic theorizing that focuses on processes of development or emergence, as against focusing on equilibrium states or conditions. This is not to disparage equilibrium-based modeling, but is only to reverse the foregrounds and backgrounds of analytical attention. A comparison between Adam Smith and David Ricardo illustrates well what I have in mind. So does a comparison between Carl Menger and Leon Walras. Speaking of Menger, I should also note that this course will not entail any historical review of the Austrian troops. While any effort to explore the history of process-focused modeling would give much attention to Austrian-inspired work between 1870 and 1940, this course stresses opportunities for contemporary scholarship over historical antecedents.

This orientation toward now and not then accounts for what might seem to be peculiar textual selections for a course with this title. Two books were requested for the course, but one of them was out of print. The in-print book is The New Evolutionary Economics: Complexity, Competence, and Adaptive Behavior, by Jason Potts. This book argues that such heterodox descriptions as Austrian economics, evolutionary economics, Institutional economics, and post-Keynesian economics have much in common, and that a good deal of that commonality can be covered by modeling approaches that make use of such things as combinatorics, graph theory, and agent-based computation.

The out-of-print book is The Austrian School and Modern Economics, by Nicolai J. Foss. This is a wonderful book, which I reviewed in Constitutional Political Economy 7 (1996): 239-41. Foss’s major theme is that Mises and Hayek were major sources of inspiration in such currently robust areas of economics as evolutionary economics, institutional economics, and law and economics. His minor theme, which he sketched in his concluding chapter, is that recent Austrian economics has been largely stagnant and not progressive. While I agree with Foss about this, I do not think it has to be this way. My own ideas about the source of stagnation and the changes that would promote progress are sketched in the final section of the piece that Ryan Oprea and I published in 2003 in the Review of Austrian Economics, and which is available on my web site.

Course Organization and Format

The objective of this course is to help you develop your ability to articulate and publish process-oriented scholarship in the professional literature. This course is divided into three sections: Preliminaries, Exploration, and Exploitation. The
semester entails 14 class sessions. The division of class time among these three parts is 3.5, 6, and 4.5 sessions respectively.

The Preliminary section will present a quick overview of Austrian economics. Many of you have already read widely in the Austrian literature. For those of you who have not, you should do some quick reading, and I will make some suggestions in this respect during the first class session. This section will also include a short commentary on Jason Potts’ book, as well as a similar commentary on Oscar Morgenstern’s “Thirteen Critical Points in Contemporary Economic Theory,” *Journal of Economic Literature* 10 (1972): 1163-89, a fascinating and fecund piece that reflects brilliantly Morgenstern’s Austrian heritage. I will refer to both of these works numerous times during the semester, but I also want to sketch some things briefly before turning to the Exploration section of the course.

For the final session in the Preliminary section, each of you will prepare and present a short, 3-5 page essay in the style of one of Morgenstern’s 13 points. You might find it helpful to think of your essays as collectively forming a classroom anthology of your views and reflections on critical points in economic theory, as these views and reflections are based on your knowledge of economic theory to this point in your studies. These essays should have some Austrian-like point of contact, just as Morgenstern’s points have, though you should also feel free if you choose to interpret this requirement in light of the sentiment or orientation that I express in the Preface to my book in process, tentatively titled *Economic Theory: A New Austrian Exposition*.

Scholarly work entails both exploration and exploitation. We explore a much wider range of territory than we are able to exploit, but exploration is necessary to prepare the way for successful exploitation. Each of these Exploration sessions will have two parts. In the first part I will map out my take on some general subject area, and in the second part you will articulate some line of thought that fits in some fashion within that general rubric. I will start by presenting an overview of a topic that both resonates with traditional Austrian concern and entails opportunities for professional publication. You will follow by making a Brown Bag type of presentation of inchoate ideas with which you are wrestling in the hope eventually of shaping them into something publishable.

The first part of these sessions will take part the bottom half of a class period. The second part will take place the top half of the following class period. Each of you will make presentations on a biweekly basis, and will submit your papers at the end of that class period. These papers should run in the 3-5 page range, and each of you will prepare four of them during this part of the course. These essays will ask you to think creatively and critically about the topic under discussion during that class period, and to sketch briefly some line of thought that you think might be worth further development.
The **Exploitation** section will entail your preparation and presentation of a research paper that should aim at scholarly publication. These papers should generally run in the 15-20 page range, which is perhaps a bit on the short side for academic manuscripts, but not by much. If you think you need more pages, take them. If you think you can do with fewer, do so. You should think of me as the editor of a professional journal that focuses on processes-oriented research. The objective we are aiming at in any case is journal publication, and there is much variety in lengths of papers. These papers must be submitted no later than 1630 on 15 December, in hard copy formatted in standard manuscript style. Late work is not acceptable.

Judging from my experience with this class format, most of you will base your exploitation essay on one of your four earlier essays. This type of result maps well into the distinction between exploration and exploitation, with decisions about where or what to exploit being based on information generated through earlier exploration. You should certainly approach your essays in exploration from this investment-like orientation. It sometimes happens, though only rarely in my experience, that the earlier explorations turn up only what seem to be dry holes. I hope this will not be your fate, but if it is you will have to overcome it anyway.

**Your Work and My Appraisal of It (Grading)**

The short essays collectively will count for 40 percent of your course grade. The research paper will likewise count for 40 percent. The remaining 20 percent will be based on my evaluation of your classroom contributions.

I grade the short essays on the basis of what I judge to be their potential down the road. An **A** signifies that I think you have sketched a line of thought that seems clearly to point toward a publishable conclusion, should you choose to make the effort. An **B** indicates that while you have not convinced me that you are headed in a publishable direction, you have nonetheless displayed a good grasp and understanding of the subject that you are treating. An **C** means that your formulation leaves out something important to or necessary for your argument to go forward, or commits some type of blunder. An **F** is also a possible grade, as are various pluses and minuses for the above grades, but I won’t say anything about that grade here.

My evaluation of your research papers follows the same outlook, in that the focus is always on publishability. The only difference is a shift in the standard of calibration. Where my evaluation of the short essays is calibrated to what I regard as their potential, the research paper is calibrated against how fully you have realized that potential, suitably discounted, of course, for the limited amount of time you have had to work on that paper.
An outline of the exploration sessions follows. Each week I will send out a few bibliographic materials for the following week. I do not like to pass out lengthy bibliographies for several reasons. For one thing, I reject the mental transfer model of higher education, where my task is to transfer some of the contents of my mind onto yours. I embrace instead a joint inquiry model, where each of us is trying to expand our knowledge about a subject of common interest (and with me differing from you simply by my possession of a few duties and privileges). If you limit your reading to what I assign, how will I learn anything from you? Moreover, each of you needs to learn to formulate your own mental maps, and part of this task entails the formation of bibliographies that advance your scholarly activities and interests. You will need to read much more widely than the materials I give to you or recommend to you. In doing this, you will gain insight into the construction of your own mental maps and associated bibliographies that you would not otherwise gain.

Outline for Sessions on Exploration

1. Mind and Society: What Micro Foundations for Macro? Orthodox allocative theory treats rational conduct within a framework of tâtonnement, whereby trades never take place until they all form a coordinated equilibrium. This is a methodological device to create tractability, but in doing so it also hides the market generated adaptations that emerge in light of the resulting uncertainties. This unit will explore alternatives to tâtonnement by exploring some of the contours of an ecology of plans.

2. Money, Emergence, and Coordination: Cantillon Reconsidered. Monetary theory typically proceeds via a presumption of neutrality, whereby monetary arrangements and institutions exert no lasting effect upon real economic patterns and variables. This is not, of course, a claim that can be found in Austrian writings. This unit will explore alternative approaches to claims about nonneutrality, in part by reversing the relationship between real and nominal in economic theorizing.

3. Lemons and Asymmetric Information: Looking under Lampposts. Most formulations simply assume asymmetric information and explore some of the resulting implications for alternative equilibria and Pareto efficiency. From a process orientation, asymmetric information creates circumstances that are conducive to the generation of new contractual forms, lines of business, and institutional arrangements that may well operate to neuter the impacts of those asymmetries that are delineated in the comparative static models. In any case, there is no option to asymmetric information.
4. **Knowledge, Capital, Entrepreneurship, and Growth.** This unit explores capital-based and knowledge-based approaches to growth, and seeks to plumb the insights that a process-orientation might add to the growing interest in growth among economists. In this respect, I would ask you to think about Adam Smith’s assertion that “Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things.” Either Smith was dreadfully wrong or his claim was incomplete and needs amendment.

5. **The Economic Organization of Corporate Enterprise: A Tale of Two Hyatts.** While the paradigmatic form of economic organization is the profit-seeking firm, there are huge differences among such firms in such things as their equity structures and governance arrangements. There are also many firms that are organized on a non-profit basis. Cities, moreover, are a form of corporate body as well. This unit will explore a variety of analytical opportunities, as illustrated by a comparison of Hyatt the hotel with Hyatt the city.

6. **Political Economy with Tectonic Landscapes.** Welfare economics almost universally works with a disjunctive landscape where markets and governments operate within distinctive regions. This unit explores an alternative topology where the two spheres are braided. This alternative formulation leads in a number of directions. One is that the peaceful quiet of twice-differentiability gives way to the turbulence of clashing tectonics. Another is to approach differently law and legislation as vehicles for conflict resolution. Yet a third direction concerns what happens to the domain of welfare economics when the comparative statics of equilibrium states gives way to analysis predicated upon continual motion.