This course is oriented toward contemporary economic theorizing and not the history of economic thought. This course does not aim directly to treat particular people who are commonly described as being Austrian. Rather it aims to treat the same subject as your first-year theory courses treated, only it does so by looking through a different analytical window. This window places processes of development or emergence in the analytical foreground, and puts equilibrium states or conditions in the background; it treats economic relationships as open and creative and not as closed and determinate.

Three texts were requested for the course. Two of them are the classic books by Carl Menger that set in motion a distinctive Austrian orientation toward economic theorizing. These are *Principles of Economics*, published originally in 1871, and *Investigations into the Method of the Social Sciences*, published originally in 1883. The third book, published in 2000, 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.

Where the book by Potts is of contemporary theoretical interest, the books by Menger are now largely of historical interest. The intervening period has been dominated by equilibrium theorizing, and this domination infused itself even into the thoughts of many Austrian economists. Consider just four among many possible illustrations. (Amplification can be found in Sandye Gloria-Palermo’s wonderful treatment of *The Evolution of Austrian Economics.*) Böhm-Bawerk’s approach to capital is generally regarded as the canonical Austrian statement, and yet Carl Menger criticized it strongly because of its equilibrium character. Wieser developed a theory of imputation to explain the relationships among prices of goods of different order that formed the basis for much subsequent theorizing about general equilibrium. The Mises-Hayek formulation of what became known as Austrian cycle theory is just a different kind of exercise in comparative statics, where an initial equilibrium is disturbed and then restored. Kirzner’s approach to entrepreneurship is largely an effort to add plausibility to assertions of general equilibrium.

The infectious quality of equilibrium theorizing was recognized by John Maynard Keynes in the closing paragraph of his *General Theory*, where he lamented: “The composition of this book has been for the author a long struggle of escape, and so must the reading of it be for most readers if the author’s assault upon them is to be successful—a struggle of escape from habitual modes of thought and expression. The ideas which are here expressed so laboriously are extremely simple and should be obvious. The difficulty lies, not in the new ideas, *but in escaping from the old ones*, which ramify . . . into every corner of our minds (my emphasis).”
In contrast to these various Austrianesque flirtations with equilibrium theorizing, Carl Menger avoided all notions of generalized equilibrium. My choice of course texts is an experiment in trying to escape from the reductionism and equilibrium theorizing that is still so prevalent in contemporary scholarship. Menger was not infected by such formulations, and it was his work that set in motion the truly distinctive features of the Austrian orientation. Five-quarters of a century later, Jason Potts presents a vision of economic theory that does not take recourse to equilibrium theorizing. My experiment with respect to these three texts is a variation on Washington Irving’s tale of Rip van Winkle. Suppose you reached a state that Keynes thought he had reached—of having flushed Walrasian-style theorizing out of his mind. Having accomplished that, you develop your analytical inspiration from Carl Menger, realizing that Menger wrote long ago and we are writing now. The analytical challenge is to bridge the gap between Menger and us, so as to contribute to economic theorizing today. If Menger supplies one end of the bridge’s anchorage, I am using Potts to supply the other. As for the character of the roadway that will connect these two points of anchorage, this will be what we work on this semester.

I. Course Organization and Format

You should read my statement of teaching philosophy, as this should help you to understand better my approach to advanced graduate education. Thinking and writing are non-separable elements of intellectual activity, and we each do a lot of each during this course. This course is divided into three units.

The course will start with a preliminary unit of 1.5 weeks (why the fraction will be noted momentarily). During this unit I will offer some remarks on the three texts, though I never seek directly to lecture on or explain what can be read. If time permits, I will also make some remarks on Oskar Morgenstern’s “Thirteen Critical Points in Contemporary Economic Theory,” *Journal of Economic Literature* 10 (1972): 1163-89. Morgenstern’s Austrian heritage shines through brilliantly here, and yet he is never treated as an Austrian in the various treatments, probably because of the technical level of his exposition.

The second unit will cover eight weeks. Each week I will pass out material for one of the chapters for a book I have tentatively titled *Economizing Action and Social Order: A Post-Mengerian Exposition*. While I am describing this material as chapters, these would be more accurately described as notes on their way to becoming chapters.

For eight sessions starting with 5 September, I will present and discuss my material during the second half of the class period. (There is no class on 10 October, due to the shifting of classes in response to the holiday for Columbus Day.) The first half of the following class period will be devoted to your presentations of some line of thought of yours that is generally related to the topic. You might think of these as preliminary explorations of what might become the topic for your research paper. You can also think of these as Brown-Bag types of presentation, where you are conducting a short presentation and discussion of some line of thought you are
exploring. Your papers for this unit should run in the 3-5 page range. Each of you will make four presentations on alternate weeks, according to a scheme that I will formalize by 5 September.

The third unit will cover the final 4.5 weeks of the semester, starting with the second part of the class on 7 November. These sessions will be devoted to a series of seminar presentations and discussions of your research, which should aim in the direction of publishable papers that present some Austrianesque orientation toward economic theory. You will be expected to make some material available to everyone in advance of your presentation. The final paper will be due by 1630 on 12 December, which corresponds with the scheduled exam period for this class (though no exam will be given). Late work is not acceptable. These papers should generally run in the 20-page range, as do most journal papers. Within a few days of receiving your papers, I will send you an editorial report, much as I would have done had you submitted that paper to me in my capacity as a journal editor.

II. Your Work and My Appraisal of It (Grading)

Your four 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 in a potentially publishable direction. A 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. A 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 graduate 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.

I do not pass out lengthy bibliographies, though I could easily do so. As I explain in my statement of teaching philosophy, I reject the mental transfer model of higher education and embrace instead a joint inquiry model. If you limit your reading to what I assign, I am less likely to hear something unexpected than if you read things I would not have thought to assign. 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.

III. Some References

Past experience suggests that several of you already will have read widely within the Austrian oeuvre already, and some of you have perhaps even attended Austrian programs sponsored by such organizations as the Mises Institute or FEE. Others of you will have but modest prior knowledge of Austrian scholarship. These differences in background are insignificant for this course, due to my focus on ideas and not people. Two types of references are listed below. First are some Austrian works. Second are some references to computational modeling which, in conjunction with history, I regard as options for empirical-historical work that are consistent with a focus on processes of development, and which contrast to empirical work that reflects a concern with comparative statics.

Expressly Austrian books

First of all, the web site of the Ludwig von Mises Institute has numerous references to Austrian materials. I use this site quite a bit, even though my take on the material is a bit different from what you will find expressed there. Anyone with an interest in Austrian theorizing should read Mises’ *Human Action* and Rothbard’s *Man, Economy, and State*. Both of these are available from the Mises Institute in new editions that are much fancier than the ones that I bought long ago. You should also do some reading in Kirzner and Lachmann (Lachmann is my own favorite among the generally acknowledged Austrian writers). There are, of course, many other works that have been written in recent years from an expressly Austrian orientation, but rather than impose my ordering of them on you, I will let you construct your own ordering.

Böhm-Bawerk, E. *Positive Theory of Capital* [Vol. 2 of Capital and Interest].
Weiser, F. *Social Economics*.
Mises, L. *Human Action*.
Mises, L. *Theory of Money and Credit*.
Schumpeter, J. *Theory of Economic Development*.
Hayek, F. *Prices and Production*.
Hayek, F. *Individualism and Economic Order*.
Kirzner, I. *An Essay on Capital*.
Kirzner, I. *The Meaning of Market Process*.
Kirzner, I. *Competition and Entrepreneurship*.
Lachmann, L. *Capital and its Structure*.
Lachmann, L. *Capital, Expectations, and the Market Process*.
Rothbard, M. *Man, Economy, and State*.

Boettke, P. *The Elgar Companion to Austrian Economics*.
Bckhaus, J. *Modern Applications of Austrian Thought*.  

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Caldwell, B. J. and Böhm, S.  *Austrian Economics: Tensions and New Directions.*  
Endres, A. M.  *Neoclassical Microeconomic Theory: The Founding Austrian Version.*  
Foss, N.  *The Austrian School and Modern Economics.*  
Garrison, R.  *Time and Money.*  
Gloria-Palermo, S.  *The Evolution of Austrian Economics.*  
Holcombe, R.  *Fifteen Great Austrian Economists.*  
Horwitz, S.  *Microfoundations and Macroeconomics.*  
Ikeda, S.  *Dynamics of the Mixed Economy.*  
Lewin, P.  *Capital in Disequilibrium.*  
O'Driscoll, G. and Rizzo, M.  *The Economics of Time and Ignorance.*  
Vaughn, K. I.  *Austrian Economics in America.*

**Agent-based computational modeling**

While many people seem to think that agent-based modeling and object-oriented programming offer potentially better approaches for policy planning, I think these techniques potentially allow for a deeper probing into the operation of coordinative processes in the presence of ubiquitous heterogeneity and in a world where there is nothing even remotely resembling tâtonnement. The setting I have in mind is characterized by fluidity and turbulence and not by steady state equilibria. Indeed, one of my aspirations is to use agent-based modeling to illuminate more sharply the destructive features of policy measures that are based on steady-state or equilibrium thinking.

I have experimented with four platforms, all freely available. These are StarLogo from MIT, NetLogo from Northwestern, RePast from Chicago, and MASON from GMU. For NetLogo and RePast, a good deal of valuable and comparative information is available at http://complexityworkshop.com/. C++ is also widely used; for instance, it was used by Clower and Howitt in a paper on the emergence of money that was published in JEBO a few years ago.

The primary inspiration for pretty much all such efforts is Thomas Schelling’s *Micromotives and Macrobehavior.* Mitchel Resnick’s *Turtles, Termites, and Traffic Jams* is by the developer of StarLogo and is a nice introduction to some of the analytical possibilities of using agent-based modeling to understand decentralized, polycentric systems. Joshua Epstein and Robert Axtell’s *Growing Artificial Societies* is a well received effort that points toward large scale simulation (it’s written in yet another language, Ascape, though they all have the same general look and feel). Michael Wooldridge’s *An Introduction to MultiAgent Systems* is a solid general introduction. Nigel Gilbert and Klaus Troitzsch’s *Simulation for the Social Scientist* is a compendium of tools for simulation. I would also mention Small Worlds, by Duncan Watts, though I don’t know if it is available in paperback. *Individual Strategy and Social Structure,* by Peyton Young, is available in paperback, and is an effort to bring concepts and formulations from game theory to bear on institutional evolution. I think there are some interesting analytical opportunities in seeking to connect some of these concerns with some ideas from agent-based modeling.