Understanding How Society Works

An Introduction to the Austrian School of Economics
Have you ever wondered why water—so essential to life—is so cheap, while diamonds—so inessential—are so expensive?

Why is it that most government interventions in and regulations of the market render such questionable results?

Tired of too much futile political rhetoric and too many restrictions of our civil liberties?

“*The Socratic maxim that the recognition of our ignorance is the beginning of wisdom has profound significance for our understanding of society.*”

F. A. von Hayek (1899–1992)

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The seminar will be held in German and English.

Designed and Organized by

LAF Liechtenstein Academy Foundation
While most schools explain the complex reality of human action or our social order with mathematical models and macro-economic theories, the Austrian School of Economics provides tools for understanding how people both co-operate and compete in the market and underscore self-responsibility, individual freedom, private property and unhampered markets.

Strikingly distinct from the general-equilibrium approach of mainstream economics, the central concept of the Austrian School thus is the dynamic market process as the outward manifestation of an unending stream of knowledge that may prove valuable to one and useless to another. Austrian economic thinking is not about things and tangible material objects, it is about free markets that shape human behavior as a relationship between subjective ends and scarce means, which have alternative uses.

In short, firmly rooted in the theory of subjective value, Austrian Economics thus is characterized by its methodological subjectivism, methodological individualism, the principles of marginal utility and opportunity costs and its stark opposition to the use of economic theories that justify state intervention into the social fabric of an economy.

“One of the most advanced schools of thought today: Austrian Economics

“The task of the economist is not merely, as in equilibrium theory, to examine the logical consistency of various modes of action, but to make human action intelligible, to let us understand the nature of the logical structure called plans to exhibit the successive modes of thought which give rise to successive modes of action. In other words, all true economics is not functional but causal-genetic.”

Ludwig Lachmann (1906–1990)
Any naïve unawareness coupled with a mere passing perception of the most pressing socio-economic issues of our times not only renders a deceived citizenry progressively deprived of their civil rights and liberties.

It also weakens all democratic systems as essential means to safeguarding individual freedom, self determination and responsibility. In order to judge matters prudently and taking a firm stand in our complex surroundings, a minimum of theoretically sound knowledge thus is the precondition of any meaningful political debate that hopes to move beyond vain slogans.

Only those will prevail in the forthcoming decisive discussions who understand how a society works and who stand their ground based on hard facts.

After all, there is nothing more practical than a good theory!

“\textit{It is no crime to be ignorant of economics, which is after all, a specialized discipline and one that most people consider to be a dismal science. But it is totally irresponsible to have a loud and vociferous opinion on economic subjects while remaining in this state of ignorance.}”

Murray N. Rothbard (1926–1995)
A Unique and Comprehensive Curriculum

This Introduction is designed to explain the Austrian School’s theoretical and practical significance in a condensed form comprising its methodology, philosophical underpinnings and its main socio-economic tenets.

Understanding How Society Works is a comprehensive course with the general public and the life-long learner in mind. The curriculum is organized in 8 self-contained stand alone classes, each of them carrying 2 academic units (1 unit = 6 hours of instruction). With the exception of “An Introduction to the Austrian School of Economics” (which is mandatory), all modules may be taken in sequence or individually, any time they are offered.

To enhance an interactive and open-ended learning experience and to warrant an optimal lecturer/student ratio, the class size may not exceed 20 to 25 students per module.

We select our instructors from a pool of world-class academics and international thought leaders associated with acclaimed universities and think tanks, such as Stanford University (Hoover Institution), Johns Hopkins University, University of Zurich, the Cato Institute, University of Hamburg, Montana State University, PERC or the University of Newcastle (UK).

“Information is acquired by being told, whereas knowledge can be acquired by thinking.”

Fritz Machlup (1902–1983)
Target Audience

Understanding How Society Works features a comprehensive innovative curriculum in Austrian Economics. We try to get entrepreneurs, individuals and key opinion leaders in politics, the media, and academia interested. Although, LAF will not award classic university degrees at this point, the course “Understanding How Society Works” has been developed as a 'credit certificate program' that is exclusively taught by our world-class faculty. They may grant such diplomas upon a successful completion of an individual module or the entire course.

The course is designed as a sequence of 8 self-contained modules and thus can be book individually. To affirm an interactive and open-ended learning environment, we have limited the class size to 20 to 25 students. The instruction will be either in English and/or German. At a later stage, upon request all modules will also be offered in Spanish.

About The Individual Modules

The contents of the individual modules represent a recommended minimum and thus may be subject to additions and change of emphasis by our instructors.

M1 - Economics
An introduction to the “Austrian School of Economics’

2 units. This course is a prerequisite. This introduction covers the unique features of Austrian Economics. What is Austrian Economics, how does it differ from other Schools of Thought, and what is its place in the History of Economic Thought? We will explore Carl Menger’s intellectual breakthrough in value theory, the decisive impact of the “Methodenstreit” and the development of the school’s unique tenets: among others its methodological individualism and subjectivism, the marginal utility theory, or the concept of opportunity cost. We will also analyze the idea of markets, and clear up terms such as “capitalism”, “social justice” or “competition”. The course concludes with a review of the school’s generations of leading thinkers, their ideas and influence. Examples and applications.

M2 - Philosophy
The methodology and the limits of the social science

2 units. How do facts in the Social Sciences differ from the facts in the Physical Sciences? Can we use history to make predictions in economics or sociology, and what is the meaning of the ‘homo economicus’? Why can commodities, food or money only be defined in terms people hold about these things? We will analyze the all-important problems of methodological individualism, methodological subjectivism and methodological dualism, historicism and scientism, as well as Praxeology as the science of human action. We will also discuss in-depth the Austrian School’s unique and decisive concept of “Verstehen” and “Begreifen”, and the interdependence of social-philosophy, socio-economics and phenomenology. Examples, cases and applications.
M3 - Law
Selected topics in legal theory. The evolution of law, natural law and spontaneous order

2 units. What are the most important distinctions between Common (Case) Law and Codified Law and between legislation and the law? What is the purpose of the law and what is the meaning of private property? This course features an in-depth review of the different and most decisive stages of the development of the law and the constitutions of states. We will also analyze the legal foundation of coercion and state’s monopoly to exercise power to punish. The preventive state vs. the reacting state, civil rights, civil disobedience and their impact on legislation. We will also thoroughly discuss the interdependence of law, economics, and legal institutions. The analysis of the political decision making process in the EU, and alternatives to the representative democracy. How does a society work? Examples, cases and applications.

M4 - Philosophy
Markets, moral and business ethics

2 units. Are capitalism or free markets moral and can they generate justice or equality? What is the meaning of “morals” and how do we treat “business ethics”? This course concentrates on human action, moral behavior, and business ethics in the environment of globalization. The course features an in-depth discussion of the moral and ethical underpinnings of capitalism and markets, as well as taxation or government imposed fees. Should we use taxation in order to achieve an equal distribution of wealth? The role of envy. Among other subjects, the course will also focus on the limits of state power, coercion, self-responsibility and individual freedom as well as on the development, idea and the moral consequences of the welfare state. Examples, cases and applications.

M5 - Economics
Money, banking and behavioral finance; selected topics in monetary-, capital- and business cycle theory

2 units. What is the vital interrelating of Money, Banking and the newly developed disciplines of Behavioral Finance and Behavioral Economics? What is the purpose of regulations and institutions (supposedly) safeguarding the monetary system? This course offers also a comprehensive overview of the Austrian Monetary-, Business cycle- and Capital theory as well as an analysis of the Keynesian approach. Special emphasis will be given to exchange rate issues, the pros and cons of the Gold standard, and the theory of denationalization of money. Students will also be exposed to the theory of international trade and its appropriate institutions, such as WTO, GATT, IMF, ECB, FED, etc. An in-depth discussion of the dependencies of economic and industrial policies, the theory of interventionism, and the economics of regulations will round up this course. Examples, cases and applications.

M6 - Politics
Institutional economics and public choice analysis

2 units. Whither democracy? Is the public interest in the public’s interest? Which institutions of democracy can warrant the functioning of a civil society and which can escape the “tyranny of the status quo”? This module will focus on the Austrian explanations of the critically important public-choice approach (J. Buchanan/G. Tullock), the analysis of political actions, their impact on economic regulations, and the meaning of the “public interest”. The ethical and moral issues of democracy. We will analyze the economic theory of democracy (A. Downs) and the myth of the rational voter. The despotism of empty coffers, the future of the welfare state and the disastrous consequences of socialism. The new approach of institutional and evolutionary economics. Examples, cases and applications.
M7 - Sociology
The problems of demography, immigration issues and social security systems; the illusion of the welfare state’ and alternative models

2 units. Will the Welfare State as we know it collapse? This course not only features an in-depth analysis of the sociological, cultural and demographic problems facing Social Security-, Pension- and Welfare systems. There will also be a discussion of issues dealing with the idea of the "Social Contract" and the "Moral Hazard" problem. Are cultural institutions, such as the language, morality, or societies the result of spontaneous human actions or of human planning or design? What do we know about the cultural evolution and the origins of societies or markets? Nature versus Nurture. The Dilemma of Specialization. Examples, cases and applications.

M8 - Economics
Environmental economics, property rights and the eminent domain problem. Public goods and "the tragedy of the commons’

2 units. Can free markets protect endangered species? Are environmental problems a form of market failure? Does capitalism destroy the planet Earth? Is there evidence that government programs in fact worsen the very problem they seek to correct? This course provides an in-depth analysis of environmental issues, ranging from land use to water pollution to species protection and global warming. The theory of market failures versus the theory of government failures. An Austrian Economics approach to environmental taxation, and the command-and-control method. The "Coase Theorem" (R. Coase) and clearly defined property rights. Pollution as an act of trespassing against someone’s property or a person. Information- and transaction cost analysis. The environmental entrepreneur as the enviropreneur. Examples, cases and applications.

“Unless we can make the philosophic foundation of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark.”

F. A. von Hayek (1899–1992)