



How to know your grade

- The homeworks are 30% (3 homeworks, 10% each)
- The quizzes are 10% (take all you quiz grades, drop the lowest 2, and that'll tell you your quiz grade)
- Exams are 60% (3 exams, 20% each)

About the Makeup Exam (November 19th)

- There will be no new content, everything that will be covered in it has already been covered in class.
- Exam keys will be on canvas.
- That said, redo all previous exams and understand the questions, this is the smart way to study for it.

What is Austrian School of economics?

- But first, What Is a School of Economics?
- A **school of thought** in economics is like a team with shared ideas and methods
- Different schools answer the same questions in very different ways
 - How do markets work?
 - What causes recessions?
 - Should governments intervene?

What is Austrian School of economics?

- Examples of schools of economics:
 - Keynesian – Focus on government spending
 - Monetarist – Focus on money supply
 - Austrian – Focus on individuals and markets without interference

What is Austrian School of economics?

- Began in **Austria in the late 1800s**, founded by **Carl Menger**
- Focuses on **individual choices**, not equations or aggregates
- Believes economics should be based on **logic and real-world behavior**, not math models
- Famous economists:
 - **Ludwig von Mises** – Human Action
 - **Friedrich Hayek (nobel prize 1974)** – The Road to Serfdom

What Mainstream Economics Looks Like?

- **Mainstream** = The dominant view taught in most schools
- Dominates most university textbooks and policy discussions
- Focuses on **mathematical models** and **equilibrium states**
- Treats people as rational agents who maximize utility
- Uses averages and aggregates like GDP, inflation, interest rates
- Austrians argue this creates a picture of the economy that's clean on paper, but messy in reality

Austrian Critique #1: People Aren't Math Problems

- Mainstream models treat people like calculators: always rational, always maximizing
- But Austrians say real life doesn't work that way:
 - We make mistakes
 - We act emotionally
 - We change our minds
- Decisions are based on values, goals, and context, not formulas
- Austrian economics starts with a simple idea:
- People act on purpose — they have goals, not just equations to solve
- “Man himself is the starting point of economic reasoning.” – Ludwig von Mises

Austrian Critique #2: You can't Measure Everything

- Mainstream economics loves numbers: utility, output, “social welfare”
- But Austrians say: Not everything important can be measured
 - How much do you value your free time?
 - How do you measure happiness or regret?
- Trying to turn complex human decisions into numbers can be misleading
- The economy isn't a spreadsheet — it's made of people making choices

Austrian Critique #3: Math Doesn't Explain Behavior

- Mainstream models use math to describe how the economy *should* work
- But Austrians argue: Math can't explain **why** people make the choices they do
 - Example: A formula won't tell you why someone picks coffee over tea today
- Austrian method = **Praxeology** → the logic of human action?
- It's about **understanding intentions**, not solving equations
- Math is a tool — but people don't live by math formulas

Austrian Critique #4: Central Planning Can't Work

- Mainstream models often assume a government or planner can “fix” the economy
- Austrians say: That’s impossible — **no one can know everything**
- Hayek: Knowledge is **decentralized** and spread across millions of people
- Prices act like signals — they coordinate action without anyone being “in charge”
- When governments try to plan, they disrupt this natural process
- “The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design.” – F.A. Hayek

Austrians and Crypto?

- Austrians have long criticized **fiat money** and **central banking**
- **Bitcoin** reflects many Austrian principles:
 - Decentralized
 - Fixed supply (like gold)
 - Not controlled by governments
- Many early crypto advocates were inspired by Austrian ideas of **sound money** and **monetary freedom**
- **Before Bitcoin:**
 - In *The Denationalization of Money* (1976), **Hayek** proposed **private currencies** competing in the market. He warned about the dangers of government monopolies over Money.
- “I do not believe we shall ever have good money again before we take the thing out of the hands of government.” – Hayek

Austrians and Crypto?

- For years, Austrians warned: **“Central banks can’t be trusted with money.”**
- Then in 2009... Bitcoin was born — no government, no printing press, just code
- Crypto is **what Hayek dreamed of** — money people choose, not money they’re forced to use
- Bitcoin, Ethereum, and stablecoins challenge the idea that we need a central bank at all
- Crypto isn’t just tech — it’s an **economic revolution** rooted in Austrian ideas

Final Thoughts: What the Austrians Want Us to Remember

- **People act**, they don't just respond to equations
- The market is a process, not a machine
- Government solutions can create bigger problems than they fix
- Austrian economists challenge us to be **humble** about what we can predict or control
- Even if you don't fully agree, they bring a **needed dose of realism** to economic thinking
- "The more the state plans, the more difficult planning becomes for the individual." – F.A. Hayek