



Part VIII:

Austrian School



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The Essence of the Austrian School Approach: The Ethical Structure of Human Action ⁽¹⁾

- Discussion about the relationship between ethics and the free market economy, within the context of the Austrian School of Economics.
- Ludwig von Mises' theory of human action (**praxeology**) → three requirements for humans to act:
 - Dissatisfaction with the present state of affairs;
 - Vision of a better state;
 - Belief that we can reach that better state.
- Ludwig von Mises' opinion about **free market** → “Everybody acts on his own behalf”.
 - Describe a policy as bad only if its consequences were deemed undesirable by all its supporters;
 - Support free market economics as a citizen rather than as a scientist with goal of satisfying the wishes of the majority of the public.

The Essence of the Austrian School Approach: The Ethical Structure of Human Action (2) - Criticism

- Philosophy of “laissez-faire” prioritizes individual freedom and economic efficiency over other values (i.e. social justice or common good).
- Fails to take into account the social and moral implications of economic decisions (i.e. emphasis on individual freedom → lead to a lack of concern for the broader impacts of economic activities on society and the environment).
- Based on a narrow conception of human nature → ignore the importance of community and social relations. His focus on individualism can lead to a lack of concern for the welfare of others + can undermine the social fabric of society.
- Incompatible with many traditional ethical principles (i.e. distributive justice → free market can lead to an unequal distribution of resources and opportunities, which is fundamentally unfair).

The Ethics of Capitalism and Efficiency⁽¹⁾

- Discussion about the relationship between capitalism, ethics and efficiency.
- **Capitalism** → economic system based on private ownership of the means of production and the creations of goods and services for profit in a competitive market;
 - **Consequentialism** → moral theory that judges the morality of an action based on its consequences;
- **Efficiency** → ability to achieve maximum productivity with minimum wasted effort;
- **Ethics** → principles and values that guide individuals and organizations in making decisions about what is right.

The Ethics of Capitalism and Efficiency⁽²⁾ - Criticism

- **Capitalism** → two sides of the same coin:
 - Capitalist ethics encourage individuals to pursue efficiency (maximize profits) → economic growth;
 - Focus on efficiency come at expense of other values → social responsibility, environmental sustainability...
- **Consequentialism:**
 - Too simplistic → the morality of an action should consider other factors (i.e. intentions, motives...);
 - The ends do not always justify the means → it is not always fair to sacrifice the well-being of a few for the benefit of the many;
 - Difficult to predict → it is not possible to judge the morality of an action on the basis of something that cannot be predicted with certainty.

The Ethics of Money Production⁽¹⁾

- Discussion of the ethical issues concerning the production of money and government intervention in creating “artificial and fragile” monetary systems.
- **Money production** → process of creating new money and managing its supply in an economy.
- **Debasement** → intentional devaluation of a currency by reducing the amount of precious metal (or other valuable materials) in a coin.
- **Fractional Reserve Banking (FRB)** → system where banks are allowed to lend out more money than they actually have in reserves.

The Ethics of Money Production⁽²⁾ - Criticism

- The most serious ethical problem: **Inflation** → the rate at which the general level of prices for goods and services is rising.
- Why?
 - **Money production** → too much money produced → reduce the purchasing power of individuals;
 - **Debasement** → reduce the value of currencies by reducing the amount of precious metals in coins;
 - **FBR** → **credit expansion** → supply of money increases faster than supply of goods and services.

The Ethics of Entrepreneurship and Profit⁽¹⁾

- Discussion about the nature of human action, entrepreneurship, profit, and justice.
- All human actions are entrepreneurial and profit-seeking, with the goal of achieving a more favorable state of things.
- Capitalist-entrepreneurs seek to attain **monetary profit** through production → the profit or loss they make is a measure of how well they are meeting the needs of their customers and contributing to the well-being of society.

The Ethics of Entrepreneurship and Profit⁽²⁾ - Criticism

- **Entrepreneurship** → two faces of the same coin:
 - bring about positive change, create jobs, and drive economic growth;
 - the pursuit of profit can sometimes lead to unethical behavior (i.e. exploiting workers, engaging in fraudulent practices...)
- **Ethical principles** that should guide entrepreneurship:
 - Idea of doing no harm → engage in practices that don't cause harm to individuals, communities, or the environment;
 - Creating value for society → aim to create products or services that meet the needs of society and improve people's lives;
 - Be mindful of their impact on the environment;

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THANK YOU