



OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

The Austrian school of economics and Austrian economic policy

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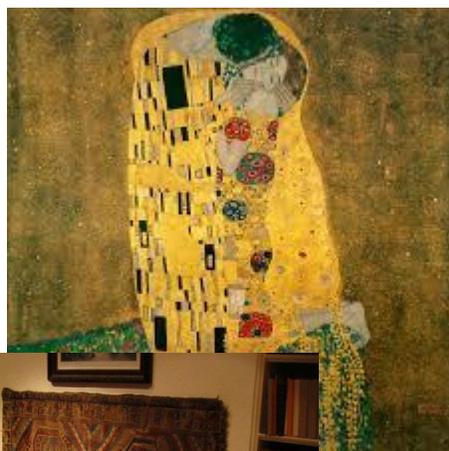
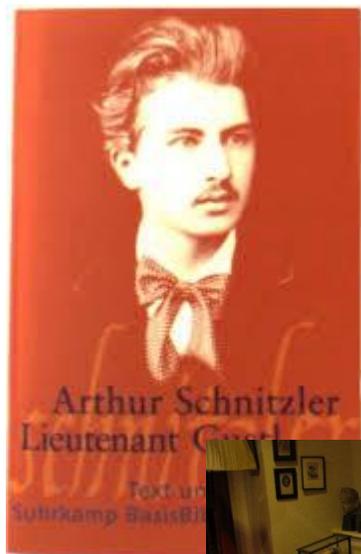
Austria in the second half of the 19th century

A powerful yet increasingly dysfunctional state

- Omnipresent state and rigid imperial structures
- Economic and political crises and deteriorating legitimacy
- Endemic interventionism and protectionism
- But: a highly trained and professional bureaucracy



Fin de siècle in Vienna provided rich intellectual soil



Internal contradictions stimulated intellectual activity

- Fine arts turned toward aestheticism
- Analytical shift toward inwardness
- Emergence of therapeutic nihilism

The first generations of the Austrian school of economics

The individual at the centre of analysis

- Methodological individualism
- Subjective theory of value – law of marginal utility
- Uncertainty and time



Carl Menger

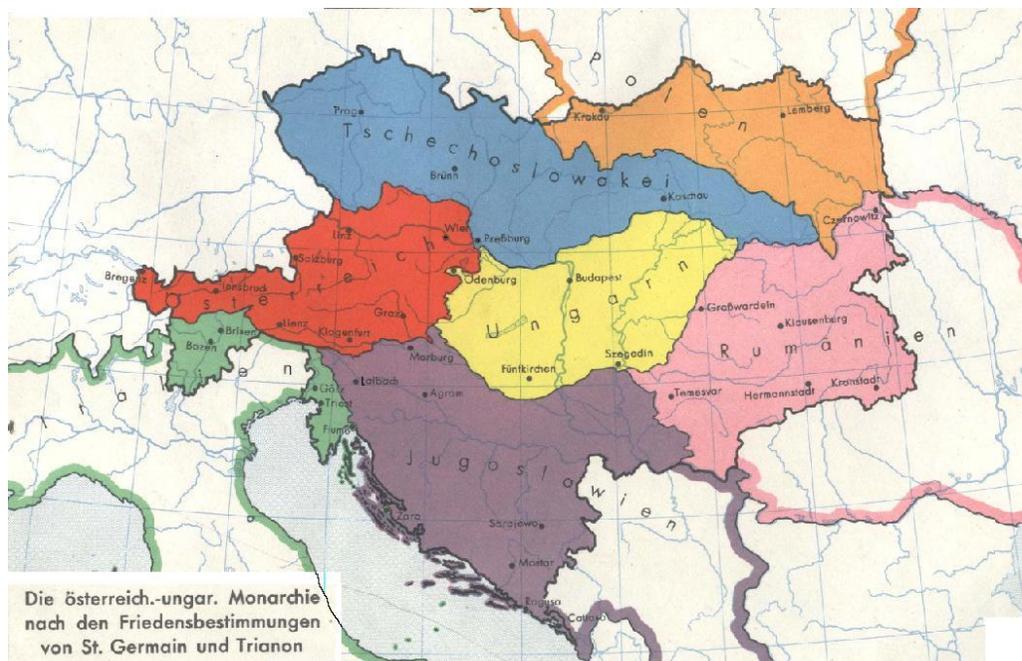


Friedrich Wieser



Eugen von Böhm-Bawerk

Austria after World War I



The empire collapsed in a turmoil

- Rupture of the multi-ethnic empire
- Escalation of the clash between conservatives and socialists
- Hyperinflation and world economic crisis

The Austrian school of economics goes libertarian

A spin toward therapeutic nihilism

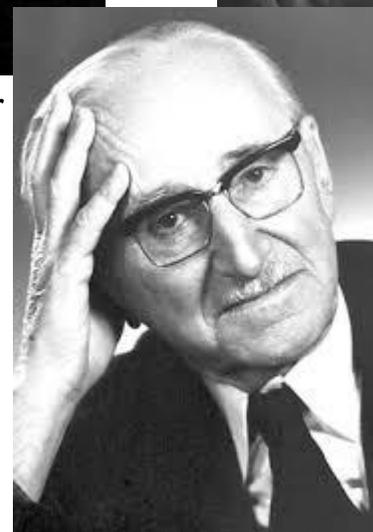
- Move toward dynamic analysis
- Propagation of the minimum state
- Knowledge and uncertainty



Joseph Schumpeter



Ludwig Mises



Friedrich Hayek

The institutional structure of post-war Austria



Reducing uncertainty through institution building

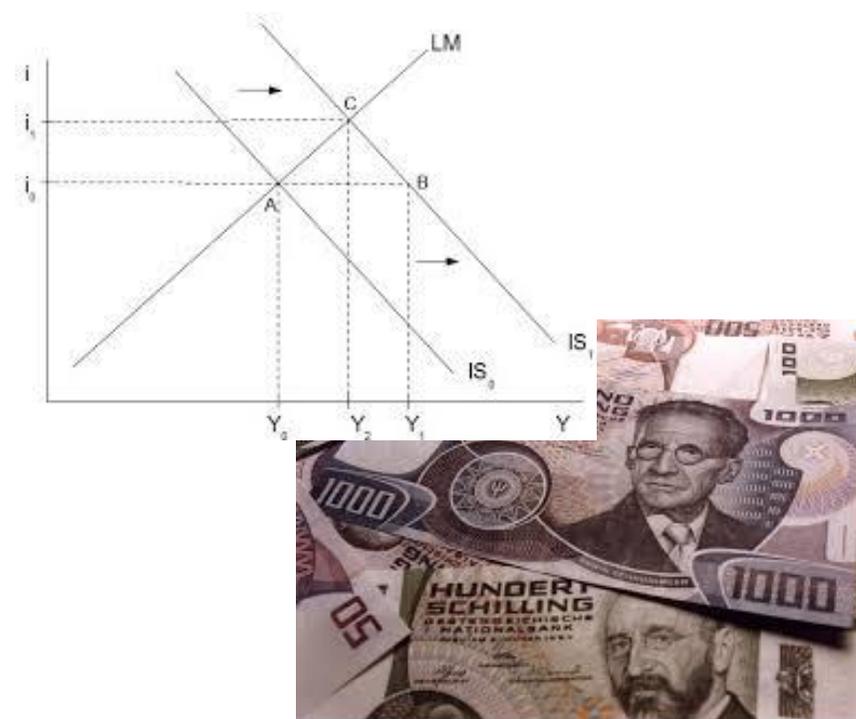
- International financial aid helped to rebuild the industry
- Nationalized industry became backbone of the reconstruction era
- Rise of neo-corporatism stabilized expectations



Supporting monetary and fiscal policy

The rise of Austro-Keynesianism

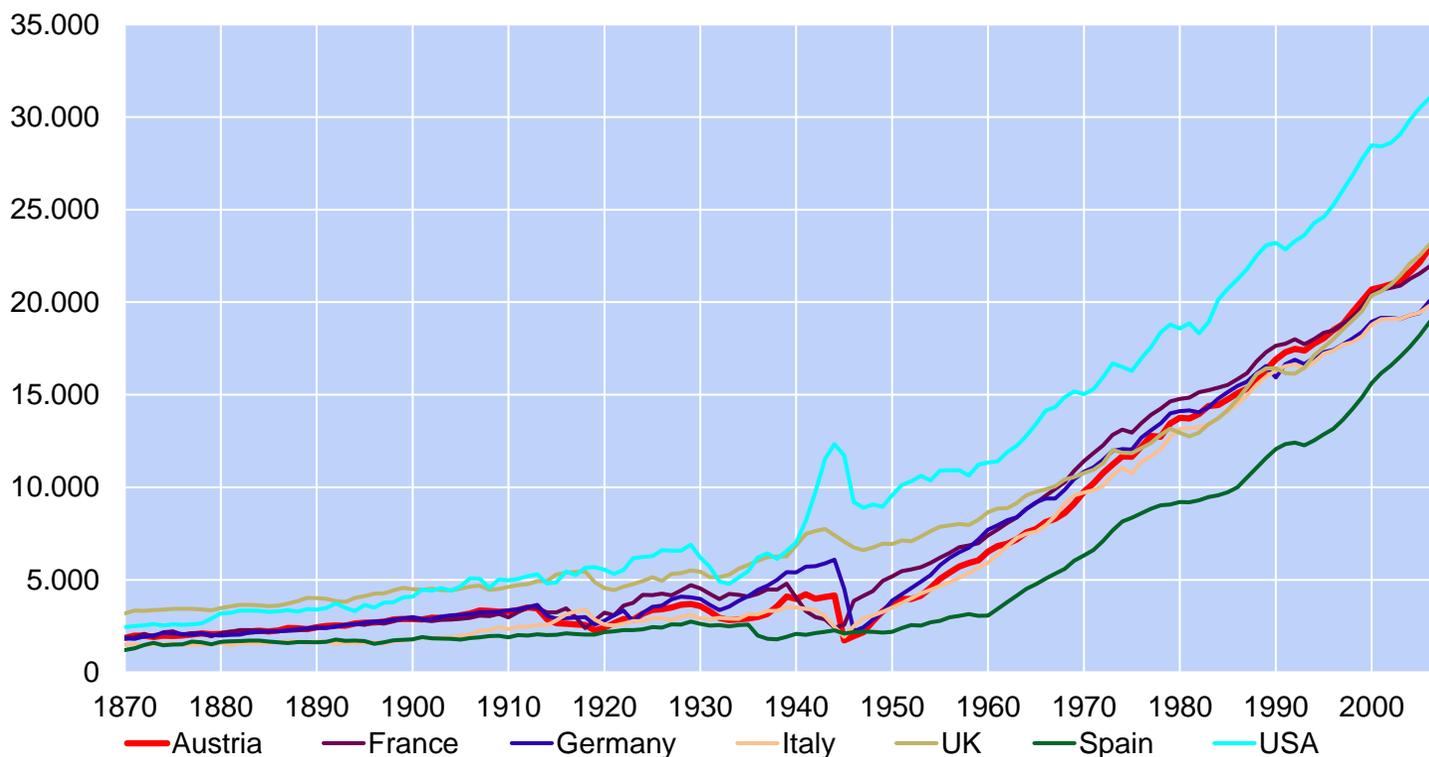
- Anticyclical fiscal policies tamed the business cycle
- Hard currency policy prepared the road toward international integration



After World War II: Austria's economy flourishes, yet challenges remain

GDP per capita for selected economies

(1990 Int. GK\$)



Quelle: Madisson.

Conclusions

- The Austrian school of economics was founded around the concepts of methodological and subjective individualism and uncertainty
- The turmoil in the inter-war years triggered a focus on dynamic analysis and an obsession with the minimum state
- Only complete disregard of these recommendations enabled the economic take-off of post-war Austria by minimizing uncertainty