

# PRINCIPLES

## THEORY AND TRADITION - PRACTICAL BENEFITS - ETHICAL PRINCIPLES

In recent years, the subject of "national economics" has been dropped without replacement from the curricula of most business universities in Europe. This may be regrettable, but it is not surprising. The development of the discipline(s) of economics has already been subject to recognizable signs of erosion over the past 150 years. While the "father of economics", Adam Smith, and after him all exponents of the "classical period" built their analyses of economic activity on a solid philosophical foundation and considered the consideration of psychological and moral references as self-evident, many of their successors emulated scientific research ideal, which by definition is committed to the "objective" and "value-free" analysis of isolated phenomena. The increasing abstraction of the study of economics and society necessarily led to a fragmentation of the field and to an unhealthy reductionism that led away from the many-membered complexity of economics and society. Thus, the practical utility of economic theory was increasingly missed, while the fragmented science itself contributed more and more to the deformation of society: An economy-less sociology (Comte), an ideologized pseudo-economics (Marx), a foundationless political science (Parsons), a socio-technical welfare economics (Pareto), a mathematized micro-economics (Marshall), a reductionist macro-economic (Keynes), and a cloudy and mostly disoriented history of economic ideas emerged.

It would be completely unfair to claim that all these disciplines were useless and incapable of producing insights and knowledge that would be applicable and important for the maintenance and development of a prosperous economic society. But the comprehensive methodological access is missing to see the context necessary to identify and grasp a concrete problem so that it can be solved.

The most chilling example of the consequences of the detachment of economic practice from any theory is the development of the global monetary economy into a theory-less, "pragmatic muddle-about", whose consequences of an uncontrolled, cancerous growth of the money supply do not really seem to worry anyone, precisely because the policy of the central banks had said goodbye to any monetary-economic theory.

When the probably most important economist of the twentieth century, the Austrian Nobel laureate Friedrich August von Hayek, was appointed with a professorship at the University of Chicago (1950), he insisted on naming the field of work of his chair as "Social and Moral Sciences". Indeed, in the "Austrian School of National Economics," on whose tradition Hayek built, it was always natural to embed a solid analysis of economic phenomena and processes in the institutional and legal framework, to take historical developments into account, to make use of psychological and anthropological insights, to study political concepts, to correctly assess power strategies and profit orientation, and not to disregard the influence of ideas and traditions, even to comprehensively appreciate the significance of religion for people's actions and thus for the economy and society. Hayek's work accordingly includes works in the fields of monetary theory, business cycle theory, capital theory, legal theory, the history of ideas, organization and institutional theory, social philosophy, theoretical psychology, action theory and theory, methodology, and the sociology of religion.

He provides concrete and very operationally oriented proposals for the renewal of the monetary system or monetary order and for the reform of the system of party democracy, which has become totalitarian, including a concrete proposal for a constitution.

Friedrich A. von Hayek is regarded by the Institute for Applied Political Economy as a kind of godfather for the mission of our institution. However, this is not to be dogmatic.

The Institute is based on the insight that there is hardly a great theorist of economics and social sciences as well as political philosophy whose theorems and positions cannot be made useful for coping with concrete practical challenges: Be it in the application of his research results or in the critical, possibly even rejecting discussion of them.

The institute's range of services covers seven major fields of activity:

- basic research in social and economic sciences
- training, education and scientifically based opinion-forming
- scientific policy advice

- provision of scientific expertise for the assessment of social, operational and economic problems
- utilization of socio-economic theories for the solution of concrete micro- and
- macro-economic questions
- provision of contacts and international networks for decision makers
- moderation of synergies between the sectors of science, economy, politics and culture.

The more practical a problem is, the more theory is needed for its satisfactory solution. In all service areas, however, it is of central importance not to absolutize scientific findings.

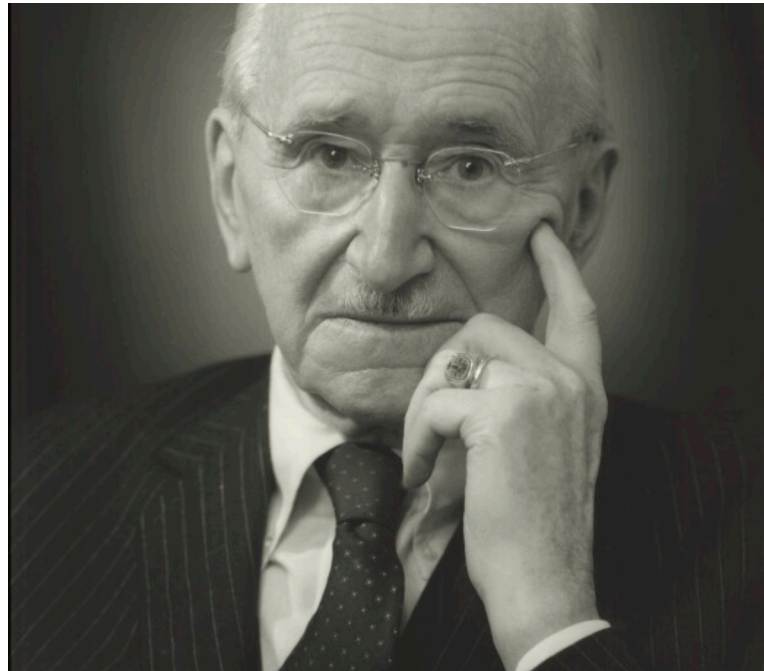
Above all, mere functionality of social systems must not be elevated to the measure of all things. The Institute is committed to the goal of efficient economic societies with high value creation, creativity and progress dynamics; however, all this must always be measured against the degree of justice, the goal of preserving social and cultural integrity and the highest value of social balance.

The Institute advocates the thesis that the quality of a community is ultimately to be measured by the preservation and expansion of the human dignity of the poor and miserable and by the community's attempt to strengthen their status.

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## FRIEDRICH AUGUST VON HAYEK

1899 – 1992



Nobel laureate and most important representative of  
the Austrian school of national economics  
Friedrich August von Hayek provides the intellectual  
foundation for the scientific safeguarding and further  
development of the foundations of a prosperous  
society of free people.

