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Opinion

Allen Mendenhall: Alabama's Mises Institute is a gem hiding in plain sight

[Allen Mendenhall](#) | 03.22.25



(The Mises Institute)

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The Austrian Economics Research Conference (AERC) convenes this weekend at Auburn's Ludwig von Mises Institute. I typically attend this scholarly gathering but must forgo it this year due to obligations in Texas.

The Mises Institute remains one of Alabama's underappreciated intellectual assets, overlooked even by many Auburn students and locals who seem unaware of this significant resource in their immediate vicinity.

The Mises Institute was “founded” in 1982 by Llewellyn H. Rockwell, Jr., with the blessing and aid of Margit von Mises, Murray N. Rothbard, Henry Hazlitt, and Ron Paul.” Situated initially within Auburn University, the Institute now operates as an independent non-profit, occupying premises on Magnolia Avenue immediately adjacent to the original Mama Goldberg's Deli, a short walk from Jordan-Hare Stadium. Its mission is to “promote teaching and research in the Austrian School of Economics, individual freedom, honest history, and international peace.”

Given my association with the Institute, I'm often asked, “What's Austrian economics?” There's no simple explanation because this school encompasses numerous economic principles united chiefly by their intellectual lineage with thinkers who happened to be Austrian: Carl Menger, Eugen von Böhm-Bawerk, Ludwig von Mises, and Friedrich Hayek.

American economist Murray Rothbard – not Austrian by nationality – is particularly significant for the Institute, having served as its inaugural vice president of academic affairs until his death.

What principles, then, constitute this species of economic thought? Here are a few.

First is methodological individualism, which holds that only individuals, not groups, act – a proposition closely connected to praxeology.

Praxeology studies how people work together and cooperate. It treats social action as a specific example of the broader concept of human action in general.

Second is the theory of marginal utility. This theory posits that the utility derived from each additional unit declines as consumption increases. Marginal utility represents the incremental satisfaction gained or lost from consuming one extra unit of a good.

An illuminating example involves pizza consumption: when confronted with a fresh pie while famished, one consumes the first slice with exquisite satisfaction, while subsequent pieces yield progressively diminishing pleasure as hunger abates.

Third is the subjective theory of value, which maintains that goods possess no inherent worth but rather derive their value from the collective estimation of consumers who determine, through their preferences and choices, what significance is assigned to any particular commodity.

Fourth involves monetary inflation and the business cycle theory, which contends that credit expansion and artificially suppressed interest rates – while initially stimulating borrowing and economic activity, thereby generating an apparent boom – inevitably precipitate a diminution in money's purchasing power, culminating in inflation. This monetary degradation ultimately necessitates a corrective contraction, manifesting as economic decline – hence the descriptive terminology of the “boom-bust cycle.”

Fifth is the economic calculation problem associated with Hayek, which critiques centrally planned economies. It argues that no individual, group or government agency can possess the dispersed local and tacit knowledge necessary to determine appropriate prices. In a free market, prices emerge from countless individual decisions based on personal knowledge and circumstances that central planners cannot fully aggregate or predict. This spontaneous process results in what the market determines to be just prices.

While other principles abound, I'll highlight one that the Institute uniquely emphasizes among Austrian economists due to its connection with Rothbard: opposition to fractional reserve banking. This practice involves banks accepting deposits and lending those funds instead of keeping them fully in reserve. Banks thereby effectively expand the money supply, leading to harmful economic consequences while raising ethical issues about whether this practice is a form of fraud against depositors.

Though I cannot attend this year's conference, I remain confident it will provide its customary intellectual stimulation and rigorous economic discourse. Alabama is indeed fortunate to host this distinguished institution whose influence extends far beyond our state's borders. The Institute is globally recognized for advancing Austrian economics and promoting human liberty.

Its work matters. Its influence endures.

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