SUMMARY OF THESIS

Introduction

Approaching the business cycle theory is not a subject that comes at hand. We are permitted to make such a statement with reference to the idea that explanations concerning the business cycle theory are strictly related to how each school of thought was able to understand the system that makes market operate, how the idea of long term prosperity was understood and, last but not least, which is the role of the state. The heterogeneity of the theoretical approaches that make reference to the issue of the business cycle cumber the outline of a clear vision as they do not use a common language, neither from the theoretical nor normative point of view.

Although some of the doctrines tend to insist on a particular factor, considered to be the most important one and also the one that is responsible for triggering the economic crisis, in fact this particular issue can be observed from various perspectives. Based on this assertion, the present theories on the economic cycle indicate the participation of a substantial number of elements that, according to different schools of thought, are to be blamed for economic imbalances. Thus, the roots of the problem can be found in *monetary expansion, state interventionism, excessive regulation, lack of regulation, low level of consumption, various changes in consumer preferences* and so on and so forth.

Moreover, the true sense of the economic system known as capitalism has lost its basic meaning over the years. Today, this form of social organization has come to be associated with mixed economy. No wonder that, in such circumstances increasingly more people blame capitalism for the surrounding reality.

Trying to discern the factors that provide the most relevant answers to one of the biggest dilemmas that the economy had to face over the years, namely the recurrence of recessions, our attention was captured especially by the explanations coming from the Austrian School.

Motivation and relevance of the topic

The doctrine of the Austrian School[1] of economics has revolutionized the world at the end of the nineteenth century and early twentieth century. Denying the relevance of mechanistic and deterministic approach in economics and adopting instead a *marginalist approach*, which places the individual in the center of the action, differentiated the Austrian theories from the dominant ones at a certain point in time. Therefore, from the outset, the Austrian theory has been tabulated as a *heterodox* one, i.e., one antithetical to the dominant or orthodox theory.

Beginning with the 1930s, especially with the advent of Keynesism, Austrian School of Economics lost its gained fame. One of the main reasons was that the Austrian theories did not target short-term solutions, as did John Maynard Keynes's theory which was based on the assertion that *"in the long run we are all dead"*. The comeback of Austrian School ideas culminated when Friedrich August von Hayek won the Nobel Prize in 1974.

What we seek is to analyze, decipher and continue the line of these ideas that were for a long period of time, ignored.

The state of crisis that still seizes the economic system in 2013, and has lasted for years already, continually generates multiple doubts regarding the veracity that is supposed to dominate the economic theories. Economics is called to give account for the entire series of events. However, the blame is thrown, wrongly, on economic science in general, and on its failure to meet the new challenges. There should be understood that the fault originates *primarily* from a misapprehension of the operating system belonging to the economic apparatus. *Secondly*, the existence of confusion involves, of course, the fact that a number of erroneous precepts are applied. It is noted the urgent need for clarification, clear explanations of the principles that compile the actual economic mechanism. Currently,

[1] The school takes its name from the German historical school members who, during the debate on research methods, Methodenstreit, have given this name to emphasize removal from the predominantly German thinking and the “provincial” approach of its members.

there seems to be forgotten the fact that, from the outset economics *"... was significantly motivated by the need to study the evaluation of opportunities for people to lead a good life, as well as the causal influences on these opportunities"* (Sen, 2004: 43).

Likewise, over the years there has been a change of perspective in dealing with economic problems. From the initial emphasis placed on the value given by the individual, the centerpiece in the economic puzzle, it has come to a very general approach, focusing, in particular, on the collective nature of a society's wealth. This level of collective wealth is measured in aggregates like Gross National Product (*GNP*) or *Gross Domestic Product* (*GDP*) indicators that are far from reflecting the true course of the economy. This leads to a considerable underestimation of the role of market mechanisms, with negative consequences on the economy.

In our opinion, the explanations needed for understanding the true ways of functioning of the economic system can be found in the writings of Austrian School economists.

Motivation reveals itself among the various questions raised over time by the many economic crises that have affected global economies. Deepening this theme aims to provide pertinent answers to troubling questions: Where are these imbalances rooted? How can they be explained in a manner as relevant as possible? What are the clues that might help us to anticipate future crises before they begin to make their presence felt on the world economic scene? Or, furthermore, how can they be avoided? The relatively small number of researches in Romanian language on the Austrian theory of the business cycle, with specific emphasis placed on the anatomy of the Great Depression, unlike those on the current economic crisis, encouraged us to approach such a subject. In the same vein, the relevance of this particular subject cannot be ignored since the general state of crisis that we are experiencing is imprisoning the world economy. Consequently, what we seek is to design a unified body of the Austrian School theories on business cycles, in order to provide a better understanding of an issue of real importance for sustained economic development, i.e. avoidance of crises.

In addition, the multitude of information sources that appeal to the explanations provided by the mainstream doctrine choked the academic, scientific, politic communities. And this can only be considered as a real obstacle in the way of sharing and receipting the Austrian message. In this regard, our approach poses no other claim than to be a starting point for sending an important piece of the entire Austrian doctrine.

Purpose and Objectives

Huerta de Soto (2010) has rightly argued that the lack of knowledge regarding the real causes that determine the occurrence of business cycles is almost as serious and can have effects nearly as harmful as the triggering causes themselves.

In an economic environment still dominated by the Keynesian doctrine, the relevance of our scientific approach is justifiable.

Based on these statements, *the* ***aim*** *of our research is to decipher the logic of the Austrian school representatives regarding the recurrence of economic crises and, therewith, to dismantle, by resorting to the case of the Great Depression, one of the most resounding economic myths of the twentieth century according to which the capitalism or the market economy would be responsible for triggering business cycles*.

Today, capitalism carries the same title as in its beginning although the basic meaning has steadily deteriorated over the years. From this perspective it resembles what Hayek named in his book *The Fatal Conceit. Errors of Socialism,* a *"weasel term"*[2] (Hayek, 2003: 189). In other words, capitalism has kept the form but lost its substance.

Achieving the goal was possible by accomplishing the following **objectives** of the research:

[2] Hayek makes an analogy to William Shakespeare's work *As You Like It* (1599). Therefore, he uses the example of a weasel which is said to be able to empty an egg without leaving any trace. The definition of this concept is as follows: *"A weasel word is used to pluck the teeth of a concept that we are obliged to use but we seek to eliminate all of its implications that defy our ideological premises"* (Hayek, 2003: 189) .

- presentation of the three dominant doctrines of economic thinking, i.e. keynesism, monetarism and austrianism, in order to justify our predilection for addressing the Austrian business cycle perspective;
- reproducing the general way of functioning of an economic system based on free market mechanism in order to facilitate the highlighting of further irregularities arising in the spontaneous order because of state intervention;
- exposing and arguing the main ideas underlying the business cycle theory formulated by Austrian School economists;
- outlining an Austrian scenario for the Great Depression by correlating the austrian business cycle theory with the reality that composes the years 1920-1939.

Broad lines of thesis structure

The structure of this paper has been elaborated in accordance with the objectives set out in the above lines. Establishing four main goals, we considered appropriate for each objective to correspond to a chapter. Therefore, information was collated into four chapters, except the introductory part of the study, respectively, the final observations.

The first thematic chapter, ***The Austrian-Keynesist-Monetarist dispute oriented towards the analysis of economic imbalances***, proposes a comparative analysis between the three dominant doctrines of economic thought: keynesism, monetarism and austrianism. In the first instance we focused on presenting the context in which the doctrinaire battle was formed, namely, around the onset of the Great Depression. We then continued by highlighting the dimension of state involvement in what concerns the problem with imbalances, as this represents, in our opinion, the main issue that led to the initiation of the dispute. Another aspect of great importance, which clearly distinguishes the three perspectives concerns the encapsulation of capital theory in the explanations for the triggering of crises. From this point of view, the Austrian School provides a more plausible explanation as it includes the issue of capital, while the Keynesians and the Monetarists do not give any essential importance to this aspect. This generates a series of chain errors within their proposed theories. Therapeutical recommendations will differentiate once more, the three ideational streams. We therefore chose to analyze the implications of adopting each doctrine, in part, together with their package of preventive measures because, based on this antithetical analysis, we considered it easier to motivate our propensity for the explanations provided by Austrian School economists.

In the second thematic chapter entitled ***Preliminary disclosure of the general Austrian framework***, we have sought to show, from the same Austrian perspective, the healthy functioning of an economic system. Thus, in the first part we resorted to the delimitation of Austrian institutional framework for then to continue with the importance of praxeological approach in shaping a true picture of the evolutionary economic process. Admitting, as a generally valid statement, the fact that individual action is subjective, we then chose to deepen the praxeological subjectivism issue based on the criteria through which value and utility is conferred to various types of goods and services on the market. Starting therefore from the analysis of human action, the foundation of a social science such as economics, we were able to subsequently configure, as in a puzzle, piece by piece, the symmetry of the free market system. We focused on highlighting consumer sovereignty, the way it dictates the prices of goods in the market as well as those of capital, i.e. the interest rates. We could not therefore overlook two basic theories that compose the Austrian doctrine, namely, those of interest and capital. We equally considered the need for an analysis of how Austrian economists perceive the concept of free market equilibrium, distancing, once again, the Austrian vision from the mainstream one. Focusing on the profit-loss "game" of free competition which drives the whole economic system, we sought to determine the entrepreneurial dimension related to the free market. At the end of this chapter we considered necessary to explicitly highlight how long-term economic growth can be obtained, based on prior savings, namely the accumulation of capital, and by taking into account the interest rate signals.

The third thematic chapter, which we chose to name ***The Specificity of the Austrian School regarding the cyclical economic approach***, deals with the cluster of errors that interventionism generates in an economic system. The rupture produced inside the spontaneous order by interventionist measures impede the coordination achieved only through economic calculation. We sought to show how high barriers are lifted in the way of free pricing formation or how through unfair taxation entrepreneurship is stifling, all this generating massive unemployment and further on economic crises. In the second part of the third thematic chapter, we showed how interventionism propagates through monetary expansion. Therefore, we began by dealing, in particular, with the leitmotif of Austrian business cycle, i.e. interest rate, playing attention on the signals that it transmits and how it can generate monetary expansion. We then continued by presenting the problem with the fractional reserve system which was illustrated with the help of the prisoner's dilemma example. Being recognized that Austrian economists place more emphasis on the level of relative prices and not on the general price level, we sought to highlight these issues in the section dealing with credit expansion. The way in which interest rates affect relative prices and further on the entire structure of the production was not left out. We could thus outline the mechanism behind the triggering of economic crises. Last but not least, we considered necessary scoring a set of therapeutic recommendations aimed at ensuring a more rapid economic readjustment.

Through the fourth thematic chapter, which is the last one, entitled ***Correlating theory with reality. Discussions of Austrian nature based on the interwar U.S. economy***, we intend to verify to what extent the Austrian scenario corresponds to the events and data that we have concerning the strongest crisis of the twentieth century. In the first instance we chose to analyze the 1920s to see if the onset of the Great Depression can be brought into account by the 1923-1929 inflationary boom period. We placed emphasis on the development of interest rates, money supply, price index for capital goods compared to consumer price index and last but not least, the development of the main bursar index (DJIA) whereas for the Austrian economists it has increased explanatory power. We also briefly focused on the "Black Tuesday" moment for then to further proceed with the observation of another point of interest for highlighting the truthfulness of Austrian theory, i.e. the New Deal moment. Because we wanted to support the theory with evidence drawn from reality, we analyzed the trend of the same price indices for capital goods compared with consumer goods, as well as the trends of budget expenditures, budget surplus or deficit, government savings etc. Finally we tried to imagine a possible Austrian scenario of the Great Depression, in particular by referencing the most violent crises of the twentieth century to the short slump that took place in the interwar period, i.e. the forgotten crisis of 1920-1922. The entire interwar period becomes part of the general theoretical framework that precedes and succeeds the onset of a crisis.

Resorting to data obtained mostly from the website of the National Bureau of Economic Research (NBER) and the website of the Federal Reserve Economic Data (FRED), we concluded that the Austrian theoretical model fits, in most aspects, the real scenario of the Great Depression.

In the last section named ***Final remarks***, we presented hereinafter the ultimate remarks of our research, concluding that the Great Depression was caused by an uncovered monetary expansion produced by a massive government intervention inside the natural and evolutionary process of the free market. In addition, we demonstrated that blocking the possibilities for the market to self regulate also through interventionist measures like the kind that composed the extensive economic recovery plan named New Deal, did nothing but turn what could have most likely been a slight crisis into one of the worst depressions in history. We thus came to the conclusion that economic myth of the twentieth century is still to be considered a simple myth. It is not justified as the evidence hold against it.

Methodology

Austrian economists have never agreed to use quantitative analysis, arguing that the truths of economic theories are determined *a priori*. Consequently, truth must be found using mental experiment. They also believe that econometric modeling, so in vogue today, is useful only to describe imaginary and static scenery, thus being terribly misleading (Rothbard, 1980). Statistical analysis of the data represents the only tolerated empirical method and, therefore, used.

The **first part** of our study, namely that concerning the theoretical aspects aimed at benchmarking the *comparative analysis* between Keynesian, Monetarist and Austrian doctrine is addressed only from a qualitative perspective. We did the same in terms of the **second part** in which we embedded the *interpretative analysis* of the general framework afferent to a healthy economic Austrian environment and the features that make up the Austrian theory of the business cycle.

The **third part**, namely the case study on the interwar U.S. economy, contains an *empirical approach* as the argument is mainly based on *statistical data analysis*, namely, the indicators relevant to highlight the Austrian theory of the business cycle. The period under observation is of twenty years.

In those three parts of the research mentioned above the strategy we decided to use involves a number of techniques such as *gathering information* and *data* through a solid research of the specialized literature consisting of studies, reports, summaries, official websites and data processing sites of some central banks in the U.S. After gathering the necessary information we appealed to observation and interpretation. We also used systematization of the information that was possibleby either tabulation or by graphical representation. Therefore we mainly used a *deductive method*, *a praxeological one*, specific to the Austrian School and last but not least we use the *induction technique* in order to highlight the consequences of a poor understanding of the causes that trigger the recurrence of crises on the entire economic system.

The results of our scientific approach, derived from the analysis of data as well as ideas underlying the main theories have been structured in descriptive, explanatory and normative statements, scientifically argued.

General aspects

The "anti-capitalist mentality" leaves the impression that it is increasingly seizing the economic scene. Each imbalance felt inside the economic system is considered as an inherent part of free markets thus non-involvement of government or, in other words, puts the blame in the account of capitalism. From this point of view, it is absolutely necessary to open our eyes to the reality that surrounds us in order to understand the real reasons because of which we are periodically affected by economic cycles. The lack of reliable information regarding the causes that lead to the triggering of crises creates confusions. Thus, a better understanding of the factors that determine the atmosphere of uncertainty enveloping them could be a real liberating solution.

Through a short journey through the three dominant economic doctrines, namely keynesism, monetarism and austrianism, conducted at the beginning of our research, we managed to shape and also to justify our preference for what is known today as the Austrian theory of the business cycle. It is true that the mainstream doctrine is a clear winner of the economic battle. However, its firm victory did not unanimously convinced economists. What has "helped" keynesism was mainly the permanent tendency of individuals to observe only the immediate effects arising from the implementation of a policy as well as the advantages perceived on certain groups. What should be however considered the *"secret of economics"*, as Henry Hazlitt called it, is to take into account not only the immediate effects, those of short duration, but especially ones that manifest in the long term.

Therefore trying to elucidate the mystery behind the apparent onset of economic crises, in our opinion, the explanation provided by the economists of the Austrian School seem the most pertinent. The approach that we proposed consists in providing, in the first instance, an Austrian approach for clarifying one of the mainstream's doctrine yet unsolved mysteries, namely, the manner in which markets operate. We then continued with explanations on how the interventionist errors propagate inside the economic system for then to finally reach the case study through which we achieved the correlation of the Austrian theory of business cycle with the reality of the interwar period. We therefore focused on the long term analysis as we investigate the period from 1920 to 1939. Although their eclectic style has lowered their credibility, the fact is that once caught, the explanatory thread proposed by the Austrian economists, helps reveal the signification in a clear manner. The Austrian doctrine remains however a complex one as it incorporates an entire succession of theories, including some key ones like the theories of capital and interest as well as the monetary one. At the same time, in order to percuss the Austrian sense it is essential to embrace a micro approach, one subordinated to the individual. Unfortunately, this is becoming increasingly difficult to achieve as economics seems lost in equations and mathematical, statistical, econometric models and so on, expelling the human factor from the analysis.

The architecture of the Austrian theory of business cycle is based on at least six essential pillars. In the first instance, we are referring to the *marginal approach*. The second pillar is represented by the *methodological individualism*. Thirdly we discuss the *methodological subjectivism*. The fourth pillar refers to the incorporation of the *time preference structure*, originally outlined by Böhm-Bawerk, both in terms of consumption and especially production. The number five pillar represents the wieserian concept of *opportunity cost*. Last but not least, is the need for *deregulation of markets*.

Therefore, understanding the concept of marginal value, plus the subjectivist-individualist methodology, can provide clarification regarding the business cycle theory. Analyzing the monetary theory as well as those of interest and respectively of capital, but not only these ones, through these filters can help us reach first, the understanding of what today appears as the Austrian theory of business cycle, and secondly, to differentiate it from its rival doctrines, i.e. keynesism and monetarism.

The message that Austrian economists are trying to transmit through the business cycle theory makes sense only through a better understanding of each aspect that stands as the foundation of their promoted doctrine. Otherwise there is a risk that it might be misunderstood.

First, it is required to report the entire structure to the notion of freedom, understood at its true value. Freedom is the symbol of civilization and development, the foundation without which this would not be possible. Giving each individual the opportunity to express itself as it wishes, of course guided by the rules of conduct established through tradition by the society in which it operates, freedom, which finds its best place inside the capitalist society, can be considered synonymous with perpetual progressive change. It thus becomes clear that the development requires the removal of any obstacles that would constitute a deprivation of liberty.

Secondly, it should be understood that the economy is an equation with a single component, and this is human action. Between the individual dimension and social institutions there is a complementary relationship, determined precisely under subjective human action. The mainstream doctrine has transformed, over the years, into one obsessively grounded on empirical evidence. This aspect has deprived economy from its essential side, the human one. Thus, economics, or *"the science of human action"* as Mises called, should bring back the individual at the center of analysis, placing it within the institutional framework of the free market, where it actually belongs.

Therefore, freedom and human action are indispensable for the Austrian architectural construction. These two aspects become bridges that connect the pieces together and keep them welded.

In our opinion, Austrians economists succeed the nearest correlation between theory and reality. They are positioned against reckless consumption and become supporters for real savings. Their approach is relevant and contains a considerable dose of truth in the idea that they strongly state and truly believe that only through savings clean capital can be accumulated. We are referring to that kind of capital that is required for healthy investments. All this will lead, over time, to sustained progress.

Therefore, in a healthy economic environment, namely a market economy, there are two options: either more investment and less consumption or less investment and more consumption. By contrast, in an economy that knew interference, both can happen simultaneously, an aspect that does not portray normality. If there exists, at the same time, both a high consumption and an increased investment, the inevitable question arises: what is the source of the funds needed to support both of them as long as we know that, normally, the investment can be sustained only on the basis of delayed consumption, thus by saving? Something has got to give because this situation cannot last forever. Low interest rates, the main tool used for monetary injections will generate rather a higher rate of consumption and not a lower one that is so necessary for the accumulation of savings and further on for engaging into sane investment processes.

An economy can develop harmoniously only through longer production periods, namely, the bohm-bawerkian circular processes. Capitalists save money, or use the money that society members save, by accessing loans from time deposits in order to create circular production processes by employing labor to process resources and materials bought with money from the credit, then wait until the final product is sold to receive profit. Profit is the signal that recognizes a good allocation of resources and an inspired coordination of production.

The basic idea that we want to emphasize is that a true capitalist system involves a rational use of resources, without reaching the point where the economy has to deal with recessions, due to malinvestment or, in other words, the waste of precious resources that would have been really effective if used in another investment project. Clean money, i.e. those that are not the result of inflationary expansion, designs a financial environment in which economic crises, associated with misallocation of resources, can be avoided and the monetary calculation can record mostly moments of real efficiency.

The business cycle is not caused by deficiencies of the capitalist system. On the contrary, the cause is strictly government intervention in the market process. The consequences of these interventions are evidenced, in the first instance, in an inflationary expansion for then the crisis, as the process of adjustment, to get into its role. There is no such thing as prosperity obtained through unlimited growth. It is built on an unstable foundation and cannot last. *The crisis is therefore nothing but a rupture that occurs inside the spontaneous evolutionary order, as a consequence of the intervention of external factors*. The bust will reveal the unleashing of the economic system from any kind of disturbing factors, indicating recovery through readjusting the production processes to the real structure of the market; or, in other words, to the actual demand manifested by the sovereign consumer. It should be well understood that the recession is not the result of discarding expansion policy. On the contrary, it can be regarded as an inevitable consequence of such a policy. The recovery process can be initiated only when the economic environment managed to eliminate the causes that determined, from the beginning, the economic disease, i.e. when monetary injections are suspended.

By understanding and applying the Austrian precepts we believe that economic imbalances of high magnitude, such as the Great Depression, could be avoided.

We all remember the adage *"those who do not know history are condemned to repeat it"*. Thus, if history had been well understood we could then only assist to a repetition of phases that mark the path towards development, avoiding those that hinder it.

In the extension of these ideas, we have stopping, in our thesis, to the interwar period, referring precisely to those two depressions during that time interval. An emphasis was given to the case of the Great Depression because it was a special one, of an increased relevance for highlighting the Austrian theory of business cycle.

The stock market crash in 1929 was a foreseen consequence, predictable and provided, moreover, by the Austrian economists Mises and Hayek, as a result of the boom from the 1920s. Such a magnitude could not have been assumed, given the failure to anticipate the massive level of intervention that the economic system knew back then, both before and especially after the collapse of the stock market in 1929. The roosevelian and hooverian interventionism represented a key factor in the amplitude of the events that took place back then.

Hence, beginning with 1930s, the fragile economy found itself hanging by a thread that authorities insisted on thinning, month by month, with each new undertaken interventionist action. In 1929, the thread, being already very week, gave way and broke, leaving the economy in freefall and allowing it to slip, in reiterated occasions[3], into the deep abyss of the thirties.

The essential mistake was that both Hoover and FDR failed to understand that the price level fell due to depression. On the contrary, they were deceived by a reverse causality, considering that the economy has reached the state of depression because of the low price level. Therefore, for them the remedy was obvious: maintaining, among many other measures, an increased price level. Thus, they boarded the inflationist ship without realizing that it will have immediate consequences on the purchasing power of money and further on economic stability. There is thus no doubt that Roosevelt and Hoover[4] are the figures who stood behind the causes of a prolonged depression, one that could have ended in a much shorter period of time.

New Deal can be regarded as a preview of state planning and government intervention in economy. It also represented the starting point for the so-called "mixed" economy, a type that includes, of course, a very active state involvement inside economic life. This set of measures failed lamentably to end the depression, managing however to "revolutionize" the economic system by changing the dominant ideology. According to many economists, Roosevelt's plan was a genius one, being able to, finally, release the economy from the deadlock that was throttling it. The only problem, the explanation given by these economists for the long period of depression, would be an insufficient state involvement, ever since the moment of the collapse in 1929. Many interventionist concepts remained until nowadays inspiring, over time, new types of government actions.

Consequently, the creation of the right frameworks for a free economy should be the primary goal of the XXIth century. *A paradigm shift is essentially needed to adapt to the*

[3] We refer here particularly to the recessions within the depression which unleashed themselves during the 30s; Hoover and Roosevelt are, nevertheless, responsible for the downturn.

[4] Listed in this order in terms of the degree of influence and involvement in economic life.

requirements of sustainable economic development. It is indeed hard to believe that there could be a perfect market, without economic imbalances. As long as the center is the human factor, the consumer characterized by unpredictability, we will have vulnerable markets, susceptible to fluctuations. *A perfect market system is pure utopia*. We believe, however, that these fluctuations could not reach the magnitude of the Great Depression if the economy is left to self-regulate. Therefore, it is beyond doubt that the recession is not caused by market failure, as we were "indoctrinated" by the mainstream doctrine. Only the presence of exogenous factors bare the guilt for the chain of errors reported inside the economy. And these exogenous factors are only government interventionist measures.

Personal contributions

We consider the need for a lapidary review of the main personal contributions provided through this research. The synthesis is performed both on the evaluation of how the objectives and the purpose were fulfilled and highlighting the main elements that represent the foundation for understanding the Austrian theory of the business cycle. Therefore, please note the following personal contributions that differentiate this research from the others on a similar topics:

1. The presentation of the main theories, as well as their possible interpretations, by emphasizing the contribution brought by them to the clarification of the Austrian doctrine;
2. Identification of the main contributions brought by the Austrian School economists to the issue of crises recurrence in the first place, based on a comparative analysis that highlights the opposition between Austrians, Keynesists and Monetarists and, secondly, by explaining the main theories and operational concepts that compose the Austrian doctrine;

3. The development of the general theoretical model of Austrian business cycle and applying it to the case of the Great Depression in order to observe to what extent Austrian studies fold the reality;
4. The development of a database, consisting of the main variables considered essential for Austrian economists and covering the 1920-1939 period in order to demonstrate the business cycle theory (interest rates, money supply, production levels etc.);
5. Creating a possible Austrian scenario for the Great Depression by reference to the *laissez-faire* crisis of 1920-1922.

Research limitations

The main limitations of the research come from the following directions:

- The reluctance and implicitly the opposition with which Austrian theories are still regarded, both in terms of methodology as well as the promoted ideas can easily pass as limitations of the research. The fact that the Austrian doctrine breaks the orthodox pattern of the mainstream doctrine will determine the reader to enter a new field, sprinkled with obstacles, which may be confusing because of the information provided;
- Last but not least we mention the existence of divergent views on the Austrian theory of the business cycle, even inside the Austrian School itself. This leaves the impression that the doctrine is not a well congealed one and therefore causing its loss of credibility.

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