

RESEARCH IN THE HISTORY OF  
ECONOMIC THOUGHT  
AND METHODOLOGY

# RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND METHODOLOGY

Founding Editor: Warren J. Samuels (1933–2011)

Series Editors: Luca Fiorito, Scott Scheall, and  
Carlos Eduardo Suprinyak

## Recent Volumes:

- Volume 35A: Research in the History of Economic Thought and Methodology: Including a Symposium on the Historical Epistemology of Economics; 2017
- Volume 35B: Research in the History of Economic Thought and Methodology: Including a Symposium on New Directions in Sraffa Scholarship; 2017
- Volume 36A: Research in the History of Economic Thought and Methodology: Including a Symposium on Bruce Caldwell's *Beyond Positivism* after 35 Years; 2018
- Volume 36B: Research in the History of Economic Thought and Methodology: Including a Symposium on the Work of Mary Morgan: Curiosity, Imagination, and Surprise; 2018
- Volume 36C: Research in the History of Economic Thought and Methodology: Including a Symposium on Latin American Monetary Thought: Two Centuries in Search of Originality; 2018
- Volume 37A: Research in the History of Economic Thought and Methodology: Including a Symposium on 50 Years of the Union for Radical Political Economics; 2019
- Volume 37B: Research in the History of Economic Thought and Methodology: Including a Symposium on Ludwig Lachmann; 2019
- Volume 37C: Research in the History of Economic Thought and Methodology: Including a Symposium on Robert Heilbroner at 100; 2019
- Volume 38A: Research in the History of Economic Thought and Methodology: Including a Symposium on Public Finance in the History of Economic Thought; 2020
- Volume 38B: Research in the History of Economic Thought and Methodology: Including a Symposium on Economists and Authoritarian Regimes in the 20th Century; 2020
- Volume 38C: Research in the History of Economic Thought and Methodology: Including a Symposium on Sir James Steuart: The Political Economy of Money and Trade; 2020
- Volume 39A: Including a Selection of Papers Presented at the 2019 ALAHPE Conference; 2021

# EDITORIAL BOARD

Michele Alacevich  
*University of Bologna, Italy*

Rebeca Gomez Betancourt  
*University of Lumière Lyon 2, France*

John Davis  
*Marquette University, USA; University  
of Amsterdam, The Netherlands*

Till Düppe  
*Université du Québec à Montréal,  
Canada*

Ross Emmett  
*Arizona State University, USA*

Andrew Farrant  
*Dickinson College, USA*

Nicola Giocoli  
*University of Pisa, Italy*

Harald Hagemann  
*University of Hohenheim, Germany*

Tiago Mata  
*University College, London, UK*

Steven Medema  
*University of Colorado Denver, USA*

Gary Mongiovi  
*St. John's University, USA*

Mary Morgan  
*London School of Economics, UK*

Maria Pia Paganelli  
*Trinity University, USA*

Gerardo Serra  
*University of Manchester, UK*

*This page intentionally left blank*

RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT  
AND METHODOLOGY VOLUME 39B

**RESEARCH IN THE HISTORY  
OF ECONOMIC THOUGHT AND  
METHODOLOGY: INCLUDING A  
SYMPOSIUM ON CARL MENGER AT  
THE CENTENARY OF HIS DEATH**

EDITED BY

**LUCA FIORITO**

*University of Palermo, Italy*

**SCOTT SCHEALL**

*Arizona State University, USA*

AND

**CARLOS EDUARDO SUPRINYAK**

*Federal University of Minas Gerais (UFMG), Brazil*



United Kingdom – North America – Japan  
India – Malaysia – China

Emerald Publishing Limited  
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2021

Copyright © 2021 Emerald Publishing Limited

**Reprints and permissions service**

Contact: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

**British Library Cataloguing in Publication Data**

A catalogue record for this book is available from the British Library

ISBN: 978-1-80071-145-7 (Print)

ISBN: 978-1-80071-144-0 (Online)

ISBN: 978-1-80071-146-4 (Epub)

ISSN: 0743-4154 (Series)



ISOQAR certified  
Management System,  
awarded to Emerald  
for adherence to  
Environmental  
standard  
ISO 14001:2004.

Certificate Number 1985  
ISO 14001



INVESTOR IN PEOPLE

# CONTENTS

<i>About the Editors</i>	<i>ix</i>
<i>List of Contributors</i>	<i>xi</i>
<i>Volume Introduction</i>	<i>xiii</i>

## PART I A SYMPOSIUM ON CARL MENGER AT THE CENTENARY OF HIS DEATH

<b>Introduction</b> <i>Reinhard Schumacher and Scott Scheall</i>	<i>3</i>
<b>The “Improvement of Mankind”: William Stanley Jevons and Carl Menger on Decision Making and Learning</b> <i>Sandra J. Peart</i>	<i>9</i>
<b>Carl Menger’s Different Concepts of the Value of Money – The Enigma of “The Inner Value of Money”</b> <i>Günther Chaloupek</i>	<i>23</i>
<b>The New Theory of Individual and Collective Needs in the Second Edition of Carl Menger’s <i>Principles of Economics</i></b> <i>Erwin Dekker</i>	<i>43</i>
<b>The Modernity of Carl Menger: Austrian Economics and Complexity Economics</b> <i>Sandye Gloria</i>	<i>57</i>

**PART II  
ESSAYS****Penrose and the Indifferent Crowd***Marina Uzunova*

77

**Rationalities and Their Limits: Reconstructing Neurath's  
and Mises's Prerequisites in the Early Socialist  
Calculation Debates***Alexander Linsbichler*

95

## ABOUT THE EDITORS

**Luca Fiorito** received his PhD in economics from the New School for Social Research in New York and is currently Professor at the University of Palermo. His main area of interest is the history of American economic thought in the Progressive Era and the interwar years. He has published many works on the contributions of the institutionalists and on the relationship between economics and eugenics.

**Scott Scheall** is Assistant Professor and Director of Graduate Studies in the Faculty of Social Science in Arizona State University's College of Integrative Sciences and Arts. He has published extensively on topics related to the history and philosophy of the Austrian School of economics. He is the author of *F. A. Hayek and the Epistemology of Politics: The Curious Task of Economics* (Routledge, 2020).

**Carlos Eduardo Suprinyak** is Associate Professor of Economics at the Federal University of Minas Gerais, Brazil. He specializes in the history and methodology of economics, studying the interplay of social, political, and economic ideas in early modern England, and the institutionalization of economics in Brazil during the postwar era. He has published several papers on these and related themes in peer-reviewed scholarly journals, and is also the co-editor of *The Political Economy of Latin American Independence* (Routledge, 2017).

*This page intentionally left blank*

# LIST OF CONTRIBUTORS

<i>Günther Chaloupek</i>	Austrian Chamber of Labour, Vienna, Austria
<i>Erwin Dekker</i>	Erasmus University Rotterdam, Rotterdam, Netherlands
<i>Luca Fiorito</i>	University of Palermo, Palermo, Italy
<i>Sandye Gloria</i>	Université Côte d'Azur, Gredeg, Nice, France
<i>Alexander Linsbichler</i>	University of Vienna, Vienna, Austria and HOPE Center at Duke University, Durham, NC, USA
<i>Sandra J. Peart</i>	University of Richmond, Richmond, VA, USA
<i>Scott Scheall</i>	Arizona State University Polytechnic Campus, Mesa, AZ, USA
<i>Reinhard Schumacher</i>	Universität Potsdam, Potsdam, Germany
<i>Marina Uzunova</i>	John Stuart Mill College, VU Amsterdam, Amsterdam, Netherlands

*This page intentionally left blank*

# VOLUME INTRODUCTION

Volume 39B of *Research in the History of Economic Thought and Methodology* features a symposium marking the centenary of Carl Menger's death in 1921. The symposium, co-edited by Reinhard Schumacher and our own Scott Scheall, features contributions addressing the significance of Menger's work for the history of economics and for contemporary practice from Sandra J. Peart, Günther Chaloupek, Erwin Dekker, and Sandye Gloria.

Volume 39B also includes general-research contributions from Marina Uzunova, who considers the significance of Lionel Penrose's voting power index for domains other than voting, and Alexander Linsbichler, who discusses Otto Neurath's and Ludwig von Mises's respective conceptions of rationality and their meaning for Neurath's and Mises's arguments in the socialist calculation debate.

The Editors of *Research in the History of Economic Thought and Methodology*

Luca Fiorito

Scott Scheall

Carlos Eduardo Suprinyak

*This page intentionally left blank*

PART I

A SYMPOSIUM ON CARL MENGER  
AT THE CENTENARY OF HIS DEATH

*This page intentionally left blank*

# INTRODUCTION

Reinhard Schumacher and Scott Scheall

Carl Menger died on February 26, 1921 in his home in Vienna, three days after his eighty-first birthday. He lived an eventful life that led him from the fringes of the Austrian Empire to its center, not only geographically, but also academically and politically. The occasion of the centenary of his death offers an opportunity to reflect on Carl Menger's contributions to economics and the significance of his ideas for today's economics.

Menger was born on February 23, 1840, in Neu-Sandez or Nowy Sącz, in today's Southern Poland, which at the time was part of the Austrian Crown land of Galicia and Lodomeria, at the northeastern edge of the Austro-Hungarian Empire. His parents moved to the Silesian city of Biała shortly after Menger's birth. They had ten children, but only six survived childhood, three girls and three boys: Bertha, Maximilian (Max), Carl, Anton, Marie, and Caroline. The three brothers, Max, Carl, and Anton, would eventually lead successful careers in Vienna. Anton and Carl became professors at the University of Vienna. Their childhood, however, was not easy. Their father died in 1848 and their mother had to raise them alone, under modest circumstances. The Menger children spent much time during their youth at the estate of their maternal grandparents in Maniowia in Western Galicia.

The Menger sons were all drawn to freethinking ideas during their school years. All three left home for their secondary education. Carl Menger attended secondary schools in Cziesyn and Opova, before spending his final year of school in Kraków, where he received his *Matura*, the qualification to enter higher education (Schumacher & Scheall, 2020, pp. 159–62). In 1859, Menger went to Vienna to study law, but he left the city after a year to continue his studies at the Charles University in Prague. Though he completed all of the required courses, he left Prague in 1863 without taking the oral exams necessary to acquire a doctorate in law (on Menger's student years, see Ikeda, 1997, pp. 22–40; Schumacher & Scheall, 2020, pp. 162–164).

Menger had worked at a newspaper for a time during his college years and chose to pursue a career in journalism, which eventually led him back to Vienna.

It was a promising time for news journalism, as the Austrian press law had just been made less restrictive and censorious. After working for several papers, he decided to establish his own news outlet, *Wiener Tagblatt*, in 1865. It was a liberal newspaper intended for the masses and, in order to keep its price down, was financed entirely through advertising revenue. It quickly became a leading newspaper in the city, but went bankrupt after only three months, apparently, due to Menger's hesitancy to raise the cover price and a lack of other sources of financing. Due to its wide circulation, the newspaper was taken over by the government in 1866.

Menger continued to work in journalism, writing on a freelance basis for and publishing the occasional serialized novel in various newspapers (on Menger's journalistic career, see Ikeda, 1997, pp. 41–65; Schumacher & Scheall, 2020, pp. 164–169; Yagi, 1992). He also briefly held a government job in the office of the Minister-President.

In the mid-1860s, Menger began to seriously engage with economic theory, an interest that came to occupy him more and more over time. He elected to complete the exams required to finally earn his doctorate degree from the University of Cracow. His scientific work would eventually lead to his *Grundsätze der Volkswirtschaftslehre (Principles of Economics)*, published in 1871. The book reflected Menger's unique subjectivist approach to economic theory and was soon recognized, together with the work of William Stanley Jevons in England and Léon Walras in Switzerland, as a founding contribution to the Marginal Revolution in economics.

The *Grundsätze* was positively regarded in German-speaking economics and Menger received several offers from universities in Austria, Switzerland, and Germany. Menger decided to stay in Vienna, where he became extraordinary professor at the University of Vienna in 1873 and full professor in 1879 (Schumacher & Scheall, 2020, pp. 166–172).

In 1875, Menger became tutor to Crown Prince Rudolf, teaching political economy and statistics. Rudolf was more liberal-minded than his father, Emperor Franz Joseph, and the two were often at odds over the government's conservative policies (Hamann, 2017). Menger and the Crown Prince seemed to have broadly agreed on politics, though the tutor advised his student to temper his criticisms of and to work more in concert with the Emperor. Menger and Rudolf developed a close friendship, which led to joint travels and coauthored (if anonymous) publications. Their friendship waxed and waned in later years, but Menger retained his fondness for Rudolf and probably had high hopes for his coming reign. These hopes were dashed when Rudolf committed suicide at his hunting lodge at Mayerling in 1888, an event that affected Menger deeply (Schumacher & Scheall, 2020, pp. 172–177).

By the middle of the 1870s, Menger had decided to write a book on methodology, but his work with Rudolf and other academic duties slowed the development of the book. *Untersuchungen über die Methode der Socialwissenschaften, und der Politischen Oekonomie insbesondere (Investigations into the Method of the Social Sciences with Special Reference to Economics)* was eventually published in 1883. The book was critically reviewed by Gustav von Schmoller (1883). In reply, Menger wrote a second, shorter book, *Die Irrthümer des Historismus in*

*der Deutschen Nationalökonomie* (*The Errors of Historicism in German Economics*), which was published the following year. This brief and hostile, if not terribly enlightening exchange, became known as the *Methodenstreit*.

In the late 1880s and early 1890s, Menger was pre-occupied with questions of money and currency. He served on a parliamentary commission and published a number of essays concerning the Empire's 1892 currency reform.

Menger continued his research into the new century, but never published another major work. According to his last assistant, Felix Somary (1959, pp. 30–32), Menger worked on a multi-volume sociological work, but did not publish any part of it.

Menger was appointed to the upper house of Austrian parliament (the *Herrenhaus*) in 1900. His health was poor at the time and he asked to be released from his teaching duties for the winter term 1902/1903. In the spring of 1903, he asked to be allowed to retire early. His professorial duties had become onerous. He suffered from neurasthenia and some affliction that affected his hearing. Four years before, his brother Anton had similarly retired early from the University due to health reasons. In applying for early retirement, Menger indicated his desire to focus on research. He gave some lectures as honorary professor in 1904, but this was his last academic engagement. In his retirement, Menger maintained close relations with former students and received them regularly at his home (Hayek, 1934, p. 417).

On January 13, 1902, Menger's only child Karl was born. Several scholars have speculated that this was the real reason behind Menger's early retirement. The question is difficult to answer definitively. However, his stated reasons – failing health and a desire, if never fulfilled, to further develop his research – are convincing enough. It also does not appear that he was forced into retirement because he had fathered a child out of wedlock. Indeed, it is not clear that it was widely known at the time that he had fathered a child.

The mother was Hermine “Mina” Andermann, nearly 30 years younger than Menger, whom he employed as a library assistant (on their relationship and on Andermann's background, see Scheall & Schumacher, 2018). Menger and Andermann lived separately for the first decade of their son's life. They never married. Karl was initially registered as Karl Andermann, but, in 1911, Carl applied to the Emperor to have him declared legitimate as his own son and the boy became known as Karl Menger.

Mina devoted herself to Carl in his declining years. She managed the household and the family's affairs, and she read to him ever more often as his eyesight progressively deteriorated. Menger tried to continue his scientific work, developing ideas over the last decades of his life that would eventually appear in the second edition of the *Grundsätze*. He worked on the second edition with the help of both Mina and Karl. The latter was listed as the book's editor when it was eventually published in 1923, two years after the author's death.

Menger fell seriously ill in the fall of 1919 with a bladder infection. He was too sick to attend the festivities marking his eightieth birthday at the University of Vienna the following February, which many of his students, followers, and contemporary Viennese economists attended. By early February 1921, his uremic

disease had turned fatal. Karl Menger reports on his father's last days in his diary (see Scheall & Schumacher, 2018). Carl Menger passed away in the early hours of February 26, 1921.

Today, Carl Menger is known as the father of the Austrian School of Economics and as one of the progenitors of the Marginal Revolution in economics. However, his work typically draws less attention than that of later Austrian economists, especially F. A. Hayek and Ludwig von Mises. Several reasons suggest an explanation for this relative neglect. His papers were not publicly available until the late 1980s and, because Menger burned a considerable part of his correspondence sometime around 1912, the extant papers are incomplete (Schumacher & Scheall, 2020, p. 156). Only a few of Menger's writings have been translated into English. Many of his writings are only available in German.<sup>1</sup> The absence of accessible translations of Menger's work is not a new phenomenon – Menger resisted the translation of his main economic works during his lifetime – and serves to explain why his followers, especially the brothers-in-law Eugen von Böhm-Bawerk and Friedrich von Wieser, are typically credited more than Menger himself for communicating his ideas to a wider international audience.

Interest in Menger's life and works has been growing in recent decades. This symposium can be seen as part of this resurgence in interest in Carl Menger. We are delighted for the opportunity to bring together four prominent scholars of Menger and the history of economic thought to discuss the significance of his work. Sandra J. Peart, Günther Chaloupek, Erwin Dekker, and Sandye Gloria offer unique contributions that address different aspects of Menger's work.

In the first contribution, Sandra J. Peart compares Carl Menger's approach toward human improvement with that of his contemporary, William Stanley Jevons. Menger, Jevons, and Walras are often named as co-founders, if independently, of marginal utility theory. However, their approaches differed in many respects (Jaffé, 1976). In previous work, Peart (1998) tried to "re-homogenize" Jevons and Menger to some extent. Without denying significant differences between them, Peart noted significant commonalities in their views on human behavior and decision making. In her contribution to the present symposium, Peart extends her previous work by arguing that Jevons and Menger, despite their similar views on human decision making, drew very different political consequences. Jevons saw humans as rather static and prone to making mistakes in their choices. Social reform could help overcome the consequences of such mistakes. In contrast, Menger saw people as constantly learning and adapting their economic plans to changing circumstances. Political intervention could be of only limited use. Peart argues that the difference between Jevons and Menger can be understood in terms of Hayek's distinction between false and true individualism (Hayek, 1948), Jevons being an example of the former and Menger of the latter category.

Günther Chaloupek's contribution considers the consistency of Menger's theory of money. In 1892, an inquiry committee was installed to hear the opinion of experts, among them Menger, who favored the introduction of gold currency (Boos, 1986, pp. 67–72), a position he had defended for two decades (Menger, 1873). His advice was not adopted. Menger's most significant publication during this period was his article *Geld (Money)* for the *Handwörterbuch der Staatswissenschaften (Handbook of Political Science)* published in 1892. The essay was enlarged and revised for the

second edition in 1900, and again for the third edition of the *Handwörterbuch* in 1909. *Geld* is often cited for Menger's theory of the spontaneous origin of money. Less well-known is his distinction between the so-called "inner" and "outer" values of money, the focus of Chaloupek's contribution. Chaloupek argues that Menger's distinction leads to an inconsistency. Menger argued that constancy of the inner value of money should be the goal of monetary policy and that the quantity of money would have to remain constant to achieve this goal. However, as Chaloupek shows, Menger's recommendations to the inquiry committee were at odds with his position in the essay on money. Chaloupek also discusses how later Austrian economists – Friedrich von Wieser, Ludwig von Mises, Joseph Schumpeter, F. A. Hayek, and Alexander Mahr – assessed Menger's distinction, and how some of them, Hayek in particular, advanced the idea.

Erwin Dekker focuses on the second edition of Menger's *Grundsätze*, posthumously published in 1923. Dekker discusses Menger's formulation of his theory of needs and its significance for Menger's economics. Menger considered not only individual needs, but also introduced a concept of the needs of human organizations (*Bedürfnisse menschlicher Verbände*), which he divided into collective needs (*Kollektivbedürfnisse*) and organizational needs (*Verbandsbedürfnisse*). This new theory of needs, Dekker argues, can be understood as Menger's attempt to bridge the social and natural sciences. Dekker contends that Menger's theory opened possibilities that were later explored by Mises and Hayek. Dekker argues that Menger's theory of needs should be understood as part of a debate within German-language economics at the time. He also argues that Menger's theory is inconsistent with the theory of public goods developed by Paul Samuelson and Richard Musgrave, but is in line with the theories of Elinor and Vincent Ostrom, and of James Buchanan.

The final contribution to the symposium discusses Menger's scientific approach to economics with an eye on modern developments in the field. Sandye Gloria delineates the ontology, epistemology, methodology, and key concepts of Menger's economic theory. Gloria argues that perhaps the most significant difference separating Menger from his peers, Jevons and Walras in particular, was his understanding of the economy as an open system. Menger advocated a genetic-causal theoretical approach, centered on the formation of prices as an unending process of adjustment to changing circumstances, rather than a functional theoretical approach, focused on discovering the conditions of equilibrium. Gloria discusses Menger's attitude toward the use of mathematics in economics. Menger did not reject the use of mathematics in economics per se, Gloria argues, but he was not convinced that formal methods were appropriate for explaining economic phenomena. Gloria argues that modern complexity economics has much in common with Menger's approach.

## NOTES

1. Two new translations of previously untranslated works have recently appeared, his short book *The Errors of Historicism in German Economics (Die Irrthümer des Historismus in der Deutschen Nationalökonomie)* (Menger, [1884] 2020), which was his second and final contribution to the *Methodenstreit*, and an essay on classical political economy (Menger, [1891] 2016).

## REFERENCES

- Boos, M. (1986). *Die Wissenschaftstheorie Carl Mengers: Biographische und Ideengeschichtliche Zusammenhänge*. Wien: Böhlau.
- Hamann, B. (2017). *Rudolf: Crown prince and rebel*. New York, NY: Peter Lang.
- Hayek, F. A. (1934). Carl Menger. *Economica*, 1(4), 393–420.
- Hayek, F. A. (1948). *Individualism and economic order*. Chicago, IL: University of Chicago Press.
- Ikeda, Y. (1997). *Die Entstehungsgeschichte der "Grundsätze" Carl Mengers*. St. Katharinen: Scripta Mercaturae Verlag.
- Jaffé, W. (1976). Menger, Jevons and Walras de-homogenized. *Economic Inquiry*, 14(4), 511–524.
- Menger, C. (1873). Die deutsche Münzreform vom 4. December 1871 und das österreichische Geldwesen. *Oesterreichische Zeitschrift für Verwaltung*, 6(5), 17–18.
- Menger, C. [(1884) 2020]. The errors of historicism in German economics. *Econ Journal Watch*, 17(2), 460–506.
- Menger, C. [(1891) 2016]. The social theories of classical political economy and modern economic policy. *Econ Journal Watch*, 13(3), 473–488.
- Peart, S. J. (1998). Jevons and Menger re-homogenized?: Jaffé after 20 years. *American Journal of Economics and Sociology*, 57(3), 307–325.
- Scheall, S., & Schumacher, R. (2018). Karl Menger as the son of Carl Menger. *History of Political Economy*, 50(4), 649–678.
- Schmoller, G. v. (1883). Zur Methodologie der Staats- und Sozialwissenschaften. *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, 7, 975–994.
- Schumacher, R., & Scheall, S. (2020). Karl Menger's unfinished biography of his father: New insights into Carl Menger's life through 1889. In L. Fiorito, S. Scheall, & C. Eduardo Suprinyak (Eds.), *Research in the history of economic thought and methodology* (Vol. 38B, pp. 155–189). Bingley: Emerald Publishing Limited. <https://doi.org/10.1108/S0743-4154202000038B009>
- Somary, F. 1959. *Erinnerungen aus meinem Leben* (3rd ed.). Zurich: Manesse.
- Yagi, K. (1992). Carl Menger as editor: Significance of journalistic experience for his economics and for his later life. *Revue Européenne Des Sciences Sociales*, 30(92), 93–108.