

The Austrian Economists and the Late Hapsburg Viennese Milieu

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Ludwig von Mises observed, “It is customary to trace the influence that the milieu exerted upon the achievements of genius” (1969, p. 9). He goes on to suggest that, whatever the general merit of the custom, it is unsound when applied to the great thinkers of Austria. Not heeding Mises’ warning, eminent philosopher and historian of science Stephen Toulmin, along with his coauthor Allan Janik, argues in *Wittgenstein’s Vienna* that late Hapsburg Viennese intellectuals had strikingly similar philosophical backgrounds, problem sets, and ethical outlooks. The book is in part an attempt to isolate the “general philosophical framework which was the common possession of musicians, writers, lawyers and thinkers of all kinds” and to focus on “the common themes and problems . . . of writers, thinkers and artists in all fields” (pp. 29 and 30). In this article, I shall argue that there was greater diversity in the problems and philosophical backgrounds of Viennese intellectuals than *Wittgenstein’s Vienna* suggests. Since we are to deal with a claim that applies to intellectuals in “all fields,” it will be profitable to examine a field that in *Wittgenstein’s Vienna* is disposed of in one sentence: economics. The one sentence states that: “Menger’s Marginal Utility Theory—so characteristically Viennese in its emphasis upon the psychological and subjective factors which underlie value—is still a central tenet of many modern economists” (p. 53). That economics was more significant in the intellectual life of Vienna than the space devoted to it by Toulmin and Janik would indicate is attested to by historian Arthur May: “In no sphere of thought were Austrians more conspicuous than in economics” (1951, p. 318).

This article will be divided into three sections. In the first, I shall seek to learn whether we find in the Austrian economists a further instance of the dominance in Vienna of Kantianism. The second section will deal with the Austrian theory of marginal utility in order to discover whether it is in fact connected more to subjectivist ethics (associated with Tolstoy and Kierke-

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gaard in *Wittgenstein's Vienna*) or to independent developments in the science of economics. I shall attempt to deal in the third section with what we can learn from Austrian economists about the general Viennese milieu. In particular, I shall be concerned with the questions of whether Hapsburg society was indeed stagnating and decadent and whether there was in fact no opportunity for involvement in the world as an alternative to introverted subjectivism.

Neo-Kantian versus Non-Kantian Influences

In *Wittgenstein's Vienna*, the intellectual atmosphere of pre-1919 Vienna is described as a “neo-Kantian environment” (p. 22). The Kantian influence has been affirmed by some, ignored by others, and disputed by a few.¹ The central message of Kant that is claimed by Janik and Toulmin to have influenced Viennese culture is that the structure of the mind limits what we can say and know. Although the main alternative to Kantian influence usually mentioned is Aristotelian influence, I shall contrast the a priori deductions from pure reason of a Kantian with “empiricism” defined very broadly so as to include not only Aristotle and modern positivism but also the ideal-types methodology of Weber. In order to learn whether Viennese intellectual life was at root thoroughly Kantian, I shall look for a Kantian influence on five of the most eminent members of the Austrian school of economics: Carl Menger (1840–1921), Friedrich von Wieser (1851–1926), Eugen von Bohm-Bawerk (1851–1914), Ludwig von Mises (1881–1973), and Friedrich von Hayek (born 1889).

The distinction between empiricism and Kantian methodology for the Austrian economists was not one between a positivist and a nonpositivist view of the acquisition of economic knowledge. None of them saw economics as an empirical science in the narrow positivist sense, although they all granted the utility of empirical (historical) studies. The distinction was rather one between seeing, on the one hand, the absolute, eternal economic laws as having their source in ideal types abstracted from events in the world and seeing, on the other hand, those laws as having their source in the transcendental categories of our minds.

In his article on Bohm-Bawerk, Emil Kauder says that “In the Austria of this time, Aristotelianism and ontology took the place of Western empirical skepticism and pragmatism.”² The Aristotelianism to which he refers is nowhere more explicitly evident than in the methodological works of Carl Menger, the founder of the Austrian school of economics. Of Menger's early intellectual development, Hayek reports that, regrettably, little is known.³ But we need not be experts on Menger's background in order to know that he

was positively influenced by Aristotle. Menger's *Problems of Economics and Sociology* (better translated as *Investigations into Method*) provides clear evidence. Menger, for instance, says that Aristotle was superior to Plato because Aristotle "was not only a splendid speculative thinker . . . but was also an indefatigable observer."⁴

Hayek affirms the view, disputed by others, that Menger wrote the *Investigations into Method* in response to the total neglect by economists of his *Principles of Economics* (1952b, pp. 538–39). If, in fact, the doctrines of the *Investigations* are not a natural outgrowth of the *Principles*, but only a post hoc apologetic, then it might be argued that in what he actually did in economics (as opposed to what he said later about what he did), Menger owed little to Aristotle. But Hutchison notes that in the footnotes to the *Grundsätze*, Aristotle is one of the most frequently cited authorities (1973, p. 32). Menger's contemporary, Oskar Kraus, claimed in particular that Menger's work had much in common with Aristotle's *Topics* as interpreted by Brentano.⁵ So the Aristotelian influence seems to be present throughout Menger's career and not just in his later methodological work.

Menger's debt to Aristotle provides indirect evidence that Menger was a non-Kantian. In addition to the indirect evidence, Kauder has found direct evidence in the Menger library at the Hitotsubashi University in Japan. The library is valuable for settling issues of intellectual influence because of Menger's habit of heavily marking and annotating books that he read. The value of the library collection is somewhat limited, however, because many of Menger's philosophical holdings were retained by his son. In spite of this, Kauder finds evidence, mainly in notes to a history of philosophy text by Uberweg, that Menger "objected to Kant's main idea that the logical concepts (a priori categories) are necessary forms of our mind and have no bearing on the independent existence of reality" (Kauder, 1959, p. 60).

Of Wieser, the second Austrian economist whom I shall consider, Hayek has said: "In him the civilization of Old Austria found its most perfect expression" (1952b, p. 567).⁶ That Wieser's intellectual background was conducive to Aristotelianism is indicated by Emil Kauder when he notes that "The Viennese Schottengymnasium, the intellectual nursery of many famous Austrians, including Wieser, required, even after 1918, the students to read Aristotle's metaphysics in the original Greek."⁷ Let us examine a paragraph from Wieser on methodology to see whether or not it confirms our expectations of Aristotelian influence:

The method of economic theory is empirical. It is supported by observation and has but one aim, which is to describe the actual in its entirety, as purely empirical sciences are wont to do. They strive to remain true to nature in every minute detail. But the economist is like an historian unfolding an individual historical course of events or a statistician summarizing a series of

cases. He endeavors to place before us the typical phenomenon, the typical development, and to eliminate whatever may be subordinate, accidental or individual. (1929, p. 5)

This sounds very Aristotelian in that the pursuit of the “typical phenomenon” seems identical to the pursuit of the essence of what is experienced, i.e., Wieser seems to have an essentialist methodology that differs little from Menger’s.⁸ Wieser’s description of his method as psychological on the pages previous to this passage might lead one to suspect a Kantian influence.⁹ But Wieser notes that the designation of his method as psychological “may lead to misunderstanding” (p. 3). In the end, he seems to mean nothing more by it than that we all have a common stock of economic experience upon which we may draw for the ground of our economic theorizing. If methodological comparisons are to be made on the basis of this passage from Wieser, then perhaps the most fruitful one would be the similarity of Wieser’s methodology in economics with Weber’s in sociology.¹⁰

Of the founding triumvirate of Austrian economics, Bohm-Bawerk probably was the least concerned with problems of method.¹¹ In spite of this, Emil Kauder believes himself justified in declaring that Bohm-Bawerk and Menger “were Aristotelians” (1958, p. 414x). He apparently makes this judgment largely on the basis of a study by Oskar Kraus textually comparing Aristotle’s theory of imputation with Menger’s and Bohm-Bawerk’s.¹²

Hayek tells us that Bohm-Bawerk was “the teacher at the university who had the greatest influence on [Ludwig von Mises]” (1973, p. 1245). Since, as we have seen, Bohm-Bawerk was the least preoccupied of the Austrian economists with methodology, this may help to explain why it would have been easier for Mises to strike out in a non-Aristotelian methodological direction than if he had studied primarily under Wieser or Menger. Mises rejected the Aristotelian methodology of the other Austrian economists in order to adopt a Kantian position, as his methodological comments in *Human Action* as well as his remarks in *Epistemological Problems of Economics* and *The Ultimate Foundation of Economic Science* make clear.¹³

The final Austrian economist to be considered is Friedrich von Hayek. When I had an opportunity to ask him for his comments on *Wittgenstein’s Vienna*, he mentioned that it did not give enough attention to the importance of Aristotle in the intellectual scene. He noted, for example, that the influence of Aristotle (as opposed to Kant) was greater in the Austrian universities than in the German ones.¹⁴ He did not say, however, that he was himself an Aristotelian. Although in his own early work, there is little direct reference to methodology,¹⁵ his later methodological works evidence an increasing tendency toward the epistemology of Popperian positivism.¹⁶ Popper, who himself studied under Mises in Vienna, was from an early age impressed by Kant and claims that “what still divides me from most contemporary philoso-

phers” is their essentialism (an Aristotelian doctrine).¹⁷ Hayek’s own studies under Mises and his intellectual ties to Popper might help to account for his claim that “On the issue of the theory of knowledge, I am probably a Kantian more than anything else” (1975b, p. 8).

Of the five Austrian economists whose epistemological background we have considered, three can be classed as non-Kantians and two as neo-Kantians.

Marginal Utility

In this section, I shall consider the doctrine that is generally considered the Austrian school’s main claim to fame: the theory of marginal utility (alternatively called the theory of subjective valuation).¹⁸ Three issues about this theory will be raised. (1) To what extent can non-Kantian or neo-Kantian influence be seen? (2) Does the doctrine of subjective value in economics have any relation to subjectivity in ethics? (3) To what extent did the subjective value doctrine arise out of the late Hapsburg milieu?

I shall begin the discussion of the marginal utility doctrine by taking up the general question considered in the first section of this paper, *viz.*, is the doctrine traceable to neo-Kantian or non-Kantian (largely Aristotelian) influences? Since Carl Menger is the originator of the marginal utility theory, the influences upon him concern us most.¹⁹ Besides circumstantial evidence, such as Bohm-Bawerk’s comparison of the marginal utility doctrine with the Copernican revolution, there would appear to be two different sorts of arguments that could be given for a Kantian influence.²⁰ The first would argue (1) that Menger’s milieu was Kantian and (2) that Menger was significantly influenced by his milieu. We have seen in the first section of this article that there are grounds for doubting the first assertion. But more importantly, we have seen that if the first assertion is granted, then there are even stronger grounds for denying the second (i.e., if Menger’s milieu was Kantian, then his explicit and outspoken Aristotelianism would indicate an independence from his milieu).

The second sort of argument for a Kantian influence on Menger’s development of marginal utility is similar to the first, but is more specific in that it attempts to give the precise sources for a Kantian influence and is more sophisticated in that it takes account of the fact that Menger was, on the surface at least, explicitly an Aristotelian. Spiegel presents the argument in these terms:

There was . . . in the German speaking countries the strong tradition of the philosophy of Kant’s idealism, paralleling and rivaling that of Hegel, an idealism that interpreted the phenomena of the external world as creations of

the human mind. The intellectual atmosphere generated by Kant's philosophy would foster the development of a subjective theory of value, regardless of whether or not the economist enunciating such a theory was a full-fledged Kantian. Earlier nineteenth-century economic thought in Germany contained a number of hints pointing toward a subjective theory of value, and Menger, unaware as he was of Gossen's complete analysis, which stemmed from Bentham, was influenced by these. (1971, p. 531)

For this argument to work, two assertions would have to be established: (1) that the early German economists who may have influenced Menger, notably Eberhard Friedlander (1799–1869), were themselves influenced by Kantian idealism and (2) that these early German economists (or others who were influenced by Kant) were the sole, or at least the predominate, influences on Menger's development of the marginal utility theory.²¹ I cannot comment on the first assertion, but the second is demonstrably false.

In his appendix on "The Measure of Value," Menger begins by saying "As early as Aristotle we find an attempt to discover a measure of the use value of goods and to represent use value as the foundation of exchange value" (1950, pp. 295–96). In this same appendix (p. 296), he also acknowledges the work of Turgot and Condillac. R.S. Howey found that: "Among the authors who wrote on economics and whom Menger remembered he had read early in life are a number—such as J.B. Say, Lauderdale and Condillac—whom other writers subsequently characterized as predecessors of the Marginal Utility School" (1960, p. 26). There are also indications that Menger was influenced by Cournot, but this is still open to debate.²² Another primary influence is indicated by Kauder:

In Menger's library I found one author whom Menger forgot to mention in his footnotes. He is Joseph, Ritter von Kudler (1786–1853). Not Menger but Kudler started the value discussion at the University of Vienna, and Kudler's textbook was Menger's primer in economics. (1965, p. 84)

The influence of earlier economists on the development of marginal utility theory may indicate that the theory was developed as much in response to internal problems in the developing economic theory as in response to philosophical problems (whether derived from a Kantian or non-Kantian perspective).²³

The second issue with which I shall deal in this section of the article is whether or not the doctrine of subjective value in economics has any relation to subjectivity in ethics.²⁴ In *Wittgenstein's Vienna*, Janik asserts that the "Marginal Utility Theory" is "characteristically Viennese in its emphasis upon the psychological and subjective factors which underlie value" (p. 53). The clear implication is that the theory of marginal utility is related to the

ethical subjectivism discussed in *Wittgenstein's Vienna* as a key to understanding the *Tractatus* could lend further credence to the picture of the Viennese milieu painted in *Wittgenstein's Vienna* and at the same time help to position the Austrian economists as an integral part of the milieu. Unfortunately, there is no very clear connection between the subjective theory of value in economics and subjectivism in ethics.

That Menger understood this is confirmed by Kauder (1965, p. 82), who reports that in handwritten notes, Menger was even more emphatic than in his published works in asserting the separation of economics and ethics. Stigler argues that Menger desired to separate ethics from social science when he notes that: “[Menger’s] word for utility—*Bedeutung*—was surely intentionally neutral, but [sic] probably it was chosen for its non-ethical flavor” (1965a, p. 87). Turning to Menger himself for final confirmation, we find him claiming that “economic theory is concerned, not with practical rules for economic activity, but with the conditions under which men engage in provident activity directed to the satisfaction of their needs” (1950, p. 48). This would seem to confirm the value-neutral aspect of Menger’s theory by expressing the claim that economics operates under the conditional: “If men act qua economic men, then certain economic laws follow.”²⁵ Thus, there is no necessity for the economist to claim that men always will act qua economic men or that they always should.

It is significant that Menger is not alone among the Austrians in affirming the ethically neutral character of marginal utility theory. For instance, Bohm-Bawerk in his introductory remarks in the chapter entitled “Nature and Origin of Subjective Value” makes use of an illustrative example that does not involve ethical subjectivism (1973, pp. 10–11). In the example, “One man is sitting beside a copiously flowing spring of fine drinking water” and the other is “traveling across the desert” with “one last single cup of water left” (p. 10). The man in the desert and the man by the spring could affirm identical objectivist (naturalistic or deontological) ethical positions without this in any way impairing the effectiveness of the example in illustrating why the one’s subjective valuation of a cup of water would be different from the other’s.

Let us assume, however, for the sake of argument, that the Austrian economists were not successful in constructing a value-free economics. To the extent that this assumption is plausible, I think that it would then have to be argued that if there are ethical implications, they are of an objectivist kind, not of the subjectivist sort that we would expect from the *Wittgenstein's Vienna* picture of the Austrian milieu. For example to the extent that we can gather Menger’s ethical views from comments in the *Principles*, they would seem to point toward an objectivist, naturalistic ethics.²⁶ To the extent that the “subjective” in the subjective theory of value calls to mind an idiographic approach to man, it is misleading since the Austrian approach is to establish universal laws applicable to all men. Thus, if one were to look for an analo-

gous approach in ethics to this one in economics, one would have to look to those ethics that claimed to derive necessary, universal ethical norms, i.e., to naturalistic or Kantian ethics.

The third and final issue that I shall consider with regard to the marginal utility theory involves the extent, if any, to which it is meaningful or useful to say that the subjective value doctrine arose out of the late Hapsburg Viennese milieu. One fact above all needs to be considered here, *viz.*, that “the subjective value theory is not the distinctive hallmark of the Viennese school. Not only Menger, but also Jevons and Walras, discovered subjective valuation” (Kauder, 1958, p. 419). Thus, the implication of Janik’s statement is wrong when he says that Menger’s marginal utility theory is “so characteristically Viennese in its emphasis upon the psychological and subjective factors which underlie value” (p. 53). The independent, simultaneous discovery of marginal utility by men from very different cultures indicates that the state of economic science made the time ripe for it, not that any cultural milieu made it more likely. Hayek endorses this conclusion when he says that “[Jevons’, Menger’s, and Walras’s] scientific work seems to me to have sprung entirely from their awareness of the inadequateness of the prevailing body of theory in explaining how the market order in fact operated.”²⁷ This is apparently consistent with what Menger told Wieser about the development of Menger’s marginal utility theory:

Wieser said that Menger told him that he had been drawn to the development of his ideas while a journalist covering market conditions for the *Wiener Zeitung*. At this time he reportedly noted that the prices of goods did not seem to be determined in the manner his study of economics would have led him to believe. As a consequence he came to believe that utility rather than cost controlled the price of a good. (Howey, pp. 24–25)

This account of the development of marginal utility theory is thus in accord with Toulmin’s observation that “the problems of science have never been determined by the nature of the world alone, but have arisen always from the fact that, in the field concerned, our ideas about the world are at variance either with nature or with one another” (1972, p. 150). The only real difficulty for our account would arise if we accept Schumpeter’s claim that economics after Ricardo became a stagnant and sterile field, remaining so up until the marginalist revolution (1952, pp. 570–71). If this claim is true, then we would be driven to conclude that the time was equally “ripe” for the marginal utility theory for a period of fifty years.²⁸ But in this case, our account would not be very informative, i.e., what is left of the meaning of *ripeness* in this case? Perhaps we would have to conclude either that economics had ceased to be a science in this fifty-year period or else that it really had not yet become one. These difficulties, however, may be nonexistent if Hayek

is correct in disputing Schumpeter's claim on the sterility of post-Ricardian economics (1973, p. 1). Thus, we may at least tentatively conclude that the invention of marginal utility came more as a result of the internal problems, explanatory ideals, and development of economics as a discipline than as a result of any influences from the late Hapsburg Viennese milieu.²⁹

The Austrian Milieu

As was stated at the outset, in this third and final section, I shall attempt to deal with what we can learn from the Austrian economists about the general Viennese milieu. In particular, I shall be concerned with the questions of whether Hapsburg society was indeed stagnating and decadent and whether there was in fact no opportunity for involvement in the world as an alternative to introverted subjectivism. This section will be briefer and more speculative than the previous two, largely because it deals more with what might have been than with what was. In *Wittgenstein's Vienna*, it is claimed that:

Apart from the 1914 War, there is no knowing how fanatically determined Francis Joseph's successors would have been to protect their absolute power over defense and foreign affairs; so there is no knowing whether under other circumstances, Austria might not have evolved into a constitutional monarchy capable of responding to the political, economic and social demands of the twentieth century. (p. 274)

While it is true that there is no way of knowing with certainty, I nonetheless believe that there are clear indications that Austria was evolving in a positive direction. Seven of these indications are as follows:

1. The recognition of Francis Joseph that he had been around too long (May 1956, vol. 2, p. 815).
2. The cabinet and commission appointments of Menger, Bohm-Bawerk, and Wieser (May 1951, p. 318).
3. The general economic improvement of the empire (Murad, p. 197).
4. The successful monetary reform (Murad, p. 197).
5. Bohm-Bawerk's efforts against government economic subsidies (Sennholz, 1973, p. xi).
6. The existence of an elected assembly and the Emperor's taking a genuine interest in it (Redlich, pp. 306–9).
7. The growing power and influence of the liberal bourgeois (Murad, p. 189).

It is true that in late Hapsburg Austria, there was not a full-fledged constitutional monarchy. But this is not incompatible with continual progressive evolution in a society. It has been said that the only force holding the empire together was the Hapsburgs.³¹ For them to have lost control would have meant discord and dissolution. That this is what it did mean was strongly expressed by Churchill: "There is not one of the peoples or provinces that constituted the Empire of the Hapsburgs to whom gaining their independence has not brought the tortures which ancient poets and theologians had reserved for the damned" (p. 18). On the other hand, a combination of relatively autocratic political control with increasing economic freedom and material growth would have permitted the forces of free trade and opportunity for material improvement to have had their natural and gradually increasing pacific and unifying effects.

Those periods are most creative in which there is a clash of ideas and outlooks. Along with an increase in creativity, such atmospheres also reduce certainty and thereby increase psychological strain. It is thus not surprising that many traditionalist dogmatists as well as creative intellectuals (those under the most strain) often view their culture from the inside as being decadent. With our knowledge that a culture did collapse, it is therefore always possible to find voices prior to the collapse to affirm our hindsight view that the culture was "decadent." But cultures do not die just from endogenous factors. They also can be killed by exogenous factors such as invasion and natural catastrophe, e.g., the brief cultural renaissance just before and during Dubcek's rule did not die from internal weakness; it was killed by the Soviet invasion. Similarly, I think that it could be argued that Periclean Athens and Hapsburg Austria collapsed because of external forces. This is only to claim that the cultures were sound enough to continue a creative, progressive evolutionary development indefinitely.³² It is not to say that over time there would not have been gradual, but fundamental institutional change.

The second issue that must be dealt with in this section is whether or not there was opportunity for involvement in the world as an alternative to introverted subjectivism. The clearest indication that there was such opportunity can perhaps come from the example of the Austrian economics. Through their theoretical and civil service activities, they had a significant impact both in Austria and the world.

If Wittgenstein's generation sought an escape from "the straitjacket of bourgeois society" (Janik and Toulmin, p. 66) there were other ways of doing it than through seeking a more authentic language. At least for Wittgenstein, there was the concrete example of his father who had "escaped" by disobeying his own father, coming to America, returning to create a fortune, and then spending it tastefully. With the counterexample of his father constantly before him, it is impossible that Wittgenstein could have seen (unless through

self-delusion) a necessary connection between business activity and bourgeois vulgarity.

In conclusion, although the evidence presented in this article about the Austrian school of economics does to some extent undermine the picture of a monolithic, unified cultural atmosphere, it does not detract from the *Wittgenstein's Vienna* interpretation of the *Tractatus*. For it may still be that we can only understand Wittgenstein's philosophy by observing with which of the alternative subcultures he took seriously and chose to associate himself with. Thus, to the extent that the Austrian school of economics is indicative of Viennese cultural diversity, it undermines the tendency to view Wittgenstein's ethical and linguistic position as determined by his milieu (a tendency that may be implicitly encouraged by *Wittgenstein's Vienna*).³³ If what has been said in these pages has any validity, then I may conclude that there was more diversity in the milieu and more alternatives in problem choice and problem response than one would gather from *Wittgenstein's Vienna*.

Notes

1. The affirmers include Max Black, *A Companion to Wittgenstein's Tractatus*, pp. 5, 50, 319, 363, 367, and Erik Stenius, *Wittgenstein's Tractatus*, chapter XI. The ignorers include G.E.M. Anscombe, *An Introduction to Wittgenstein's Tractatus*, and Anthony Kenny, *Wittgenstein*. The disputers include W.W. Bartley, *Wittgenstein*, p. 75.

2. Emil Kauder, "Bohm-Bawerk, Eugen von," in Sills, ed., *International Encyclopedia of the Social Sciences*, vol. 2, p. 120. Cf. also Emil Kauder, "The Retarded Acceptance of the Marginal Utility Theory," *Quarterly Journal of Economics* (Nov. 1953): 572–73.

3. F.A. Hayek, "The Place of Menger's *Grundsätze* in the History of Economic Thought," in Hicks and Weber, eds., *Carl Menger and the Austrian School of Economics*, pp. 4–5. Cf. also T.W. Hutchison, "Some Themes from *Investigations into Method*," in Hicks and Weber, eds., p. 15.

4. Carl Menger, *Problems of Economics and Sociology*, pp. 168–69. Cf. also pp. 87, 194, 220–22.

5. William M. Johnston, *The Austrian Mind*, p. 80. Johnston's critically acclaimed history contains several references to the Austrian economists, but must be read with care. Johnston claims, for instance, that "except for Schumpeter and Mises, these theorists slighted mathematics" (p. 85), implying that Ludwig von Mises was sympathetic to the use of mathematics in economics.

6. Hayek's meaning may be clearer if the quote is read in context. In the sentence before the one quoted in the text, Hayek writes that in Wieser's last book, "Where Wieser shakes off the fetters of specialization and disciplinary methods, his unique personality emerges in all its greatness, combining a universal interest in all

fields of culture and art, worldly wisdom and experience, detachment from affairs of the day, sympathy for the fellow man, and freedom from narrow nationalism.”

7. Emil Kauder, “Intellectual and Political Roots of the Older Austrian School,” p. 420. Recall that in *Wittgenstein’s Vienna* (p. 174), it is noted that because of private tutoring, Wittgenstein did not learn Greek.

8. Cf. Friedrich von Wieser, *Social Economics*, p. 5.

9. Kant himself, on the other hand, was at pains to distinguish what he was doing from psychology. Cf. Immanuel Kant, p. 95 (A 54, B 78).

10. That Wieser and Weber must have been familiar with each other’s work is indicated by Wesley Claire Mitchell’s statement that: “When the new *Grundriss der Sozialökonomie* was planned, Max Weber, who had a leading share in the direction, made it a condition of his own participation that von Wieser should provide the chief section upon economic theory. Reluctantly Wieser consented” (from Mitchell’s forward to the English translation of Wieser’s *Social Economics*, p. xi). Rothbard informs us that among Weber’s friends was another Austrian economist, Ludwig von Mises (1968, p. 381). Elsewhere, Rothbard notes in passing the connection between the methodology of the early Austrians and the methodology of Weber (1973, p. 332). Also relevant is Lachmann’s discussion of the relationship between Menger’s methodology and Weber’s (1970, pp. 23–26, 55–60). In future work, it may be promising to consider Mitchell’s claim that a key influence on Wieser’s early decision to pursue economics was the early work of Herbert Spencer (p. ix).

11. Cf. Joseph A. Schumpeter, in Spiegel, ed., *The Development of Economic Thought*, p. 578.

12. A detailed account of Aristotle’s theory can be found in Joseph J. Spengler, “Aristotle on Economic Imputation and Related Matters,” *Southern Economic Journal* 21 (April 1955): 371–89.

13. Ludwig von Mises, *Human Action*, pp. 35, and 40; *Epistemological Problems of Economics*; and *The Ultimate Foundation of Economic Science*. It is possible that Ludwig may have been influenced in his Kantianism by his brother Richard of the Vienna Circle. Ludwig von Mises’ student, Murray Rothbard, implies a connection between the work of the two brothers when he claims that Richard “made a distinguished contribution to probability theory which has important implications for a sound approach to the social sciences” (Rothbard, 1975, p. 9). On the other hand, there are no references to Richard von Mises in Ludwig’s magnum opus *Human Action* and the only reference to Ludwig in Richard von Mises’ *Logical Positivism* is, to judge from its context, cool, if not disparaging. (Cf. Richard’s statement: “It is not worth while to examine the arguments of those who claim that [an application of mathematical methods to economics] is contrary to the ‘essence’ of economics and to the ‘non-measurability’ of its objectives, etc.” on p. 251.) Of course, the most notable person putting forward such arguments was Ludwig von Mises. According to Rothbard:

It was pretty clear that the two brothers, who were only two years apart in age, hated each other’s guts, both personally and methodologically-ideologically. When Richard’s *Positivism* came out, I asked Lu what he thought of the book. Lu drew himself up and said, in no uncertain terms, “I disagreed with that book from the very first sentence until the last.” Given this situation, it is doubtful that Lu would ever refer to Richard favorably. I still believe however, that Lu’s probability theory,

particularly seen in the sections on “Class and Case Probability” in *Human Action*, is a brilliant application of Richard’s frequentist and objective probability theory to the social sciences. It fits in beautifully with Lu’s contention that probability theory can only be applied to events that are homogeneous, random, and available in a close to infinite number of cases, and that such situations do not appear in any part of human action except in those very cases that the subjectivist probability theory always bring up: e.g., lotteries. (Murray Rothbard, correspondence to the author dated February 14, 1985)

14. Expressed in conversation on April 26, 1975, at a St. Louis seminar.

15. For brief comments see: *The Pure Theory of Capital* (1941), p. vii.

16. Hayek’s developed methodological position can be found in *The Counter-Revolution of Science* and in the first three chapters of *Studies in Philosophy, Politics and Economics*. In “Degrees of Explanation” in the latter volume, Hayek most clearly adopts a Popperian view. In the preface (which is dedicated to Popper), Hayek explains his debt to his “old friend.” Hutchison provides an account of the development of Hayek’s methodological views in: “Austrians on Philosophy and Method (since Menger),” pp. 214–19.

17. For Popper as a student of Mises see: William H. Peterson, “Ludwig von Mises,” *The Intercollegiate Review* (winter 1973–74): p. 37. For the influence of Kant on Popper see: Popper, “The Autobiography of Karl Popper,” in Schilpp, ed., *The Philosophy of Karl Popper*, p. 12. It is not clear to me that by Popper’s use of *essentialism*, Menger’s methodology would necessarily qualify as essentialist. The Austrian economists, after all, were concerned with the essence of phenomena, not of words, and it is searching for the essence of words that Popper objects to. Thus I am not sure that Popper’s antiessentialism condemns Aristotelian essentialism. The relationship between Menger’s methodological essentialism and Popper’s antiessentialism has been briefly discussed by Hutchison (T.W. Hutchison, “Some Themes from *Investigations into Method*,” in Hicks and Weber, eds., *Carl Menger and the Austrian School of Economics*, p. 18).

18. Cf., Bohm-Bawerk, “The Austrian Economists,” in Gherity, ed., *Economic Thought*, p. 285; and Hayek in Spiegel, ed., *The Development of Economic Thought*, p. 532.

19. Although it was Wieser who first introduced the phrase *marginal utility*.

20. Bohm-Bawerk makes the Copernicus comparison in “The Austrian Economists,” reprinted in the Gherity volume. Recall that Kant in the *Critique* had claimed that he was offering a change of perspective similar to that suggested by Copernicus [p. 22 (B xvii)].

21. Cf. Emil Kauder, *A History of Marginal Utility Theory*, p. 83: “Menger was especially interested in Eberhard Friedlander’s interpretation of value.”

22. Cf. Kauder, *A History of Marginal Utility Theory*, pp. 82–83, 90–91; and Howey, *The Rise of the Marginal Utility School. 1870–1889*, pp. 26–27.

23. Cf. Stigler, “The Influence of Events and Policies on Economic Theory,” pp. 16–30: “The dominant influence upon the working range of economic theorists is the set of internal values and pressures of the discipline. The subjects for study are posed by the unfolding course of scientific developments.”

24. “The doctrine of subjective value” and “the marginal utility theory” are two names for the same thing.

25. Cf. Richard M. Ebeling, "Austrian Economics on the Rise," *Libertarian Forum* (Oct. 1974): p. 4.
26. See, e.g., Menger, *Principles of Economics*, p. 53; and Ludwig von Mises, *Epistemological Problems of Economics*, p. 152.
27. Hayek, "The Place of Menger's *Grundsätze* in the History of Economic Thought," in Hicks and Weber, eds., *Carl Menger and the Austrian School of Economics*, p. 3. Hayek goes on to say (p. 4): "Vienna could not have seemed at the time a likely place from which a major contribution to economic theory could be expected."
28. Ricardo published *Principles of Political Economy and Taxation* in 1817. (Cf. Spiegel, *The Development of Economic Thought*, p. 158.)
29. Cf. Toulmin, *Human Understanding*, Vol. 1, p. 154.
30. E.g., *Wittgenstein's Vienna*, p. 38.
31. On the other hand, we must consider Mises' report "that Menger, Bohm-Bawerk, and Wieser looked with the utmost pessimism upon the political future of the Austrian Empire" (*The Historical Setting of the Austrian School of Economics*, p. 37).
32. Although it is of course explicitly discouraged. (Cf. *Wittgenstein's Vienna*, p. 32.)

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