1. Three Conferences: Bellagio, Vienna, and Durham (North Carolina)

Before the centenary celebrations of the 'Marginal Revolution in Economics' around 1971, historical research into 'Austrian economics' was very sporadic. If we neglect numerous publications of a semi-propagandistic nature that avowed libertarian politics, R. C. Howey (1960) and E. Kauder (1965) were the exceptional books that dealt, academically and without the anti-socialistic partisanship of a libertarian, with the founding fathers of Austrian economics.

At the Bellagio Conference in August 1971, Howey argued different origins of the 'Marginal Revolution', and E. Streissler characterized the core of Austrian economics as an 'information theory' 'under uncertainty' that could not be covered by the term of 'marginalism' (Black et al. eds., 1973). At another conference, in Vienna, Streissler and his colleague in the University of Vienna, K. Borch, stressed this distinctive feature of the Austrians once more. On this occasion, F. A. Hayek spoke on the place of Carl Menger’s Grundsätze in the history of economic thought, and Carl’s son, Karl Menger, revealed that he had kept notebooks containing the first sketches of his father’s value theory (Hicks and Weber eds., 1973). From a retrospective view, these two conferences indicated a new research field that was explored in the last quarter of the 20th century by a generation of researchers in the history of economics, to which the author of this survey also belongs.

Almost twenty years later, in 1989, Duke University (Durham, North Carolina) and the History of Political Economy organized a conference to celebrate the acquisition of the Carl Menger Papers, which were donated by Eve Menger, the successor of her father and grandfather’s materials. The proceedings of the conference were printed as the annual supplement of the History of Political Economy, 1990 (Caldwell ed., 1990).

Three features were manifest in these proceedings. First, ‘Modern Austrians’ in the United States, I. Kirzner, D. Lavoie, and K. I. Vaugn, joined the circle of historians of economics with an interest in the Mengerian roots of their theory of market process. Second, Menger’s methodology was examined from various viewpoints, including the Popperian (K. Milford) and ‘realist’ (U. Mäki) perspectives, and so on. Third,
the German background of Mengerian theory was stressed by Streissler and P. Silverman. While Silverman inquired into the ‘camerarist’ roots of Mengerian economics, Streissler surprised his Anglo-American-biased audience with the assertion that German economics prior to Menger was theoretically so rich as to influence Menger as well as Marshall.

2. Archival Researches into Menger’s German Background.

However, from the viewpoint of the historian of economic thought, the Durham Conference still was not sufficiently academic, since discussion there was not grounded in painstaking archival work. Among the speakers in Durham, Streissler was the nearest to the ideal under this canon. He not only suggested German economists’ influence on Menger, but also convincingly argued about Menger’s economic liberalism on the grounds of the lectures that Menger made to Crown Prince Rudolf. To the author of this survey, however, Streissler’s stress on the continuity of German economics seemed to contain another risk (i.e., that of diminishing the innovative role Menger played in theoretical economics in this tradition). Among Japanese researchers, it was well known that Menger wrote numerous marginal notes in K. H. Rau’s Grundsatze and Roscher’s Grundlagen. The Rau notes were transcribed by Kauder and printed by the Library of Hitotsubashi University (Menger, 1963). What was missing was the comparative examination of the notes that had been mentioned by Menger’s son in 1971.

At the Durham Conference, the Menger Papers remained unexplored.

I was fortunate enough to have the opportunity to spend two months in 1990 at Duke University to examine the Menger Papers. The notebooks of 1867-68 revealed the process by which Menger conceived and developed his value theory on the basis of German textbooks. Biographical memoranda in a diary from 1875 supplied ample information about his personal life. As the result of this research stay, I published two papers on Menger, one dealing mainly with his journalistic experience in his youth (Yagi, 1992) and the other dealing mainly with the formation of the Grundsatze (Yagi, 1993). In the former I explained the crucial position Menger held in Austrian political journalism before the Ausgleich, and I extrapolated this position to his personal tie with the Crown Prince. On the other hand, I examined how his journalistic experience helped Menger formulate his own theory of value and price. In the latter, I explained how Menger succeeded in identifying the relation between a piece of goods and the satisfaction of wants that depended on it (i.e., marginal utility). In the notes of 1867-68, Menger utilized figures of triangles to indicate this dependent relation and the effect of production and exchange. Further, I maintained that Menger had already begun his methodological reflection at the time the Grundsatze was being formulated.

Y. Ikeda followed me in investigating the Menger Papers, but he focused on the German background of Menger’s economics. He first discussed Roscher’s influence on
Menger in Ikeda (1995) and then, in his thesis (Ikeda 1997), extended his examination to other German economists, in particular P. Mischler and K. H. Rau. He found elements of Menger’s value theory, such as the Quantitatsgesetz (Menger’s term to signify the Law of Diminishing Marginal Utility), in their works and confirmed Streissler’s identification of Menger and German economics in these elements. Ikeda admitted also that ethical elements were not foreign to Menger. In short, Ikeda maintained that young Menger was in the common frame of thinking with economists of the German Historical School.

The German backgrounds of Menger’s theory were also discussed by B. P. Friddat. In Friddat (1990), he saw in Menger an emancipator from the ethical presumptions of German economists. But in Friddat (1997), he placed Menger beside Komorzynski in the broad tradition of the subjective value theory of German economics. Following his introduction to the peculiar German concept of ‘use value’ and ‘species value’ (Gattungswert), we can attain a better understanding of the German theories before Menger.

3. Menger’s Distinctiveness

Why, then, did Menger have to fight against the ‘Historical School’ in the Methodenstreit? Compared with the modern concept of ‘utility’, the ‘value’ concepts of German economists were more objective and more social (or ethical). This was in accord with the research direction of the Younger Historical School, whose head was G. Schmoller, to find empirical laws by using historical and statistical methods. To Menger, however, the abstraction of basic elements and consequent construction was the sole procedure of ‘exact direction’. In addition to S. Bostaph (1978), Yagi (1997) described this methodological schism and discussed further the Mengerian alternative in the interpretation of the history.

M. Boos (1986) supplied an annotated bibliography of Menger’s neglected methodological writings. The group of methodologists who attended the Durham Conference published their results separately (Milford, 1989; Alter, 1990. See also R. Cubeddu, 1993). The core of the problem is the relevance of the constructed theory to real life. The realist interpretation was recently resumed by C. Lawson (1996) with a more critical perspective.

Menger is distinguished from his German precursors by his consequent individualism and thus can be classified into the broad group of neo-classicists. To A. M. Endres, the theories of Menger, Böhm-Bawerk, and Wieser are enough to constitute a distinctive version of neoclassicism, though several ideas of these three are neglected by the present mainstream neoclassicists. Endres (1997) inquired into Menger’s theory of price formation and confirmed its peculiar feature of focusing on ‘dynamic equilibrating processes’ rather than ‘end states’. In Mengerian competition, he discovered the ‘rivalrous and strategic behavior’ that includes the dimensions befitting a game-theoretic analysis. Negishi (1985) saw in Menger a precursor of non-Walrasian economics that didn’t presuppose equilibrium before the implementation of economic
4. Studies on Böhm-Bawerk

Historical study of Böhm-Bawerk was first undertaken by K. Hennings under his mentor J.R. Hicks. However, since he could not publish his thesis on Böhm before his abrupt death in 1987, Japanese researchers had to begin archival work on Böhm independently. First, I printed Böhm's report on interest theory delivered at Knies's seminar in 1876, and added an introduction that followed the development of his theory of capital and interest (Yagi, 1983). S. Tomo followed me with his printing of Böhm's Innsbruck lectures of the early 1880s (Tomo, 1987; later Böhm-Bawerk, 1998). He then completed his thesis on Böhm-Bawerk (Tomo, 1994), which was grounded in thorough archival research into Böhm's life up to the completion of Kapital und Kapitalzins in 1889. Tomo emphasized Böhm's practical experience in the Austrian Ministry of Finance as the background of his economics. Tomo's two articles after the publication of his thesis can be regarded as supplements to its theoretical part; Tomo (1995) retrospectively in relation to Roscher's interest theory, and Tomo (1997) in its transformation from the time preference theory to the time-consuming production theory. A decade after his death in 1987, Hennings' thesis was published. In this posthumous work (Hennings, 1997), he regarded Böhm as a neoclassicist who worked for an intertemporal value theory. With an ideal mixture of historical research and critical examination of the theory, Hennings' work has proved its viability even a quarter of a century after its writing.

One of the delicate questions around Austrian capital theory is how to interpret the debate between Menger and Böhm in this respect. Their correspondence in 1884-85 reveals the difference in their view of economic transaction. While Menger admitted the temporal 'disposability' (Verfügung) of a good as an object of transaction, Böhm denounced it on the ground that every utility of the temporal 'disposition' of a good was integrated in the value of the good from the beginning. Menger proceeded from his use theory of interest to a real concept of capital that was more in line with the market process view of modern Austrians than with Böhm’s concept of capital as a whole of intermediary goods in production. Endres discussed this debate sufficiently in the ninth chapter of Endres (1997). Before leaving this discussion on Böhm, I must add that Böhm's version of capital theory has also been discussed by such theoretical economists as T. Negishii (1980) and B. Schefold (1991; 1994).

5. Relatively Neglected Wieser

Endres (1997) compared Wieser's concepts of 'economizing behavior' (chapter 4) and 'competition' (chapter 8) with Böhm's. Further, in chapter 10, he explored Wieser's interest theory and concluded that Wieser was more loyal to his mentor in this respect. He was also of the opinion that Wieser's interest in the institutional aspect of the competition between social groups
still had no ‘counterparts’ in the contemporary neoclassicism. An exceptional reappraisal of Wieser’s theory in the same vein was to be found in R. B. Ekelund’s reflection (Ekelund, 1970) on Wieser’s Theorie der gesellschaftlichen Wirtschaft from the dualistic viewpoint of power and utility.

In Yagi (2000) I placed Wieser’s sociological works within the development of the Mengerian conception of the ‘organic development’ of institutions. In clear contrast to the Hayekian version of ‘spontaneous order’, interactions of individuals in a mass society (Wieser’s version) would develop into struggles among social powers. In contrast with the literature favorable to Wieser, Streissler’s view on Wieser (Streissler, 1986) is strikingly harsh.

6. Whither Austrian Studies?

The research into the founding Austrians has continued its advance even after the monumental Durham Conference. Their German backgrounds have been explored in depth. At present, despite the partial lack of Wieser-related materials, historians of economics stand now on a firmer and richer ground of first-hand materials than before. On the other hand, it is deplorable that the discrepancy remains between theoretical reflections and historical (archival) researches. One of the reasons for this discrepancy may be the relative isolation of German and Japanese researchers from English-speaking academics. As a legitimate Menger biography is not yet written, much remains to be done, particularly in synthesizing recent research results. Without such efforts, descriptions of the Austrians in standard textbooks will not change.

However, in my view, another reason for the lack of synthesis lies in the dissipation of the vision that is necessary to provide researchers with a framework for their investigations. At first, in 1971, Streissler suggested to Austrian researchers an orientation toward an ‘economics of information and uncertainty’. However, his reappraisal of ‘German economics’ in 1989 was not the straightforward development of the first suggestion. Indeed, a better understanding of German economics is attained from that work, but most investigations into German backgrounds of Austrians are not totally exempted from retrospective biases.

What to make, then, of the vision of Modern Austrians (I. Kirzner, and R. M. Rothbard: See Kirzner’s contribution in Collison Black et al. eds., 1971 and Lachmann, 1978) that stresses the distinctively subjective nature of the ‘economic action’ and ‘market process’? If a broad as well as flexible Austrian view (like that of F. A. Hayek or that of L. M. Lachmann) should be provided, could a synthetic work on Austrian economics be attained? I am rather skeptical of this possibility. In my view, the vision of Modern Austrians shares an adherence to individualism with the vision of neoclassicists. (I don’t believe in the assertion that Austrians are offering an alternative vision that can replace the neoclassic one.) That means that the Austrian vision itself is not sufficient in describing the development of Austrian economics with its surrounding historical and social environments.
My tentative opinion is that, in doing research into the history of a school, we don’t necessarily have to adopt the same vision that that school holds about itself. At present, I am inclined to regard an evolutionary direction in economics as the most appropriate framework for historical researchers in economics. In the Austrian case, too, this direction seems to provide a perspective that can cover its German backgrounds as well as its later development in both its depth and breadth. But, on this evolutionary perspective, I have to wait for another chance to discuss in due length.

Note
1) Since I suppose the readership of this survey is not confined to Japanese researchers, I mention only literature written in Western languages (English or German in this case). Fortunately, the core part of the contributions of Japanese researchers in recent years, particularly those related to the founding fathers of the Austrian School, are accessible in Western languages.

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The Place of Austrians in the History of Economics: A Survey of Recent Research

Kiichiro Yagi

Historical research into Austrian economics was encouraged by two conferences in 1971 (Bellagio and Vienna) and one in 1989 (Durham, NC). Grounded on a thorough archival investigation, study of Carl Menger and Böhm-Bawerk has made a remarkable progress. Although study of Wieser is rare, we now have a good understanding of founding fathers of the Austrian school in the intellectual traditions of the German-speaking world. However, the theoretical research in this area shows a lag. A new general view of Austrians is still to come. One of the problems involved in this field of study is whether, Austrian’ school is a branch of neo-classicism or not. In the last part of the survey, the author poses the question about the vision that guides historical research regarding the Austrians. His tentative answer is that a historical researcher need not adopt the same view as those of the economists he studies. The author suggests that an ‘evolutionary’ view might offer a better framework for the research than the ‘Austrian’ view could offer.