

I. Review of Carl Menger's "Principles of Economics"

By Gustav Schmoller*

There is something unfortunate in judging a book that appears only as a part of a whole; the present first part, "The Principles of Economics," contains the doctrine of the good, of the economy, of value, of exchange, of price, of value in use and value in exchange, of the commodity and of money, i. e., mainly studies of the elementary concepts and phenomena of economic life. But the critique must also attempt to do justice to such a part if it has appeared separately. In order to arrive at an impartial judgment, we will first attempt to characterize the direction of the author.

He extends his greetings to German science as a collaborator from Austria; he is also quite familiar with it, but his standpoint is quite independent. His strength lies in the abstract, detailed consideration of simple processes; he loves mathematical forms and formulas; the basic idea that dominates him is to trace back in logical necessity the elementary phenomena of the economy to the simple economic motive of man, the inclination to improve one's economic situation. He thus arrives at a perspective which is much more reminiscent of Ricardo than of the directions prevailing in German science today. Clarity in abstract theory is his aim; the means he utilizes is a very detailed, even tediously broad, discussion of examples, most of which is much more tied to the Robinsonade than to today's economic conditions. The results are undoubtedly products of not insignificant acumen, but they are rather only new formulations of abstract school questions than solutions of real problems.

In the preface, the author sets forth his point of view; he wants to operate as the natural sciences have proceeded; he wants to reduce economic life to its simplest elements which are still accessible to secure observation, and in doing so he confesses the sentence: whether and under what conditions a thing is useful for me, whether and under what conditions is an economic good has value for me, whether and under what conditions economic exchange and formation of prices can take place: all this is just as independent of my will as a law of chemistry is of the will of the practical chemist.

But is this in fact the case? Is not the psychological basis of economic life changing across peoples and time? Does the author not thereby set up the old crooked fiction of the English that economic life can be correctly derived from an absolutely regarded, constant basic drive of an abstract average man? Doesn't this turn all economic

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problems into purely private economic questions? The natural sciences have investigated exactly with scale and microscope; the directions which correspond to them in political economy are the historical, statistical, etc.; if the natural sciences wanted to proceed as Dr. Menger did in political economy, they would have to investigate abstractly the concept of the cell, of the chemical element, and the like and argue from them. This, too, has its value and its justification, but it is not so much exact method as speculation about concepts.

This is our judgment about Menger's book as a whole; these are astute investigations of some of the basic concepts of political economy. The whole direction of the investigation is already too one-sided for a textbook that would stand at the height of the time. And perhaps the author would have done better not to present the results of his studies to the public in this textbook form. It has become almost proverbial that every beginner in the science of political economy debuts with a textbook instead of first proving his legitimacy with detailed studies.