

Understanding Carl Menger.
His epistemology between Neo-Kantianism and Aristotelism

Nils Goldschmidt[†] / Hermann Rauchenschwandtner[‡]

Abstract

The paper elucidates the epistemological elements in Menger's "Untersuchungen über die Methode der Socialwissenschaften und der politischen Oekonomie insbesondere", published in 1883. While the title addresses "method" in the social sciences, especially in economics, Menger explicitly refers to his program as "epistemological enquiries".

First, our contribution investigates the epistemological foundations of Menger's work, which was an outcome of the debate with the German Historical School. Second, we shall present the cultural "epistemology" of Neo-Kantianism as the central "hermeneutic key" to understand Menger. Third, we will discuss the Aristotelian influence in Menger's work.

[†] Nils Goldschmidt, <goldschmidt@walter-eucken-institut.de>, Walter Eucken Institut, Goethestrasse 10, D-79100 Freiburg, Germany.

[‡] Hermann Rauchenschwandtner, <hrauchen@wu-wien.ac.at>, Vienna University of Economics and Business Administration, Augasse 2-6, A-1090 Vienna, Austria.

I. Introduction

Carl Menger's argument with Gustav Schmoller is undoubtedly a milestone in the history of economic thought. During the *Methodenstreit*, one struggled for factually limiting political economy whereas Carl Menger – in contrast with Schmoller's polemic¹ – had an extensive epistemological claim. The *Methodenstreit* has been interpreted thoroughly by research in many different ways and, thus, has an unquestionably safe place in the archives of economics. The fact, however, that reason, course and results of the *Methodenstreit* seem to be scientifically indisputable is, at the same time, a fundamental hindrance as Menger explains the principles of political economy methodically by name whilst by matter, this should be done according to epistemology. Contrary to the book's title ("Investigation into the *method* of social sciences"), foundations of economics are not to be defined methodically but instead epistemologically.

First, the method follows a fundamental epistemological definition how the subject of economics is constituted categorially and how this subject can be a subject of potential experience. Thus from the very beginning, important transcendental-philosophical questions are involved which, of course, have a certain reference to the "dwarf of Königsberg" – a quite disrespectful name given to Immanuel Kant by Karl Kraus.

Both Menger's "Investigations" (*Untersuchungen*) (Menger 1969 [1883]) and the following "Foundations" (*Grundzüge*) (Menger 1970 [1889]) have an eminent epistemological tone unfortunately lost in the English translation:

"Die *erkenntniss-theoretischen Untersuchungen* auf dem Gebiete der Politischen Oekonomie sind, zumal in Deutschland, bisher noch keineswegs zu einer eigentlichen Methodik dieser Wissenschaft vorgedrungen. Die *erkenntniss-theoretischen Probleme*, welche die deutschen Nationalökonomen, zum nicht geringen Theile auch die nichtdeutschen Fachgenossen beschäftigen, bewegen sich vielmehr hauptsächlich und das Wesen und den Begriff der Politischen Oekonomie und ihrer Theile, die Natur ihrer Wahrheiten, die den realen Verhältnissen adäquate Auffassung der volkswirtschaftlichen Probleme und um ähnliche

¹ Compare Carl Menger's letters to a friend where he especially denounces the misunderstandings, distortions and "indecent" of Schmoller's swear words: "In his review of my paper, *Schmoller* is not just using swear words such as 'unwordly, armchair academic naivety', 'scholastic reasoning', 'blinkers of scientific performance', 'abstract schemes', 'spiritual tuberculosis' and so on, but even makes me understand, obviously to reinforce his arguments, that I would be immediately thrown out of the circle of exact researchers on account of my methodical opinion." (Menger 1970 [1884]: 6f, note).

Aufgaben mehr; nicht die *Erkenntniswege* zu den Zielen der nationalökonomischen Forschung, diese letzteren selbst stehen noch in Frage. (...) Es liegt die Zeit noch nicht gar so weit hinter uns, wo das Wesen der Politischen Oekonomie und die formale Natur ihrer Wahrheiten festzustehen schienen und die *erkenntnis-theoretischen Untersuchungen* auf dem Gebiete unserer Wissenschaft sich tatsächlich mit den eigentlichen methodischen Problemen dieser letzteren beschäftigten.” (Menger 1969 [1883]: V, emphasis by us)²

The epistemological programme is also advanced in the first sentence of the “Foundations”: “Discussion on the targets of and ways to epistemology in economics did not calm down since my ‘*Untersuchungen über die Methode der Socialwissenschaften*’ were published.” (Menger 1970 [1889]: 187)

It is not a mere terminological inconsistency but a decisive question concerning Menger’s investigations as a whole which is lost in translation. There is no way to describe epistemology by the opaque and very general term of a *theory*. In fact, epistemology was at that time the most prominent scientific orientation in Germany and Austria, where there was a shifting of weight in favour of a phenomenological interpretation of social scientific objectives following the (meanwhile) Austrian Franz Brentano, a shift expressed in the second or general Austrian value theory (Meinung, Kraus, Ehrenfels).

Evident is that an epistemological investigation is the necessary condition to determine how scientific statements can be methodically linked. More precisely and with a view to Lotze’s system as particularly binding for scientific research and epistemologically critical foundation of political economy: Science, thus an *episteme* that differs from a mere thinking (*doxa*) needs epistemology, methodology and logic. To reduce Menger’s investigations to mere methodology withholds the genuine epistemological question, namely:

What is the characteristic object of economics, how can this be constituted and which means of understanding (categories) are needed to make this object the *object of potential experience*? Categorical constitution of an object of potential experience differs from an object

² “*Theoretical investigations* in the field of political economy, particularly in Germany, have by no means progressed yet to a true methodology of this science. *The theoretical issues* dealt with by German economist, and to quite an extent also by their non-German colleagues, rather mainly revolve about the nature and the very concept of political economy and its subdivisions, the nature of its truths, the matter of conceiving economic problems to adapt to real conditions, and other similar problems. They do not deal with the *intellectual roads* to the goals of economic research, for the latter are still in question themselves. (...) There was a time not so long ago when the nature of political economy and the formal nature of its truths seemed established, and *theoretical investigations* in the field of our science were actually concerned with its true methodological problems.” (Menger 1985 [1883]: 23, emphasis by us)

only thought of (mathematics) or which is due to an original setting (ontology). If only a single method is used to define the difference in economics, the problems resulting thereof are, from the perspective of epistemology, merely presumptive: asking for the realism of specific assumptions, for monism or pluralism of theory building, and, furthermore, whether there is an independent realm for *one* science. For social science and for political economy in particular, it is eminent to constitute an independent insight realm to distinguish from moral philosophy, psychology and natural science. Economics in the course of its history will not suddenly become aware of an object of insight that always accompanied the process of research like a Platonic idea and, finally, in the mid-19th century presented itself, as it were, automatically. It was only an epistemological exposition of that object of insight leading to a safe foundation that enabled controlled scientific ongoing (*methodos*). Should the epistemological question be ignored, amphibolic confusion of insight realms is threatening as was, and sometimes still is, literally the case during the development of modern (neoclassical) economics: mathematical psychology of feelings of pleasure formulated by Edgeworth is not a heuristic metaphor but a mechanic motion theory for economic subjects – economic “pleasure engines”³ – moving in the space of goods *such as* forces in the sphere of mechanics. Not only does Edgeworth apply a mathematical method, but he also establishes the relation of economic action in the space of physical forces. Confusion of insight realms withholds the epistemological problems dealt with and defined by Menger when analysing Hermann Helmholtz’s epistemology. Apart from a confusion of insight realms, further pitfalls emerge that stop proper continuation of economics: Ontological setting of an independent object sector is particularly dubious if not sufficiently explained both ontologically and ontically.

With regard to the object of potential experience there is a particular difference between economics, historical and natural science, as Menger not only ‘struggles’ against historical misinterpretation of economics by the German Historical School of Economics but also against the New-Kantian Hermann von Helmholtz; a struggle not dealing with methods but in what way the insight object of economics differs from that of natural science. To anticipate: to shorten economics to methodical questions, symptomatic of present discussions, leads to

³ Compare Edgeworth’s “Divine love of the universe”: “As the movements of each particle, constrained or loose, in a material cosmos are continually subordinated to one maximum sum-total of accumulated energy, so the movements of each soul, whether selfishly isolated or linked sympathetically, may continually be realising the maximum energy of pleasure, the Divine love of the universe.” (Edgeworth 1967 [1881]: 12)

one-sided, dogmatic differences between ontology and an instrumentalism shortened by the pragmatic dimension.

The suspect figure of *homo oeconomicus* in particular is lost or stiffened to abstract dogmas if methodological individualism claims to be more than mere technique. Here, Schumpeter's original insight in his postdoctoral thesis⁴ should be reviewed: Methodological individualism is valuable only with respect to price theory (variation calculation) as a *technique*; it must be rejected as a political or understanding-theoretical construct. Methodological individualism was not suited to founding theoretical economics:

“We do not want to look at all at people's acting but only at the quantities of goods in their possession: We want to describe their changes or, to put it right, a certain sort of their changes as if they happened automatically without further considering the people who, in fact, make them happen.” (Schumpeter 1908: 86)

Ludwig von Mises' *a priori* with regard to the praxeological concept of economic acting shortened by all empirical reference and was, therefore, no longer transcendently recognizable either which, as Alfred Schütz put it, should be valid for everyone, is thus mere dogmatism and a dogma is, according to Kant's binding conclusion, a “cushion to sleep on and the end of all revival” (Kant 1991 [1796]: 407, A 490). Carl Menger's epistemological contemplation, however, puts exactly the question how human needs might be an economic object of experience on the rostrum sufficiently founded by his theory.

Epistemological investigations on the foundation of social science are not simply theoretical but admit the question which object constitutes the whole of a science and which means of understanding are needed to make such a constitution possible. Furthermore, the epistemological foundation of social science allows the question about the demarcation of social science as well as about the demarcation of social *and* natural sciences. Menger not only distinguishes between an exact and a theoretical approach of economics but also between natural and social science concerning the subject of knowledge. When discussing Hermann Helmholtz's theory, Menger tries to constitute a specific subject of economics: *the structure of individual wants*. Thus, the criteria of that demarcation must be empirically investigated. Epistemological investigations draw a line to a subject related to social experience, or: how can a subject of science be a subject of experience? The crucial question

⁴ “Decisive is that we deal *with the same* (prices, N.G./H.R.) *on account of certain formal assumptions*, as it were per se and without further referring to what they are based on; there is no need, therefore, to further deal with the economic acting of people.” (Schumpeter 1908: 30)

– how the wants of an individual can be a subject of social experience – is simultaneously the basic horizon of Menger’s investigations and the demarcation to a metaphysical approach, i.e. ontological settings or mere formal approach of science. If the subject of social science is not related to experience, then there is a predominant ontological claim or a formal method only defining the domain of sciences. Both deficiencies are criticised by Menger: the ontological claim of the Historical School of Economics and a science of applied methods. Beforehand, the question should be allowed whether epistemological investigation is not only a luxury positive research of economics that could be easily renounced. Is it then superfluous to secure the foundation of a singular science with regard to critical understanding, which was also Menger’s disturbing question regarding Schmoller’s violating reply. Is it simply a sort of “spiritual debt building”⁵, or should more scientific credit be granted here? Menger’s result is unambiguous, referring to Kant and citing himself: “Methodology, of incomparable importance for secondary achievements in the field of science, is of lesser importance for those great problems reserved to genius to solve.” (Menger 1985 [1883]: 27) “As long as such a genius in the field of our science did not come up, however, as long as development of important branches of political economy is inhibited by erroneous methodological theories, it would be wise, as far as I think, not to underestimate methodological investigation. ‘It is’ – according to Kant – ‘a great and necessary proof of wisdom or insight to know what should reasonably be asked for.’” (Menger 1970 [1889]: 2)

II. On history and the system of epistemology

The origin of the term “epistemology” goes back to the first third of the 19th century.⁶ After the dominance of the theories of German idealism annulled Kant’s transcendental philosophy – in particular the reality-generating powers of the “ego” (Fichte), the nature (Schelling) or the spirit (Hegel) attacking the two branches (representation and concept) of knowledge at Kant –, a dominance that after Hegel’s death led to secession of Hegel’s world spirit and could not even be revived by the elder Schelling’s arrival at Berlin, there was a, albeit restrained in the beginning, call for a return to Kant in the German university philosophy in

⁵ Thus Lujo Brentano’s blaming investigations of critical insight that define what and how something has to be dealt with without doing something in the sense of positive research, „that permanent talking about *what* should be made and *how*, never resulting in ‘doing something’ – actually investigation about aims of insight and method of research! – was ‘*spiritual debt building*’.” (Menger 1970 [1889]: 209, emphasis by us)

⁶ To the history of the term “epistemology” and of new-Kantianism in general see the book of Köhnke (1986).

particular. Among those philosophers tending to Fries or Reinhold, the transcendental-philosophical programme was resumed after an analysis of *understanding knowledge* although there was a surplus of psychology. Two questions in particular promoted the rise of epistemology to the prevailing philosophical point of view in Germany around the mid-19th century: firstly, the relationship between philosophy and the individual natural scientific research and secondly, how could one build a relationship between philosophy and the developing cultural sciences of culture and humanities (see Rauchenschwandtner 2002) – especially political economy, peoples’ psychology, historical science and art theory – without historically levelling off their purview, giving them speculative i.e. metaphysical reasons or belittling philosophy as auxiliary science with regard to methodology and logic.

First and foremost it was the result of Hermann Helmholtz’ sensory-physiological research to create a fruitful horizon where individual natural scientific research and philosophical *critique* could meet: an object of potential experience is not simply given where the senses (perception, ideas) refer to but categorial means of cognition – “the organisation of our spirit”, thus conceptions and ideas constitute an object of potential experience: “That our way of conceiving was as much due to the nature of our senses than to outward objects (...) is of utmost importance for the theory of our understanding ability. Exactly what has been empirically proven by the physiology of senses recently, was earlier sought to prove by Kant for the ideas of human spirit in itself by showing the share that the particular native laws of spirit, thus the *organisation of spirit* have of our ideas” (quoted in Köhnke 1986: 154, emphasis by us). A “discreet” natural scientist – as Helmholtz’s father warned repeatedly – should act against a flat materialism as well as against Hegel’s and Schilling’s “excesses”. Thus, a return to transcendental-philosophical programme is first and foremost due not to mere theoretical reflection as a result of a Kant-exegesis but is entirely motivated by the individual scientific discipline.

The second problem that encouraged the rise of epistemology concerned the understanding object of culture and humanities without rashly flying into the wake of historicism. How is culture possible as the object of potential insight, which objects define a characteristic sector, a domain of its own that differs from the “forces” of natural science?

There is a close connection between the rise and height of new-Kantian epistemology and that question. Genealogy of this direction of research in which philosophy refers to individual sciences can be described as follows: exposition of values as object of insight, validity of values and culture critique to express a philosophy of symbolic forms. Starting with Rudolf Lotze’s (1989 [1928]) differentiation between existence, events and validity there was a

explanation of a potentially *general* validity of values in order to prevent them from being shortened to economic subjectivism as generally expressed by the two orientations of new-Kantianism from the last third of the 19th century to the national socialistic *gleichschaltung* of German universities: southwest-German new-Kantianism (Windelband, Rickert) and the School around Cohen and Natorp, a School whose brilliant highlight was the “Philosophy of symbolic form” by Ernst Cassirer. The universities being intoxicated by the agitation of national socialist lecturers and professors, new-Kantianism, and, thus, culture, were banned. According to Lotze’s guideline that reality is to be ordered into three sections (existence as object of natural scientific recognition, events as precondition of historical analyses, validity as constitutive object of culture and art science), the relevant sector for cultural science is to be explained epistemologically: firstly, by the difference between the sections of validity, existence and events, secondly, by which characteristic objects are conditional to have cultural scientific insight and thirdly, by which means of insight (categories) are being applied. Values now take the place of the cultural scientific insight section claiming to be generally valid; this is the only way to reach a culture horizon beyond subjective feeling. By exposing the values, however, we also talk about the claim of potential insight which, according to Windelband and Rickert, is forced to ontological ruin. Windelband’s (1907) commitment to distance natural scientific scientism to make cultural (goods) object of generally binding experience is to throw *normal consciousness* into the scope of new-Kantian debates that corresponds to the norms of values. Validity of values is normative so that normal consciousness only fulfils this claim. Due to Windelband cultural scientific insight critique has been established as question where validity of values is not deducted but simply hypostated as validity of cultural values is a dogmatic one. There is a dogmatically closed relationship between subjective valuating, subjective esteem and an objective horizon of general cultural values without deducting origin and function of normal consciousness. Heinrich Rickert pursues Windelband’s question. On first access, reality breaks into a continuum of appearances – “continuity of all real” – and the “sentence of heterogeneity of all real” (Rickert 1986 [1899]). Unlike natural science explaining reality as continued sequence of events only, cultural values are analysed ideographically as object of potential experience in their individual reality. It is crucial, however, that individual historic objects can only be discerned individually but are connected to values that seem to be generally binding. Thus, epistemology links individual objects of evaluation to cultural values so that subjective esteem might be possible in an objective space of culture at the same time. Thus, culture can neither be reduced to individual esteem nor to abstract generality. Neither is it

scientific, i.e. just an offspring of natural scientific insight, nor historicistic as a far from theory-description of historical facts. With a view to new-Kantian investigations culture is a specific connection of individual esteem and general norms of cultural validity, thus neither individualistic nor holistic. Although Rickert's undertaking in the end gives in to the appeals of metaphysics by him linking validity as a postulate to evaluation of cultural men (*Kulturmenschen*) (ibid.: 39)⁷, which merely is a circular argument as how man came to culture was just to be deduced, the soil of cultural science is epistemologically well planted. How and according to which rules is an object constituted not to be ruined neither natural-scientifically nor historically?

With regard to epistemological foundation of cultural science Carl Menger's investigations take shape: Which object is object of economic insight and what is the difference to that of natural and historical science? Menger consequently exposes the nature of economics neither individualistic nor holistic, avoiding crude epistemological defective forms of reductionism – methodological individualism – and holistic ontology: nature of economics is neither to be reduced to individual acting – a mistake made by the “School” (economics in the tradition of Adam Smith) – nor to ontological acting of a total nation or people.

III. Carl Menger's epistemology

According to Menger, each science has to contain three elements: “The definition of a science has to contain three elements: (1) the exact designation of the science to be defined; (2) the object that research is related to (eg. the animal world or plant world, the state, national economy etc. or specific realms of these); and (3) the formal point of view from which the object is to be examined (eg. the historical, the theoretical, etc.)” (Menger 1985 [1883]: 197) Of importance is the constitution of an object that has to be differentiated terminologically and therefore needs a method how to derivate individual scientific results from this constituted object. Thus, an access to an independent realm of understanding of political economy is, first and foremost neither terminologically nor methodologically justified, but definitely firstly comes epistemology and then, secondly, terminological classification and methodical conclusions. Which is now the object to define an independent realm of understanding for economics: the nature of the “national economy” is a higher unit, a structure of individual needs. To use the language of set theory: neither is a set derivated from an element (methodological individualism) nor does a set precede the elements

⁷ To critique as “critique of culture” see esp. Cassirer (1994 [1942]: 37).

(holism), but the element is only element as part of a set, and a set is only the rule to connect elements – except for the empty set. Menger's term for structure is: complication or organism, thus a term also driving Wilhelm Roscher's theory production, a term which, as Roscher sees it, is actually dark and meaningless but used as a kind of parameter in the absence of a correct one.

Menger's investigation takes the following way: 1) definition of object as supreme term of national economics: *higher unity of many individuals*; 2) negative determining of object against "collectivists" (there was a "people" of national economy that wants and "manages" "on its own") and against the "School" (Adam Smith) and (3) positive determining the nature of national economy as *social form, organic complication* ("organische Complication"). Thus, Menger makes a double differentiation in his epistemological foundation: against the "School" in the tradition of Adam Smith and against the „collectivists“ of the German Historical School: "What the national economists designate with the expression 'national economy', national economy in the common sense of the word, is by no means a juxtaposition of isolated individual economies. The latter are rather closely tied together by traffic with one another. But just as little is what they designate a national economy in the above strict sense, or per se one economy at all. On the contrary, it is really a complex, or, if one wishes, an organism of economies (of singular and common economies) but, we repeat, it is not an economy itself. To use a popular image: it is the same relationship as eg. in a chain being a unit consisting of links without, however, being a link itself. Same applies on a machine being a unit made up of wheels, and so on, without being a wheel itself." (Menger 1985 [1883]: 194) What Menger tries to define is the *structure* of a national economy, the *structure* of the unit. Thus, neither the juxtaposition of elements nor the ontological claim of a unity defines the object of economics. The genius of the position is the exposition of a structural nexus which designates the object of economics. The structure is literally complicated.⁸

This differentiation is decisive for Menger's epistemological point of view and the epistemological project as a whole: *the object of national economy is neither mere juxtaposition of isolated singular economies nor one singular economy beside another singular economy (a nation managing itself and standing as singular economy beside the others). It is strictly traffic that enables a formal, complicated national economy; to put it*

⁸ "It is really, on the contrary, a complex, or, if one wishes, an organism of economies" (Menger 1985 [1883]: 194).

pointedly: what is the precondition to make traffic possible, or: how is traffic possible?

Which increment, which addition article is needed to make out of juxtaposition a structural cooperation and thus unity?: *complicated organic form.*

What is crucial here is *traffic* as precondition of social form. The whole of social form could neither be a singular economy nor was there a subject („the nation“, „the community“, „the people“) to precede this social form, vouching for its coherence and securing its unity. Thus, there should be an ability to leave “isolated” economies and to enter an unreflected, organic relationship between each other. What is to be exposed is social *organisation* experienced by the members of national economy. To put it in terms of epistemology: what is decisive to the *unity* of a national economy, how is its object constituted so that neither individual forces (the variation of the “School”) nor the force of a unity preceding the subjects (the ontological variation of the Historical School) lead to this unity, thus nor an individual, sceptical ability nor a dogmatic objection power constitutes this unity? Sticking to epistemological foundation, both variations are sceptical or dogmatic defective forms of the constitutional character itself. From an epistemological point of view objectivity is needed having the same origin as “subjective” ability. A simultaneously needed generality can only be established by a constitutional act from “subjective” ability itself so that experience not only designates the constitutional acting but that this constituted organisation can be experienced. Provided that subjects of a singular economy leaving their “isolation” and enter into traffic among each other, they should experience organisation (as a medium between singular economies): „Rather due to the above fact, the so far isolated economies experience only an organisation that makes them lose their character as an isolated but, by no means, as a singular one.“

(Menger 1985 [1883]: 194, note 129)

Complication appears as “a multitude of economies connected to a higher unity, which, in itself is not an economy in the strict sense of the word” (Menger 1985 [1883]: 195). The only sign of this complication is the social form experienced by the formerly isolated individuals, a complication „in which they are really offered to us by experience. *Natura rerum subtilis* could be called also this human economy in its social form.” (Menger 1985 [1883]: 196) One essential difference to subtilities of natural things, however, is still disguised here, namely that *natura rerum* are not being experienced (atom, natural forces).

Social form, complication and also a resultant are therefore organised forms underlying each experience; previous experience or even analagon is the complication of natural things and their “subtility”. Epistemological principles built in by Menger when formulating the specific social scientific object realm are won in the field of an economic social structure called by

him *complication of a social form* (“Complication einer sozialen Form”). Thus has been introduced the first desiderate of Menger’s epistemological investigations: The realm of knowledge is relation and structure of individual wants; the “nature” of national economy therefore neither consists of in its moral-philosophical or psychological definition what human needs are, nor to make a holistic whole attractive; economics neither can be reduced to the technique of a methodological individualism nor be inflated to ontology as a whole but economy is, in Menger’s tongue, a “complicated” social form, *thus a social structure of economic acting and a cultural process* (not a least with regard to money as social form).

What is now the difference between the understanding of political economy and that of natural science, how does Menger distinguish his investigations from the results of Hermann Helmholtz’ natural scientific research? Menger highlights an important and simultaneously very problematic difference to natural science, namely:

“Neither (atoms and natural forces, N.G./H.R.) is of empirical nature. We cannot imagine ‘atoms’ at all, and natural forces only by a representation, and by these we really understand merely unknown causes of real motion. (...) It is unlike in the exact social sciences. Here, human *individuals* and their *efforts*, the final elements of our analysis, are of empirical nature, and thus the exact theoretical social sciences have a great advantage over the exact natural sciences.”
(Menger 1985 [1883]: 142, note 51)

But we should make a note of this: what may be that a human is a potential object of understanding and experience, but what about human needs? How can human needs be an object of potential experience and what are the means to constitute these *as* object of potential experience? Here, we cannot find a reply with Menger, but this is a definitely more fruitful fault than simply taking out a loan with natural science, i.e. a fault promising high yields.

IV. The Metaphysics of Economics: Aristotle and Menger

Menger’s aspiration to not only conduct research within the field of existing science, but also to highlight the unique characteristics of the field amounted to a highly epistemological objective. Thus, science not only relates to the existing problems in one’s own discipline, it is also necessary to define where its limits lie: how is economics different from history and natural sciences? Menger’s epistemological analyses in this respect not only focused on the

young Historical School of Economics, but mostly on natural sciences. In his debate with Hermann Helmholtz, Menger introduced a distinction which dissociated the subject matter of economics from that of natural sciences, namely the apparent empirical evidence of human needs. The latter are not simply postulated by Menger but are the result of his epistemological analyses. Menger, however, does not elaborate on how they are to be identified as a category. It is quite possible that every individual is an empirical fact, and that this is equally true of needs, but how is one to recognize empirical needs?

This question allows for a couple of answers: 1) The bedrock of economics is moral philosophy, later psychology. In this way, the long tradition of moral philosophical substantiation of economics, from David Hume to the Benthamites and the Utilitarians and finally to Alexander Bain's psychology, comes to light in the Mengerian theory, or 2) the emancipation of economics from any kind of moral philosophical or psychological justification, in that a formal calculus is developed in the form of „mathematical psychics“ (Edgeworth). The second perspective enabled the rise of economics and its advancement in terms of knowledge.

Together with these two possible developments, a third variant should be addressed; though it is also a psychological variant, it is not purely so, but rather phenomenologically so, as Husserl points out in his Encyclopedia Britannica article. A psychology is pure when only psychological elements are present, with no philosophical considerations whatsoever about the way in which these purely psychological elements are related to the realm of being. This development with regards to the descriptive or phenomenological justification of subjective, empirical needs stemmed mainly from the philosophy of Franz Brentano (1838-1917), who, from 1874 onwards taught in Vienna. In Vienna, Brentano's philosophy led to the so-called second of general Austrian theory of value, where a few students of his (Meinong, Ehrenfels, Kraus), building on Menger's purely subjective theory of value, formulated a general theory of value (cf. Dappiano 1996: 378).

One of the main pillars of Brentano's theoretical structure was the phenomenological justification of psychological experience, as presented in "Psychologie vom empirischen Standpunkt" (*Psychology from an Empirical Standpoint*) (1874), the second pillar was Brentano's lifelong struggle to achieve an appropriate understanding of Aristotle's philosophy, whereby the First Philosophy, or ontology (metaphysics), came to the fore. So, can Menger's epistemological inquiries be seamlessly integrated into Brentano's theoretical apparatus? And is Mengerian economics hence based on Aristotelian foundations, as claimed by Barry Smith? "As in Aristotle himself, so also in Menger and in the work of

other Aristotelians such as Brentano and Reinach, a radical empiricism hereby goes hand in hand with essentialism. [...] For Menger, as for Aristotle, what is general does not exist in isolation from what is individual. Menger is [...] an immanent realist. He is interested in the essence and laws manifested in this world, not in any separate realm of incorporeal Ideal Forms such as is embraced by philosophers of a Platonistic sort.” (Smith 1990: 267)

Given Menger’s epistemological agenda as detailed above – departing from the conviction that while the nature and essence of economic elements have been identified by economists, the exact epistemological method has not yet been sufficiently determined – shelving Menger in the context of Aristotelianism (which became fashionable again in the 19th century) is not a trivial task. A total reduction of Menger’s epistemological claim to ontology is premature. Thus, our interpretation of Menger is not a “Kantian confusion” (Smith 1990: 276), but actually appropriate against the backdrop of his “epistemological inquiries”. If, however, parts of Menger’s work are ontological, we are facing a considerable complication – which is, on the other hand, obviously intended by Carl Menger.

V. Settling “spiritual debts” of Gustav Schmoller

Although Menger is right to define the question of appropriate approach in economic as an epistemological problem in the beginning thus opening the way to a renewed discussion on methods – may be that here is to found the real importance of the *Methodenstreit* for the history of economic thought – but it should not be overlooked that also the criticized position of the younger German Historical School, from a today’s view, can be read as a complement to Menger’s questions. Even if Schmoller might hardly not have grasped Menger’s thoughts in their real importance – as shown in his criticism and rejections – he seemed to have felt methodically uneasy with the ongoing debate. As an expression of his uneasiness is his strongly revised – compared with the first version of 1894 – approx. 80-page-article to *National economy, economics and economic methods* (“Volkswirtschaft, Volkswirtschaftslehre und –methoden”) for the “Handwörterbuch der Staatswissenschaften” from 1911 which seems to be Schmoller’s only article where he tries to seriously and systematically tackle questions of methodology and epistemology.⁹ Revision of the original article is justified by Schmoller as follows:

⁹ Unfortunately, there is only an English translation of Schmoller (1894).

“Since then, our science and struggles therein shifted considerably: much more than then, classical *Nationalökonomie* (economics) belongs to history, both in its socialist and Manchester runners. Epistemology has undergone a quite important development. The adjacent field of the latter and of economics has been developed by Hasbach, Neumann, Dietzel, Max Weber and others with remarkable efforts. Dilthey, Windelband, Rickert and others sought to pave the way for the epistemology of humanities. My article of 1890 would be an anachronism in 1910. It was not easy for me to decide for revising, considering my age and the huge workload from elsewhere, On the other hand I found a revision very tempting since I felt a strong need to hand over to future a sort of methodological legacy now my end is nearing,” (Schmoller 1911: 426)

Thus, Schmoller consequently tackles scientific and epistemological questions in two paragraphs of his article in particular (§3 and §12) in order to pave the way of knowledge in the area of economics: “Steadily trying to find out the facts on the method is the basic condition for progress in every and also in our specialised science...” (Schmoller 1911: 455). As promising as Schmoller might announce a “methodological legacy”, he eventually got stuck in an “either – or”. This does not only refer to the question of induction and deduction which is unrewarding for today’s discussion and symbolized in his well-known claim “For years I used to tell the students that like they need their right and their left foot for walking, induction and deduction belong to scientific thinking” (Schmoller 1911: 478), and even when applying methods or epistemology: “Due to the multitude of economic phenomena there are of course different techniques for monitoring and describing; partly have they come from other sciences and partly have developed more independently within political science” (Schmoller 1911: 459). Schmoller’s recourse to Windelband, Rickert, Wundt, Dilthey and others remains a descriptive one in the end. Menger, too, is mentioned in the article only sporadically and in passing being certified by Schmoller “not having the relevant philosophical education and competency” (Schmoller 1911:455) to talk about the “nature of method” (ibid.). As a whole, one remains quite unsatisfied in *terms of content* after having relectured Schmoller’s thoughts regarding method and epistemology; Schmoller’s own summary regarding questions of legalities in economics leaves that same wan aftertaste, too. He legitimizes his own position by referring to the then popular but – a least from a today’s view – hardly profound thinker, neo-idealistic philosopher and nobel prize winner for literature from 1908 Rudolf Eucken. Schmoller writes:

“We conclude our thoughts on economic and historical laws with the objective and fair judgement of Eucken: ‘All in all, has the law in the new science too often led to rash conclusions and dogmatic claims that showed our insights to be more mature than they really were. Primarily, however, it proved to be a driving power to provide summary and classification; to research it showed problems to be solved, if not solutions; it is inseparable linked to work and struggle, to success and failure of the newer science.’” (Schmoller 1911: 490; cf. Eucken 1893).

It would be rash, however, to put Schmoller’s epistemological relativism unused aside or to reduce it to only a historical claim towards a theoretical – or better: epistemological – sophisticated approach at Menger’s. Schmoller was more than a “naive empiricist” (Shionoya 1995: 70); not a least due to his in-depth dealing with John Stuart Mill¹⁰ and his friendship with Helmholtz, one could definitely detect a scientific-theoretical programme at Schmoller, also with the intention to transfer natural scientific methods to social science and economics. This scientific-theoretical programme, however, is not an epistemological one. Again: even if Schmoller sees himself being under an epistemological *claim* to link historical and psychological (and, in last instance, also natural scientific) thoughts on a theoretical level, he cannot honour this claim himself. As Yorck von Wartenburg wrote in his correspondence with Dilthey: “Schmoller is more profound (compared with Adolph Wagner, N.G./H.R.) in his psychological intention but due to absence of epistemological insight it seems to stay with intention and a lack of systematic only leaves historical research” (Dilthey and Yorck von Wartenburg 1923: 32 f, cf. Weippert 1938: 69). Yet, as shown by Schmoller’s theory’s lasting value in general just in its turning to the object (the economic phenomena), to the actor (and his imaginations and preferences) as well as to the problem (the social question) of economics in its historical and *cultural- sensitive form*, it is also Schmoller’s lasting merit to point out to cultural condition of economic insight with a regard to questions of insight (as a correlate of historical research). When defining the method of science Schmoller puts it in his “Handwörterbuch”-article that also insight is linked to the conditions of place and time: “The method of each science is defined ... by the point of view that human insight has won at the time being i.e. by insight theory and methodology *of that time* which in principle, is only a uniform one to all human thinking and insight; that was least what was mostly supposed so far.” (Schmoller 1911: 433; emphasis by us).

¹⁰ Lujo Brentano reports that it was Schmoller to get Mill the honour’s doctorate of the university Wittenberg-Halle in 1867. See hereto Hansen (1968), so far one of the best papers to Schmoller’s scientific-theoretical programme and the *Methodenstreit* in the context of intellectual history; also see Häuser (1988).

When forgetting the somewhat cryptical latter part of the statement, Schmoller is right in pointing out that epistemology not only has got relevance but that epistemology itself is a product of scientific development. Thus, it is understanding of relativity of theories (in the context of their individual history of origins) that distinguishes Schmoller and also has been highlighted by Dilthey: “The historical point of view releases the spirit and makes it understand relativity of older theories. The risk of the Historical School in all sectors is, however, that systematic insight is doubted.” (Dilthey 1936: 256) It was also Dilthey whom Schmoller opposed to Menger to show the inadequacies in Menger’s “Investigations” (Schmoller 1883; cf. Salley 1993).

Even if Schmoller remains an epistemological “lightweight”, his pointing out to economic explaining and understanding *being conditional* is of eminent importance. Or, to put it differently: Menger’s central insight that economic questions cannot be formulated outside epistemological debate is supplemented by Schmoller in so far that insight itself is being transferred culturally. Thus, the characteristic “cultural” not only points out to the required cultural-historical view of economic acting and the individual “historical *Lebenswelt*” also prominently to be found in the tradition of the Historical School (and, basically, in recent research programmes, too). Rather do cultural meanings have relevance not only for “life phenomena” but also for “scientific phenomena” i.e. for creating new theories.

The term “cultural” therefore refers to an understanding of cultural science also on the level of epistemology. The fact that the possibility of theory is conditional, reflexion on a current theory and, thereupon, the process of understanding in science are bound to the prevailing (scientific) subject in its cultural sphere.

At the same time, however, there are consequences for the history of economic ideas. The different attempts of economics can only be explained or become explainable in the midst of the prevailing history of idea and events. “Producers“ of economic theories have thereupon to be discussed in connection with the era: actors and also (economic) theoreticians carry on their thinking and acting in a specific framework of historically possible reflection underlying structural development – historically possible with regard to both social object sphere and cognitive means. This point of view is decisive to enable an (historic) actor to produce certain conducts and theoretical insights on account of the prevailing historic-cultural context.

The other way round, insight into culturally transferred conditions of epistemological programmes should not lead to mere relativism of methods – a danger Schmoller was doubtlessly exposed to. Rather should the field of epistemology be always redefined again and first. Here, Schmoller has to be completed by Menger.

V. Epistemological outlook

Discussing about Menger had and has the following advantages: firstly, following Menger, there is a way to epistemologically investigate the object section of social science and of political economy in particular, without epistemological subtraction being a mere point of view as Menger talks about epistemological principles in terms of matter.

Menger was “turned around”. To start with, constitution of object of economy has been chosen to put each methodological or analysis of theoretic intension respectively, last. The question to be replied was: how can such a constituted object be experienced and, in particular, which were the categories to enable experience of this object, in Menger’s terms: How can a social organisation be experienced, how can the complication of a social form be experienced? Furthermore, Menger tried to make a distinction between the object area of political economy and understanding objects of natural science where he did not quite succeed due to lack of means of insight.

And the relationship between Menger and Gustav Schmoller? Which yields are to come out of it? Well, on the one hand, Schmoller was tripped up on “epistemological ice”, i.e. the discourse being obviously interrupted too quickly, continued on another level. In 1911 Schmoller consequently continues the trial of reason calling further witnesses for examination, or: eventually, witnesses are being named also called for by Menger: Helmholtz, Windelband, Rickert. Thus, the discourse interrupted by Schmoller in 1894 in going on, although epistemologically, as Schmoller put it on record several times. On the other hand, there may be just little what Schmoller, as an epistemological “lightweight”, has contributed to solve the genuine epistemological problems, but we too, are in favour of extending the space of reason and join Kant: Is it not fruitful too, to know “what should reasonably be asked for”?

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