

Carl Menger, 1841-1921.

Carl Menger has been hailed as one of the three leaders of the "Marginalist Revolution" of the 1870s, along with William Stanley [Jevons](#) and Léon [Walras](#). However, Menger's *Grundsätze (Principles)*, published in 1871, eschewed all the mathematical scaffolding that characterized the works of the other two revolutionaries. As such, many economists have insisted that Menger should be placed apart.

In one sense, he can be considered different. Unlike Jevons or Walras, Carl Menger founded a proper "school of thought" which has more-or-less retained its distinctive character since - namely, the [Austrian School](#). His two disciples at Vienna, Eugen von [Böhm-Bawerk](#) and Friedrich von [Wieser](#) did much to advance and forge that school.

Menger's *Grundsätze* (1871) was conceived originally as the first volume of a larger treatise - but the rest never materialized. The *Grundsätze* was concerned mostly with setting out the concepts of marginalist value theory, namely using the concept of subjective value to underpin all of economics. Although he did not formally use the term "marginal", he did claim that people rank-ordered their needs and applied successive units of goods to satisfying less and less urgent needs. The "value" of a good, Menger claimed, would be the equal to the least urgent use to which it was applied. Only later did his disciple [Wieser](#) apply the term "diminishing marginal utility" to Menger's scheme. Note that he did not conceive of "needs" being cardinally measurable, only that a good will be consumed to the point where the further consumption of a unit of that good will satisfy a less urgent need than the consumption of another good which he could have bought instead - in modern terms, until the marginal utility of two goods are equal relative to their price.

Menger's theory of production was also simple enough: factors and intermediate goods ("goods of higher order") were demanded only because consumer goods ("goods of first order") were demanded. The subjective determination of consumption demands, Menger claimed, would, in turn, determine the demand for factors of production. The problem of "imputing" the value of factors from the subjective valuation of commodities (the exact reverse of Classical theory!) was to be a central concern of [Wieser](#) and the later [Austrian](#) school.

The way Menger set out to explain his theory of price was also interesting: he began with pure exchange between individuals, then under conditions of monopoly, then oligopoly before finally formulating the case under pure competition.

Menger's chapter of the marketability of a "commodity", in particular his distinction between quality and quantity is also highly interesting. So too is his distinction

between "economic goods" (goods which are scarce) and "non-economic goods" (free goods) was to become instrumental in later [Neo-Walrasian](#) theory. It also might be important to note, as later Austrians have stressed, the element of time and uncertainty in Menger. While Menger did have an adjustment process for the establishment of price, he did not have an "auctioneer" outright but rather had his agents inching their way along, making errors and correcting them, over a long period of time to discover the "equilibrium" prices at which exchange could be effectuated to everyone's complete satisfaction.

When Menger's *Grundsätze* emerged in 1871, its subjective theory of value was a complete contradiction of the Classical theory of value. However, published obscurely in German, the opposition arose not from the old Classical economists but rather from the [German Historical](#) School. Led by Gustav [Schmoller](#), they denounced Menger's work as an "irrelevant abstraction" and, using their political power over German academia, ensured that none of Menger's followers and none of his work could make inroads in Central Europe.

Menger had used his *Grundsätze* to achieve his post as lecturer in Vienna in 1873 and, after an interlude as a tutor to the ill-fated Crown Prince Rudolf of Austria-Hungary, Menger shelved his work on the other volumes he was planning and launched a counter-strike in 1883 with his *Investigations into the Method of the Social Sciences* (the *Untersuchungen*). It was a biting and sweeping polemic against the "Historical method" and a brilliant defense of economic theory which can still be read with much profit today.

The *Methodenstreit* was on: [Schmoller](#) and Menger locked horns for the next couple of years (e.g. Menger, 1884) and the debate was carried on into the 20th Century by their disciples. Although it can be said that Menger won the day (Schmoller stopped replying), the German Historicists kept their hold on the German university system well into the middle of the next century.

Menger's engagement with the [German Historicists](#) and his secluded life at the University of Vienna kept him out of the confrontation with the Classical economists and the construction of the new economics that [Jevons](#) and [Walras](#) were avidly pursuing. Nonetheless, Menger's contributions would eventually find their way in. Through the Austrian influence upon [Fetter](#) in America and [Smart](#), [Wicksteed](#), [Robbins](#) and the rest of the [L.S.E.](#) in Britain, his theory of alternative cost, the concept of supply as "reverse demand", (just) kept the marginalist theory from being completely swallowed up by the [Marshallian](#) "synthesis" of Classical and Marginalist doctrines.

Indeed, Menger's insights would be instrumental in advancing Neo- Walrasian theory: in the [Vienna Colloquium](#) run by his son, Karl Menger, Menger's insistence on subjective value and his distinction between economic and non- economic goods were instrumental for breaking Walrasian theory away from the [Cassel](#) system of equations and the forging of modern [Neo-Walrasian](#) general equilibrium theory.

Thus, while the [Austrian School](#) has maintained that Menger was distinctly different from the rest - whether because of his stress on subjective valuation, on disequilibrium, on his lack of mathematics, on the spontaneous evolution of institutions (such as his famous work on money - see 1892) - there is nonetheless no denying that much of his work and insights have found their way into modern economics in a meaningful sense. As John [Hicks](#) would later put it, "I yield to no one the honour I give to Menger" (Hicks, 1973).

Major Works of Carl Menger

- *Principles of Economics* , 1871. (the *Grundsätze*).
- "Wilhelm [Roscher](#)", 1875, *Wiener Abendpost*.
- *Investigations into the Method of the Social Sciences: with special reference to economics*, 1883. (the *Untersuchungen* - it has also been translated as *Problems of Economics and Sociology*).
- *The Fallacies of [Historicism](#) in German Political Economy*, 1884. (the *Irrthümer*).
- "Zur Theorie des Kapitals", 1888, *JNS*.
- *Toward a Systematic Classification of the Economic Sciences*, 1889.
- "Nationalökonomische Literatur in Österreich", 1889, *Wiener Zeitung*.
- "Die Social-Theorien der classischen National-Ökonomie und die moderne Wirthschaftspolitik", 1891, *Neue Freie Presse*.
- "[On the Origins of Money](#)", 1892, *EJ*.

Resources on Carl Menger

- [The Carl Menger Papers](#) at Duke University.
- [Biography](#) of Carl Menger.
- [Menger](#) at Britannica.com
- [Menger Page](#) at McMaster
- [Menger Page](#) at Akamac
- [Menger Page](#) at Laura Forgette
- [Menger Page](#) by Darius Cooper.