

**NEOCLASSICAL MICROECONOMIC THEORY:
THE FOUNDING AUSTRIAN VERSION. BY A.M. ENDRES.
LONDON: ROUTLEDGE, 1997**

A.M. Endres states, on the opening page of his book, his intent is to “investigate the ways in which the [founding] Austrians were developing an essentially unified project which was different from other founding neoclassical branches of economics.” Such a statement implies three aspects of founding Austrian economics to be examined: (1) Austrian economics as an element in the broad neoclassical program; (2) Austrian economics as distinct from the other branches of this program; and (3) Austrian economics as unified in its distinctiveness. While it is the first of these propositions that will probably generate the most controversy within some Austrian circles, it would be to the detriment of scholarship in the history of Austrian economic thought if this aspect were emphasized at the expense of the other two. For Endres has done an adequate job of highlighting elements of distinctiveness and similarity among the founding Austrians (Menger, Wieser, and Böhm-Bawerk) which go beyond the cut-and-dried methodological issues emphasized by later Austrians.

In fact, very little of Endres’s book is concerned with defining the place of the early Austrian economists within the neoclassical program. Such emphasis is to be found only in the first chapter, in which the classification of the founding Austrians within neoclassicism does not go far beyond identification with the common thread of a utility theory of value coupled with an essentially “marginalist” perspective. Endres briefly considers alternative definitions of neoclassical economics (pp. 3–6), including the “exchange-oriented” definition of Sir John Hicks (within which the Austrians certainly fall) and Philip Mirowski’s characterization of neoclassicism as essentially “linked to the rise of energetics in the physical sciences” (from which the Austrians are rightfully excluded). In the end, Endres comes to the conclusion that recent economic historians have correctly located the early Austrians within the neoclassical movement, although not squarely in its mainstream.

The remaining chapters focus on various elements of distinctiveness in the writings of the founding Austrians. Five categories are identified in which Austrian views demonstrated what Endres calls “enduring continuities”: conceptions of economic science, economizing behavior, price formation, competition, and capital-and-distribution theory. Endres provides detailed analyses of the writings of the founding Austrians on each of these subjects, pointing out differences as well as similarities in their respective treatments, and paying particular attention

to the often implicit assumptions made by the writers. The list of categories is not exhaustive—there is little doubt that other categories of “enduring continuity” could have been identified—but these five offer the reader a flavor of the early Austrians’ unique vision of economics.

Regarding the founding Austrian conceptions of economic science, Endres presents a viewpoint that is much different from that offered by the more contemporary Austrians. In particular, the early Austrians were much more eclectic in their ideas on both the nature and conduct of economic science than their later counterparts have been. For instance, Menger “feared the preponderance of ‘one-sided attitudes’” (p. 13) in the field of political economy, which he viewed as containing three main branches: an historical-statistical branch, a theoretical branch, and a practical or applied branch. Furthermore, he subdivided the theoretical branch into “exact-theoretical” and “empirical-theoretical” components, with the former yielding strict logical propositions (if A and B then C) and the latter yielding generally observable (empirical) propositions (if A and B then *usually* C). Menger insisted that only a combination of these types of theoretical reasoning “would ‘procure for us the deepest theoretical understanding’ of economic phenomena” (p. 15).

Another element of the early Austrians’ conceptual framework, and one that continues to differentiate the Austrian paradigm to this day, is the emphasis placed on “introspective” methods of economic theorizing. While Menger stressed in his debates with the German historicists that political economy included all of the various branches outlined above, it is clear that he was primarily interested in developing the theoretical branch in his work. The task of exact economic theory, according to Menger, is to trace the “complex phenomena” of economic relations back to their “psychological causes or to ultimate component elements” which were “accessible to perceptual verification” (p. 14). Wieser expanded on this Mengerian insight when he considered the nature of the “psychological” orientation of economic theory, which he described as based on introspection, or “observations concerning the inner life of man” (p. 16).

Endres goes on to analyze the early Austrian considerations of economizing behavior and choice, and again reveals a surprising emphasis on eclecticism within these writings. All three founding Austrians provided foundations for a broader analysis of choice, making use of interdisciplinary perspectives borrowing from psychology, biology, and ethics in order to gain insights into valuation, the formation of needs (or wants), and the like. Menger went so far as to suggest that the theory of needs is “the bridge that leads from the natural sciences, especially biology, to the social sciences” and that it could be suggestive of “a difficult and previously unexplored field of psychology” (p. 36)—in stark contrast to later Austrians and neoclassicals who considered such lines of investigation as being completely devoid of economic content.

The Austrian focus on dynamic processes rather than on static equilibrium features prominently in the discussion of early Austrian views on price theory and competition. A particularly useful application of this dynamic approach is

illustrated in the founding Austrian considerations of the competitive process. Competition implies an absence of equilibrium in markets, and thus is characterized by conditions of rivalry in bidding between agents rather than by a theoretical end-state. In contrast, monopolistic conditions refer to a point in time—they are by necessity a description of a particular state of affairs. It is therefore possible (and vital) to discuss the process of competition regardless of whether conditions approximating “perfect” competition hold or not, for it is entirely consistent to speak of competition even in the presence of monopolistic conditions. In fact, the competitive process involves attempts to erect monopolistic barriers to competition (as emphasized so successfully by Schumpeter).

These and other aspects of the early Austrian analyses of price formation and the competitive process served to provide foundations for important work by later Austrians, such as Hayek and Kirzner, on the nature of competition and entrepreneurship. Endres notes, for example, that Hayek’s development of the knowledge-acquisition problem is foreshadowed by Menger and Böhm-Bawerk, while Wieser demonstrated awareness of the role of competition in enabling calculation and the coordination of plans. Thus, although some scholars have described the insights of later Austrians as developments of classical economic ideas, the more immediate and relevant influences stemmed from a rich tradition formed by Menger, Wieser, and Böhm-Bawerk.

The primary weakness of Endres’s book is the author’s tendency to occasionally diverge from analysis of the distinctive and unifying elements in early Austrian thought and dive instead into pseudo-theoretical criticism of particular concepts. Nowhere is this tendency more pronounced than in the chapters covering capital and distribution, although there are traces of it throughout the book. Perhaps Endres feels inclined to make clear his subjectivist credentials by presenting these criticisms, but he adds very little of substance to the debates mentioned. It would have been preferable if he had omitted these diversions and concentrated his efforts on defining even more clearly the unique role played by the founding Austrians in the development of economic science.

In sum, this is not a great book, but it does an adequate job of performing the tasks for which it was intended. Despite a few instances where his writing becomes somewhat labored, Endres has managed to bring together many strands of research and organize them into a fairly coherent whole. This is certainly a book that will be of interest to serious students of early Austrian thought.

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