

An Analysis of “Capital and its structure: Carl Menger vs. his followers in the Austrian tradition”

During the HETSA conference of 2009, Anthony Endres and David Harper presented a paper titled “Capital and its structure: Carl Menger vs. his followers in the Austrian tradition”. This paper presents a wide range of perspectives to gain a three dimensional view of capital. Specifically, the authors explore the nature, shape, form, philosophical and methodological bases of capital. The debate is placed clearly in context, stating that the capital debate concerns the ontology of capital or in other words the fundamental nature and properties. The paper begins by considering Menger’s concept of capital and progressively untangles prominent Austrian opinions to highlight disagreements within the Austrian school and marked differences from other schools. Primary and secondary sources are used carefully to isolate the idiosyncrasies of individual thinkers.

Menger’s notion of capital is emphasised as he was the founding member of the Austrian school. Menger defines capital as a “hierarchy, organised, structural combination of goods to produce other goods”. This definition of capital incorporates the distinctly Austrian notions of continual disequilibrium and strong causal connections to want satisfaction. Menger is used as a yardstick for evaluating later Austrian treatments of capital. Frequent references to Menger’s concepts functioned to put capital into perspective and dispel common assumptions regarding capital in use today.

This paper introduces a pivotal debate concerning the dual nature of capital. A distinction is made between capital that is used for production and money that is the financial capital used for acquisition purposes in the realm of investment. This debate is expanded upon as each of the prominent Austrians adds their own features and emphasis. Von Wieser for example, expounded Menger’s theory of capital in a stationary economy to explore capital in a progressive economy. Von Böhm-Bawerk explored capital in the context of time and his roundabout production methods, an approach radically different to Menger’s. Schumpeter and Von Hayek applied the heterogeneous nature of capital to provide an explanation of the business cycle. Schumpeter maintained a more microeconomic focus, concerned with decisions, expectations and plans of the entrepreneur.

The authors explain these contrasting concepts in a neat summary table. The table manages to draw together a range of dividing concepts and captures at a glance the opinions of prominent Austrian thinkers.

I would like to thank the Mannkal foundation for giving me the opportunity to participate in the HETSA conference of 2009. I felt privileged to observe, first hand, the high calibre of academic presentation and discussion of a variety of topics.

Thomas Parker