

Econ - 3344 - History of Economic Doctrine

3e. UH Core - Revising Existing Course to add to Core or Revise Existing Core Course and remain in Core (UGRD only)

1. Course Ownership/Implementation/Justification

Department*	Economics
Required Approval Steps*	<input checked="" type="checkbox"/> Undergraduate Studies Department Committee Review <input checked="" type="checkbox"/> Undergraduate Studies Department Chair/Program Director <input checked="" type="checkbox"/> Undergraduate Studies College Curriculum Committee
Will the course be cross-listed with another area?*	<input type="radio"/> Yes <input checked="" type="radio"/> No
If yes, has an agreement with department(s) been reached?	<input type="radio"/> Yes <input checked="" type="radio"/> No
Department(s) and Course(s) that will be cross-listed with this course	
Catalog year of implementation*	<input checked="" type="radio"/> 2016 - 2017 <input type="radio"/> 2017 - 2018
Term(s) Course will be TYPICALLY Offered:*	<input checked="" type="checkbox"/> Fall (including all sessions within term) <input checked="" type="checkbox"/> Spring (including Winter Mini all sessions within term) <input type="checkbox"/> Summer (including Summer Mini and all sessions within term) <input type="checkbox"/> Contact Your Academic Advisor
Justification(s) for Adding/Revising Course for Core*	1. REVISE EXISTING non-CORE COURSE <and> ADD TO CORE 1b. Change course description/content 1h. Change course prerequisite

State the rationale for creating this new Core course or revising the existing Core course:*

We are planning to withdraw Econ 3334 from the Component Area Option (b): Writing in the Disciplines. This is a technical course that requires students to understand economic models, graphs, etc. and the writing requirement interferes with the instructors' ability to effectively teach it. Due to the fact that History of Economic Doctrine (Econ 3344) is writing intensive, we will add it to the "Writing in the Disciplines" core.

Justification - if "other" selected above:

2. Course Catalog Information

Instructional Area/ Course Prefix* Econ

Course Number* 3344

Long Course Title* History of Economic Doctrine

Short Course Title (30 character limit)* History of Economic Doctrine

Instruction Type* Lecture ONLY

Lecture* 3

Lab* 0

Course Credit Level* Junior

Grade Option* Letter (A, B, C.....)

Can this course be repeated for credit?* Yes No

If Yes, how often and/or under what conditions may the course be repeated?

Maximum number of credit hours required of this course in degree plan* 3.0

Number of course completions (attempts) allowed* 3

Are multiple enrollments allowed for course within a session or term?* Yes No

CIP Code* 45 .0601 .00 01

Requisite Checks in PeopleSoft (functionality within PeopleSoft)* Need to adjust requisite checks already in place - Begin enforcement Fall Need to adjust requisite checks already in place - Begin enforcement Spring Need to create requisite checks for course - Begin enforcement Fall Need to create requisite checks for course - Begin enforcement Spring No adjustment required - requisites not being changed No requisite check desired for course at this time

Prerequisite(s):* Econ 3332 and Econ 3334

Corequisite(s)

Course Description* Development of economic thought and the intellectual and historical framework within which economic ideas have grown. Among the thinkers that are emphasized are Smith, Ricardo, Marx, Malthus, Marshall, Say, Turgot and Keynes.

Course Notes

3. Authorized Degree Program(s)/Impact Study

Is this a required course for any program (degree, certificate, or minor)?* Yes - enter additional information in field below
 No

If yes, for which program(s)?

Does this change cause a change in any program?* Yes - attach copy of program plan No

If yes, to which program(s)?

Does this change force changes in prerequisites for other courses?* Yes - enter additional information in field below No

If yes, which course(s) and is a proposal being submitted to reflect the change?

Impact Report*

Impact Report for Econ 3344

Sources: Undergraduate Catalog 2015 - 2016

Programs

4. Core Curriculum Information

Learning Outcomes*

This course reviews and examines development of economic thought and the intellectual and historical framework within which economic ideas have grown. Among the thinkers that are emphasized are the Classical, Austrian, neo-Classical economists: Smith, Ricardo, Menger, Mises, Hayek, Marshall, Say, and Keynesians.

By the end of this course it is expected that the student will be able to:

1. understand how and why new economic ideas and theories emerged historically
2. understand how historical events influenced development of new thinking about society and economics
3. understand the evolution of views on value
4. understand theories of resource and income distribution

Foundational Component Area for which the course is being proposed (select one)*

Language, Philosophy, & Culture

Component Area Option (optional)

Component Area Option (b): Writing in the Disciplines

UH Core: Single or Double Category Listing

- List course in BOTH the Foundational Component Area and the Component Area Option categories
- List course in ONLY the Component Area Option category

Core Objectives addressed by the course*

Communication Skills

Critical Thinking

Personal Responsibility

Social Responsibility

**Critical Thinking,
if applicable**

Early in the semester, after understanding some fundamentals of the subject matter and a perusal of the future subject matter, students will develop a term paper topic of their interest related to the course subject matter and perform a research survey of available literature. They are asked to submit a 1 page proposal of this topic, which is returned with comments and approval/disapproval. Over the remainder of the semester, students will continue to deepen their research and compose their term papers. The syllabus lists as a course requirement a 10 page term paper (with specific formatting instructions). For this assignment, students must consolidate and summarize the research literature to support their term paper topic. Students will apply and interleave their knowledge of economic concepts and theories from their assigned media and/or lectures, and incorporate their personal, educated evaluation and/or reaction to research literature in the the construction of their topic.

**Communication
Skills, if
applicable**

In the same ten page page paper as above, students will demonstrate their ability to communicate effectively.

**Empirical &
Quantitative
Skills, if
applicable****Teamwork, if
applicable**

**Social
Responsibility, if
applicable**

In the same ten page paper as above, students will demonstrate social responsibility.

**Personal
Responsibility, if
applicable**

In the same ten page paper as above, students will demonstrate personal responsibility.

**Will the syllabus
vary across
multiple section
of the course?***

- Yes
- No

**If yes, list the
assignments that
will be constant
across sections**

5. Supporting Documentation

- Type of Attachments***
- Course Syllabus
 - Degree Plan
 - Memo
 - Other Document(s)

"Other" documents: Example of completed assignment.

6. Additional Information Regarding This Proposal

Contact person for questions about proposal:* Prodan-Boul, Ruxandra - rprodan@uh.edu

Comments:

TO: CLASS UNDERGRADUATE STUDIES COMMITTEE
FROM: RUXANDRA BOUL; UNDERGRADUATE DIRECTOR/ECONOMICS
SUBJECT: CATALOG CHANGES

The Department of Economics would like to make some changes to the undergraduate catalog:

1. We would like to make permanent the following successfully taught special topic courses:

Econ 3342 Global Issues in Economic Development

Pre-requisites: Econ 2301 or Econ 2304

Course Objective: The objective of this course is to provide reading material and lectures which facilitate a better understanding of the world, its politics, its people, the problems facing the global environment and the changing global economy in which we live. We will study populations that have experienced a dramatic transformation and improvement in the conditions of their life and those that have not. Credit may not be earned in both Econ 4389 and Econ 3342.

Econ 3348 Food, Population, Agriculture and the Environment

Pre-requisites: Econ 2301 or Econ 2304

Course Objective: The objective of this course is to provide reading material and lectures which facilitate a better understanding of the world, its politics, its agriculture and food production, the dynamics of population, the problems facing the global environment and the changing global economy in which we live. Central to the course is both the sustainability and the economics of global food production systems and their ability to end hunger and malnutrition and to feed a growing world population. Credit may not be earned in both Econ 4389 and Econ 3348.

Econ 4395 Special Topics in Applied Econometrics

Pre-requisites: Econ 3370 (previously Econ 4365)

Catalog Description: Econ 4395 is a continuation of Econ 3370 (previously Econ 4365) and introduces students to several extensions of multiple regression methods for analyzing data in economics and related disciplines. Topics might include regressions with panel data, instrumental variables regression, analysis of randomized experiments, regressions with time series data, forecasting, probability models, survival analysis, etc.

Econ 4374 Behavioral Economics

Pre-requisites: Econ 3332, Intermediate Microeconomics

Description: The course explores various ways in which the predictions of classical economic theory fail in the real world and attempts to modify the theories to take into consideration these deviations and better explain and predict human behavior. This course will introduce students to the basic findings of this field and give them the tools to formulate new theories, test predictions, and apply the insights from behavioral economics to the real world.

2. We are planning to make the following changes to our Intermediate courses (Econ 3334 and Econ 3332) and two courses to the "Writing in the Disciplines" core.

Given that we have made our introductory courses (Econ 2304 or Econ 2305) pre-requisites for the intermediate courses, our students will be able to fulfill their 3 hours of "Social and Behavioral Science" core requirement. This makes the intermediate courses redundant in the core. As a result, we are withdrawing Econ 3332 from the "Social and Behavioral Science" core. We are also planning to withdraw Econ 3334 from the Component Area Option (b): Writing in the Disciplines. This is a technical course that requires students to understand economic models, graphs, etc. and the writing requirement interferes with the instructors' ability to effectively teach it. We will add two of our courses that are writing intensive, American Economic Growth (Econ 3350) and History of Economic Thought (Econ 3344) to the "Writing in the Disciplines" core.

Summary of Changes:

ECON 3332 - Intermediate Microeconomic Theory

- Erase from the "Social and Behavioral Science" core.
- Pre-requisite change: Econ 2304.

ECON 3334 - Intermediate Microeconomic Theory

- Erase from the "Writing in the Disciplines" core.
- Pre-requisite change: Econ 2305.

Econ 3350 American Economic Growth (Econ 3350)

- Add to the "Writing in the Disciplines" core
- Pre-requisites: Econ 2304 and Econ 2305

Econ 3344 History of Economic Thought (Econ 3344)

- Add to the "Writing in the Disciplines" core.
- Pre-requisites: Econ 3332 and Econ 3334

University of Houston Department of Economics
SYLLABUS Fall 2015
HISTORY OF ECONOMIC DOCTRINE
Econ 3344-Sec 01 (20782) MW 1-2:30 H28 (Heyne Hall)

INSTRUCTOR: Dr Ross vanWassenhove
OFC LOC: 220 McElhinney Hall (M220)
INSTR WEB PAGE: <http://www.class.uh.edu/Faculty/vanwassenhove/teaching/index.html>
CLASS WEB PAGES: <http://elearning.uh.edu>
OFC HRS: 1) TT 10-11 2) after class 3) appointment
EMAIL: rsvanwassenhove@uh.edu
FINAL EXAM **Monday December 14, 2-5pm, 242CBB, ID REQUIRED**

PREREQUISITES: Econ 2301 or 2304 required, **Econ 2305 strongly recommended**, Intermediate Micro/Macro helpful; or permission of instructor

BOOKS/SOFTWARE

The Structure of Production; Skousen, Mark, hardcopy (buy or rent) *REQUIRED* \$26
<http://nyupress.org/books/9781479848522/> or call to order via <http://nyupress.org/customer-service/>
 Bringing book to class and reading ahead usually results in higher grade.

Final grades are usually categorized by deviation from the class average.
Usually, at an upper division undergraduate course level, near average is typically a C+/B-.
Below 40% course average is usually a failing F grade.

NO LATE WORK ACCEPTED. NO EXTRA CREDIT. NO MAKE-UPS
(Exception: exam may be made up or waived at the Instructor's discretion with medical emergency form signed by the attending physician – may be used once only)

GRADING:

ITEM	Portion	Method
Midterm Exam Chapters 1 – 5 Part 1: Terms & Concepts Part 2: Topical Essay	20%	M/C, fill-in, short answer, essay via Blackboard
PowerPoint Slides As assigned	15%	MS Office PPT, format provided; due Friday night before week of chapter in class
Term Paper: see Blackboard for specifications	20%	In-depth study of Austrian Economics Issue Turn-It-In via Blackboard
Final Exam Chapters 1-11 Part 1: Terms & Concepts Part 2: Topical Essay	30%	M/C, fill-in, short answer, essay via Blackboard
Contribution	15%	<i>Oral Contribution</i> to class discussions; Instructor subjective

NOTES: Grades are not negotiable. Discussion over grades will be allowed only in the event of erroneous posting. Observance of due dates/times for all submitted material is the responsibility of the student. See FAQs on Instructor web site.

COURSE TENTATIVE SCHEDULE

Date	Topic – Technical Focus
M 08/24	Introduction; Course Structure
W 08/26	Chapter 1 Introduction: The Case for a New Macroeconomics
M 08/31	Chapter 2 The Theory of Production in Classical Economics
W 09/02	
M 09/07	US Holiday – no classes
W 09/09	Chapter 3 Hayek and the 1930s: A New Vision of Macroeconomics
M 09/14	Chapter 3 continued
W 09/16	
M 09/21	Chapter 4 Time and Production in the Post-Keynesian Era
W 09/23	Mon 1 PAGE PAPER PROPOSAL DUE – must be submitted on paper in class
M 09/29	Chapter 4
W 10/01	Chapter 5 The Structure of Production: The Building Blocks
M 10/05	Chapter 5 continued
W 10/07	
M 10/12	Midterm Exam – Chapters 1-5 – 25% of Grade – 242 CBB via Blackboard
W 10/14	Chapter 6 Time and Aggregate Production Structure
M 10/19	Chapter 7 Savings, Technology, and Economic Growth
W 10/21	
M 10/26	Chapter 7
W 10/28	Wed 10 PAGE PAPER DRAFT DUE – TurnItIn via Blackboard
M 11/04	Chapter 8 The Theory of Commodity Money: Economics of a Pure Gold Standard
W 11/06	
M 11/11	Chapter 9 Economics of a Fiat Money Standard: A Theory of the Business Cycle
W 11/13	
M 11/18	Chapter 10 Implications for Government Policy
W 11/20	
M 11/23	Oral presentations of paper progress
W 11/25	US Holiday – no classes
M 11/30	Chapter 11 Conclusions: The Future of Economic Theory and Research
W 12/02	PAPER DUE – TurnItIn via Blackboard; Admin Items
M 12/14	FINAL EXAM 2-5pm – 25% of Grade – 242 CBB via Blackboard

Class schedule may change at any time due to circumstances beyond the control of the instructor. Students are responsible for maintaining communications to learn about any changes.

EMAIL RESPONSE POLICY:

The following emails will likely not receive a response:

- Unless you give me permission, anything about grades on exams
- Why you missed class or an exam
- Where or when any exam is
- Any item clearly listed in the syllabus
- Assigned final grades, unless you can demonstrate that I made a mistake

ACADEMIC DISHONESTY: Honesty in completing assignments is essential to the mission of the university and to the development of the personal integrity of the student. Cheating, plagiarism, or other kinds of academic dishonesty will not be tolerated and will result in appropriate sanctions that may include failing an assignment, failing the class or being suspended or expelled. Examples of academic dishonesty can be found in the UH Student Handbook.

UH STUDENT DISABILITY POLICY: UH seeks to provide reasonable accommodations for all students with Disabilities. UH supports and adheres to all applicable laws with respect to providing reasonable accommodations to allow an equal educational opportunity to all students. The student is responsible to register with Disability Support Services and advise your instructor of any disabilities so that appropriate support and accommodations can be arranged.

NO CHILDREN OR PETS ARE ALLOWED IN CLASS
NO RECORDING of ANY PART of ANY CLASS IS ALLOWED

Karen Demski

vanWassenhove

Econ 3344

12/3/2014

Development of Menger's Subjective Theory of Value: The Influence of Roscher and the
German Historical School

In the preface of his *Grundsätze der Volkswirtschaftslehre* (1871), Carl Menger writes "...our science here attempted is therefore built upon a foundation laid by previous work that was produced almost entirely by the industry of *German* scholars" (Streissler 1990, 33). This appears contrary to the image depicted by the famous dispute between Menger's Austrian school and the German historical school known as the first *Methodenstreit*, that occurred just before the turn of the twentieth century. The most extreme and outspoken member of Menger's opposition was Gustav Schmoller, of the younger generation; However, Hutchinson notes that the principle target of one of Menger's famous works *Problems of Sociology and Economics*, a key element of the controversy, was actually the founder of the German School Wilhelm Roscher (Hutchinson 1981, 194). It is then somewhat ironic that not only Schmoller was building on Roscher's work, but so was Menger, especially in regard to the theory of value. The theory of value has a long established history in German economics (Louzek 2011, 443), this includes both subjective value and the measure of value. The German

economists actually had a lot of influence on Menger, especially at the start of his career in economics. In fact, the economists of the older German historical school, in particular Wilhelm Roscher, had a great deal of influence in determining the direction of Menger's research and the development of his subjective theory of value.

A deep look past the *Methodenstreit* controversy reveals a very respectful and academically developed relationship between Menger and Roscher, supporting the claims that the *Methodenstreit* was exaggerated and overdone. Economist of the twentieth century Joseph Alois Schumpeter's account of the *Methodenstreit* records it as a bitter controversy. Menger's book on methodology was meant to put the German historical school "in its place." His response to Schmoller's unfavorable book review "steamed with wrath and of course elicited rebuttal," and consequently "running a stream of literature" that was fueled by bad feeling (Schumpeter 1954, 814). A 1992 paper for the *European Journal of Political Economy* concludes that this view is shared by many, and the conflict was a waste of time (Anderson et al. 1992, 402).

Interpretations of the *Methodenstreit* by the famous economists of the twentieth century Böhm-Bawerk, Keynes and Schumpeter call it "overdone and unnecessary" (Louzek 2011, 451). With the amount of bitterness Menger appears to have had for the German historical school, it seems surprising that the founder Wilhelm Roscher would have had any significant influence on Menger and his work. However, Menger viewed him as a mentor and even dedicated his most famous work *Grundsätze der Volkswirtschaftslehre*

(1871) to him “with respectful esteem.” Throughout this work, Menger gives sufficient credit to German economists, but in particular praises Roscher (Anderson et al. 1992, 405-406). The *Menger Papers* at Duke University, a collection of Menger’s notebooks and diaries, reveal that Menger had a great deal of influence in the decision to send his disciples Eugen Böhm-Bawerk and Friedrich Wieser to study under Roscher in the winter semester of 1876/1877 (possibly the summer semester of 1877). Apparently Menger recognized that it was better “for the younger generation to learn economics through the comprehensiveness and breadth of economic knowledge of the historical school” (Tomo 1994, 128). After Roscher’s death in 1886, Menger even wrote his obituary (Anderson et al. 1992, 409). Evidently, Menger recognized Roscher’s contribution to the field and the quality of his work. At least these two members of the so-called first *Methodenstreit* cultivated a respectful academic relationship, contrary to popular belief on the matter.

Menger finds insight into the discipline of economics (or at the time political economy) and the theory of value through his experiences in journalism, and relates them to his studies of the German economists Roscher and Karl Heinrich Rau. The tenth page of Menger’s diary, written in 1875 in retrospect about the years he began putting together *Grundsätze*, shows that his studies in the field of economics began getting serious as he was studying German economists, in particular Rau. Menger’s son later confirmed, at the Vienna symposium in 1971, that his *Notes on Rau* (dated to the

same time period, located at the Menger Library at Hitotsubashi University) contain his first drafts and thoughts on the theory of value (Yagi 1993, 700). Furthermore, the Menger Library also contains an edition of Roscher's *Die Grundlagen der National Ökonomie* (1854) filled with annotations done by Menger and *The Menger Papers* an important notebook labeled *Geflügelte Worte*. This included several dozens of pages reflecting those topics that he was introduced to in the first few chapters of Roscher's *Grundlagen*. After studying this text in detail, Kiichiro Yagi concludes that his philosophical reflections of Roscher's economic concepts demonstrate how his interests slowly began to lean toward a more serious study economics and that this period was greatly influence by his experience as a journalist. He assumed considerable responsibility as a journalist, working for 3 different newspapers in the 4 year period he spend writing *Grundsätze* (Yagi 1993, 701-702). More specifically, they played a role in his work on the theory of value, as his disciple Friedrich Wieser recalls in 1923 "In studying the market reports, he happened to observe that the facts, which the experienced experts on markets regarded as decisively influential on the price determination, are contrary to the price theory" (Tomo 1995, 131). To summarize, watching the market as part of his responsibilities as a journalist Menger finds that the process of price determination that he observed was not compatible with the accepted theory of the time. These experiences contributed to his subjective value, as he studied Roscher and Rau he was able to adopt their view, which stated that value is the result

of evaluation, rather than being derived from cost of production (Tomo 1995, 131). The measurement of value appears in the form of price, as it can only be an estimate. While the German economists saw the concept of value being the same whether applied to an individual or to society as whole, Menger's idea of this economic theory was restricted to the individual (Yagi 1993, 706). The lengthy analysis found in the *Menger Papers* and other diaries shows that Roscher's and Rau's works were the first economic ideas and concepts that he was exposed to, those that positively influenced his interests in the field.

An overview or basic understanding of Menger's theory of value is required in order to analyze its origins and to relate it to the work of the German economist. Menger first studied economics from German textbooks, he was attracted to the approach taken by them, which started with the concept of usefulness (use value) of goods; they analyzed human's relationship to the external world. Their goods theory covered all of basic theory, including value, exchange and price. Notebooks show that Menger began with this approach, but as he developed the final version of *Grundsätze* he slowly separated them into different chapters (Yagi 1993, 703). In this work, he aimed to develop a theory that explained all types of prices on the same principle. He explains that subjective value could be measured by the potential loss of satisfaction after one unit of that product or good is removed (Sandmo 2011, 179), what he describes reflects what we now consider an opportunity cost. The main points to this theory are the

following: First, value is entirely subjective and does not depend on production, as the mainstream theory of the late nineteenth century claimed. Second, the value of a good differs between individuals, based on requirement and availability. Therefore, both the nature and measure of value are subjective (Oser 1970, 27). A very important part of the subjective theory of value appears to be not only the subjectivity of value, but also the need to explain how it is measured. The theory is based on a number of basic economic concepts, such as goods and value, which must be clearly defined before a theory is formed regarding their relationship or interaction.

In a variety of forms, Menger took from Roscher the concept and definitions of goods and their values, which are the most basic economic concepts of the subjective theory of value. Yagi's analysis of *Geflügelte Worte* again provides useful insight into the development of his concept of value. He defines goods and the means by which we satisfy wants; and the value of these goods is the acknowledgement of the importance a good has as a means to an end. Yagi points out that he clearly adopted Roscher's concept of value: "the economic value of a good is the importance it has for the consciousness of ends on the part of an economizing agent" (Yagi 1993, 704). As I have mentioned, *Grundlagen* is a book Menger wrote lengthy notes on at the start of his career as an economist, leading to the logical assumption that the similarity of their definitions of goods and value can be attributed to the influence Roscher's work had on Menger at this time. It

also leads to the impression that his famous answer to the water-diamond paradox was at least inspired by Roscher. In his work Roscher quotes John Stuart Mill, discussing the change in the value of water from a river as it goes from being a free or public good, as drinking water, to having value in exchange, as it is used for irrigation (Roscher 1878, 62). Menger's adoption of this is found in his first notebook of the *Menger Papers*, known as his spring water example: water is valueless if demand or need for water is less than the amount the spring gives per day. Value is determined by how useful the good is in satisfying wants/needs, or rather the dependence of our satisfaction on that good (Yagi 1993, 706). The spring water example and the origin of the definitions of goods and value may not have originated from Roscher, in other words he may have been the first to define goods in such a way. However, Menger's several dozens of pages of reflections on *Grundlagen* shows that the first thoughts and ideas in the field of economics that he was exposed to and influenced by were those of Roscher. In conclusion, Roscher acted as a pathway for Menger, to get to a point where he could formulate his own opinions and concepts in economics.

Menger's concept of the subjective theory of value is essentially an adaption of the productivity theory and is found in the works of many German economists that preceded him. Shigeki Tomo concludes that in developing his theory of value Menger simply continues in a lengthy line of productivity theories, one of these

theories was rooted in Roscher (Tomo 1994, 132). This conclusion was drawn from Böhm-Bawerk's discussion of use theories in his *Capital and interest*. "The use theories are an offshoot of the Productivity theories, but an offshoot which quickly grew into an independent life of its own." He explains that productivity theories ran into difficulty trying to explain the link between the value of a good and the value of its means of production (Böhm-Bawerk, 1890 185). Use theory and subjective value were derived as a solution to the stumbling block that productivity theory ran into. Tomo explains that Roscher was one of the stops along the way between Ricardo's productivity theory and Menger's famous subjective theory of value. Economic textbooks give credit to the Austrian school for revealing that value, and therefore price, is dependent on demand and not production (Skousen 2009, 177). While it was perhaps the marginalist revolution that officially replaced David Ricardo's cost-of-production theory with a subjective price theory, subjective value had been mentioned in many works preceding Menger's entrance into the field of economics.

To find out more about which German economists preceded Menger in the subjective theory of value, it is worthwhile to give a look into an article named *The Influence of German economics on the work of Menger and Marshall* by Erich W. Streissler. He lists a number of instances in which German economists lay out the subjective nature of value and its origin in demand of the consumer. As early as

1832 (Menger was not born until 1840) the leading author of price theory was Friedrich B. W. Hermann, who noted that the decisive factor for determining price is demand. Such demand is rooted in its value in use and the customer's/consumer's ability to provide payment (Streissler 1990, 41). Prior to Hermann, Gottlieb Hufeland was the first author of subjective economic concepts in German economics, even before Ricardo derived the famous productivity theory that value is based on cost of production. Hufeland stated that goods are considered goods because one or more individuals determine it an asset, and that there is a "sovereignty of opinion in the realm of goods and of wealth" (Streissler 1990, 42). In other words, opinion of individuals and society determine the value of something, and so whether if it has value it can be considered a good. Hufeland already saw goods as subjective objects and Hermann had already applied the concept of price as a measure of value. If this is not clear enough, Menger's predecessor at the University of Vienna tied these ideas together. The man was a German teaching in Austria named Albert Schäffle, who stated that "value [is] a relationship between all goods in human consciousness... [it is] predominantly of a *subjective* nature" (Streissler 1990, 43). It is important to point out that this paper was focused on German economists in particular, this does not suggest that economist of other schools, such as the English, did not demonstrate the same understanding of these concepts during that time period. However, the evidence

provided by Streissler shows that many economists before Menger published on some main concepts of the subjective theory of value.

Not only did Roscher have a large amount of influence on the young Carl Menger at the beginning of his career in economics, but other German economists preceding him had gotten very far in developing the subjective theory of value that is credited to Menger. I found that the respect and influence of Roscher is often overlooked by the dramatic over-exaggeration of the famous *Methodenstreit* between Menger's Austrian school and the German historical school. A series of his personal notebooks and diaries serve as a record, in which his reactions to the ideas and concepts presented by Roscher and others show the amount of influence they had in pushing his interests towards the field of economics. The subjective theory of value in particular is what Menger is remembered for today, a theory that consists of many different economic concepts that are interrelated. Many of these concepts are borrowed from preceding economists, such as the definitions he carried on from Roscher, and developed from the productivity theory. I do not mean to argue that Menger's work was unoriginal, of course he developed and based his ideas off the economic theories that were prevalent during that time period. I do conclude that Menger's work on the theory of value was to a great extent based off work done by German economists before him, a piece of information that is hidden by the controversy he engaged in with the

younger generation of German economists. Friedrich Wieser sums this up in Menger's obituary notice for the Academy of Sciences, although not mentioned in the article released to the public: "It is usually overlooked that Menger's *Principles* had been prepared for in an important way by older German theory... the fundamental concepts of the German textbook...especially wants, goods, value in use and value in exchange" (Streissler 1990, 40).

References

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- Böhm-Bawerk, Eugen. 1890. *Capital and Interest: A Critical History of Economical Theory*. London: Macmillan and Co.
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- Louzek, Marek. 2011. "The Battle of Methods in Economics: The Classical Methodenstreit – Menger vs. Schmoller." *American Journal of Economics and Sociology* 70.2: 439-463.
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