

Menger after Vico: the role of non-perfectism and inter-subjectivity

Stefano Solari *University of Padua, DSEA*
stefano.solari@unipd.it

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Abstract

The methodological and philosophical approach of Carl Menger is often discussed in relation to the Methodenstreit. This fact tends to frame Menger position as an extreme form of methodological individualism. However, this is often a poor view of the approach of Menger. His reflection on subjective evaluation is an important step for a specific stream of social thought that this paper aims at illustrating. In order to understand Menger in this context, some rapid sketches of a vision of man starting from Giovambattista Vico and ending in the hermeneutical philosophy (passing through Rosmini) is proposed. Menger's subjectivism is understood for what he takes from this tradition and for what he differs in some aspect. Menger did not refer to Vico, although a direct connection with Genovesi and Galiani exists. The aim of the paper is not to trace Menger's intuitions back to Vico, but to show that an emergent and consistent epistemological approach was evolving, including some philosophers, and that Menger has been a prominent figure in this stream in the application to economics. The paper will particularly deal with the theorisation of the individual endowed with "far from perfect" knowledge and the consequent cognitive approach to individual decision making. A second fundamental point will be the study of intersubjective relations and of evolving institutions (Hayekian Cosmos), which is a close similarity between the two scholars, both understanding similar causes for organic phenomena. The legacy of these scholars is predominantly represented by the Austrian stream that studied cognition and hermeneutics. The proximity of the Austrian entrepreneurship theory and the role that individual creative imagination plays in Vico's Scienza Nuova has been recently suggested by Tyler Cowen. However, Hayek, Shackle and Lachman can be seen as the best heirs of this epistemology, even if economics has not fully developed these fundamental insights.

JEL: B00; B41; D01; D46;

1. Carl Menger in context

Carl Menger is often understood as a forerunner of Neoclassical economics because of his first illustration of marginal calculation, for subjective evaluation and for his central role in the *Methodenstreit* with Schmoller. In this way, he became an iconic figure in the wrong context and his contribution to political economy remained largely misunderstood.

We know from Kauder (1957) the relevance that Aristotle had on Menger's view of science. Max Alter affirmed that Menger kept a certain fidelity to Aristotle methodology as Germans did at time and particularly as concerns logics and causality (Alter, 1982: 153). In this sense, Kauder (1957) has also argued that "the methodical attitude of the Viennese school can best be understood by analyzing the principles which separate Meager from Walras" (Kauder, 1957 p.412). That has primarily to do with the refusal of the hypothetical method by Menger. Max Alter also suggested a certain affinity of Menger to the Romantic variety of German Historicism, keeping the line of Burke-Savigny or Grimm. This particularly as concerns the organically grown national economy.

Some of the epistemological specificities of Menger's methodology has been incorporated in Austrian thought, which has nevertheless taken more up-to-dated philosophical and methodological references in the first half of the Twentieth century.¹ According to Boettke et al. (2004) Austrians have constructed an "economics of meaning" (2004: 334) influenced by the *Verstehen* approach to social sciences (2004: 331), which is similar to Dewey's theory of scientific inquiry. Other scholars as Flavia Monceri have underlined how early Austrian social sciences share a peculiar empiricist approach, against positivism, intended as reduction of complexity into general abstract mathematical principles (Monceri, 2017). In particular, she finds a remarkable affinity of scientific perspective between Menger and Nihilism. In fact, Austrian individualism adheres to cognitive radical constructivism which keeps a similarity to Nietzsche's prospectivism in the sense that individuality has no invariant substantive qualities. The individual is the emerging result of interactive relationships with the context that, at time, it contributes to shape. Moreover, the social context is the unintentional result of inter-subjective interaction and the resulting institutions reduce the unpredictability of context (Monceri, 2017: 198-199).

The characterising theoretical elements of Carl Menger (1871) *Grundsätze der Volkswirtschaftslehre* considered here are the following.

¹ Peter Boettke (2002, p. 263) affirms that "it is the epistemic-cognitive turn that the Austrian school took in the wake of the socialist calculation debate that separates the school from other branches of neo-classicism".

1. Individualism, in the sense that economic research should be founded in individual action and social phenomena have to be understood as outcomes of interacting individual actors.
2. Subjectivism, as individual judgements are taken as the fundamental empirical factor, without any inquiry on any objective reality or essence. As Milford (2001) put it, the determination of goods and values depends only from different and changeable representations, from opinions.²
3. Empiricism, because science should start from facts and not be hypothetical.
4. The identification or isolation of “exact” types, representing invariant structures characterising economic choice.
5. The imperfect nature of man, his limited knowledge and the uncertainty given by the time dimension of choices.

As a consequence, Menger is best fitting an heterodox paradigm of research, which was at odds with British political economy as well as with Walras mathematical approach. Such method, however, was more popular as it is now believed. We may depict it as a broadly defined *ante-litteram* Pragmaticism as Boettke (2002), but the trajectory of this epistemology goes back to Bacon and Boyle and evolved in a specific way in Southern Europe and diffused in France getting to economic studies of Turgot and Cantillon. But it was in Italy that such approach found an interesting development in the Neapolitan Enlightenment in the Eighteenth century and in the Lombard political economists of the Nineteenth century. Here, Vico prospected an *epistemology of uncertainty*,³ opposed to that of *certainty* characterising rationalism. The connection with Menger is rather loose, but Tagliacozzo (1968) underlined a specific connection between Vico and Menger through Galiani theory of money and his subjectivism.

In the following pages the similarities of Vico’s epistemology with the Austrian methodological approach will be outlined. The unfolding of Vico’s legacy will be followed in Rosmini and Cattaneo. Then The salient points of Menger theoretical construction are outlined and discussed as concern similarities to the epistemology of uncertainty.

2. The Italian Vichian heritage

Max Alter, criticising the current evolution of mainstream economics, argued that “it might pay to look back to the very beginnings of *sui generis* social science and

² A more specific theory of knowledge and uncertainty would be developed by Hayek later.

³ Capograssi called it *epistemology of humility* starting from the awareness of imperfect knowledge of both the scientist and man in general (Capograssi 1925)

perhaps take a lead from Giambattista Vico" (Alter, 1982: 158). Actually, Menger's theorisation was much in line with some of the innovative perspective proposed by Vico and developed in specific economic works by Galiani, Genovesi and other scholars of the Italian political economy of the Eighteenth and Nineteenth century.

Neapolitan Enlightenment had a relevant impact on the shape of Italian political economy. The ideas of Vico or Doria represented the most important input for Galiani and Filangeri and in part for Genovesi. From Naples these ideas migrated North to Beccaria and Verri in the Eighteenth century and to Romagnosi, Ferrari, Rosmini and Cattaneo in the Nineteenth (mainly connected with the study of new constitutions and the problem of nation building). The most important conceptual framework was the *dottrina dell'incivilimento* or civil philosophy, which characterised studies on society and national development, with a sight on constitutions (Ghiringhelli 2020). In Vico, *incivilimento* is a mental cultural process progressing in society finding expression in both common knowledge and institutions. All this is not directly related to Menger, but this doctrine was based on a specific epistemology and within this doctrine we find a model of man which represents an important type for sciences in the Nineteenth century, at least in Latin countries.

In fact, Vico sided the Baconian method of *scientia activa*,⁴ which supported the importance of experiments for scientific research and the role of the community of experts in validating the consequent knowledge.⁵ That had a connection with the art of government in his *De Nostri Temporis Studiorum Ratione* (1709).⁶ At the same time, in *De Antiquissima italorum Sapientia* (1710) he reaffirmed the role of rhetorics in forming good concepts (a discovery device) and in the creation of common

⁴ Vico developed his perspective taking position in two great intellectual quarrels: empiricism vs. rationalism (in particular Boyle against Hobbes); the *Querelle des anciens et des modernes*. As concerned the latter he supported rhetorics against Port Royale and the mathematical view of the world. The title of Vico's *La scienza nuova* takes directly inspiration from Galileo Galilei 1638 *Due Nuove Scienze*.

⁵ Barnow affirms that active experience is "focused and formalized in experiment but has a broader potential range, for it encompasses the various forms of social practice otherwise governed by tradition and authority" (Barnow, 1980: 610). For Bacon and Hobbes the new method was based on a deliberate orientation of thought to operation. However, Hobbes argued that the value of an experiment lies in its possibility of being expressed by mathematics, while Boyle claimed that the value of an experiment lies in peers' approbation.

⁶ Barnow argues that "In *De nostri temporis studiorum ratione* Vico compares the methodological orientations of the classical and the modern intellectual world, explicitly extending and modifying Bacon's survey. He is particularly concerned to see what advantages of the ancients' system of arts and sciences might have been sacrificed in the progress of modern science, and whether these might be recovered or compensated for without detriment to the modern critica." (Barnow, 1980: 614).

knowledge.⁷ That allowed him studying the development of human mind in society and in history (Cerchiai, 2020). Consequently, Carlo Cattaneo (1858) understood Vico as an *empiricist of history of ideas within society*.

The empiricism of Vico led him conceiving the distinction between *certum* (certain) and *verum* (truth). *Verum* is achieved only in man-made truths as mathematics. Social sciences cannot avoid being based on *Certum*, which is fallible, relative and historical. In social facts we can only approach progressively the truth by basing on the *certum*. Consequently, we base our inquiry on what is *certain*, shared by the community of researchers. He therefore developed a *common sense*-based theory of knowledge embedded in rhetorics.⁸

What is relevant here, is that Vico refused the *epistemology of certainty*, going beyond empiricism (Gangemi 2008), and in some way anticipating Rosmini's *non-perfectism* in the vision of man in society. Vico's man is a *fallible creator*, but such creation is regulated by communication. The end of Vico's *civil doctrine* is embedding the individual theory of knowledge on the theory of societal evolution.⁹ His political point is liberal (Lockeian) in the sense that men do not need any Leviathan to create society if they improve their education and their institutions to in the sense of an improving levels of coexistence (*incivilimento*).

Human choice, by its nature most uncertain, is made certain and determined by the common sense of men as regards human needs or utilities. However, Vico opposed the early doctrine of utilitarianism, he believed that utility and need are not efficient and sufficient causes of human action. In *De Constantia* (1720), as well as in the *New Science* (1844), the drivers of human action are the morally regulated will (*conatus*) and *pudor*, which is responsible for confronting man with common sense, institutions and the of law as well as inducing a sense of self-betterment. Such *pudor* has different dimensions (Botturi 1996):

- the moral consciousness of our ignorance;
- a sense of guilt and inadequacy framed by common sense;

⁷ According to Fumaroli (2001, section III.12) Vico argues in favour of the *ancients* in *De nostri temporis* (1708) and in *De Mente Heroica* (1732). His point is that even modern science is based on genius as ancient masterpieces. Descartes was considered promoting a pedagogical revolution contra nature reducing our imaginative capabilities. In favour of the poetic and imaginative vision of scientific issues.

⁸ Obviously a common sense of the scientific community. *Sapientia* is a composite of experience (*certo scire*), behaving fairly (*recte agere*), and speaking properly and respectfully (*digne loqui*) (Botturi 1996: 112).

⁹ Gilles Campagnolo points out that “ the idea of Aristotle's that Menger likes to quote then is not only that 'man [that is, a human being, ἄνθρωπος] is a 'political animal [ζωόν πολιτικόν]' but that he can only be so after a stage preliminary to civilization” (Campagnolo, 2010: 243).

- curiosity and impulse to inquire into the truth;
- industriousness.

Consequently, human beings are essentially imaginative and creative (*poietic*). They imagine new realities while relying on myths to hold on to their forms of social life. The myth is fundamental in the development of institutions, representing the core idea of their service to collective life. Institutions are therefore shared mental models produced by language and structuring civil life. Language is the infrastructure creating a shared human reality. Finally, individual rationality is conceived by Vico as “civil” in the sense that it is *inter-subjective, communicative, and praxis-oriented* (Solari, 2019).

Tagliacozzo (1968) argued that elements of Vico’s philosophy useful for the development of economic theory have already singled out by Ferdinando Galiani (1751-80) (Tagliacozzo, 1968: 96). Galiani begins his tract with a “declaration of the principles from which the value of all things originates”. Galiani affirmed that the value of goods is not a convention and let it depend on individual subjective evaluation. Condillac restated Galiani’s formulation of subjective value. Then Turgot, and Say, Beccaria and Verri developed the same argument. Menger (1871) considers all these scholars, but considers the synthesis of Schaffle a better way of presenting the issue. Tagliacozzo (1968) argues that Schumpeter underestimated the impact of Vico on Galiani. He argued that value theory came from Scholastics (evaluation *ab indigentiam*). Böhm-Bawerk, on the contrary, acknowledges the role of Galiani even better than that of Turgot for his theory of interest.

Similarly to Vico, Galiani argued against the use of abstract principles and metaphysical preconceptions in favor of practical reason. He held a methodology of abstraction similar to Menger and Max Weber. On the other hand, Tagliacozzo (1968) sees Genovesi as superficially affected by Vico, he accuses Genovesi of having badly digested the work of Galiani (Tagliacozzo, 1968: 270).

Tyler Cowen (2003, 2009) has recognised the interest that Vico theories and methodology for the Austrian entrepreneurship theory. In particular, the role that individual creative imagination plays in Vico’s *Scienza Nuova* is seen as crucial element. This aspect would be developed later by Schumpeter and Kirzner, but can be found also in Carlo Cattaneo (1861).

3. Rosmini’s non-perfectism and the role of knowledge in Cattaneo

Even if most of his theoretical work deals with moral philosophy and law, some Italian scholar has red the work of Antonio Rosmini as in the line later developed by Austrian economics. Rosmini thought Scholastic philosophy as inadequate to his

times (while the Jesuits were renovating it) and looked at idealism as well as to Italian civil philosophy tradition as a way to develop his personalism (Traniello and Liermann 2020).¹⁰ Paolo Santori (2019) interprets the work of Rosmini as a continuation of *Civil Economy*. Rosmini places anthropology as a foundation of any economic inquiry in the sense that ethics connects anthropology and the philosophy of economics (Paolo De Lucia, 1995).

There are two main aspects of Rosmini's thought that connect him to Menger and to early Austrian economics: the principle of individual autonomy and how subjective evaluation is assumed and placed at the centre of his theory of moral action in society.

As concerns individual autonomy, Rosmini defines it as strictly connected to property in a modern sense (Hoevel, 2013). The study of man founds the theory of property as part of the *suum*, of self-ownership – as in classical political liberalism. Rosmini's *personal* principle is the principle of *self-ownership*, a right that defines and defends the intimate spheres of the person. Property includes the external factors it embraces, either material objects, feelings or their bodies (Rosmini, 1846: 358). Therefore we find a strict connection between the self and property. Property is a real right, as well as a relational right as in Hegel. Property makes free as it protects and amplifies the opportunities of the individual. Individual liberty includes rights and therefore is augmented by property.

As concerns to subjective evaluation, Rosmini conceives a nexus between the practical evaluation, the order of sentiments and the order of actions. The person has different motivations for action: pleasure, fulfillment and happiness (conceived in Aristotelian terms).¹¹ Affirms that man is multifold in his actions Cicero calls man a multifold animal. But multiplicity boils down to a few principles, ranging from material forces and instinct to free will (Rosmini, 1846: 524). However, these ends are set in a certain hierarchy and intellect is responsible for taking right actions. What is relevant in economic terms, is that he argues that the moral good or bad of an action is what constitutes the moral price of an action (Rosmini, 1846: 533). Knowing the price of choices makes the individual free to chose responsibly. In this way he introduces an opportunity cost in economic choices. But evaluation is not dominated by distinct forces (as interest and sympathy in Smith), it dominates them.¹²

¹⁰ In Padua, where he studied Law, there was the tradition of the philosopher Jacopo Stellini, who worked on the civil philosophy of Vico, as well as a solid Aristotelian tradition.

¹¹ Moral good and the eudemonological good are seen as joint (Rosmini, 1846: 549).

¹² Paolo Santori (2019) notes that Rosmini criticised Genovesi considering him an utilitarianist, probably as a disciple of Helvétius' sensist philosophy. Genovesi similarly to Beccaria did not refuse the notion of utility but considered it a complex notion.

The two cited aspects of Rosmini's personalism are embedded in his non-perfectism, the conception of the person as a weak and imperfect being with limited endowments, material, cognitive and spiritual. Hoevel argues that "Rosmini links directly or indirectly the eudemonism of self-perfection to Ficino, Leibniz, Spinoza and even Socrates and Plato" (Hoevel, 2013: 39). Rosmini interprets choice as an evolving capability from infancy to educated individuals, from affective volitions to subjective evaluative judgements. The capacity to evaluate freely depends on the acquisition of the spiritual capacity of objective value judgements (typical of idealism).¹³ Free acts are expression of self-reflection and of an active voluntary and free capacity of recognizing what the intelligence knows (Hoevel, 2013: 39). Objective value judgements are secondary acts of knowledge by means of which we re-recognize that is, we actively and freely know again the being of things, which we had known in passive way without meditation (Hoevel, 2013: 62). Such recognition includes moral needs, other people rights, our obligations or laws. Rosmini affirms that there is an imperative moral need of acknowledging and judging the situations.

The way the person achieves or tends to his/her perfection is the act of recognition, including the moral order (Hoevel, 2013: 62). Therefore, **perfection comes by acknowledging and interacting in the civil society**. Market interaction can be therefore seen as a process in which individuals use their property and find their improvement. The individual assumes his perfection as an end, as a reason for interacting with others. Similarly to Vico we find this orientation to improvement. A perfect life is impossible, but a continuous betterment is possible (Rosmini, 1846: 529). Moreover, such improvement occurs through social interaction and by education to the application of higher moral principles. Therefore, exchanges are seen as necessary and as a source of improvement of the individual situation. Rosmini's notion of *civil society* is best conceived as *polity*. Providence is, similarly to Vico, conceived as a kind of invisible hand. He provides a dynamic representation of society with some invariable laws.

A further follow-up of Vico epistemology in the Italian civil economy is represented by Carlo Cattaneo. As most of other scholars of this tradition, he is an eclectic researcher, joining works on political and social philosophy (federalism), psychology and linguistics as well as some valuable writing on political economy. Cattaneo adopted a pragmatic, non-rationalist, approach in the analysis of economic problems that is directly affected by his studies on Vico (Cattaneo, 2002). His article of 1861 on thought as a principle of political economy is important because, starting from Vico' epistemology, argues that the fundamental factor of production is intelligence and imagination. He criticises British classical political economy for not

¹³ In Vico, differently from Rosmini, passions could not be dominated by reason. They had to be dominated by other passions balancing forces in society.

recognising this fundamental factor in their theories.¹⁴ He also criticises Adam Smith theory of value and the use of labour as a meter of it. As a theory of value he adopts subjective evaluation. Alessandro Roncaglia in the contemporary introduction to Cattaneo (1861)¹⁵ argues that this tradition goes back to Giovanni Olivi (1248-1298), who affirmed that the value of things depend more on the judgment of our mind than from the actual utility we enjoy from them. However, such principle underwent an elaboration and refinement in Vico and Galiani, who were the main references of Cattaneo. He also exalts the role of the entrepreneur dealing with the organisation of the production process and with innovation. Moreover, the entrepreneur is an actor deciding in an uncertain environment making predictions on the future. This aspect is quite similar to the attention that Menger paid to anticipation in evaluations.

4. Menger's empiricism and “exact types”

Menger (1871) objective is first of all a price theory based upon reality and based on a unified view. The theory of subjective evaluation is defined an “empirical theory” (Milford, 2012). Menger (1871, preface) laments the unfruitful efforts to develop some empirical foundation of economics. His declared aim is the understanding of complex phenomena from their composing elements, based on laws as in natural sciences. But the starting point is how to ground some universal principle.

As a consequence in this text we find a peculiar relationship between what is empirical, general principles and methodological individualism. Menger is against methodological inductivist essentialism.¹⁶ Menger is critic of the way Historicism uses inductivism, he “nevertheless shares the basic idea that the empirical sciences are characterised by inductive methods” (Milford 2012, p.427). Bacon's ideas represent a central reference, but the problem is what it concretely empiricism means. Inductivism is not in the spirit of Bacon. The meaning of this Mengerian empiricism can be clarified by the approach of Vico, that is to say, a basing science on observation, on experience and the analysis of facts. The instruments available to scholars changed much in the 150 years dividing the two scholars, particularly

¹⁴ “L'economia pubblica di una nazione non si spiega dunque con Montesquieu, né con Adamo Smith; non si spiega né con la *natura*, né col *lavoro*, ma Coll'*intelligenza*, che afferra I fatti della natura; che presiede al lavoro, al consumo, al cumulo; che li fa essere in uno o in altro modo; che li fa essere o non essere” (Cattaneo, 1861, repr. 2014: 54).

¹⁵ 2014 Edizioni di Storia e Letteratura, Rome, with an introduction of Alessandro Roncaglia.

¹⁶ Milford (2012) defines Menger's method nominalist. But this is a misleading synthetic definition.

statistics progressed but Menger prefers basing his reasoning on historical facts and on every-day evidence on how we behave.¹⁷

Observation concerns institutions and other social outcomes of interaction between individuals. Singular observations require universals to be able to describe observations. Satisfactory theoretical explanations require statements or laws (typical relations) which are strictly universal and empirical. Therefore, empirical is the foundation of abstraction and this is perfectly in the line of Vico.

These arguments have been confirmed by Böhm-Bawerk (1890):¹⁸ He professes to be a defender of the method called by Menger "exact", attacked by Schmoller, and reaffirms it was not rationalist.

"The abstract-deductive method as presented in the German literature by Carl Menger, Wieser, Sax, myself and others, is in its very essence a genuinely empirical method. It is by no means exclusively and finally abstract-deductive, for which reason I can accept the name only with qualifications; it has no fancy for a priori axioms as a basis for its inferences, nor does it confine itself to inferences and deductions. On the contrary, it starts exactly as the historical school would have it start, with observation of actual conditions and endeavors from this empirical material to derive general laws. But it recognizes the utility – for technical reasons above referred to – of tracing causal connections, not only from special to general, but also, for the sake of experiment, from general to special. It thereby often dis- covers links in the chain of causes which were, of course, present in the complex, empirical facts, but which were there so deeply in wrapt that they would hardly, if ever, have been discovered by a purely inductive method" Böhm-Bawerk (1890: 263).

The following year **Böhm-Bawerk** writes that Menger's approach to the social sciences "is by no means purely speculative or unempirical, but, on the contrary, seeks and always finds its foundation in experience" (Böhm- Bawerk, 1891: 363).

Böhm-Bawerk, E. (1891) "the "exact," or, as I prefer to call it, the "isolating" method recommended by Menger, together with the "empirico-realistic" method, is by no means purely speculative or unempirical, but, on the contrary, seeks and always finds its foundation in experience" (Böhm-Bawerk,(1891: 363). Specific general statements or laws are inferred by content-enlarging and truth-preserving inferences not different from natural sciences. At this point we meet his Aristotelianism. As Ricardo Crespo underlined, Menger is not following the

¹⁷ Flavia Monceri (2017) argues that principles are seen by Menger as regulative criteria orienting praxis. Menger theory is based on necessary knowledge, not on contingent knowledge. According to Menger (1883) historical and theoretic knowledge with different ends and different methods (Monceri, 2017: 27).

¹⁸ Böhm-Bawerk argued that Methodenstreit generated some misunderstanding and that "From this fact the so-called empirical method suffered greatly six years" (1890: 247).

Aristotelian approach to economics as a practical science (Crespo, 2003).¹⁹ He follows the principles for the elaboration of universals typical of exact sciences, the “exact types”. Uskali Mäki (1997) argued that Menger’s theory is abstract and realistic at the same time. What Menger calls “exact types” in economics can be interpreted as complex universals in the immanent realist sense, and what he calls exact laws are relations between these universals (Maki, 1997: 477). Menger thinks of types as forms of phenomena (*Erscheinungsformen*), which is alike Aristotelean universals (Maki, 1997: 479). Max Weber, first, and Walter Eucken, later, would go on refining this methodology changing the concept in ideal-types and real-types.

5. Menger’s subjective evaluation

Hayek admits that Menger got more inspiration from Condillac and from Italian scholars of the eighteen century (Galliani and Genovesi) who proposed subjectivist approaches to value rather than classical British political economy (Hayek, 1934: 395). Galliani and Genovesi were followers of Vico in different ways (Galiani was a pupil of Vico, Genovesi a friend attending his house and seminars).

Menger is not interested in the mathematical method to express economic choice even after other scholars introduced marginalism in such form (Hayek, 1934: 397). Mathematics would ontologically modify the conception of evaluation as a process that Menger expressed in his principles as based on uncertainty. In fact, Menger thinks in ordinal terms rather than in cardinal (Hayek, 1934: 401). Menger’s approach “seeks and always finds its foundation in experience” (Böhm-Bawerk (1891: 363). He traces choice as Aristotle, as a process of ordering opportunities, broadly defined, confronted with need. In this way, Menger’s economic behaviour is a result of a wise ranking of needs, a proper knowledge of goods able to satisfy them and of their feasibility in relation with the environment (Becchio, 2010: 10). Böhm-Bawerk (1891) emphasises prudential evaluation:

“Which satisfaction is the dependent one can be determined very simply and infallibly by considering which want would be unsatisfied if the goods whose value is to be determined were not in possession” (1891: 364)... “according to very simple and unquestionably established **prudential considerations of practical life**, we are always careful to shift to the least sensitive point an injury to well-being which comes through loss of property” (1891: 364)... “due to sound prudential considerations” (Böhm-Bawerk, 1891: 366).

¹⁹ According to Crespo (2003) Menger is said to develop a price theory based on Aristotelian concepts. However, according to Aristotle, economics is a practical and not a theoretical science. Menger’s exact orientation of theoretical research tends to be inspired by natural science and not by practical science.

A further element in the process of subjective evaluation is time. Time and mistakes are constitutive elements of choice (Menger, 1871: §1.4). Causality is not mechanical, but it is connected to time in a sequential process. Change takes time and that generates a fundamental uncertainty concerning the time structure of production. Providence and ignorance of future needs are treated as elements of prudent evaluations. Therefore, the individual is not much or only referring to actual needs, but is constantly projected in predictions of the future. Mistake is consequently inseparable from any human knowledge, but the individual is always acting to reach his ends. Therefore, change of knowledge is fundamental in Menger's model, introducing some path dependence in his system (Menger, 1871: §3.2). However, because of the role of prudential decision-making, Hayek has resumed his theorisation as one in which future determines the present, not the other way round. "Time is fundamental as "economic activity is essentially planning for the future" (Hayek, 1934: 400).

Therefore prudential considerations of practical life are the central conceptualisation of evaluation and choice for early Austrians and this is a further element of convergence with Vico, who based his view of man on prudence. The pretended empiricism of Menger leads him to base the conceptualisation of evaluation on a comprehensive evaluation, including a variety of motivations and concerning a variety of actions. Therefore it is difficult to distinguish a clear-cut utility in the evaluation of Mengerian individual. There is no sign that morals is separated from material gains in this process of decision making: "Menger believes in a pragmatic solution of the problem" (Milford 2012, p.434).

A further relevant element is the definition of economic good. Besides material goods, Menger adds personal relationships as firms, clientship, monopoly, patents... but also family relationships, friendship, love, religious and scientific communities... whatever can be important for the individual can be an economic good and that includes *useful actions as well as omissions*. It includes relational goods (Magliulo, 2010). Therefore, even if most of examples in (1871) concern material industrial commodities, the ambition of Menger is to depict a general interpretation of human action, which would be later more completely theorised by Mises or by Robbins. This move, however, means that a variety of motivations have to be considered in economic evaluations and that the individual subjective ordering is comprehensive of providence (prudent forward looking) as well as ethical or moral elements.²⁰ Evaluation comprehensive judgment based on many opinions and values. Monceri has pointed out some nihilist element in Menger: the impossibility to overcome the boundaries assigned to human thought within history, the absence of

²⁰ Max Alter (1982: 153) argued that in Menger's view values constitute the essence underlying economic activity, while prices are only accidental phenomena, the appearances on the surface.

an objective hierarchy of values. There is a plurality of values, but we cannot prove their validity by the means of our fallible human reasoning. Therefore, only human individual choice reveals a value to some good (Monceri, 2017: 47). However, that does not mean that the individual described by Menger has no values. All dimension are endogenised as in Rosmini. Moreover, property is not separable from social economy.

The second edition of Principles had to be a more ambitious work as concerning the scientific foundation of evaluation and choice. Domenica Becchio argues that in Menger's intention there was no more "a human need", but the perception or the anticipation of a need. Menger believed that explaining the causal connection between a human desire and its satisfaction involves imagination and some cognitive function (Becchio, 2010: 5). He attempted to find some foundation of choice on a neurobiological basis.

Finally, Menger as well as BB considered the law as a super-structure in as much their intention was to single out pure principles of economic choice. However, Menger claim that a good evaluation is independent from the law, should not be taken to infer that he did not consider the legal and institutional environment as irrelevant. Nor they were inducted by this search of pure theory to affirm the need of a state-less economic system.²¹

5. The theory of institutions as evolved from ideas

Menger expresses himself against the organic understanding of social phenomena, which is said a mistaken consequence of inductivism, assuming institutions instead of explaining them. Consequently he supplied a theory of institutions, which was particularly applied to money and which has seen an even greater importance in the second edition of Principles (1923).

Institutions derive from the interaction of individuals who know their objectives and have expectations on the causal relationship between means and ends. As interactions go on, people improve their knowledge and reciprocal expectations with a the "degree of exactness that is necessary for practical purposes" (Menger, 1971: 90; Fentré 81). According to Festré "Menger's conception of knowledge is very general and far-reaching. It includes the two kinds of categories of knowledge that are usually distinguished within the literature (explicit vs. tacit knowledge) but also involves the **articulation between individual and collective knowledge**" (2012

²¹ Böhm-Bawerk having responsibilities in the Austrian government, affirmed that "I consider an indifferent, laissez-faire laissez-passer attitude toward them wholly wrong; I sympathize most warmly with active efforts at reform in favor of the economically weak and oppressed classes, and endeavor as far as is in my power to further them" (Böhm-Bawerk, 1890: 249).

p.90). This reference to a collective knowledge has remarkable affinities with the thought of Vico.

The main conceptual point discussed by readers of Menger is the unintentional nature of the genesis of institutions. Festré argues that “Menger only reluctantly admits the intrusion of external or legal compulsion in the process of emergence of money (Festré, 2012: 88). In his 1892 article, Menger underlines that “money has not been generated by law. In its origin it is a social, and not a state institution.” He only admits that “by state recognition and state regulation this social institution of money has been perfected and adjusted to the manifold and varying needs of evolving commerce” (Menger 1892: 255).²² Interestingly, also in Vico and Galiani Money/ institutions need state’s recognition. Moreover, in the second edition of 1923 institutions are introduced in the final part of the first chapter and are explained as a consequence of the rising of social needs (Becchio, 2010: 9).²³

Menger's way of explaining social institutions has been often considered as an intellectual inheritance of Scottish social philosophy and Adam Ferguson in particular. However, as Haller (2000) this is probably a mistake as Menger never cites Ferguson. Actually, Menger contribution to the explanation of unplanned social institutions is original although we may find some affinity to the methodology followed by Vico. Crespo argues that Menger's explanation of the origin of so-called “organic institutions” can be considered Aristotelian, the way these organic institutions function cannot (Crespo, 2003).

As discussed above, Menger adopts a unitary view of human action based on subjective evaluation. According to Haller (2000) the Scots advocated a nomological pluralism: the behavioural mechanism responsible for the emergence institutions is not always sufficient for the persistence of the institution and another motivation enters into play (morals, sympathy...)(Haller, 2000: 539). According to Haller, “Menger defends the view that there is one single scientific method which applies to the study of the physical and the social world, although the basic elements, the strict types, are not the same in different sciences” (Haller, 2000: 542). Menger always considers interests as a complex whole including the anticipation of future interests.

According to Vico, the law and the principle of rule-following are a consequence of imagination and of the *poietic* spirit of man. Law and institutions emerge from a kind

²² Pascal Bridel argued that Menger made a partial reading of Genovesi on money. Genovesi supplied a well balanced argument stating the natural origin of money but also the role of authority in creating trust (Bridel, 2018: 633).

²³ In this volume he claimed that human economy can be studied from different perspectives: subjective (based on individual behavior), and collective (based on social groups behavior) (Becchio, 2010: 10). Even the theory of goods undergoes a certain change as According to Menger, there are three kinds of social goods: “common goods”, “collective goods” and “goods of associations” (Becchio, 2010).

of consciousness taking the form of a *conceptual understanding* of the world. Therefore, similarly to Menger, action and institution-building are strictly related. Human imagination produces ideas on appropriate relations to others and substantiates them in institutions. It leads to a conception of the collective good, similar to what Menger is searching in (1923). As concerns institutions, Vico discusses religion, marriage, and burials as self-regulatory systems that were able to ordering the “bestial passions” of primitive humans and transform them into civilised habits (Vico, 1744: 90). That means that institutions are also seen as cognitive elements and that they represent regulative elements of social life (Solari, 2019).

Tagliacozzo (1968) has underlined how in Vico civil society is made by men and principles of action originates from modifications of human mind. Both Vico and Menger are against convention-based explications of institutions. They favour the view that institutions are natural creation of our minds. Vico understood that by noting how uniform ideas among different people should share a common ground of truth. Horwitz (1992) noted how in Menger money is a communication means, therefore it has the same dimension it has in Vico. Actually, Horwitz sees Austrian thought as connected to later phenomenology and hermeneutics, but this kind of understanding has a longer tradition. Menger (1883: 150) considered language a social institution and this represents a further point of contact with Vico’s tradition, which would be developed by Cattaneo (1859). Leopold von Wieser would in fact expand the linguistic analysis (Wieser, 1926).

6. Conclusion: a peculiar stream of empiricism

The aim of this paper is to suggest that Carl Menger theory is well embedded in a stream of a peculiar kind of empiricism having its roots in Bacon and evolving in social sciences thanks to a variety of scholars, predominantly in Italy and France. We have noted remarkable similarities and some direct connection (citation). Naturally, we may also observe some major difference: Vico relies on rhetorics and language (closer di Leopold von Wieser) while Menger is more directly inspired by natural science

Menger and Böhm-Bawerk insisted that their subjective evaluation pretended to be pure theory, but originating from an empirical approach. They intended originated from experience and “based on facts”. They declared themselves again rationalism and the a-priori conceptual system that would be the Neo-classical theory. Menger’s approach actually is a bit multifold because he used Aristotelian “essence” to single out the fundamental mechanism of value judgement. But evaluative judgments he proposed, with Böhm-Bawerk, are well in line with the Italian tradition of Vico - Galiani - Beccaria - Cattaneo, ending with Rosmini, who supplied a high quality

philosophical status to this approach deepening the philosophy of the acting person.

Subjective evaluation, cognition and social interaction are the fundamental dimensions of the market process in all Austrian economics. The blueprint of the study of such cognitive processes have been outlined by Vico (von Glaserfeld, 1989) and somehow developed by Rosmini in his view of the necessary inter-subjectivity and of recognition. The role of education and the theory of institutional development are necessary consequences of this kind of epistemology and have been similarly theorised in the two traditions. In particular the role of institutions as mechanisms of social coordination incorporating a collective wisdom. ...

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