

Review of Hennings, Klaus H., *The Austrian Theory of Value and Capital: Studies in the Life and Work of Eugen von Böhm-Bawerk* (Cheltenham: Edward Elgar, 1997). Pp. Xii, 286. \$95.00. ISBN 1-85898-261-8.

How does one evaluate Böhm-Bawerk's role in the development of Austrian economics? The answer will largely determine one's judgment of Hennings' book. As its title implies, the author identifies "the work of Böhm-Bawerk" with "the Austrian theory....," placing his book firmly in the European interpretation of the modern Austrian School. Those who consider Menger, not Böhm-Bawerk, to capture the essence of the Austrian School—its American variant—may prefer to identify this book by its subtitle, a more modest but still interesting study of an important figure.

The book contains 191 pages of text. Between the introduction (6p) and conclusions (17p), the body may be divided into two parts. The first, on the man and his intellectual environment, contains three chapters: Böhm-Bawerk's life (19p), economic theory in Germany and Austria between 1860 and 1880 (27p), and early influences that shaped Böhm-Bawerk's thinking (21p). The second part addresses his economic theory: two chapters on his theory of value (38p) and three on capital and interest (63p). The book also contains two short prefaces by Professor Heinz D. Kurz and by the author, an excellent 37-page bibliography, and a 47-page appendix of letters that Böhm-Bawerk wrote to Knut Wicksell from 1893 to 1914. This enjoyable appendix, with charming references to "ink and feather" reminding us of days before e-mail, is mostly short correspondence that provides an intriguing glimpse into the world of these scholars. The letters Böhm-Bawerk received from Wicksell were probably burned during World War II.

The unusual circumstances in which the book has been published help to explain its nature. It is Hennings' doctoral thesis, written in 1972 under Sir John Hicks at Oxford. He had planned to revise it, but died at age 49 in 1986; the author's wife and Professor Kurz collaborated on its unrevised publication in 1997. Publication twenty-five years later of their untouched dissertations would have most Ph.D. economists quaking in terror, but—as Kurz notes—it was a remarkably high-quality thesis. Nonetheless, it was written before the resurgence of the Austrian School, so it could include no reference to the vast and rapidly growing scholarship of the past quarter century. And the association with Hicks, to whom Barbara Hennings says "my late husband would have dedicated this book" (x), will give subjectivist/Mengerian Austrians pause. So will Kurz's reference to Menger as "the so-called 'founder' of what became known as the 'Austrian School of economics'," which tersely informs the reader to expect a European, not American, interpretation. (What I call "European" is what its contributors, like Malte Faber, call "modern." Geographic designations have shortcomings, but they don't imply value.) Prospective readers may be reassured to know that Kurz's preface expresses Hennings' conclusions more sharply than does the author himself.

Almost everything depends on how one identifies the essence of the Austrian School. In the European interpretation in which Hennings writes, its emphasis on the role of time in production was the essential Austrian contribution, so Böhm-Bawerk—because of his admittedly crude attempts to formalize relationships among time, interest, and productivity—looms as the dominant figure shaping and defining the School. Carl Menger's stature is imputed from Böhm-Bawerk's, one of several influences but probably not as important as his formal teachers Schäffle and Knies (56, 64); from this perspective Menger is indeed, as Max Alter put it, more a precursor

than a founder. To develop this Austrian tradition one applies modern mathematical tools to Böhm-Bawerk's research program, retaining the theme shaped more by Ricardo than by Menger, and the tradition evolves through Sraffa, Hicks, and Malte Faber (1979).

Subjectivism is the essence of the School to its modern American variant. It is dominated by Menger, who is properly considered its founder, and by Mises (who is mentioned only twice in Hennings' text). Scholars embracing this position will welcome Hennings' recognition—and much of his examination—of Böhm-Bawerk's important contributions, and of the Mengerian roots of his value theory. But they consider Böhm-Bawerk's concern with Ricardian questions of long-run equilibrium factor shares deserving of much sharper challenge than Hennings' mild criticism (150, 182). Perhaps the influence of Schäffle (Chapter 4), it constitutes a rejection of Menger's method and thus of the defining nature of the Austrian School. Indeed, if they were somehow required to judge Böhm-Bawerk only by his best-known work—the very model of capital, interest, and time that the European variant embraces as the School's essence and that supports his position as its leading figure—the subjectivist Menger-inspired American branch would not identify Böhm-Bawerk as Austrian at all.

Hennings was writing this in 1972, we must remember, but the two works that still dominate (American) Austrian capital theory were available to him: Lachmann's 1956 *Capital and its Structure* and Kirzner's 1966 *An Essay on Capital*. (It is impossible to imagine a sharper contrast between the American and European approaches to capital than Kirzner's essay—recently reprinted in Kirzner (1996)—and Faber (1979).) He cites each briefly, but he declined to compare Böhm-Bawerk “to the views put forward by other Austrian economists” (5). Hennings makes just a few brief references to Böhm-Bawerk's debate with J. B. Clark, and only mentions that it reappeared in the 1930s (Hayek and Knight). Amazingly, Schumpeter's famous claim that Menger told him “Böhm-Bawerk's theory is one of the greatest errors ever committed,” which one might have hoped Hennings would discuss in detail, appears only in the last paragraph of the text (189). This is a great puzzle unless one realizes that Hennings, though more temperate than Kurz's preface, identifies the theories of capital and interest as Böhm-Bawerk's major contributions and downplays Menger's role in shaping them. What Menger thought is just not as important to those who consider him only a precursor, as it is to those for whom he is the School's founder.

Hennings' book will be considered mildly interesting and provocative, though properly identified by its subtitle, by American (subjectivist/Mengerian) Austrians. It will be applauded as a great discovery illuminating the essence of the School and its founder, by European (“modern”/Böhm-Bawerkian) Austrians.

JOHN B. EGGER
Towson University

REFERENCES

- Faber, Malte. 1979. *Introduction to Modern Austrian Capital Theory*. Springer-Verlag, Berlin.
Kirzner, Israel. 1996. *Essays on Capital and Interest*. Edward Elgar, Cheltenham.