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Carl Menger's Aristotelian Economics of Well-Being

Carl Menger (1840-1921) began the modern period of economic thought and provided the foundation for the Austrian School of Economics. In his two books, *Principles of Economics* (1871)¹ and *Investigations into the Method of the Social Science with Special Reference to Economics* (1883)², Menger destroyed the existing structure of economic science, including both its theory and methodology, and put it on totally new foundations. Menger was an immanent realist³ who said that we could know what the world is like through both common sense and scientific method. Strongly opposed to historicism in the social sciences, Menger was committed to finding exact laws of economics based on the direct analysis of concrete phenomena which can be observed and characterized with precision. He sought to find the necessary characteristics of economic phenomena and their relationships. He also heralded the advantages of verbal language over mathematical language in that the former can express the essences of economic phenomena, which is something that mathematical language is unable to do.

Menger's Metaphysics and Epistemology

Menger sees the world, which includes both physical and mental aspects, as existing independently of our reasoning and thinking activities and as organized in an intelligible fashion. We can know what the world is like due to its conformity to laws that are accessible to reason. Menger is an immanent realist who says that we can know what the world is like both via

common sense and through the scientific method. Menger's Austrian Aristotelianism is a doctrine of ontology that informs us what the world is like and what its objects, processes, and states are.⁴ His commonsense realism says that we have access to what is real through our everyday experiences. Menger argues that there is one reality knowable by rational means and that all things are subject to the laws of cause and effect. Laws of causality have an ontological or metaphysical reality -- how a thing acts is determined by what a thing is. Entities in reality act according to their natures. An object necessarily tends to behave in a particular way by virtue of its real essence.⁵

According to Menger, there are intelligible a priori essences or natures existing autonomously in reality. Because these essences and essential structures are knowable, corresponding laws of and connections between these structures are able to be comprehended. These essences and the laws governing them are manifested in the world and are strictly universal. These tell us what kinds of relations can exist between various components of reality. Menger sees intelligible law-governed change in the particulars of the world. The essences or laws are precisely universal in that they do not change and in that they are capable of being instantiated in all cultures and at all times. The essences relevant to the various different aspects or levels of reality make up a graphic representation of structural parts. Reasoning using essences or universals as simple conceptual elements will proceed according to the nature of objects and will deduce conceptual systems of causality consonant with the causality of the real world.⁶

Menger's essentialism holds that general essences do not exist in isolation from what is individual. Universals are said to exist only as aspects of specific objects and phenomena that are not directly observable in pure form. Every experience of the world involves both an individual and a universal or general aspect. According to Menger, we can know what the world is like in both its individual and general features.⁷

A realist about universals, Menger observes that they exist in reality and that they are attributes shared by many particular objects. The particulars are individual whereas the universals are general. In order for the universals to be phenomena of conceptualization, they have to be abstracted from empirical reality. Essential or necessary characteristics of an object are those of its real essence. A depiction is concrete if it concerns particulars and is abstract if it is about universals. Only particulars have the capacity to act. Universals not only do not possess the power to act, they cannot exist without the particulars.⁸

Menger believes in the knowability of general laws. However, he says that our knowledge of the general aspect of experience is in no way infallible. There may be difficulties in gaining knowledge of essential structures and converting such knowledge into the form of a strict theory. Despite the existence of problems and obstacles, he says it is possible for our knowledge of essential structures and laws to be exact and that our knowledge will in all probability exhibit a progressive improvement.⁹

For Menger, these structures are a priori categories in reality that possess an intrinsic simplicity and intelligibility that makes them capable of being apprehended in a straightforward manner. The nature of objects in the world can be read off directly through both external observation and introspection. Menger acknowledges the existence of both intelligible (i.e., law-governed) structures and structures of accidental association that can be comprehended.

Menger follows Aristotle in saying that all knowledge about the world begins with induction.¹⁰ He reasons that we can actually detect essences in reality through repeated observations of phenomena which reveal certain similarities according to which objects would be grouped into types or classes via a process of abstraction. Induction involves inference from experience and going from the particular to the general. It follows that even deductions are ontological since they are based on metaphysical reality. Deductions are made from inductively known facts and premises. They are based on reality and are not purely a priori mental

categories. Introspection is an ingredient in Menger's epistemology. He says that introspection gives people access to some limited useful and reliable knowledge about other human persons and their experiences such as the experience of making choices. Menger's epistemology makes use of the internal perspective on human action that people share because of their common humanity. He says that introspection should be included in a legitimate epistemology because we live in a world inhabited by other human minds as well as our own.

Menger's doctrine of ontological individualism states that there are no "social organisms" or "social wholes." Explanations of such social phenomena are traceable to the ideas and actions of individual persons. He explains that the individual precedes the state and other collective bodies both chronologically and metaphysically.¹¹

Menger's view is that man has no innate ideas but does have the ability to reason. Man begins uninformed and becomes ever more knowledgeable about the world. Although he espouses that man has free will, Menger displays what might be regarded as deterministic overtones in his belief in the existence in human nature of fundamental common influences of, or motives for, human behavior including: the economic, moral sentiments, altruism, and justice. Menger observed that the impulse for one's economic self-interest was man's primary and most common trait. He said that man is ingrained with a drive for self-interest in a healthy sense, rather than in an Hobbesian one. According to Menger, the individual, although desiring to satisfy his needs, is not directly driven or determined by them.¹²

Menger's rational egoism recognizes that value is grounded in human needs and their satisfaction. Man's physical and intellectual needs derive from genuine needs of the species. Equating self-interested behavior with economic behavior, Menger says that men do, and should, rationally seek to attain economic advantages or gains for themselves. He is finding a basis for economics in biology. Man's metaphysical and biological needs are not arbitrary and must be

met if he is to survive and prosper. Rational self-interested behavior is thus viewed as good behavior.¹³

Rationality does not imply omniscience. Menger explains that men are born into ignorance and that their primary enterprise is to learn the causal connections between objects and the satisfaction of their needs in order to make rational decisions regarding their well-being. Economic life is constructed around the acquiring of knowledge. Menger portrays rational economic man as an uncertain being who gradually gains the knowledge and resources necessary to attain his ends. He also explains that economic progress is caused by the growth in knowledge.¹⁴

Menger sought to develop a categorical ontology of economic reality in an Aristotelian sense. His causal-genetic method is rooted in Aristotelian metaphysics and epistemology. Menger thereby destroyed the existing structures of economic thought and established economics' legitimacy as a theoretical science. Menger advanced an ontology of economic objects by providing a description of the exact laws of economic phenomena. In the absence of exact laws, there could not be a science of economics and without empirical realism, economics could not be termed a social science.

In his methodology, Menger stressed that economics is a science by demonstrating that there are economic regularities and that the phenomena of economic life are ordered strictly in accordance with definite laws. Insisting on the exactness of economic theory, he used the language of the pure logician when he analyzed relationships between variables. It is the knowledge of exact laws (i.e., those subject to no exceptions) which comprises scientific knowledge and scientific theory. Exact theory is developed by searching for the simplest strictly typical elements of everything real.¹⁵

Menger looked for the essence of economic relationships. He delved for those features which must be present by the nature of the relationship under study. He held that there are simple

economic categories which are universal and capable of being understood as such. Exact laws are propositions expressing the relationships among such categories. There are certain elements, natures, or essences in the world as well as connections, structures, and laws regulating them, all of which are precisely universal. Menger's term , exact laws, refers to propositions expressing universal connections among essences. A scientific theory consists of exact laws. For Menger, the goal of research in theoretical economics is the discovery of the essences and connections of economic phenomena. The aim of the theoretical economist is to recognize general recurring structures in reality. According to Menger, the universals of economic reality are not imposed or created, but rather are discovered through theoretical efforts. Economics, as an exact science, is the theoretical study of universals apprehended in an immanent realist manner. Theoretical economics understands economic universals as real objects that the mind has abstracted from particulars and isolated from other universals with which they co-exist. If a person has an idea of the essence of something, he can explain its behavior as a manifestation of its essence. In other words, the manner in which objects act depends upon what those objects are. Menger's theoretical framework deals with the intensive study of individual economic units and the observation of how they behave.¹⁶

Menger distinguished between the empirical-realistic orientation to theory and the exact orientation to theory. Whereas the realistic-empirical branch of economics studies the regularities in the succession and coexistence of real phenomena, the exact orientation studies the laws governing ideal economic phenomena. He explains that realistic-empirical theory is concerned with regularities in the coexistence and succession of phenomena discovered by observing actual types and typical relationships of phenomena. Realistic-empirical theory is subject to exceptions and to change over time. Theoretical economics in its realistic orientation derives empirical laws that are valid only for the spatial and temporal relationships from which they were observed. Empirical laws can only be alleged to be true within a particular spatiotemporal domain. The

realistic orientation can only lead to real types and to the particular. The study of individual or concrete phenomena in time and space is the realm of the historical sciences. According to Menger, it is the aim of the practical or historical sciences to discover the principles, policies, and procedures that are needed in order to shape the phenomena according to predetermined goals.¹⁷

Menger's view implies that economic reality manifests certain simple and intelligible structures. Economic reality is constituted in intelligible ways out of structures depending upon human thought and action. The individual and his behavior are the most basic elements by means of which Menger explains economic phenomena and derives universal laws. Mengerian economics is built on the basis of the idea that there are, in the realm of economic phenomena, indispensable structures to every economic action that are manifested in every economy. Economic universals involve economizing action on the part of individuals. These universals of economic reality are discovered through theoretical efforts and are not arbitrary creations of the economist.¹⁸

Menger's understanding of economic theory is essentialist and grounded in Aristotelian metaphysics. His causal-realistic economic method is a search for laws about actual, observable events. It follows that Menger's economics is actually a theory of reality. Menger is concerned with essences and laws manifested in this world.¹⁹ For Menger, as well as Aristotle, what is general does not exist in isolation from what is particular. Menger's theoretical economics studies the universal aspects of particular phenomena. These economic universals are said to exist only as instantiated in specific economic actions and institutions. For Menger, the goal of theoretical research is to discover the simplest elements of all things real which must be apprehended as strictly typical merely because they are the simplest.²⁰ Of course, it is not an easy matter to discover those structures and to construct workable theories about them. There may be

huge difficulties in gaining knowledge of essential structures and in converting such knowledge into the organized system of a strict theory.

Menger finds it necessary to justify inductively the basic causal categories that are arrived by the analytic part of scientific method. The scientist needs to learn to recognize the general recurring structures in constantly changing reality. He says that theoretical knowledge is gained only by apprehending the phenomenon in question as a special case of a particular regularity in the succession or in the co-existence of phenomena. Economic reality manifests specific simple intelligible structures which the economic theorist is capable of grasping.²¹

In explaining the transition from particulars (i.e., real types) to universals (i.e., exact types), Menger contends that it is acceptable to omit principles of individuation such as time and space. In order to derive exact laws it was first essential to identify the essential defining quality or essence in individual phenomena that underpins their recognition as representations of that type. Menger thus sought the simplest elements of everything real (i.e., the typical phenomena) in solving the problem of universals or concepts. To find the simplest elements, a person must abstract from all particular spatiotemporal circumstances.²²

Aristotelian philosophy was the root of Menger's framework.²³ His biologicistic language goes well with his Aristotelian foundations in his philosophy of science and economics. Menger demonstrated how Aristotelian induction could be used in economics. In addition, he based his epistemology on Aristotelian induction. Menger's Aristotelian inclinations can be observed in his desire to uncover the essence of economic phenomena. He viewed the constituent elements of economic phenomena as immanently ordered and emphasized the primacy of exactitude and universality as preferable epistemological characteristics of theory.

Like Aristotle, Menger thought that the laws governing phenomena of thought processes and the natural and social world were all related as parts of the natural order. In other words, the

knowability of the world is a natural condition common to the various aspects of the external world and the human mind.²⁴

Menger's Theory of Value

Menger explains that all things are subject to the law of cause and effect and that if one passes from a state of need to a state in which the need is satisfied then sufficient causes for this change must exist. Accordingly, useful things are those that can be placed in a causal connection with the satisfaction of human needs.²⁵ The satisfaction of human needs is the final cause in Menger's exact theory and the driving force of all economic activity. Human needs are the beginning and the end of human activity because nothing would take place without human needs and the requirements of satisfying them. By conceptualizing the law of cause and effect, man recognizes his dependence on the external world and transforms it into the means to attain his ends. Man thereby becomes the ultimate cause as well as the ultimate end in the process of want satisfaction.

Menger's explanation of goods relates them back to human needs and human nature.²⁶ Linking the idea of utility to biology, Menger believed that human wants were to a great extent determined by physiological needs. He saw the biological foundations of human needs as the key to integrating economics with material reality. People can comprehend the goal of much activity in terms of its relation to an organism's biological needs. Through the study of biology and physiology, Menger formulated a theory of needs to complement his theory of value. A person's biological and intellectual needs have to be met and satisfied if he is to survive and prosper. Menger thus emphasized the biological and the choices people make beyond the purely biological.²⁷

For Menger, the nature of the world and the scarcity of its natural resources combined with human nature and people's desires for greater satisfaction of their wants, circumscribe the fundamental nature of the economic world. Menger defined economics as the science which

examines the laws of cause and effect which control the processes through which goods satisfy human needs. He meditated on the nature of human striving to satisfy wants and deduced its immediate implications. Through this process, Menger discovered that the laws of human needs are entirely sufficient to explain the basic facts regarding all the phenomena of the exchange economy. He envisioned the economy as a system driven by the valuations and choices of consumers.²⁸

Economic judgments that a person makes indicate the degree to which he believes an object may satisfy his needs. Menger's economic object is thus a subject-dependent entity in the sense that the manner of its existence depends upon it being perceived as economic by the agent. The economic character of a good cannot be determined in the absence of a mind judging or perceiving the significance of an object in relation to an end.²⁹

Whereas the judgment regarding an economic entity is subjective, its truth or untruth can be determined objectively via a realist economic ontological theory of truth involving the correspondence of facts about the object with the judgment that was made. What decides the truth in economic judgment is the correspondence between expectations and their instantiation in facts. The fulfillment of a person's expectations is based on the facts of which some are intrinsic properties of the object. Although the truth or falsity of an economic judgment can be settled objectively based on facts in the world about the object in its role as an economic good and their correspondence to the agent's expectations, it is clear that no one except the acting subject could make the verdict.

Menger declares that the dispositional properties of objects to meet a man's needs are what makes them goods. An object's value is a passive power to meet a person's needs. Whether or not an object is of objective value to an individual depends upon its capacities to advance the flourishing of the person. On the other hand, whether or not an object is valued by a man rests on the person's beliefs regarding the object.

Menger thus demonstrates that economic subjectivism can be compatible with philosophical realism. Economic judgments depend on men's minds for their existence but not for their truth. Menger reconciles the subject-dependent character of economic phenomena with objectivity of representations regarding the nature of these phenomena. An economic object is a subjective entity because its existence is contingent upon it being viewed as economic by a subject. However, its truth can be judged objectively by the correspondence of the judgment with the facts of reality.

Menger emphasized and expressed the causal interplay between the subjective and objective aspects of action. In his theory of goods, or general theory of the good, there must be a belief or opinion by the agent that there is a causal connection between the object and the satisfaction of the human need under consideration. Menger thus even contends that imaginary goods may derive a goods-like character from attributes they are imagined to have or from needs merely fantasized by men.³⁰

What makes something an economic good is a combination of the views a person has about objects as economic goods and the exact laws governing the categories of economic objects. The term economic goods applies to both material objects and to intangible ends that almost always have tangible things as mediate ends.³¹

Menger states that goods have no inherent or intrinsic value in themselves and that their value is not related to the amount of labor expended in producing them. He contended that the labor theory of value held by Adam Smith and other classical economists was wrong. Menger observed that the so-called "objective" approach of adding up various costs, the most important being labor, was vague and produced contradictions. The classical labor or cost-value theory was called "objective" because it was based on the costs that went into making the object. In actual fact, it was a theory of intrinsic or inherent value. A keen observer of reality, Menger, who worked as a commodities analyst and reporter, recognized that prices often had no relation to the

labor added to particular goods. He noted that the price of a finished product might bear no resemblance to the costs of production because the two represent market conditions at very different periods of time. He also saw that a price could be seen as objective only in the sense that it was an objective magnitude of a numerical value that can mutually be agreed upon. Menger's explanation of exchange value is separate from any judgment about whether or not a good is of objective value to a person.³²

Menger explains that value is a judgment made by economizing individuals regarding the importance of particular goods for maintaining their lives and well-being. A person assigns value to a good based on the end it enables him to achieve. Applying the concept of intentionality to economic value, Menger stressed that only individuals value and act. His value theory incorporates an analysis of natural human behavior. His theory focuses on individual action itself, rather than on the social phenomena that develop out of individual action. A value must require action in order to be reached. Value in every case is a function of valuing acts of an individual given his own particular context. Individual judgments are acts of preference or evaluation.³³

Menger seems to want to find a basis for economic value in biology. He explains that economic goods have value because of their ability to fulfill human needs and wants. Like Aristotle, he views goods as the means of life, well-being, and need satisfaction.³⁴ Self-interested behavior (i.e., attaining goods) is economic behavior and is good behavior. The value of a good is a necessary consequence of the knowledge that the maintenance of one's life and well-being depends upon the control and use of that particular good. Value derives only to the extent that a product satisfies a human need or want. Menger recognizes that value originates in a relationship between man and his survival requirements. Value arises out of a relationship between human beings and what they require for their survival and well-being. Human beings must value because they have needs as living, conditional entities.

Menger accounts for value in terms of the satisfaction of human needs and wants. Value is “subjective” in the sense that it stems from a personal estimation of products and attributes of products with respect to the satisfaction of a man’s needs. These needs are not arbitrary. They are real needs the satisfaction of which forms the basis of valuation.³⁵

The value of goods emerges from their relation to our needs and is not inherent in the goods themselves. Nor is value merely in a man’s mind independent of reality.³⁶ While most accounts reduce value to either some intrinsic property of things or to the mind, Menger demonstrates that value results from an interplay between a man’s conceptual consciousness, human needs, and the physical ability of goods to meet those needs. Value is not in man alone nor inherent in the goods themselves. Value is a necessary consequence of economic activity. Goods are the objects of a person’s economizing and valuation.

Value must be in a man’s mind but also must be based in reality. While Menger recognizes that value does not exist outside the consciousness of a human being, he also does not disregard the realm of external reality. For value to exist, consciousness must recognize a connection between means and an end in reality. A value must be to a particular valuer in his unique and specific context for an end to which the value is a means. A person’s life is seen by Menger as the ultimate end of valuation and action. Life requires action and is an end in itself -- an end which is not a means to any further end. Men must act to reach values in order to survive.

What a man needs depends on the facts of his nature and on the facts of things in reality. Menger recognized that there are facts of economic reality. Values are not subjective, arbitrary, nor intrinsic but are objective when a person’s wants correspond to the objective state of affairs. Menger understood that the process of want satisfaction is not entirely cognitive and internal to the human mind, but dependent on the external world and upon the law of cause and effect. For value to exist, there must be a connection in reality grasped by consciousness with respect to means and ends which support a particular man’s life.³⁷ Knowledge in the form of a means-end

relationship grasped by reason is a precondition for value. The evaluation of facts is necessary for the creation of value. In this sense, values can be said to be “products” of the mind. In addition, values can only be said to be “subjective” from the perspective that the evaluation of a causal connection with the satisfaction of an end is performed by an individual subject’s consciousness. Subjective conditions of satisfaction are elements in the very causal series that includes objective states of reality.

In a larger sense, values as depicted by Menger are not subjective (i.e., arbitrary) nor inherent but are objective. Unfortunately, because the label, objective value theory, had already been attached to the labor theory of value, Menger’s new value theory was eventually accorded the mistaken label of subjective value theory. Menger’s theory explains the inextricable ontological connection between the realm of cognition and the sphere of objective causal processes that results from valuation and economizing. Value is a judgment made by economizing individuals regarding the importance of things for maintaining their lives and advancing their well-being. A person’s judgment of value can be said to have been objectively made when it derives from knowledge based on the facts of the reality and on reasoning in accordance with the laws of logic.

Menger equates self-interested or selfish behavior with economic behavior. He says that it is proper for an individual to attain economic advantages or gains for himself. The satisfaction of one’s needs constitutes economic activity. It follows that to act uneconomically means acting against one’s own self-interest.³⁸

He explains that a person values most highly what he needs most highly and that value is the importance a person assigns to objects of the external world with respect to his well-being.³⁹ According to Menger, value is the importance that individual goods or quantities of goods have for us because we are conscious of our dependence on the command of them for the satisfaction

of our needs. The value of all goods can be seen as the imputation of the importance of satisfying our needs to economic goods. In the end, it is man's life that is the standard of economic value.

Menger states that the ultimate standard of value is the life of the valuer. Human beings have needs and wants embedded in their nature. His objective approach to value holds that value is only meaningful in relationship to some valuing consciousness. A value must be a value to an existing human being.⁴⁰

Menger views human life as the ultimate value. His biocentric concept of value contends that every objective economic value serves biological needs. Value thus has its roots in the conditional nature of life. Life can perish. Objective values support man's life and originate in a relationship between a man and his survival requirements. Objective values may be viewed as what a person would value if he were fully informed and competent to make the required judgment with respect to his well-being.

Menger was concerned with the many values the pursuit of which is mainly an economic matter. Because anything that satisfies a human need is a value, that which satisfies a man's material needs for food, shelter, healthcare, wealth, production, and so forth, is deemed to be an economic value. People require a certain degree of prosperity with respect to their needs, desires, and wants.⁴¹

Menger espouses a kind of contextually – relational objectivism in his theory of value. Value is seen as a relational quality dependent on the subject, the object, and the context or situation involved. The subject, object, and the situation that combine them are the antecedents of value.

Values come into existence with the emergence of life. Only living things have values. Values are linked to life and moral values are linked to human life. The ultimate value is life itself. Whereas all living things pursue values, it is only human beings that hold this ultimate value by choice. The idea of human value presupposes a valuer with a conceptual consciousness.

In addition to a valuer for whom a thing is a value, other prerequisites of human value are an end to which the value is a means and man's life as an end in itself (i.e., a final end that is not a means to a further end). Life's conditionality (i.e., the alternative of life or death) makes action necessary to achieve values.

The act of valuing is one of discovering what maintains, advances, and enhances the life of the individual. Objective values support a man's life and objective disvalues jeopardize it. We can say that values are objective when particular objects and actions are good to a specific person and for the purpose of reaching a particular goal. Objective value emanates from a relationship between a man's conceptual consciousness and existence. Of course, it is possible for a person to value objects that are not actually valuable according to the standard of life. This is because a man is fallible or may choose not to use his capacity to be rational and self-interested. Menger has correctly stated that values correspond to an objective state of affairs when men value what they objectively require to sustain themselves. Value is an objective relationship between a man and an aspect of reality. This relationship is not arbitrary.⁴²

Objective value involves a connection between conceptual human consciousness (i.e., reason) and the facts of reality. A specific thing's value is a function of the relationship which it has to a given person's life. Whether or not the relevant relationship exists is a matter of fact. A true objective value must exist in a life-affirming relationship to a man and it must obtain in a proper relationship to his consciousness.

A person properly starts with the specific needs of human life, examines his own capacities, and then determines what values are proper for him. Next, in order to achieve values, a person needs to gain and use conceptual knowledge. Action is required to reach one's values. However, before one acts in his efforts to gain a value, he should use his reason to identify pertinent causal factors and means-ends relationships. A human being freely chooses to initiate his own actions. He is the fundamental cause of his own behavior.

Human Flourishing

Mengerian economics and the philosophy of human flourishing are complementary and compatible disciplines. Economics teaches us that social cooperation through the private property system and division of labor enables most individuals to prosper and to pursue their flourishing and happiness. In turn, the worldview of human flourishing informs men how to act. In making their life-affirming ethical and value-based judgments, men can refer to and employ the data of economic science.

Although Menger speaks of economic value while the philosophers of human flourishing are concerned with moral value, their ideas are essentially the same. The difference is that Menger was exclusively concerned with economic value whereas those who espouse human flourishing are interested in values of all types. For them, all human values are moral values that are essential to the ethical standard of human nature in general and the particular human life of who the agent is. Both Menger and these philosophers view life as the ultimate value. They share a biocentric concept of value.

Moral values enter the world with human life. There is a close connection between an objective normative structure for understanding human life and economics. Human flourishing or happiness is the standard underpinning the assessment that a goal is rational and should be pursued. This common human benchmark implies a framework for evaluating a person's decisions and actions. It follows that the fundamental ethical task for each man is the fullest development of himself as a human being and as the individual that he is. Human life thus provides the foundation and context of the realm of ethics. The idea of value is at the root of ethics. A man's immediate needs for survival are economic and are values for his life. Economic production is necessary to satisfy these needs or material values. A productive man is a rational, self-interested and virtuous man. He is doing what he ought to do to sustain his life.

Economic concepts, laws, and theory are concerned with the universal abstract aspects of phenomena. These flow from the nature of man, knowledge, value, and the world itself. Since a man's life is conditional, he needs to acquire economic and other values in order to live. Material wealth (i.e., value) is necessary to maintain one's life. A man has the capacity to choose to produce and exchange values. Most people do choose to live and thus are productive. To be productive, a person must be rational and self-interested. That is a fact of the nature of man and the world. People produce in order to consume (i.e., to live). Economic behavior occurs and is regular when men act rationally and in their own self-interest. Because most people want to survive, they attempt to rationally comprehend the facts of the world and choose to create and trade values. Descriptive and explanatory economic laws are possible because of the regularity that is evidenced in economic activity due to most people acting in their own rational self-interest. A rational self-interested person looks for causal connections in reality. He attempts to cause a specific result because he values it. As an economic agent, he reflects on the goals of his action and the causal relations between himself and various elements of the external environment. Causal connections are thus manifested in the phenomena of economic life. Rational self-interest is the driving force of both production and consumption. It is easy to see why Menger viewed the field of economics as one of exact laws and exact inquiry. According to Menger, exact laws assume that men are rational, self-interested, informed, and free.⁴³

An Aristotelian self-perfectionist approach to ethics can be shown to support the natural right to liberty which itself provides a solid foundation for a minimal state. This approach gives liberty moral significance by illustrating how the natural right to liberty is a social and political condition necessary for the possibility of human flourishing—the ultimate moral standard in Aristotelian ethics interpreted as a natural-end ethics. A foundation is thus provided for a classical liberal political theory within the Aristotelian tradition. Modern proponents of this approach include Tibor R. Machan, Douglas B. Rasmussen, Douglas J. Den Uyl, and others.⁴⁴

Human flourishing involves the rational use of one's individual human potentialities, including talents, abilities, and virtues in the pursuit of his freely and rationally chosen values and goals. An action is considered to be proper if it leads to the flourishing of the person performing the action. Human flourishing is, at the same time, a moral accomplishment and a fulfillment of human capacities, and it is one through being the other. Self-actualization is moral growth and vice-versa.

Not an abstraction, human flourishing is real and highly personal (i.e., agent relative) by nature, consists in the fulfillment of both a man's human nature and his unique potentialities, and is concerned with choices and actions that necessarily deal with the particular and the contingent. One man's self-realization is not the same as another's. What is called for in terms of concrete actions such as choice of career, education, friends, home, and others, varies from person to person. Human flourishing becomes an actuality when one uses his practical reason to consider his unique needs, circumstances, capacities, and so on, to determine which concrete instantiations of human values and virtues will comprise his well-being. The idea of human flourishing is inclusive and can encompass a wide variety of constitutive ends such as knowledge, the development of character traits, productive work, religious pursuits, community building, love, charitable activities, allegiance to persons and causes, self-efficacy, material well-being, pleasurable sensations, etc.

Menger's Aristotelian perspective on the nature of man, value, and the world can be viewed as synergic with the philosophy of human flourishing. An Aristotelian self-perfectionist worldview can provide a context to the economic insights of the Austrian economists.

Conclusion

Menger's work will stand out and be applauded throughout many future generations. His realistic and systematic perspective and metatheoretical framework with respect to his exact theory of economics has supplied us with a type of philosophy of economics. Menger laid the

groundwork for the Austrian School of Economics with his methodological innovations of individualism and ontological essentialism. His Aristotelian approach was to discover the essence or real nature of economic phenomena. He was committed to the doctrine of the strict universality of laws in addition to the ideas of exactness, preciseness, and concreteness in economics as a social science. His theoretical economics investigated the general essences and general connections of economic phenomena. Menger thus was able to demonstrate that the phenomena of economic life are ordered strictly in accordance with definite laws.

Menger constructed economic principles from the human need to satisfy material and other ends and observed that the attempt to provide for the satisfaction of a man's needs is synonymous with his efforts to provide for his life and well being. This attempt is the most critical of human projects because it is the prerequisite and underpinning of all other human achievements.

Menger's theory of value essentially states that life is ultimate standard of value. According to Menger, human life is a process in which a person, given his needs and the command of the means to satisfy them, is himself the specific point where human economic life both originates and ends. Menger thus introduced life, value, individual preferences that motivate people, and individual choices into economics. Value is a contextual judgment made by economizing men. Value is related to the existential state of the individual and the ability of the good in question to change that state in a manner desired by the person.

An integration and combination of selected doctrines from the Austrian School of Economics (as exemplified in the writings of Menger) and from the Human Flourishing School can provide a philosophical basis for an appropriate moral and political structure for a free society. A naturalist metaethical perspective provides the foundation for the type of framework that is most supportive and accommodating of the moral nature of human life.

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- ² Carl Menger, *Investigations into the Method of the Social Sciences with Special Reference to Economics*, trans. Francis J. Nock (New York: NYU Press, [1883] 1985).
- ³ Uskali Mäki, "Mengerian Economics in Realist Perspective," *Carl Menger and His Legacy in Economics*, Bruce J. Caldwell, ed., Annual supplement to *History of Political Economy* 22 (Durham: Duke University Press, 1990); and Gloria L. Zúñiga, "An Ontology of Economic Objects: An Application of Carl Menger's Ideas," *American Journal of Economics and Sociology* 58, 2 (Spring, 1999).
- ⁴ Emil Kauder, "Intellectual and Political Roots of the Older Austrian School," *Zeitschrift für Nationalökonomie* 17 (1957): 411-425; Lawrence H. White, *The Methodology of the Austrian School* (Auburn: Ludwig von Mises Institute, 1984); Samuel Bostaph, "The Methodological Debate Between Carl Menger and the German Historicists," *Atlantic Economic Review* 6.3 (September, 1978): 11-15; Barry Smith, "Aristotle, Menger, Mises: An Essay in the Metaphysics of Economics," in Caldwell, 263-288; "Austrian Economics and Austrian Philosophy," *Austrian Economics: Historical and Philosophical Background*, Wolfgang Grassl and Barry Smith, eds. (London: Croon Helm, 1986), 1-36; and David Gordon, *The Philosophical Origins of Austrian Economics* (Auburn: Ludwig von Mises Institute, 1993).
- ⁵ Menger, *Principles*, chap. 1.
- ⁶ Menger, *Investigations*, part 1, chap. 1.
- ⁷ *Ibid.*, Part 1, chap. 4.
- ⁸ Maki, 1990; "Universals and the Methodenstreit: A Re-examination of Carl Menger's Conception of Economics as an Exact Science," *Studies in History and Philosophy of Science* 28.3 (1997): 475-95.
- ⁹ For excellent discussions of Menger's methodology see Maki, 1990; Smith, 1990; Karl Milford, "Menger's Methodology," in Caldwell, 215-239; Jack Birner, "A Roundabout Solution to a Fundamental Problem in Menger's Methodology and Beyond," in Caldwell, 241-261; and Terence W. Hutchinson, "Some Themes from Investigations into Method," *Carl Menger and the Austrian School of Economics*, J.R. Hicks and W. Weber, eds. (Oxford: Clarendon Press, 1973).
- ¹⁰ Menger, *Investigations*, part 1, chap. 4.
- ¹¹ *Ibid.*, part 3.
- ¹² *Ibid.*, part 1, chap. 7.
- ¹³ Menger, *Problems*, chaps. 1, 2.
- ¹⁴ *Ibid.*
- ¹⁵ Menger, *Investigations*, part 1, chaps. 4 and 5.
- ¹⁶ *Ibid.*
- ¹⁷ *Ibid.*, chap. 5.
- ¹⁸ Barry Smith, *Austrian Philosophy: The Legacy of Franz Brentano* (Chicago: Open Court, 1994), chap. 10.
- ¹⁹ *Ibid.*
- ²⁰ Menger, *Investigations*, chap. 4.
- ²¹ *Ibid.*
- ²² *Ibid.*, chap. 5.
- ²³ Grassl and Smith, *Austrian Economics: Historical and Philosophical Background*; and Smith, *Austrian Philosophy: The Legacy of Franz Brentano*.
- ²⁴ Menger, *Principles*, 48.
- ²⁵ Menger, *Principles*, chap. 1.
- ²⁶ *Ibid.*, 51-52.
- ²⁷ *Ibid.*, chap. 1; See also Jeremy Shearmur, "From Hayek to Menger: Biology, Subjectivism, and Welfare," in Caldwell, *Carl Menger and His Legacy in Economics*, 189-212.
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- ²⁹ *Ibid.*
- ³⁰ *Ibid.*, 53.
- ³¹ *Ibid.*, 94-98.
- ³² *Ibid.*, 71-73, 101-102, 146-147, 149-150, 166-171, 173.
- ³³ *Ibid.*, chap. 3.
- ³⁴ *Ibid.*, 286; Aristotle, *Politics* i.4. 1253b, 23-25.
- ³⁵ *Ibid.*, 123-125.
- ³⁶ *Ibid.*, 122-138.
- ³⁷ *Ibid.*, 121-122.
- ³⁸ Menger, *Investigations*, 54-62.
- ³⁹ Menger, *Principles*, 139.

⁴⁰ Menger, *Principles*, chap. 3.

⁴¹ Ibid.

⁴² Ibid., 120-121.

⁴³ Menger, *Investigations*, 59.

⁴⁴ Tibor R. Machan, *Capitalism and Individualism* (New York: St. Martin's Press, 1990); *Individuals and Their Rights* (La Salle, IL: Open Court, 1989); Douglas B. Rasmussen and Douglas J. Den Uyl, *Liberty and Nature* (La Salle, IL: Open Court, 1991); *Liberalism Defended* (Cheltenham, U.K.: Edward Elgar, 1997); *Norms of Liberty: A Perfectionist Basis for Non-Perfectionist Politics* (forthcoming); Ayn Rand, *The Virtue of Selfishness* (New York: The New American Library, 1964); Henry B. Veatch, *Rational Man* (Bloomington, University of Indiana Press, 1962) and David Norton, *Personal Destinies* (Princeton, NJ: Princeton University Press, 1976).