

# ELEMENTS OF THE RECEPTION OF ARISTOTELIAN THOUGHT IN 19TH CENTURY GERMAN- LANGUAGE PHILOSOPHY AND ECONOMICS

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**Resumen:** La cuestión de la interpretación de Aristóteles por parte de la Academia alemana del siglo XIX es de interés tanto para filósofos como para economistas. Esto se debe a que el pensamiento clásico constituyó una cuestión de discusión e inspiración para el Idealismo, el Hegelianismo, el Historicismo y los economistas históricos alemanes (comenzando por Roscher) y su oponente austríaco, Carl Menger, fundador de la Escuela Austríaca de Economía. De este modo la filosofía antigua permaneció vigente. Al evaluar esta recepción, en este trabajo se muestra que el debate sobre entidades colectivas *versus* individualidad encuentra allí una base, y el individualismo metodológico, una justificación. Esto resulta útil aún hoy en el siglo veintiuno, en que presenciamos una crisis de la corriente principal de la economía.

**Palabras Clave:** Aristóteles, Hegel (G. W. F.), Menger (Carl), Roscher (Wilhelm)

**Abstract:** It matters to philosophers and economists to display evidence how Aristotle was read in nineteenth century German-speaking Academia because the Ancient was a bone of contention and a source of inspiration for Idealism, Hegelianism, Historicism, the German Historical economists

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1)This article originates in a presentation I gave at Cuyo University, Mendoza, Argentina, on November 27th, 2012, at the workshop organized by Professor Ricardo F. CRESPO, to whom I express my deep thanks, as well as to participants who became discussants of good will. Any remaining error is naturally mine.

(to begin with Roscher) and their Viennese contender, the founder of the Austrian School of Economics, Carl Menger. Ancient philosophy remained vivid then. In evaluating its reception, we show how the debate on collective entities *versus* individuality found therein a basis, and methodological individualism a justification – something still useful in the twenty-first century in a crisis of the economic mainstream.

**Keywords:** Aristotle, Hegel (G. W. F.), Menger (Carl), Roscher (Wilhelm)

## 1. Introduction

It is quite known that the end of the nineteenth century was marked by a return to Aristotle in various academic disciplines of the German-speaking Academia in particular. Initiated by the progress of philological studies, the re-discovery of Ancient thinkers, and Aristotle to begin with, played a major role in the reform of many disciplines, in the classical humanities and way beyond. That interest in retrospect competed with newer trends in philosophy: neo-Kantianism, neo-Idealism, phenomenology, *Lebensphilosophie*. Whether one followed Aristotle or reacted against canonical views on the Stagirite's ideas, influence was immense. And it bore heavily on many contemporary scholarly debates: for instance, in the field of logic in Austria in particular, Kantian views were challenged on a neo-Aristotelian basis by Brentano. Conversely, while Kant had stated (in his *Critique of Pure Reason*) that no further progress beyond logical rules of syllogism established by the Stagirite and refined by Medieval scholasts could happen, on the contrary, Frege, Hilbert and other German and Austrian logicians reshaped their field on a totally new basis.

As far as economics (our main topic here) is concerned, the role played by Aristotelianism was at least as important<sup>2</sup>: on the one hand, Aristotle appeared as a standard, almost compulsory reference for any scholar educated in law schools (wherein the economic curriculum belonged); on the other hand, interpretations of his work diverged much according to the school to which his readers belonged. Whatever their interpretation, most economic scholars turned to the Stagirite at some point, be they conservative, reformist or even revolutionary: Karl Marx did so as well, mentioning Book V of the *Nicomachean*

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<sup>2</sup>This is nothing to be surprised, as the link between Aristotelian philosophy and economics has been long recognized and explored further by erudite scholars. Let us quote in this journal the essay by CRESPO, Ricardo F., "Aristotle on the Economy" in *Philosophia. Anuario de Filosofía*, 2010, 70, pp. 39-68.

*Ethics* in his *Capital*. It is well-known that Aristotle's was regarded as a supporter of "holism" or "collective concepts" (*Kollektivbegriffe*) by the members of the German Historical School, also known as *Kathedersozialisten* (Socialists of the Chair), who advocated a potent state (power-state or *Machtstaat*) focused on social and developmental policies. There was some kind of consensus to regard Aristotle as having left individuality aside and favored collective entities (to begin with the *Greek city*, or *polis*). Upheld essentially by Historicists, this interpretation was not without connection (despite these authors' denial) with the image forged within German Idealism and Hegelian philosophy in particular, when Hegel described the "beautiful whole" (*schöne Totalität*) that the Greek *polis* had displayed in the Antiquity.

To what extent, the vulgarized image of the Hegelian message corresponded to the reality of Hegel's teaching is a story... which shall be dealt with in Part I in the following pages. The fact remained anyhow that Aristotle had been recruited for the authority attached to his name by German advocates of "collectivist" concepts in their fight against *atomism*, the view that characterized British Classical political economy and that prevailed in supporting the understanding of the role of the economic agent, or *homo economicus*. Now, this understanding of Aristotle would be challenged by the Viennese founder of the Austrian school of economics, Carl Menger (1840-1921) for whom the whole matter of Aristotelianism needed a re-examination based on the writings. Menger's Aristotelianism has been much debated, including by myself and Professor Ricardo F. Crespo<sup>3</sup>.

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3)It is a very rich debate in which my host and I have engaged since we first met at HES annual meeting in Vancouver in 2000. We came after many other reknown scholars, but we brought, on my part, first-hand knowledge of Menger's archives, and on the part of Ricardo Crespo his long-time discussion of Aristotle. Let me quote the following among our works:

CRESPO, Ricardo F., 'Three Arguments Against Menger's suggested Aristotelianism', *Journal des économistes et des études humaines*, 13, 2003, pp. 63-84; "The Ontology of the 'Economic': an Aristotelian Analysis", *Cambridge Journal of Economics*, 30/5, 2006, pp. 767-781; «Aristotle's Science of Economics» in S. Gregg and I. Harper (eds), *Christian Morality and Market Economies*, Edward Elgar Pub. Ltd, 2008, pp. 13-24; "The Economics According to Aristotle: Ethical, Political and Epistemological Implications", *Foundations of Science*, 13/3-4, 2008, pp. 281-294; "Aristotle", in I. van Staveren and J. Peil (eds), *Elgar Handbook of Economics and Ethics*: Cheltenham, 2009, pp. 14-20.

CAMPAGNOLO, Gilles, "Une source philosophique de la pensée économique de Carl Menger: l'Éthique à Nicomaque d'Aristote", *Revue de philosophie économique*, 6, 2002, pp. 5-35; *Carl Menger, Entre Aristote et Hayek: aux sources de l'économie moderne*, Paris, CNRS Editions, 2008, 241 p.; «Origins of Menger's Thought in French Liberal Economists», *Review of Austrian Economics*, 22/1, 2009, pp. 53-79; «Deutsche Archive in Japan und das Beispiel: Carl Menger und sein Verständnis der *Nikomachischen Ethik* des Aristoteles» in H. Kurz (ed.), *Schriften des Vereins für Sozialpolitik* (Neue Folge), 115/XXVII, Duncker & Humblot, Berlin, 2012, pp. 131-177; with M. LAGUEUX, *Les rapports d'échange selon Aristote. Éthique à Nicomaque V et VIII-IX*", *Dialogue*, XLIII/3, 2004,

The main issue in nineteenth century debate is whether it was possible to combine Aristotelianism and a methodology based upon the individual. Menger demonstrated it was possible. Crespo and I agree, but some careful explanation on how and why this is so is in order, and that will be Part II of the present article: the reading of the Ancient by Menger, the modern founder of the Austrian school of economics.

## 2. On Aristotle in 19<sup>th</sup> century German Academia: how to avoid some mistakes

Among 19th century German commentators on Aristotelian thought, and to this day, two major misunderstandings are displayed, that one must pay attention not to frivolously uphold:

- the first one touches upon the nature assigned of *economics*, *per se*, according to different schools, related to the nature of the individual in Ancient and Modern philosophers.
- the second one is related to much needed clarification concerning second-hand literature when appreciating how the discrepancies from point I are reflected in their writings.

### 2.1. The nature of economics and of the individual in Ancient and Modern philosophers

Quite clearly enough – and it may be one of the main reasons for the vulgar understanding of Aristotelianism by German economists in the nineteenth century – that the role of the individual in the context and the conceptual frame of Modern times could be neither identical nor applied merely as such to the socio-political and intellectual environment of Antiquity.

The notions of “private vs. public” and of “individual consciousness” were, to say the least, completely different. Or, to say it better, such couple of notions did not exist *as such* in Antiquity, a fact that was stressed by Hegel

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pp. 443-469; with A. LORDON, ‘Menger était-il aristotélicien? Nouvelles réflexions sur un débat déjà ancien à l’occasion d’une réponse à Ricardo F. Crespo’, in Campagnolo, G. (ed.) 2011: *Existe-t-il une doctrine Menger? Aux origines de la pensée économique autrichienne*, Aix-en-Provence, PUP, 2011, pp. 45-74.

The last item was a reply from me and a French colleague who has now left the academic world, to Ricardo Crespo, and it brought Ricardo and I to co-author a paper presented at ESHET Conference, Buenos-Aires, 2012: “A Franco-Argentinian Debate: Was Carl Menger Aristotelian?”, forthcoming publication.

in his system, when comparing Ancient philosophy, to extoll its '*Schönheit*', with Modern times. To understand progress in History – the revelation of the Concept through the development of Time, one must clearly see *when* notions themselves are born – for they indeed were *born*, whether from the human mind or the '*Zeitgeist*'. Therefore, even when German Historicists pretended *not* to follow the Hegelian philosophy of history (*Geschichtsphilosophie*), they could but in fact rely on it implicitly, despite their denial (or their neglect). As Heidegger would later say: most often commentators wore glasses cut by the Berlin 'professor of professors'. As a consequence, the image of an Ancient world essentially *devoid* of individual consciousness and as well as of a stage representing *civil society* was commonplace. And it was not erroneous *as such* – that is, if one pays attention to give these notions their Hegelian definitions.

Proof of the role played by that conception of Antiquity is the dispute that rose whether categories forged for the analysis of modern capitalism were appropriate (or not) in order to discuss the realities of Antiquity. In the German historicist academia that debate was started by Karl Bücher, once a student in classical philology, then a professor of political economy (in Basel, Karlsruhe and Leipzig), against authors who, like Hans Mayer, described on a much too simplistic basis Ancient economies as basically some sort of early capitalism (this simplified outline is for the sake of the present essay). Max Weber was to later position himself midway on this topic, clarifying in the process both some factual aspects of Ancient Greek and Roman history, and the limits of the adequate use of modern economic categories.

What was the nature of Ancient economies? That topic became a major issue between historicists, as if history meant development of earlier non-existing categories, how could one apply these to earlier times and forms of life? It is not only in order to test *contemporary* categories of modern science, but also because resorting to ideas of the Ancients was still common in the Academia of *Mitteleuropa* in the nineteenth century, that the issue mattered so much.<sup>4</sup> Obviously, the word "economics" is traced back to the Greek language: "Economics", "*Ökonomie*" is formed on *οικονομία*, the combination of *oikos* (*οἶκος*) and *nomos* (*νόμος*), indicating the "family" or "household" management laws. Now, do not these laws evolve according to the emergence of newer spheres, like the market place and, later on, civil society, or 'Bourgeois' ('bürgerliche

4)One may point out how Bücher ended on siding with Menger in the dispute over the methods (the famous "*Methodenstreit*") *against* Schmoller and historical inductive methods. Therefore the understanding of Ancient philosophy gave all at the time some common, however disputed it was, ground to present their views.

Gesellschaft')? Xenophon, for instance, in his *Economics*, presented Socrates debating with Kritobulos, discussing how "it belongs to the fine 'economist' [*οἰκονόμου*] to administer his home in the right way" and then paralleling the art of the "economist" to that of the "competent builder (*ἐπισταμένως οἰκοδόμος*)" in that both receive wages to respectively govern (*οἰκονομοῦντα*) and build (*οἰκοδομοῦντα*) a house, even if it were not their own.<sup>5</sup>

The consequence of accounting for the Ancient meaning of economics, through restating Xenophon's and Aristotle's views in the nineteenth century was to restate the position of the "economist" in the sense of the observer but also, of what we now call a "manager". "Economic activity" characterized a kind of "management", and the manager may act for his/her own family's sake, or as a founder, a leader or even a salaried employee in modern firms. The socio-economic meaning of the entrepreneur was reshaped at a par with that of the notion of 'capitalism'<sup>6</sup>. Now, for Aristotle, the tasks of procuring and of using were distinguished: chrematistics or "wealth-getting" (*χρηματιστική*) is the art of making money with money – call it "speculation" – in contrast with economics (*οἰκονομική*), the art of using goods intended for the household. Procuring (*πορίσασθαι*) is not adequate in using household goods. In Greek thought, as represented by Aristotle, there is obviously no other meaning of "economics" than that of what we would call "household management":

Now it is clear that wealth-getting is not the same art as household management, for the function of the former is to provide and that of the latter to use – for what will be the art that will use the contents of the house if not the art of household management?<sup>7</sup>

Modernity of course changes that: a direct consequence of the Aristotelian definition is that 'correct' management is fit to the purpose of obtaining goods for the necessities of life and concerns more directly the purpose of survival and life in the family circle than any other goal. This is also written in the opening lines of the first of the three apocryphal texts that are entitled *Economics* and that were still in the period I consider (and until the twentieth century) regarded as authored by Aristotle. The quote from *Works and Days* by Hesiod says a man should first acquire a wife, have children, and provide himself with

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5) XENOPHON, *Economics*, I, 1-4. That comparison starts the whole dialogue imagined by Xenophon.

6) See CAMPAGNOLO, G. and VIVEL, C., «Before Schumpeter: forerunners of the theory of the entrepreneur in 1900's German political economy - Werner Sombart, Friedrich von Wieser», *The European Journal of the History of Economic Thought*, 19 (2012), 6, pp. 909-944.

7) ARISTOTLE, *Politics*, I, 1256a13, tr. H. Rackham, Loeb Classical Library, 1977, p. 33.

slaves and a plow ox.<sup>8</sup>

The ancient art of economics is an art limited to the domain where the owner possesses slaves as well as cattle and governs for the good of his family circle, obedient wife and children. All in contrast both with both the art of acquiring (*εἶδος κτετικῆς*) by means of plunder in war and through hunting in peacetime, and the art of governing the city (its administrators are called *πολιτικοῖς*, whereas family governance belongs to the *οἰκονόμοις*).<sup>9</sup> The management is different in kind in both cases and no confusion could even be imagined in a Greek context.

Now the context had changed with Modern times. And what Hegel restated properly was the due characterization of precisely the *mix* that “*political economy*” had brought. Where does the difference lie? One main divergence is that individuality *as such* had finally blossomed (through a long course induced by Christianity). The discovery of the self as bearer of “consciousness” opens up one *subjective* world: one of the most important particularity of subjectivity is that it cannot be reduced to the ability to make choices. For instance, in Xenophon, Heracles is shown ready to make choices, standing at crossroads: the half-god is a paragon of such human “choice” in this eponymous apologue, but even there, the hero is not defined by consciousness of his own self (no consequence such as *ergo sum* is derived) but merely by the embarrassment to weigh pros and cons of each possible path he may take.

Subjectivity is definitely more than that what appears in Xenophon: subjectivity is consciousness of one’s own self, beginning by the representation that the Christian God (who has created one to his own image) provides for it. Hence Feuerbach after Hegel. But already Hegel’s conception of Christianity, hence also his description of modern *civil* (or *bourgeois*) society as but the assessment of modern condition of mankind within the realm of ‘objective spirit’ (*Objektiver Geist*), or in other words the socio-economic world of customary life

8)ARISTOTLE, *Economics* (apocryphal) or *Oeconomica*, the quote from Hesiod by Aristotle is (1343a22): “Homestead first, and a woman; a plough-ox hardy to furrow”, Aristotle’s own list is (1343a18): “The component parts of a household are (1) human beings, and (2) goods and chattels” ; among humans, and close to plough-oxes, slaves attending various occupations are not to be forgotten (tr. C. Armstrong, Loeb Classical Library, 1977, p. 329). The same quote from Hesiod appears in *Politics*, I, 1252b 12 (quoted by Aristotle from Hesiod, translated slightly differently by H. Rackham): “First and foremost, a house and a wife, and an ox for the ploughing”, *Politics, op. cit.*, p. 7. The point is clear anyhow. And the unknown author of the *Oeconomica* may well have directly taken his model from the *Politics*.

9)ARISTOTLE, *Politics*, I, 1256b 27-38: “One kind of acquisition therefore in the order of nature is a part of the household art, in accordance with which either there must be forthcoming or else that art must procure to be forthcoming a supply of those goods, capable of accumulation, which are necessary for life and useful for the community of city or household”, tr. H. Rackham, *op. cit.*, p. 37-39.

(*Sittlichkeit*: “ethical life”), meaning precisely everyday life filled with customs and material concerns of acquiring goods and satisfying needs. In Modernity, each and everyone is first and foremost seen by all as being *alone* within society. As Smith put it, in his famous line: “we do not expect the goods we need from the benevolence of the butcher or the baker”. In that sense, “political economy” can start only when *οικονομική* has come to an end.

## 2.2. A few aspects on the reading of Aristotle in nineteenth century German Academia

The second point we heralded (how German-speaking scholars appreciated the discrepancies between Ancient and Modern times in their writings on economics and the individual) touches upon second-hand literature that reflected Aristotle’s works, first with respect to the philological tradition, and beyond. I will not even begin a detailed description here: German philology deserves volumes to deal with it. What is of interest to us here is the influence Aristotle thus brought to German academia at large, besides philological circles, yet often stemming from them.

Let me point only to one example, that of Friedrich Nietzsche’s *Introduction to the Study of Plato’s Dialogues* where Aristotle is referred half a dozen times always as a reference to philological studies of the times<sup>10</sup> and always as a *source* of interest as to indicate Plato’s views (and from Plato, Socrates’): philological studies come first. German philologists also cleared doubts about the three apocryphal *Economics* (*Oikonomikoi*) that had been until then thought by Aristotle, which was not obvious: for instance, when Carl Menger read these (the first two being attached as an appendix to his German translation of the *Nicomachean Ethics*, by Dr. Riedler), he still regarded them as by Aristotle’s hand.

I just mentioned Nietzsche, this is no coincidence: the understanding of Ancient Greece had been initiated by Lessing and dominant with Winckelmann, the archeologist and historian of art. The general view was of serene and harmonious unity, espoused and magnified by Herder, Goethe, Schiller as well as the young Hölderlin. Hegel was no different, as hinted above, in seeing Greece as a “*schöne Totalität*” of citizenship and statehood originally united – not ever to be reconciled, though. Conciliation would imply an earlier

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10) NIETZSCHE, Friedrich, *Einleitung in das Studium der platonischen Dialoge*: Nietzsche quotes mainly from *Metaphysics* (A6, G5, M4, N4) with one reference to the *De Anima* and one to the *Politics*.

separation: Greece came before that separation (the Christian momentum). Nietzsche rejected Christianity and that view on Greece, famously with his texts on tragedy in Ancient Greece and the inner conflict between Dionysian vs. Apollinian contents of Ancient Greece. The point is that not only Modernity brings conflict, but it already prevailed, albeit in a different manner. Conversely to Romanticist hopes of reconciliation, Hegel was a realist: no harmonious “Golden Age”, if it had ever existed, could be retrieved in Modern times. Nietzsche was even clearer: no harmony had been lost forever, for it had never existed. But the conflict was of a different – and according to him, more sane nature, than the one now lived by the Moderns.

Hegelian rationalism showed that Greek harmony meant that contradictions had not yet been unfolded, but would necessarily unfold. Dialectics prevented Hegel from nostalgia and from naive views of the *Sturm und Drang* Romantics, albeit sharing the same soil. Hegel had prepared for a better understanding of Ancient Greece, Aristotle its main representative. But Hegel's disciples (and German intellectuals at large) would rather oppose that development, either in nostalgia for the past (*against* the industrial modern world, like in Romanticism) or in the hope for a revolution (Marxism being only one such case): both shared in a view of Ancient Greece supported by Aristotelian scholarship, and wished “totality” had remained, whatever that could mean. Actually, it came to signify, and found a new use as a building block of a half-enchanted German statist and racial national collective (*das deutsche Volk*) that would substitute for Greece in many minds, fanciful in their representations and at times dangerous in their implications (starting from Fichte's early nineteenth century *Reden an die deutsche Nation*). One needed some imagination to apply a forged Greek revitalized ideal to the German path to Modernity, but the German so-called ‘special path’ (‘Sonderweg’) was indeed the name for it. Altogether, the image of Aristotle was part of it, and the Stagirite was regarded as the father to holistic theories (the people, the state: *das Volk, der Staat* etc.) over the individual, deemed but part of such wholes that preceded him/her at all levels: chronologically, logically, methodologically and ontologically.

Part of the building of German Historical Economics finds here its origin. One can trace these in the writings of the founder of the school, Wilhelm Roscher, and in some later representative characters like already mentioned Karl Bücher. Floundering about original principles of historical holism, yet within the confines of the tradition recalled here, brought these authors close to blindness with regard to necessarily changing times and the progress of science. A second aspect is the judgment one may take on the whole attitude

of historicism, a critical one like Menger's.

For now, let us recall that Roscher's methodology derived from his inaugural outline of 1842, his dissertation *Life, Works and Times of Thucydides* from Göttingen historian Ranke's "workshop", so to speak. Roscher would not deviate from his adopted views on how to deal with history. He evolved (as is quite natural) in the detail of the very stages of political development he identified: in 1892 (that is, almost at the end of his career and in the last volume of his *System*) he published *Politics: A Historical Natural Doctrine of Monarchy, Aristocracy and Democracy*<sup>11</sup>.

Almost half a century earlier, Roscher had lived through the 1848 failed attempt at a democratic revolution and constitutional Germany united under the Prussian monarchy, the seize of power by Bismarck later on with the same goal (minus democracy, of course) and the birth of the Second Reich in 1871 in the Galerie des Glaces of Versailles Palace after the French had been routed. It was quite natural that Caesarism (Kaiserismus) emerged from the process to German minds. One may wonder what that had to do with Aristotelian views? Indeed when it came to politics, the discourse on how political stages develop was always in the background. Yet, it counted less than the realization of German dreams of national unity.

Roscher was also less inclined to draw a strict correspondence between economics and politics, than to celebrate German new power: as many German scholars, he pointed to the role of Germans in events that shaped universal history – in his case, through the economy. How economic events took place was decisive in how deep historical trends happened: the role of the economist appeared to discover this, through examining historical parallels and political events. To repeat the course of history was foremost: how large towns developed, and in which location preferably, at which epoch, and so on. Roscher's 1871 *Observations* on that topic were undoubtedly foundational for regional economics as well<sup>12</sup>. Hints at the special role played by some 'charismatic' leader were also disseminated, paving the way to Max Weber's approach (and to further more regrettable realities). Monographs written at the time were intended to bring available factual knowledge to projects of progress for German powerhouse. And economics was regarded as the scientific

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11) Wilhelm ROSCHER's respectively first and last work: *Leben, Werk und Zeitalter des Thukydides*, Göttingen, 1842 and *Politik: Geschichtliche Naturlehre der Monarchie, Aristokratie und Demokratie*, Berlin, 1892.

12) ROSCHER, Wilhelm, *Betrachtungen über die geographische Lage der großen Städte*, Duncker & Humblot, Leipzig.

direction to that effect.

Nevertheless, was all that to be traced to the reading of Aristotle? Evidently, not directly. Yet, the issue remains, embedded in the historical views on methodology that Aristotle was made the father of the dominant perspective favoring collective entities, from which derived most studies and distinctions between various periods, places and peoples (including races). Some criterion was needed for distinguishing: to the historian, whose art was then considered mostly narrative, it suffices to look at the Göttingen School, where Roscher came from, and at its major name, Leopold von Ranke to see the largest extent given to a German “civilizational history”. Ranke and his disciples did not deal directly with political economy. It was Roscher who transferred their methodology to this subject, judging that human material life, seen as the daily process of work, exchange etc., deserved as much attention as other events. Empirical life was examined to achieve an accurate description of historical development.

I regarded politics as the doctrine of the laws of development of the state, and political economy and statistics as facets of politics, being particularly significant branches that should thus be elaborated meticulously and in great detail. I have reflected upon each and every law of development through comparing the epochs of the life of the various peoples that I know of [...] My doctrine of the state [*Staatslehre*] is preliminary based upon those studies of universal history.<sup>13</sup>

Regarding “universal history”, Roscher’s contemporaries referred alternately to Christian theology proper or the doctrines of Hegel, who had brought philosophy to it, through his ‘philosophical history of philosophy’, so to speak<sup>14</sup>. Besides, Aristotle served as the usual reference to all those who wished/needed a refuge under his respectable umbrella to put forth some of their historical tales enacting collective entities/concepts, or *Kollektivbegriffe*. That lasting temptation was to be cut short by Menger, on whom the next section will focus, showing how the consensus was broken in the field of economics as it had been in philosophy by Nietzsche. This, I was lucky enough to read in Menger’s own archives, his personal papers on Aristotle and with regard to his rejection of the primacy of collective entities. I will now deal with that content.

13) ROSCHER, Wilhelm, *Leben, Werk und Zeitalter des Thukydides*, op. cit., p. vii. Our translation.

14) That attempt partly originated in Jakob Brucker *Historia critica philosophiae* (1744) the “most erudite man in Germany” according to Kant who used his works to prepare his own lectures on Plato – and Aristotle as well

### **3. Menger as a Reader of Aristotle: how “Methodological Individualism” can be rooted in the *Nicomachean Ethics* and in the *Politics***

#### **3.1. General considerations**

Indeed, it is a general truth (and always a major issue) in the history (and philosophy) of economic thought to establish evidence for transmission of ideas. The *milieu* is essential, and that was precisely the case in German-speaking universities, in the Austro-Hungarian empire and in Germany. The influence of Kant was pervasive. Yet, it had encountered difficulties entering the Catholic and ‘conservative’ milieu of the Austro-Hungarian empire from the start. Berlin and Vienna competed. But since Fichte, Hegel, Savigny and other professors in Berlin was regarded as a threat. And only aggravated after the defeat of Austria at the battle of Königgrätz. Further south, though, until the limits of the German-speaking realm with Slavic and Latin peoples, the influence of Aristotle remained strong.

However, to make the case that influence exist between two authors is always a touchy issue. When those lived at different periods (say, Antiquity and the nineteenth century, Aristotle and Menger), naturally it goes through the reading of one by the other. But is there enough to point out that there was influence? Even the fact that the latecomer read the works of the precursor, even that he read those *before* writing his own books, might well be insufficient. The later author may developed his own views quite independently and only thereafter found comfort and a confirmation of his views in the works of the earlier thinker. It follows that, short of an explicit acknowledgement, it is almost impossible to make a hard case for the transmission of any particular ideas. Without evidence, speculation is left wide open. And even though speculation may help clarify views of authors at stake, well-inspired commentators may put face to face interesting pieces of economic writings without making a convincing case. One must call on for more caution. Evidence remains needed.

Now, in some cases, like that of Menger and Aristotle, evidence is there, drawn from genuine material in abundance. Menger’s annotations on his own volume of the *Nicomachean Ethics* is such a most illustrative example. The volume in possession of Menger was the translation by Dr. J. Riedler, *Nikomachische Ethik*, in the series of *Aristoteles Werke, Schriften zur praktischen Philosophie*, within the *Griechische Prosaiker in neuen*

*Übersetzungen* published by Offander in Stuttgart in 1856, still available in Mengers library located in Japan under call number “Philos. 1”, there is that volume of *Nikomachische Ethik*, a small book, similar to a paperback, quite obviously much utilized by his owner, many places in the margins filled with manuscript annotations<sup>15</sup>.

Now, Menger’s handnotes indeed permit a quite remarkable double correspondence: on the one hand, with the development of his own comments on the German edition volume of the text by Aristotle; on the other hand, with the notes that Menger left in his own copy of his 1871 masterwork, the *Principles of Political Economy (Grundsätze der Volkswirtschaftslehre)* and it is so much so that the contents is the more instructive through systematic comparison. Previous work on Menger’s archives brought me results with proof of what commentators had previously only as intuitions on Menger’s Aristotelianism. Conversely, all I put forth is documented<sup>16</sup>. In order to get well-grounded “influence”, which is quite slippery as said above, requires to interweave many kinds of evidence, from claims set by authors acknowledging ideas they received from early on, in public declarations, in published material or in unpublished notes written only for his/her own sake. These are later retrieved by researchers and manuscript annotations indeed make clear in Menger’s case where inspiration and influence melted. In unpublished material (much of Menger’s notes), the historian displays that new material still unknown to reassess earlier “intuitions”: for instance, a debate that has long exercised commentators’ astuteness, on the nature of Aristotelian value theory for Menger (from article by Oscar Kraus, 1905 to Barry Smith, 1990, among others) can thus be definitively solved through textual evidence gathered at the source, as hinted by Emil Kauder and achieved by myself.<sup>17</sup>

15)As for almost all Aristotelian texts, the “books” into which the *Nicomachean Ethics* were divided had been decided by Aristotle’s early publishers. In the *Nicomachean Ethics*, this is complicated by traditions different in English and German editions: the first based on the work by Zell and Didot, from France (it has its source back to Argyropoulos and Lefevre d’Etaples), the second from Bekker (and earlier on from Th. Zwingger and Duval). Naturally, in the German version, Menger owned a copy based on that latter system. The reader will find a fine explanation of both reference systems in the editing work achieved in 1959 for the French edition (Louvain / Paris) by Gauthier and Jolif. In English, refer to the translation by H. Rackham, Heinemann & Harvard UP, London & Harvard, 1926, reed. 1962 – we follow this well-known call system (four-digit number followed first by letters “a” or “b” – due to formerly odd and even pages – and finally by the line number).

16)See CAMPAGNOLO, G., “Une source philosophique de la pensée économique de Carl Menger: l’Éthique à Nicomaque d’Aristote”; *op. cit.* (2008), *Carl Menger, Entre Aristote et Hayek, op. cit.*; (2010), *Criticisms of Classical political economy. Menger, Austrian Economics and the German Historical School*, London-New York, Routledge, xxiv + 416 p.; (2012), « Deutsche Archive in Japan und das Beispiel: Carl Menger und sein Verständnis der *Nikomachischen Ethik* des Aristoteles“ *op. cit.*

17)References: KRAUS, O. (1905) “Die aristotelische Werttheorie in ihren Beziehungen zu den Leh-

Even after exploring archives, one may admittedly still doubt whether a discovery was genuine or had merely found confirmation in earlier thinking, or was directly borrowed. On the influence of Aristotle's ideas upon Menger, much confusion can be swept away using strong facts uncovered when using archives. This allows to avoid the second mistake mentioned above when it is manageable (not always)<sup>18</sup>. When possible to work on texts, then a highly probability appears that connections be made for good and their nature can indeed be determined with minimal doubt. Regarding Menger, the contents of his own private collection, especially his library now located at Hitotsubashi University Center for Social Sciences (Japan) helps us. I here discuss mostly the copy owned by Menger of the *Nicomachean Ethics* and I make use of notes in the translation of Aristotle dated 1856 owned by Menger to show how Menger did not only frame his thoughts, but went through inspiration that helps understand the challenge he posed both to German Historicists and British Classics. Menger built a new economics as a science on his use of Aristotle's ideas, not surprising a fact after all among Austrian and German-speaking scholars, but this time that is proven by archives: here are some elements, on the theory of value, the issue of methodological individualism and other topics related.

Wherein can Aristotle be said the major philosophical source of Menger (at least concerning Ancient thought)? For the whole matter of Aristotelianism in Menger, see the erudite controversy between myself and Professor Crespo<sup>19</sup>. As a reader of Aristotle, Menger left hints in the archives from which I work first on value, then on issue about the nature of Aristotelian inspiration on the topic of individualism, the City and *Kollektivbegriffe*? Was Menger paradoxical in taking there his inspiration and what was his interpretation?

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ren der moderner Psychologenschule." *Zeitschrift für die gesamte Staatswissenschaft*, offprint sent by the author to C. Menger. Tübingen: Laup Buchhandlung (no English translation); SMITH, B. (1990) "Aristotle, Menger and Mises: an Essay in the Metaphysics of Economics." In: Caldwell, B. (Ed.) *Carl Menger and His Legacy in Economics*. Annual Supp. to vol. 22, *History of Political Economy*, pp. 263-288. Durham: Duke UP; KAUDER, E. (1957) "Intellectual and Political Roots of the Older Austrian School." *Zeitschrift für Nationalökonomie*, 17: 411-425. Also to quote: ALTER M., *Carl Menger and the Origins of Austrian Economics*, Boulder, Oxford, Colorado UP, 1990; BLAUG M. dir., *Carl Menger*, Cambridge UP, 1992.

18) Another example: Erich Streissler insisted that one remains doubtful on some aspects of Menger's realism regarding borrowed Aristotelian "essentialism" (with the recurring us of the German 'Wesen'). The only answer is to look into archives: unfortunately, the volume of Aristotle's logical works, his *Canon* in particular, owned by Menger have disappeared from the library. But many notes still exist. Due to the volumes missing, a correspondence between Menger's manuscript annotations on copies of his own works and notes on Aristotle's texts cannot be found. That is an unfortunate fact, which keeps doubts alive: in such case, commentators are left with their intuitions to convince each other in favor of some solution that depends on astuteness and knowledge.

19) See note 3 above.

### 3.2. From the archives of Menger

In reading Aristotle's *Nicomachean Ethics*, Menger questioned Aristotle on the origin of value<sup>20</sup>. Menger read both Book V (on Justice) and Books VIII and IX (on friendship, or partnership). That issue was not directly elaborated by Aristotle as to what we call "economic value"<sup>21</sup>. Aristotle ranked different kinds of 'friendship' or *philia*, and formulated its lowest form as a "conscientiously useful partnership", providing Menger with enough hints to uncover the mechanism ruling the exchange process.

How *subjective* valuation of goods meet and eventually match each other, how some price range is set within that process, how partners "form" a price (instead of being "price-takers" in what would become the generally accepted view in modern economics under standard assumptions of market competition), all influenced Menger's representation of the exchange. He describes that process from a dual partnership first, towards a whole market system in a second stage, the order in which he copes with this issue in his 1871 *Grundsätze*. Manuscript annotations were added after publication and confirm that way of thinking significantly: Menger did not read Aristotle before or after he wrote his masterwork, but all along. That reading accompanied the whole process of his reflections.<sup>22</sup> From Menger's reading of Aristotle's works, the idea that individuals are "price-makers" rather than "price-takers" may also be drawn. It would become the focus of the school Menger was later reckoned to ground, the so-called "Austrian school". Rather than some unique "principle" of marginal substitution that would authorize to fix equilibrium prices, potentially leading to a mathematically exact determined partial market equilibrium (Jevons, reworked by Marshall), or even to a *general* equilibrium (as in Walras), Menger insists on a dynamic process and does not reach a unique price, but a price *range* between partners who seek to satisfy needs in trading goods.<sup>23</sup>

To satisfy some felt need (which is what 'Bedürfnisbefriedigung' means) one first feels the urge and then identifies alternative possible satisfactions: a purely subjective process that rules out that need might be objectively

20)CAMPAGNOLO, G., *op. cit.* from 2002 and 2010 (Chapter 7, section 2, pp. 227-239.

21)CAMPAGNOLO and LAGUEUX, 2004, *op. cit.*

22)In the Austro-Hungarian Empire, students had to see the Aristotelian corpus in the original Greek as well as in German translation. Menger's latest notebooks (at Duke University) show he was still reading it in his old age.

23)The interested reader will refer to the example of trading cows for horses in the example developed in MENGER, Carl, *Grundsätze der Volkswirtschaftslehre*, pp. 63-69 of the original edition, reprinted by J. C. B. Mohr, Tübingen in 1970, pp. 183-186 of the English tr. by Dingwall J. & Hoselitz B., 1976.

determined. Its valuation (upon which starting exchange depends) is subjective, provided conditions in the individual's environment offer solutions: then the individual is convinced that he/she would benefit from engaging in trade. Friends/partners who are "useful to each other" are individuals engaged in economic actions (*wirtschaftenden Menschen*) as the basis of a mechanism found both in Menger and Aristotle. Menger was *glad* – annotations leave no doubt – to see his insights conform with the Ancient, a archival material shows that in that sense Menger can be surely said to be "Aristotelian".

This qualification goes further than the issue of value, though: in particular the importance of the *individual* in Menger must be stressed as identified in the Ancient as a source (among others). That stand may indeed seem paradoxical given the way we explained that Aristotelian creed was accepted in Menger's times: 'Aristotelianism' (whatever was meant through the use of that word) was indeed regarded as supporting authority for holism as the belief in *collective* entities in political economy was usual in the German Historical School defining a modern national *National-ökonomie* on the basis of the German community. Being a Viennese and from a city rival to Berlin may have influenced Menger when he assessed how Aristotle was wrongly taken to present evidence from the Greek *polis* to a German 'Stadtgeist'.

What did Aristotle say in the *Nicomachean Ethics* that calls for Menger's adoption? He indeed stressed that his analysis of justice, fairness in trade in general maintained order and adherence to the community (*κοινωνία*), essential to the fact that individuals, here regarded as citizens, live in common (*κοινή*), combining both kinds of justice, commutative and distributive together only may obtain its perpetuation:

In the interchange of services Justice in the form of Reciprocity is the bond that maintains the association: reciprocity, that is, on the basis of proportion, not on the basis of equality. The very existence of the state depends on proportionate reciprocity [...] and it is the exchange that binds them [men] together.<sup>24</sup>

Indeed, such continuity of the community was Aristotle's aim. Thus, the reason why Historicists insisted was Aristotle's definition of the utmost good as the good of the whole City in its entirety. And what they disregarded was the fact that Aristotle based it upon the preliminary study of individual behavior and a subjective nature, however of a substantial (or essential, 'wesentlich')

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24) ARISTOTLE, *Nicomachean Ethics*, 1132b31, *op. cit.*, p. 281, in Menger's copy: *Nik. Ethik.*, p. 145. Also *Ethica Nicomachea*, Oxford, 1925 (translation by Ross): "Now this unit is in truth demand, which holds all things together" (1133a26-27) There appears that notion of what is common (*κοινός*).

nature: ethics was for Aristotle the necessary introduction to politics, as he stated in Book I of *Nicomachean Ethics*.<sup>25</sup> Aristotle's politics after his ethics thus define the domain of ethics (and economic matters embedded in it) as a "propedeutics" to higher theoretical matters (to be "contemplated" or *theorized*, because *θεωρημα* means precisely contemplation). Comes *first* in heuristic order individual behavior, as the basis for knowledge:

We ought to make an attempt to determine at all events in outline what exactly this Supreme Good is, and of which of the theoretical or practical sciences it is the object. Now it would be agreed that it must be the object of the most authoritative of the sciences – some science which is pre-eminently a master craft. But such is manifestly the science of Politics [...]; and we observe that even the most highly esteemed of the faculties, such as strategy, domestic economy, oratory, are subordinate to the political science.<sup>26</sup>

The *Politics* is consequently the next step in a general analysis of human action: Aristotle's ultimate goal., the aim of his inquiry is the "Supreme Good", which implies that, rather than considering at first possibly delusive collective entities without resorting to behavior that explains how exchange works, it is reverse! Menger follows Aristotle there, ordering study from human individual reasoning, to dual partnership and later competition at large in populated groups. The famous definition by Aristotle must be placed into this context:

From these things [a previous passage by Menger heavily stressed in Aristotle's work], therefore it is clear that the city-state is a natural growth, and that man is by nature a political animal, and a man that is by nature and not merely by fortune citiless is either low in the scale of humanity or above it [...] And why man is a political animal in a greater measure than any bee or any gregarious animal is clear.<sup>27</sup>

In Menger's times, that passage was interpreted as indicating that human beings were ontological parts of the community (the Greek city, extended by commentators to the German nation) and oriented towards the realization of the utmost good, and mostly before all any other consideration<sup>28</sup>. This is the

25)Also in the *Magna Ethica* and the *Eudemian Ethics*, but the volumes are not in the Menger Library.

26)ARISTOTLE, *Nicomachean Ethics*, 1094a25-30, pp. 5-7; *Nik. Eth.*, p. 16. Menger underlined the passage.

27)ARISTOTLE, *Politics*, 1253a7-10, tr. H. Rackham, *op. cit.*, p. 9-11.

28)*Ibid.*, also in the *incipit* of the *Politics*: 1252a1: "Every state is as I see a sort of partnership, and every partnership is formed with a view to some good (since all the actions of all mankind are done with a view to what they think to be good). It is therefore evident that, while all partnerships aim at some good, the partnership that is the most supreme of all and includes all the others does so most of all, and aims at the most supreme of all goods; and this is the partnership entitled the state, the political association.", tr. H. Rackham, *op. cit.*, p. 3.

interpretation that prevailed and that Menger rebuked. Menger's opponents raised it as an obstacle to his attempt to renew the science of economics. Therefore, the point was decisive among scholars, where, still at the end of the nineteenth century, resorting to Ancient philosophy gave authority (as explained in the previous section of this paper). No wonder that Menger dedicated the matter a whole appendix (VII) of his 1883 *Investigations into the Method*: "On the Opinion Attributed to Aristotle, that the State be originally given with the Existence of Mankind", a text that we shall now discuss.

### 3.3. Appendix VII of Menger's *Investigations in the Method* (1883)

Indeed, Menger's originating the method later labeled "methodological individualism" is a matter related to his renewed interpretation of Aristotle's notions: how that origin is has to be acknowledged consistently shows within the contents of Appendix VII of the *Untersuchungen*<sup>29</sup>. And Menger's fight with the German Historicists was the stronger as he tackled that topic from the attacks he received starting from interpretations of Aristotle. Things were confused because the Historicists mixed Menger's views with the Classical doctrine of *homo economicus*, but Menger retorted without resorting to that creed, rather leaving aside Classical political economy and finding in Aristotle elements for his own line of reasoning, starting from individualistic behavior to gradually reach, step by step, the phenomenon of *spontaneous* emergence of larger institutions, whose development he explained by decisions from individual components, not by any assumed "collective entity". His approach was later called "methodological individualism"<sup>30</sup>.

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29) MENERG, C., *Untersuchungen über die Methode der Sozialwissenschaften und der Politischen Oekonomie insbesondere*, Anhang VII: "Ueber die dem Aristoteles zugeschriebene Meinung, dass die Erscheinung des Staates eine ursprüngliche zugleich mit der Existenz des Menschen gegebene sei". The volume was published in Leipzig, by Duncker & Humblot. I shall use the reprint (similar page numbers) by Mohr, Tübingen, 1970. Let me add that I have provided the first French translation in 2011, after 128 years! CAMPAGNOLO, Gilles, *Recherches sur la méthode dans les sciences sociales et en économie politique en particulier*, presentation and full translation with commentary, 2011, Paris, EHESS UP, EHESS-Translations series first volume, 576 p.

30) The term is not Menger's – rather that of later members of the Austrian school: Friedrich von Wieser, Josef Schumpeter Menger only spoke of "atomism" (*Atomismus*). Yet he did not reenact the doctrines of the classical economists of the nineteenth century. Let us explain for the sake of clarity that Menger labeled "individual" ("*individuell*") what was located to space and time, events that happened in some given context. The term itself thus qualifies *historical* facts and corresponds to what we would regard as "singular" events, happening only once, here and there – precisely the material that was used successively by Roscher for his inductive "parallelism-building" method and by Schmoller for his comparative analysis through variants and differences between phenomena. Conversely, in Menger, knowledge of these facts belongs to the historical facet of economics,

Menger's opponents put forward Aristotle's definition of human being as a "political animal", from the first lines of the *Politics* so as to support the idea that the collective would come first and rule from all ontological, heuristic and even chronological points of view. The City (πόλις) came first, individual being part of it and second to it, as a "part of the whole", bearing no sense if (or once) cut from the whole body collective. That line was inspired by the vulgarized representation of German Idealism mentioned earlier and philosophers from the beginning of the nineteenth century, Hegel to begin with, were interpreted systematically so from the "beautiful totality" ("schöne Totalität") notion, separated from the philosophy of history it entailed. Menger's opponents had wrongly understood the "schöne Totalität", that "Hegelian" excellent phrase as an *anthropological* statement (which it is *not*). Speculative philosophy had been mistaken for a positive discourse upon the real causes of mankind's evolution. If causal realism was indeed at stake, Menger's position could be supported by Aristotelian evidence. Moreover, it could be supported by logical reasoning full-stop – which would prove best all along later on, if not in the context of the German Academy of his times.

The German Historicists were *de facto* empirically convinced that the Greek city did not exist through its citizens, but quasi *per se*. Although that is arguable, Hegel would certainly not have said so. And Menger saw there only nonsense. He said it in Appendix VII: "impossible to sustain, simply nonsensical".<sup>31</sup> Consistently, Menger rebuked the term "Volks-wirtschaftslehre" as such – as a study of the Volk: archives show how he intended to modify the title of his 1871 *Principles of Political Economy (Grundsätze der Volkswirtschaftslehre)* into a more conform *Pure theoretical Economics (Reine theoretische Wirtschaftslehre)*.<sup>32</sup>

Menger had to prove his own views against his opponents: he did so by using Aristotle. First, he reproached vulgar interpreters with cutting off that sentence from its context in *The Politics*. Facing hostility from his colleagues, Menger would not reproach them with using an argument of authority that proved only stubbornness in their following of ancient texts, but he re-read those same texts for the sake of clarity in the light of a reshuffled interpretation, which he claimed closer to the meaning the Ancient himself conveyed.

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*therefore* not to its *theory*. As far as theory is concerned, such "*individuell Erscheinungen*" shall not be considered, but only the general analysis of elementary fact. Menger's analysis is close to Cartesian, or Hobbesian rules of understanding.

31) MENGER, C., Anhang VII, *op. cit.*: "unhaltbare, ja geradezu sinnlose", p. 267 sq. Our translation.

32) That is clear from his crossing out the title on the copy of his own book that had been sent to him by his Viennese publisher W. Braumüller, as can be observed on location in his Library in Japan.

Menger's foes would have nothing else to resort to and Menger was more challenging (and convincing) that way. Appendix VII of the *Untersuchungen* is such a demonstration: Menger translated the text, then voluntarily paraphrased what Aristotle did not deny, that is the possibility of uncivilized mankind existing not only before the Greek cities, and even before "barbarian" kingdoms. Within this uncivilized condition a tendency to socialize gradually grew, until it reached the point of state-building. The idea of Aristotle that Menger likes to quote, is that "man [human being, ἄνθρωπος] is a "political animal [ζῶον πολιτικόν]" but that he can be so only after a stage preliminary to civilization. Thus, Aristotle did not demonstrate that men always necessarily lived within the frame of a city, or a state – rather the contrary. Subsequently, the state is not chronologically prior (or at least as old as mankind) – rather the contrary.<sup>33</sup>

Menger also objected that any "holist" creed could be made in good faith in the light of texts by Aristotle. Although Menger did not indict it directly, for the readers of his times, the background interpretation of Romantic philhellenism, in a "renaissance" of German national identity that identified to dreamed cities of Ancient Greece, was clear. When, in the second half of the century, it shifted to Pangermanism, it took over national feelings to embody them in the notion of *Volk*, it was made to serve purposes other than mere speculation.<sup>34</sup> Such argument discarded the role of the individual. Aristotle was recruited to debase it but an exact quote from *The Politics* showed the order chosen by Aristotle was *chronologically*, and also *ontologically* calling for such a role in Ancient Greek thought, with individuals coming first, then families, and groups (or tribes) last emerging in cities and states, rather than the contrary.

Indeed, the Greek representation of the world displayed men freeing themselves from the Cyclopes, who had also small families and communities! Of course, men cannot know of such mythological times, but Homer's poems serve as a basis to which Aristotle referred: "And this is what Homer means: *And each one giveth law / To sons and eke to spouses* – for his Cyclopes live in scattered families; and that is the way in which people used to live in early times".<sup>35</sup>

Menger's foes would support the idea that this was mythological. But

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33)MENGER, C., *op. cit.*, pp. 269-70. I restate the paraphrase, though I summarize it. Greek terms in Menger.

34)CAMPAGNOLO, G., *op. cit.* 2010, Part I, chapter 2: "Sources of German Political Economy as a Building-Block of National Identity".

35)MENGER, C., *op. cit.*, *ibid*, p. 269, from Aristotle, *Politics*, I, 1252b23, tr. H. Rackham, *op. cit.*, p. 9.

was not their interest in historical matters bound to show the same? To think of a human being *without* thinking of that human being gradually bringing up communities would be impossible. What Aristotle meant with “ζῶν πολιτικόν” was then a concept of mankind without there being first of all a notion of state: no mankind without the vision of the emergence of socio-political orders and environment. As a matter of fact, sentences in Aristotle support the view both arguments by Menger and historicist views when understood properly: once the state exists, then it becomes necessary to justify it but before that, the state has already to come to existence. And every human being played a role in that achievement for the whole. Therefore, the metaphorical image of limbs and organs in the physical body applies as well to the political body, but has to be understood as evolutionary, indeed to engender a lasting tradition of “organicism”. That in turn contributes to prove 1) that elements to discuss how this body is organized and how it functions are individual parts, and 2) that there is a progress where individual comes first:

Uncivilized man might not be thought of without resorting to the state and, moreover, that the emergence of the state may of all necessity be as ancient as that of human beings either: a view that Aristotle never ever supported”. What is indeed the case is that “the human being *in the Greek sense* of the term, the civilized human being cannot be older than the state.<sup>36</sup>

Human beings existed before any “Kultur-Menschen” lived in a regulated or civilized community (as primitive as one may imagine). Even before such a world existed, as early as some reason was imparted to human beings, they would therefore act according to rules that make exchange an understandable process. In other words, language and other institutions that render trade intelligible make the world go round and scientists get wiser when that truth applies to any situation, even before state came into existence. It means that relationships between human beings exist when these are regarded as partners-in-trade (“economic agents” to use modern parlance) in order to understand the very emergence of communities as such.

Civilization itself will develop from there: institutions emerge and grow, and spontaneous self-organization of mankind make sense, explaining how states, money and all institutions appeared.<sup>37</sup> Menger developed that facet in Book

36)*Ibid*, p. 269-70. Our translation from Menger’s phrasing. The “uncivilized human being” or rather “pre-civilized” (*Ur-kultur-mensch*) is in contrast with the “civilized” one (“*Cultur-mensch*”) that Historicists said they could think of without connecting it to the state: “*Der Cultur-Mensch ist ohne Staat nicht denkbar*”, *ibid*. What Menger reckoned is *only* that the latter is true of the *already Greek* human being: “*der Culturmensch nicht älter als der Staat sein könne*”.

37)Given the fact that Friedrich Hayek was much inspired by these reflections by Menger, but also

Ill of his 1883 *Untersuchungen*: the origins of such thinking are found in (or, at least, are in conformity with) his analysis of Aristotle. The argument once opposed to Menger's reasoning now turned in his favor, linking ontological and chronological as facets of the same coin: the economist may well decide for himself about what comes first ontologically, but does not need to, as the Historicists insisted on. Menger (and we, modern readers) may rather suspend judgment and Menger showed that Historicism could not, in the face of the texts by Aristotle, decide for their own cause, neither in terms of logical reasoning, nor upon the basis of the Ancient philosopher's texts.

Methodologically speaking, *individualism* appeared as the relevant stand, and probably the only one based on a conform and consistent interpretation of Aristotle. Thus, historical elements were now invoked in favor of the individualistic theoretical frame so formulated.<sup>38</sup>

Relationships that individuals build regarding their material interest explain and ensure that the community be "cemented", provided fair *justice* be upheld, said Aristotle. Here again, unlike later on Hayek, Menger did not oppose the view, rather questioned meanings: it is precisely because Aristotle's opinion starts with individual behavior that Book V on justice makes sense, because partnership (Books VIII and IX) seems to Menger to answer Book V and give the solution of preliminary stage exchange process within the field of *ethics*, before reaching any political level. What the city would end up showing was the utmost good formed through the thousands vicissitudes of intersubjective relationships that all tend towards achieving the satisfaction of needs. Aristotle insisted that, without such a personal goal, the *meaning* of elementary activities could not be understood the same. It did not mean either (but Menger would never say) that such activities be the last stage of human accomplishment.

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that he added his own ideas, the common view today was much influenced by later thinking than Menger's. Through legitimizing the method that starts with the individual, Menger stated a non-necessary feature of the relationship linking together the state to human beings. That sufficed for his demonstration. Hayek's more global position *hostile* to "social constructs" was not Menger's, as the *Untersuchungen* clearly show. Menger insisted that all institutions were not purposely and "conscientiously" born, and on spontaneity in this emergence but did not mean to regard all social intents as unworthy, useless, or deemed to unintended consequences self-destructive or counter-productive. Menger indeed inspired some such views in some later heirs- who maybe forgot Aristotle.

38)As early as is 1871 *Grundsätze*, Menger displayed historical elements in his reflections, that he collected from the same material as Historicists: narratives by explorers, etc. that one may find in his Library (roughly one third of the 20,000 volumes kept therein), but made to fit a frame directly opposed to "empirical" naïve historicism.

## 4. Conclusion

To this day, Aristotelianism on the one hand, Hegelianism on the other hand remain two vivid sources to build concepts beyond philosophy – even if in the twentieth century they seem to have been chased away. As far as economics is concerned, methodological individualism required a truly individualistic view, which the founder of the Austrian school brought from his reading of Aristotle, putting aside the collective concepts and entities of the Historicists and reaching to the conclusion that the Aristotelian frame is individualistic, with the evidence of texts. The state finds its source in individuals who already gathered together, the 1883 *Investigations* is very clear in that regard. Menger showed no mercy for the Historicists' mistakes and the Dispute on the methods (*Methodenstreit*), though displaying considerable acrimony on both sides, ended with Menger showing he sided with Aristotle, where precisely he had been challenged. His tactics was superior, his reading more cautious.

In other (and last) words, considering Aristotelian notions in Menger's reading, we may conclude that Menger did *not need* the support of those, like Oskar Kraus who, claiming to defend his views, uselessly (and, at times, frivolously) criticized so-called "Hegelianism" to show conversely how close Menger and Aristotle were. Kraus' conclusion was right:

Aristotle indeed approached that [a theory of value grounded on marginal utility, born from subjectively felt needs] so close that, from his theory to that of the modern 'psychological school'<sup>39</sup>, the bridge could be crossed with a light step<sup>40</sup>.

But Kraus was unwise to support his argument by indicting Hegel. The "reconstruction" he claimed to see in Aristotle was somehow far fetched<sup>41</sup>, while the best way to achieve his goal to support individuality *versus* collective entities and to give methodological individualism a solid justification was simply to examine Menger's text – well, true, not only the published material, but also some of the unpublished: archives that provide today's commentators with clear evidence<sup>42</sup>.

39)*Psychologenschule*: this is another misnaming for the Austrian school as I showed in CAMPAGNOLO, G. (2008), "Was the Austrian School a "Psychological" School in the realm of Economics in Carl Menger's view?", in CAMPAGNOLO, G. (ed.), *Carl Menger. Neu erörtert unter Einbeziehung nachgelassener Texte / Discussed on the Basis of New Findings*, Frankfurt/Main – Wien, Peter Lang Verlag, pp. 165-186.

40)KRAUS, Oscar, "Die aristotelische Werttheorie...", 1905, *op. cit.*, p 590. Our translation from the German.

41)Kraus had sent his copy (a "*Sonderdruck*") of his article to Menger who annotated it – not always kindly For more detail, see CAMPAGNOLO, G., 2002, *op. cit.* Kraus showed interest in Menger's disciples Böhm-Bawerk and Wieser, where caution is in order as well.

42)And this is plainly reckoned when a text like my «Un exemple de réception de l'économie oc-

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