

# Schumpeter's substitute in Graz (and elsewhere): Alfred Amonn

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by

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## 1. Introduction

When Joseph A. Schumpeter, only two years after his arrival, left Graz in October 1913 in order to take up an exchange professorship at Columbia University in New York, he ‘warmly recommended’ as a replacement Alfred Amonn, who had already succeeded him as an Associate professor at the University of Chernivtsi in 1911.<sup>1</sup> And when in March 1919 he was appointed State secretary of finance Schumpeter again proposed as a substitute Alfred Amonn, but this time the faculty board did not follow his suggestion.<sup>2</sup> Some six years later, however, Amonn was to serve again as Schumpeter’s replacement, when the latter first accepted and then declined an invitation for a guest-professorship at the Imperial University of Tokyo, and instead took up the chair offered him at the University of Bonn. After

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I am grateful to Klaus Müller (Bruneck) for making available to me the biographical material he has collected on his great-uncle, Alfred Amonn. I would also like to thank Johanna Pfeifer (Graz Schumpeter Centre) for research assistance with regard to the University archives in Graz, Innsbruck, and Vienna. In the following, all translations from German sources are mine. Because the works from which I quote often use special terms and a difficult syntax, the precise meaning of some statements may easily get lost in translation. For this reason the original German wording has been given in footnotes whenever this seemed appropriate.

<sup>1</sup> See Seidl (1982: 13) and Hedtke (2012a: 13; 2012b: 4). It was indeed Schumpeter who had suggested Amonn to the faculty board in Chernivtsi as a possible successor as well. The list of suitable candidates submitted by Schumpeter had Othmar Spann in the first position, followed by Alfred Amonn and Karl Pribram; see Klausinger (2016: 131).

<sup>2</sup> See Hedtke (2012b: 4).

Schumpeter's declining,<sup>3</sup> Eijiro Kawai's offer to teach classes on economic theory at the Imperial University was passed on to Alfred Amonn, who then spent a highly successful three-year sojourn in Tokyo, from 1926 to 1929.

Obviously, then, Schumpeter held Amonn in high esteem. It would seem to be some interest, therefore, to take a closer look at the relationship between the two men and their works, first, because only little is known about it,<sup>4</sup> and secondly also because in their early contributions they were working to some extent on similar themes. The present paper makes some probing steps in this direction. The main questions it seeks to answer are: How close were Schumpeter and Amonn to each other, and did they perhaps mutually influence each other in their early work on economic methodology and economic theory? Accordingly, the paper opens with some biographical details about Alfred Amonn and his contacts and relations with Schumpeter (Section 2). The next section then provides a summary account of the two authors' views on the nature and significance of economic theory, as set out in their habilitation theses.<sup>5</sup> This is followed by a critical discussion of their methodological views against the background of the now widely accepted definition suggested by Lionel Robbins in 1932, which effectively displaced all earlier definitions, including Amonn's and Schumpeter's. Section 4 turns to their differing assessments of Ricardo's role in the development of economic theory, and of the classical approach to the theory of value and distribution more generally, while section 5 provides a comparative assessment of Amonn's and Schumpeter's appreciation of the neoclassical or marginalist approach, and of the Walras-Cassel general equilibrium theory.

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<sup>3</sup> According to Eiji Kawai's diary, he discussed the possibility of a guest-professorship in general terms with Amonn in Prague and with von Mises and Schumpeter in Vienna in December 1924. He formally invited Schumpeter in a meeting in the latter's apartment in Vienna on 10 December 1924. Schumpeter was very pleased by the offer, but asked for ten days respite. After the meeting Kawai immediately travelled to Munich and celebrated his "great success" with some Japanese colleagues, because he believed that Schumpeter, then jobless and seriously in need of money, would surely accept. (I am indebted for this information to Prof. Susumu Takenaga of Daito Bunka University, Tokyo.) On 27 December Kawai received a letter from Schumpeter with his acceptance, and in January 1925 they met again in Vienna in order to arrange for his guest-professorship. Soon afterwards Schumpeter obtained the offer from the University of Bonn and asked Kawai for a postponement to some later date. Schumpeter then finally visited Japan in January 1931; see Nishizawa (2010: 94) and Ikee (2014: 78).

<sup>4</sup> In most of the Schumpeter biographies Alfred Amonn is mentioned only in passing, if at all. See, however, Schlebusch (1929) and Winterberger (1983a).

<sup>5</sup> See Schumpeter (1908) and Amonn (1911).

## 2. Alfred Amonn and his relationship with Schumpeter: some biographical details

Alfred Amonn was born in 1883 – in the same year as Schumpeter – into a merchant family in Bruneck in the Lower Puster valley in South Tyrol. Endowed with two scholarships,<sup>6</sup> he attended the gymnasium in Brixen and then studied jurisprudence and government science (Rechts- und Staatswissenschaften), first in Innsbruck (from 1903 to 1904) and then in Vienna (from 1904 to 1907), where Joseph A. Schumpeter, Ludwig Mises, Emil Lederer, Otto Bauer, Hans Kelsen, and Felix Somary were among his fellow students.<sup>7</sup> Like Schumpeter, Amonn attended the lectures and seminars of Karl Theodor Inama von Sternegg, Eugen von Philippovich, Eugen von Böhm-Bawerk, and Friedrich von Wieser.<sup>8</sup> After he had graduated in 1907 with a doctorate in jurisprudence he became a University assistant with Eugen von Philippovich, who was a strong supporter and active proponent of social reform policies and held a mediating position between the aprioristic theoretical approach of the Austrian school and the inductivist approach of the German historical school. He argued that the subjectivist approach to economic theory of Menger and his followers needed to be complemented by empirical studies of institutions and economic history. It is noteworthy that von Philippovich, a gifted teacher and author of a highly successful textbook, also founded and led the Austrian Fabians, and was keenly interested also in methodological issues.<sup>9</sup> Under his guidance Amonn wrote a habilitation thesis which, though completed already in 1910, was published only in 1911 as *Objekt und Grundbegriffe der theoretischen Nationalökonomie* [*The scientific object and basic concepts of theoretical economics*]. The meticulous work on the borderline of philosophy of science, economic methodology, and economic theory immediately earned him

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<sup>6</sup> Although a branch of the Amonn family in Brixen consisted of well-to-do merchants and entrepreneurs, Alfred's parents had only moderate means. He therefore received two scholarships, an "Agnes-Santer-Stipendium" in 1895 and a "Theresianisches Stipendium" in 1904, in order to attend the gymnasium and the University.

<sup>7</sup> According to the *Curriculum vitae* of Alfred Amonn in the documents collected by Klaus Müller (Bruneck), Amonn also studied at the Universities of Halle, Leipzig, Munich, Oxford and London. This is interesting, because it means that Amonn might have studied in England in 1906/7, together with Schumpeter.

<sup>8</sup> Schumpeter studied at the University of Vienna from 1901 to 1906. He first enrolled for economics courses, held by Eugen von Philippovich and Karl Theodor Inama von Sternegg, in the winter term 1903/04. Thereafter he also attended the lectures and seminars of Friedrich von Wieser and Eugen von Böhm-Bawerk. He finished his graduate studies with a doctorate in jurisprudence in February 1906. For a list of the lectures and seminars Schumpeter attended, see Hedtke and Swedberg (2000).

<sup>9</sup> See Milford (2003).

a post as an Associate professor at the University of Fribourg, Switzerland, which however he gave up in 1912 in order to become Schumpeter's successor in Chernivtsi, after the latter had been appointed in 1911 as a Full professor at the University of Graz.<sup>10</sup> Ammon held the post of Associate Professor at Chernivtsi University from 1912 to 1917, and of Full professor from 1917 to 1919. In 1917, the chair of his teacher Philippovich in Vienna had to be filled, but Amonn was considered by Wieser to be unsuitable for this position, being a pure theorist who had not published any empirical or applied work. However, Amonn was regarded by influential circles in Vienna, in spite of his affiliation with a "provincial" university like Chernivtsi, as belonging to 'the upper class of the intelligentsia' in the Austro-Hungarian Empire,<sup>11</sup> and he was invited, together with Schumpeter, Mises, Pribram, Kelsen and others, to participate in a Scientific Committee for War economics in May 1916.<sup>12</sup> Amonn officially held the chair at the University of Chernivtsi until 1919, but had to discontinue his teaching already much earlier because of his military duties, and presumably had to leave the capital of the Northern Bukovina in 1918, after the dissolution of the Austro-Hungarian Empire following the Great War.<sup>13</sup>

When in March 1919 he became State secretary of finance Schumpeter once again proposed Amonn as a substitute, and in some sources<sup>14</sup> the latter is stated to have served as stand-in lecturer in Graz in 1919/20, but this could not be confirmed.<sup>15</sup> However, during and after WWI there were nevertheless many contacts, joint projects, and even some collaboration

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<sup>10</sup> According to Ibler (1975: 131; see also Acham 2011: 394), Amonn taught in Graz as a stand-in lecturer to fill the vacancy that arose after Richard Hildebrand's retirement (and before Schumpeter's arrival) in 1911, but the Graz University archives contain no documents to confirm this statement.

<sup>11</sup> See Huelsmann (2007: 274).

<sup>12</sup> See Huelsmann (2007: 274) and Klausinger (2016: 122).

<sup>13</sup> Amonn appears to have stopped lecturing in Chernivtsi already in early 1917. According to a note in the *Grazer Tagblatt* of 23 April 1918 'Professor Dr Alfred Amonn, who for the last year was in military duties of the Austrian ministry of war (Scientific corps), has been appointed "Oberleutnant-Auditor" and was sent to Bucharest by the army command'.

<sup>14</sup> See Sieber (1963: 2) and Acham (1996: 427).

<sup>15</sup> According to Hedtke (2012b: 4), in 1919 those in the faculty meeting who supported Schumpeter's replacement with Amonn remained in a minority position. According to Ibler (1975: 133), Arnold Pöschl, a professor of Church law, began to deliver lectures and seminars on economic history when Schumpeter was on leave in 1919/1920.

between Schumpeter and Amonn. Thus in June 1916 Schumpeter, in a letter to the publisher Paul Siebeck, proposed to enlist Amonn and Pribram as collaborators for a newly to be founded journal, but this project did not materialize.<sup>16</sup> In 1918, Amonn was also one of the founding members of the *Österreichische Nationalökonomische Gesellschaft* (NOeG), the Austrian Economic Association, together with Schumpeter, Pribram, Mayer, and Mises.<sup>17</sup> He also participated, like Schumpeter, in the famous NOeG meeting in January 1920, at which their former fellow-student Ludwig Mises first presented his ideas on socialist calculation.<sup>18</sup> Moreover, in January-March 1919/20 Amonn served as a member of the German-Austrian Socialization Commission in Berlin, together with Schumpeter, Emil Lederer, and Rudolf Hilferding.<sup>19</sup> All this confirms the statement of Gerhard Winterberger, a disciple of Wilhelm Röpke and influential Swiss neo-liberal journalist, according to whom ‘Amonn and Schumpeter were close friends ... whose paths met in their student days and also later again and again’ (1983a: 387).

In 1920 Amonn was appointed to the chair in economic theory formerly held by Arthur Spiethoff at the German University in Prague,<sup>20</sup> where Franz X. Weiss, the editor of Böhm-Bawerk’s *Gesammelte Schriften*, was among his colleagues. In 1923 he was suggested by Friedrich von Wieser as a prospective successor for his chair at the University of Vienna, but in the end was ranked secundo loco after Hans Mayer, who gladly returned to Vienna from Graz, where he had been appointed as Schumpeter’s successor in 1921.<sup>21</sup> Three years later

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<sup>16</sup> See Schumpeter’s letters to the publisher Paul Siebeck in Hedtke and Swedberg (2000: 61-70). Instead of taking up his proposal of founding a new journal, Siebeck made sure that Schumpeter was invited to join the editorial board of the *Archiv für Sozialwissenschaft und Sozialpolitik*.

<sup>17</sup> See Klausinger (2015: 5).

<sup>18</sup> See Huelsmann (2007: 377-8). Apparently, neither Amonn nor Schumpeter had a close personal relationship with Mises.

<sup>19</sup> For his views on the problem of socialisation, see Amonn (1920, 1922). Amonn doubted the feasibility of socialisation, quite apart from the question of its desirability, and was rather skeptical about the *practical* problems associated with socialisation. The main problem he saw was the “allocation according to needs” (“Problem der bedarfsgerechten Zuteilung”); see Köster (2011: 276-7).

<sup>20</sup> See Klausinger (2016: 136).

<sup>21</sup> See Klausinger (2016: 142-6). Mayer’s successor in Graz was Wilhelm Andreae, a pupil of Othmar Spann, who had obtained his habilitation with a German translation of a text from Plato.

Amonn was strongly, but in the end unsuccessfully, supported by Othmar Spann as successor of Carl Grünberg at the University of Vienna,<sup>22</sup> and in 1926 he was apparently listed in first position as successor of Max Sering at the Friedrich-Wilhelms University of Berlin.<sup>23</sup> As has already been mentioned, Amonn in 1925 accepted Kawai's offer for a guest-professorship at the Imperial University of Tokyo, the purpose of which was to introduce Western economic thinking in Japan.<sup>24</sup> During his stay in Tokyo, from 1926 to 1929, Amonn delivered lectures on economic theory in German. Some of his earlier papers were re-published in Japanese translations, but he also wrote some new ones that were published only in Japanese, as well as a book of some 450 pages on the history of marginal utility theory. Through his lectures and his book on *Ricardo als Begründer der theoretischen Nationalökonomie* [Ricardo as the founder of theoretical economics] (1924) Amonn had a strong impact on the reception and interpretation of Ricardo's economics in Japan.<sup>25</sup> He also influenced a number of young Japanese scholars with strong Marxist leanings in their intellectual development:

Like Lederer, Amonn pushed Takahashi and others not to accept Marxism uncritically, but to approach it as one of several useful methodologies, alongside the works of Ricardo, Keynes, Cassel, and Austrian economist Josef Schumpeter. Takahashi later wrote that even though at the time he considered himself a "complete Marxist economist," Lederer's and Amonn's arguments were like "cold water thrown on my Marx fever". (Hein, 2004: 41-2)

In 1929 Amonn was appointed to a chair in Economic Theory and Public Finance at the University of Berne, Switzerland, which he held until his retirement in 1953. In Berne, Amonn quickly established himself as one of the leading economic theorists in Switzerland. Moreover, he also served as Dean of the Law Faculty (1934-35 and 1943-44) and Rector of the University (1949-50), and as a member of various committees giving policy advice.<sup>26</sup>

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<sup>22</sup> See Klausinger (2016: 155).

<sup>23</sup> See Schumpeter's letter to Gustav Stolper of 2 March 1926 in Hedtke and Swedberg (2000: 110).

<sup>24</sup> The guest-professorship, which previously had been held by Emil Lederer, was well-paid. Amonn's salary in Tokyo was approx. three times the salary of a Japanese University professor, which at this time was fairly high. (I am indebted for this information to Prof. Susumu Takenaga of Daito Bunka University, Tokyo.)

<sup>25</sup> See Takenaga (2016).

<sup>26</sup> About Amonn's attitude regarding his administrative duties a commentator remarked: 'The menaces of coziness and placidity from administrative and bureaucratic exigencies

In the course of his long academic career Amonn published more than twenty books and some sixty often book-length articles in German, Austrian, and Swiss periodicals (he never published in English).<sup>27</sup> The range of topics dealt with included the theory of value, prices, and income distribution, monetary theory and policy, international trade theory and policy, and issues in public finance. Moreover, Amonn wrote extensive book reviews of, *inter alia*, Wieser's *Theorie der gesellschaftlichen Wirtschaft*, Cassel's *Theoretische Sozialökonomie*, and Keynes's *General Theory*.<sup>28</sup> In the interwar period he also engaged in vigorous debates with a number of German economists, including Sombart, Oppenheimer, and Liefmann. In the German-speaking countries and in Japan Amonn was regarded highly both as an economic theorist, as a historian of economic thought, and as an economic methodologist. He was held in high esteem not only by the Austrian economists of his own generation – to the *Festschrift* presented to Amonn on the occasion of his 70th birthday contributed, *inter alia*, Hans Mayer, Gottfried Haberler, and Oskar Morgenstern<sup>29</sup> – but also by many of the leading German-speaking economists.<sup>30</sup> Thus Erich Preiser pointed out in his obituary that ‘with Alfred Amonn theoretical economics has lost one of its most sagacious thinkers’ (1970: 209), and another commentator referred to him as ‘an extraordinarily sharp thinker, ... [who] with regard to logical precision and consistency of thinking was superior even to Schumpeter’.<sup>31</sup> Because his publications were confined to the German language area, however, his work was not much recognized in the English-speaking world, and his contacts with Schumpeter also seem to have come to an end after the latter's move to Harvard in 1932.<sup>32</sup>

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or from other manifestations of pure obedience he faced with amiable incomprehension and sovereign nonobservance.’ (Sieber 1963: 7)

<sup>27</sup> For an (incomplete) list of Amonn's publications, see Acham (1996: 429-33).

<sup>28</sup> To call his book reviews “extensive” is an understatement not only by present-day standards: Amonn's reviews of Cassel's *Sozialökonomie* and Keynes's *General Theory* each run to some 80 pages, that of Wieser's *Theorie der gesellschaftlichen Wirtschaft* to more than 130 pages.

<sup>29</sup> See Wagner and Marbach (1953).

<sup>30</sup> Amonn was a Corresponding Member of the Austrian Academy of Sciences and of the Bavarian Academy of Sciences. He was also an early member of the Mont Pèlerin Society (though not a founding member).

<sup>31</sup> Winterberger (1983a: 390).

<sup>32</sup> In 1932 both Schumpeter and Amonn contributed a paper to the “Festschrift” sampler for Emil Lederer on the occasion of the latter's 50<sup>th</sup> birthday. They also had a joint pupil in

### 3. Defining the scope and subject matter of theoretical economics

In their first major works, their habilitation theses, Schumpeter (1908) and Amonn (1911) dealt with closely related, though not identical, themes. This section will therefore provide a summary account and critical discussion of their views on the scope and subject matter of theoretical economics. This will be done against the background of the now widely accepted definition introduced by Lionel Robbins in his *Essay on the Nature and Significance of Economic Science* ([1932] 1984). It will be shown that Robbins unduly confounded the views of the two authors, and that his own definition, which quickly became widely accepted, was much closer to Schumpeter's than to Amonn's viewpoint – from which it could in fact be criticized for much the same reasons as Schumpeter's.

#### 3.1 Schumpeter's *Wesen und Hauptinhalt* (1908)

Schumpeter's aim in *Wesen und Hauptinhalt der theoretischen Nationalökonomie* [*The Nature and Essence of Economic Theory*] (1908) was to spell out the nature and scope, as well as the limits and problems, of *theoretical* economics (“theoretische Nationalökonomie”), as opposed to other branches of political economy, and to take stock of what had been achieved in this field and what still needed doing. As regards the latter aim, Schumpeter clearly identified as a major lacuna an analysis of economic development – a task he then immediately started to address in his second major work, *Die Theorie der wirtschaftlichen Entwicklung* [*Theory of Economic Development*] (1912).

In Part I of the book Schumpeter set out his views on method and methodology. He opened with a call for methodological and theoretical tolerance, and throughout his book he took great pains to explain the scope and limitations of “pure”, i.e. *theoretical* economics, and to acknowledge the legitimacy and fruitfulness of other methods and approaches, in particular those of economic history and sociology. According to Schumpeter, the scientific object of pure or theoretical economics is in fact a rather limited one. Theoretical economics is concerned only with those economic problems that can be subjected to an “exact” treatment.

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Herbert Zassenhaus (1910-1988), who was Schumpeter's student in Bonn and after his graduation in 1932 first spent a year at the LSE in London, but then moved to Berne, where he wrote his doctoral dissertation under the supervision of Alfred Amonn. In 1936 he emigrated to the USA, and in 1937/38 became Schumpeter's research assistant at Harvard University. Later he became a Vice-Director of the IMF in Washington, DC. For more biographical details on Zassenhaus, see Hagemann and Krohn (1999).

It consists of setting up ‘an abstract system of quantities’ of ‘certain goods’, which stand ‘*in a mutual interdependence in such a way that a change in one of them leads to a change in all others*’ (1908: 29, 33, and 28). The task of pure or theoretical economics then consists in

deducing, starting out from a given state of this system, those changes of the quantities which take place in the next moment if nothing unexpected occurs. This deduction is what we call an “explanation”, and it is accomplished by a description of those dependency relations, so that we can define our task as *describing our system and its laws of motion*. When this is possible unequivocally, without needing to refer to substantive statements of other disciplines in the course of the train of thought, *then a self-contained discipline of economics exists*. The statements of which this description consists, if they are of sufficient significance, we then call “*economic laws*”. Their entirety makes up the discipline of “pure” or “theoretical economics”. (1908: 28-9)

From a methodological point of view, the idea of the existence of a tendency towards, or gravitation around, a state of rest of the system, or, for short, of an “equilibrium”, plays a central role in this theoretical construction: ‘To describe the state of equilibrium of the economic quantities – and certain variations of the latter – that is the problem of theoretical economics’ (1908: 198). Another feature of this system of general economic equilibrium much stressed by Schumpeter is that it is based on “methodological individualism”, a phrase he coined. Interestingly, Schumpeter dissociates this notion from its Austrian heritage by suggesting that it is no specific feature of “modern” economic theory, but had been characteristic already of the approach of the classical political economists. He then points out that individual actions must always result in changes in some economic quantities, and that such changes can always be conceived of as an “exchange”. Now the concept of “exchange”, Schumpeter argues, although originally associated with an exchange economy (“*Verkehrswirtschaft*”), is indeed of more general applicability. It is by no means confined to competitive market systems, but can be applied equally well to, say, primitive societies, and it does not even require interactions between (at least two) individuals, but can also be applied to the “economic” actions of an *isolated individual*, and even beyond:<sup>33</sup>

*All human behaviour can be considered, in analogy to economic behaviour, as an exchange, namely as an exchange of one state against another one. ... Activities of any kind, for instance in the arts or in sports, can be considered from this point*

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<sup>33</sup> Terence Hutchison maintained, in my view quite wrongly, that Schumpeter had excluded the “Robinson Crusoe” setting: ‘In his *Wesen and Hauptinhalt der theoretischen Nationalökonomie* Schumpeter had focused on exchange as the central problem, which, though reducible to the decisions of two individuals, excluded Robinson Crusoe, whom, with his scarcity definition, Robbins wanted to include.’ (Hutchison 1996: xv)

of view. It is, to all intents and purposes, merely a matter of taste whether one wants to conceive of going for a walk, for instance, as an economic activity or not. (1908: 80; emphasis added)<sup>34</sup>

In Schumpeter's view the notion of exchange, understood in this encompassing sense, is of central importance to pure economic theory:

In the relation of exchange lies all that is purely economic ... *all pure economic theory is nothing but an analysis of the problem of exchange.* (1908: 50, 53)<sup>35</sup>

Parts II and III of *Wesen und Hauptinhalt* are devoted to an exposition of the *static* economic theory, which Schumpeter associates with the general equilibrium theory of Walras. It starts from the following set of data or 'independent variables': (i) the needs, wants, and desires of the individual agents, that is, their *preferences*; (ii) the currently available *endowments* of the economic system with productive resources (available quantities of different types of labour, of produced means of production and capital goods, of different qualities of land and other natural resources) which are used in the production of commodities; (iii) the allocation of property rights with regard to the use of productive resources among the individual agents; and (iv) the available set of production methods (including disposal methods) from which cost-minimizing producers can choose, that is, the available *technology* (or technical knowledge). From these data the theory then determines: (i) the *allocation* of the productive resources among different lines of production, to which correspond (ii) the *produced quantities* of the different commodities; (iii) the *prices* of the different commodities, and (iv) the remuneration of the productive resources, that is, the so-called *factor prices*.

Schumpeter carefully explained the distinction between the data and the endogenous variables, and he also spelled out some features of the equilibrium solution, but without providing the reader with a fully articulated theoretical model. Some further aspects of Schumpeter's exposition of the Walrasian general equilibrium theory deserve to be mentioned. First, Schumpeter variously pointed out that his specification is not confined to an individual exchange economy ("individuelle Verkehrswirtschaft"), but is applicable also to

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<sup>34</sup> „Alles menschliche Handeln läßt sich in analoger Weise wie das wirtschaftliche als Tausch, nämlich als Vertausch eines Zustands mit einem anderen, auffassen ... Betätigungen jeder Art, in Kunst, Sport usw., lassen sich von diesem Gesichtspunkte aus betrachten. Es ist sozusagen Geschmackssache, ob man einen Spaziergang z. B. als wirtschaftliche Handlung auffassen will oder nicht.“ (1908: 80)

<sup>35</sup> „In der Tauschrelation liegt alles Reinökonomische ... alle reine Wirtschaftstheorie ist nur eine Untersuchung des Tauschproblems.“ (1908: 50, 53)

other forms of social organization, and even to an isolated individual. The static equilibrium position, for instance, is said to be captured by the “law of marginal utility level” (“Gesetz vom Grenznutzenniveau”), which is Schumpeter’s term for the principle of equi-marginal utility (1908: 131). ‘This law gives us’, Schumpeter maintains, ‘the *production and consumption combinations* of our individuals, which result from their dispositions etc. and from their economic possibilities’ (1908: 134). And he stressed:

Our law of marginal utility level and our state of equilibrium holds for every economic individual. This may be an isolated individual or an individual standing in social relations with others. The two cases certainly differ from each other and in the latter in particular more, and more complicated, possibilities exist regarding the course of the economic process, but in both cases the fundamental process is essentially the same. Always the margins of an individual’s goods acquisitions are inter-dependent; but in the second case these are in addition also dependent on the analogous margins of goods acquisitions of all the other individuals. (1908: 133)<sup>36</sup>

With regard to the question of the realism of the hypotheses that enter into a theory Schumpeter adopted an “instrumentalist” position and argued, much like Milton Friedman was to do later, that only the *usefulness* of hypotheses matters, irrespective of their *truthfulness* (1908: 531).<sup>37</sup> For Schumpeter, pure economic theory belongs to the exact sciences, and he even went so far as to assert that, if the distinction between natural versus social sciences had to be made at all, then economic theory properly belonged to the natural sciences:

From its methodological and epistemological nature pure economics would be a natural science and its theorems laws of nature. ... Only its little development and the established departmentalization of academic activities seemingly prevent it from belonging to the kingdom of the exact sciences. (1908: 538)<sup>38</sup>

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<sup>36</sup> „Unser Gesetz vom Grenznutzenniveau und unser Gleichgewichtszustand gilt für jedes Wirtschaftssubjekt, es mag ein isoliertes sein oder in Beziehungen zu anderen stehen. Beide Fälle unterscheiden sich gewiß von einander, namentlich bestehen in letzterem mehr und kompliziertere Möglichkeiten für den Wirtschaftsverlauf, aber in beiden ist der Vorgang doch wesentlich derselbe. Immer hängen die Grenzpunkte des Gütererwerbes eines Individuums voneinander ab; nur kommt im zweiten Falle noch hinzu, daß sie auch von den analogen Grenzpunkten des Gütererwerbes aller anderen abhängen.“ (1908: 133)

<sup>37</sup> „... nur ihre Zweckmäßigkeit kann diskutiert werden, nicht ihre ‘Richtigkeit’.“ (1908: 531)

<sup>38</sup> „Ihrem methodologischen und erkenntnistheoretischen Wesen nach wäre die reine Ökonomie eine Naturwissenschaft und ihre Theoreme Naturgesetze ... Nur ihre geringe Entwicklung und die Organisation des Wissenschaftsbetriebes bringt es mit sich, daß sie ausgeschlossen scheint aus dem Reich der exakten Disziplinen.“ (1908: 538)

In Part IV Schumpeter set out the “variation method”, which is basically the method of comparative static analysis. Its most important limitation is, in Schumpeter’s view, its inability to capture truly dynamic economic processes. Nevertheless, he insisted that static analysis is of fundamental importance for economic theory and cannot be dispensed with. Part V then returns to issues of methodology, and is concerned in particular with the place of economics relative to other sciences, and with the scope and limitations of economic theory. Schumpeter acknowledged the great importance of sociology and of economic history, but also pointed out the differences in the methods and the scope of theoretical economics vis-à-vis these sciences. He stressed that economic theory takes the agents’ motives, desires, and preferences simply as given, and emphatically rejected the view that any particular psychological foundation is involved. He argued, in fact, that ‘no connection exists between economics and psychology, neither a methodological one, nor a substantial one’ (1908: 544).<sup>39</sup> Theoretical economics, Schumpeter insisted, is completely independent and self-contained. Schumpeter also related theoretical economics to mechanics, and explicitly denied a family relationship, much emphasized by Marshall, with biology. He also rejected the usefulness of analogies between the problems and methods in economic theory and in biology (or, for that matter, in ethnology). Schumpeter carefully distinguished all these branches of science from economics in terms of scope and method, and claimed that their relevance for economic theory is nil. He concluded his book with a plea for the use of mathematical methods in economics, claiming that it is through these methods alone that economic theory will further advance.

### 3.2 Amonn’s *Objekt und Grundbegriffe* (1911)

Although to some extent it covers similar ground as Schumpeter’s treatise, the focus of Amonn’s *Objekt und Grundbegriffe der theoretischen Nationalökonomie* is more on epistemological and methodological issues, and less on concrete results or statements of economic theory. The book opens, after a brief introductory chapter, with an extensive literature survey, in which Amonn provides the reader with a detailed critical discussion of previous attempts at determining the scientific object of *theoretical* economics, starting with the definitions suggested by the classical political economists and including also the (then)

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<sup>39</sup> „...daß zwischen Ökonomie und Psychologie kein Zusammenhang besteht, weder ein methodologischer noch ein materieller.“ (1908: 544)

more recent ones, such as those provided by von Philippovich, von Wieser, Cassel, Mayer, Spann, ..., and Schumpeter.

According to Amonn, the definition of the scientific object (“Erkenntnisobjekt”) of political economy provided by Adam Smith, namely, “the nature and causes of national wealth”, is ill-suited for defining the object of *theoretical* economics, because it confounds theoretical, historical and practical-political problems and provides no unified and logically coherent demarcation of the subject matter of theoretical economics (1911: 34-5). Only by Ricardo, who placed the problem of income distribution at the center, had the scientific object of theoretical economics been clearly defined and delineated for the first time. By focusing on the proportional distribution of income, Ricardo was immediately led to the problem of price determination in an exchange economy, which according to Amonn forms the scientific object and the substantive core of theoretical economics (1911: 35). After extensive discussion of the contributions of other classical authors (Say, Mill, Hermann, von Thünen), of the historical school (Roscher, Schmoller, Sombart) and of the Austrian school (Menger, von Philippovich), Amonn devotes some fifteen pages to a critical discussion of Schumpeter’s definition of the scientific object of pure or theoretical economics.<sup>40</sup> He agrees with Schumpeter that

the nature of this science is recognized and its formal scientific object is obtained by determining from its concrete problems and results the conditions under which those problems must necessarily arise and those results can alone be obtained. ... The epistemological conditions of a science cannot be determined in any other way than from the science itself, from its concrete problems, which first gave rise to it and which form its essential core and content, and its results. (1911: 114)<sup>41</sup>

Where he parts company with Schumpeter is when the latter attempts to arrive at the ‘smallest possible complex of preconditions and clauses’ which are necessary for identifying the problems and results of theoretical economics ‘by the successive elimination of everything unneeded’ (1908: 31, 32). According to Amonn, Schumpeter in following this line has gone too far by eliminating also the *social conditionality* (“soziale Bedingtheit”) of *economic*

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<sup>40</sup> See Amonn (1911: 112-25 and 155-6).

<sup>41</sup> „Das Wesen dieser Wissenschaft wird dadurch erkannt und ihr begriffliches Erkenntnisobjekt dadurch gewonnen, daß wir aus ihren konkreten Problemen und Resultaten heraus die Voraussetzungen bestimmen, unter welchen jene Probleme notwendig entstehen müssen und jene Resultate allein gewonnen werden können. ... Die logischen Erkenntnisbedingungen einer Wissenschaft können nicht anders gewonnen werden, als direkt aus der Wissenschaft, aus ihren konkreten Problemen, mit denen sie zuerst gegeben ist und die ihren wesentlichen Kern und Inhalt bilden, und ihren Resultaten heraus.“ (1911: 114)

*activities*. Schumpeter's definition lacks precision, Amonn argues, because it fails to clearly demarcate those problems which are specific to political economy ("Nationalökonomie") and to separate them from rational choice in general. In order to clarify his objections, Amonn quotes Schumpeter's statement that 'all human behaviour can be conceived of, in analogy to economic behaviour, as an exchange, namely as an exchange of one state against another one' (1908: 80).<sup>42</sup> Amonn fully acknowledges that this can indeed be done, but objects:

On this basis emerges a theory of *all* rational action, which may well stand out by its extraordinary generality and exactness, but which at the same time must be vacuous and rather poor in its problems and results, and which would exhibit *neither a social science character* in general nor a specifically *economic* one in particular. (1911: 118)<sup>43</sup>

By conceiving of all rational action as an *exchange*, and by dissociating the notion of "exchange" from that of an exchange economy, 'Schumpeter has abstracted precisely from the *main characteristic*, namely from the *social conditionality* of economic phenomena' (1911: 121-2).<sup>44</sup> In a Robinson Crusoe setting of isolated individuals, Amonn insists, the specific problems which constitute the scientific object of theoretical economics are non-existent. He concludes:

Accordingly, Schumpeter's methodological foundation can serve as a foundation for a general theory of individual economic action in the more encompassing sense of general rational action, but not as a foundation of political economics. (1911: 122)<sup>45</sup>

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<sup>42</sup> „Alles menschliche Handeln läßt sich in analoger Weise wie das wirtschaftliche als Tausch, nämlich als Vertausch eines Zustands mit einem anderen, auffassen ... Betätigungen jeder Art, in Kunst, Sport usw., lassen sich von diesem Gesichtspunkte aus betrachten. Es ist sozusagen Geschmackssache, ob man einen Spaziergang z. B. als wirtschaftliche Handlung auffassen will oder nicht.“ (Schumpeter 1908: 80)

<sup>43</sup> „Auf dieser Grundlage ergibt sich eine Theorie *alles* rationalen Handelns, die sich wohl durch ihre außerordentlich große Allgemeinheit und ebenso große Exaktheit auszeichnen mag, deren Probleme und Resultate aber ebenso leer und dürftig sein müßten und *weder einen sozialwissenschaftlichen Charakter* im allgemeinen noch einen *spezifisch nationalökonomischen* im besonderen haben könnten.“ (1911: 118)

<sup>44</sup> „Schumpeter hat gerade von dem *wesentlichsten* Momente abstrahiert, von der *sozialen Bedingtheit* der nationalökonomischen Erscheinungen.“ (1911: 121-2)

<sup>45</sup> „So kann seine methodologische Grundlegung wohl als eine Grundlegung für eine allgemeine Theorie individualwirtschaftlichen Handelns in jenem erweiterten Sinne eines allgemeinen rationalen Handelns gelten, aber nicht als Grundlegung für die Nationalökonomie.“ (1911: 122)

Though perhaps less important, another aspect of Schumpeter's definition which Amonn finds fault with must be noted. This is the latter's instrumentalist methodological position and strong bent towards "exactness", when faced with the trade-off perceived by Amonn between "realism" and "exactness":

And here we finally recognize the basic error of Schumpeter's methodology in the fact that for him the only decisive moment for the construction of the science consists in "exactness". But of what use is the most exact system, when it has no relation to the real world anymore, or such a small one only that it is hardly recognizable! (1911: 123)<sup>46</sup>

Let us turn, then, to the alternative definition of the scientific object ("Erkenntnisobjekt") of theoretical economics proposed by Amonn. He argues that the general problems which are specific to the science of economics, and which can be exemplified most succinctly by the problem of "price determination in an individualistic exchange economy", are characterized by a fourfold *social conditionality*. For the demarcation and characterization of the scientific object of theoretical economics he has identified four conditions:

We have established four preconditions, which underlie all economic problems and which constitute the general scientific object of theoretical economics: 1. The general recognition of individual power of disposition over external objects in social interactions; 2. Free transfer of this power of disposition from one individual to another one; 3. Freedom in determining the conditions of this transfer by the involved individuals; 4. The reduction of those conditions to an objective and generally understood, that is, to a *social* unit of measurement. (1911: 354)<sup>47</sup>

Obviously, in Amonn's characterization the scientific object of theoretical economics concerns the determination of prices and income distribution in a *market system* or "individualistic exchange economy", which however he does not necessarily identify with a

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<sup>46</sup> „Und hier müssen wir schließlich den Grundfehler der Methodologie Schumpeters darin erkennen, daß ihm das einzig maßgebende Moment für die Konstruktion der Wissenschaft die „Exaktheit“ ist. Was nützt das exakteste System, wenn es keine Beziehung zur realen Wirklichkeit mehr hat oder eine so geringe, daß sie kaum noch ersichtlich ist!“ (Amonn 1911: 123)

<sup>47</sup> „Als die vier Voraussetzungen, welche allen nationalökonomischen Problemen zugrunde liegen und das allgemeine Erkenntnisobjekt der theoretischen Nationalökonomie konstituieren, haben wir festgestellt: 1. Die allgemeine Anerkennung einer individuellen Verfügungsmacht über äußere Objekte im sozialen Verkehre; 2. eines freien Wechsels dieser Verfügungsmacht von Individuum zu Individuum; 3. der freien Bestimmung der Bedingungen dieses Wechsels durch die beteiligten Individuen und 4. Die Reduktion dieser Bedingungen auf eine objektive, allgemein verständliche, also soziale Maßeinheit.“ (1911: 354)

*capitalistic* market system. The latter, according to Amonn, in addition is conditional also upon the existence of

*inequality in the power of disposition of individuals over external objects in social interaction, that is, a social superiority of particular individuals over others. (1911: 355)<sup>48</sup>*

### 3.3 The Robbins definition and Amonn's critique of it

In his *Essay on the Nature and Significance of Economic Science* ([1932] 1984) Lionel Robbins proposed a definition of economics, which allegedly succeeded in freeing economics from ethical/ideological concerns, in separating it from psychology, and in clearly demarcating the field of science that is called by this name. According to Robbins's well-known phrase,

Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses. ([1932] 1984: 16)

Like Amonn, Robbins also opened his essay with a critique of other definitions that had been proposed in the literature. Robbins rejected in particular the definition proposed by Edwin Cannan, his former teacher at the LSE, which he considered to be the then dominant one in the Anglo-Saxon world. It builds on Adam Smith's determination of the subject matter of political economy, according to which the latter is concerned with the nature and causes, or with the production and distribution, of *wealth*. Like Amonn, Robbins also dismissed this definition as lacking in precision, but in his case this is done on the grounds that without a social welfare function "wealth" or "material welfare" are ill-defined concepts. Having disposed of Cannan's definition, he then turned to another one:

Certain writers, however, while rejecting the conception of Economics as concerned with material welfare, have sought to impose on its scope a restriction of another nature: They have urged that the behaviour with which Economics is concerned is a certain type of social behaviour implied by the institutions of the Individualist Exchange Economy. On this view, that kind of behaviour which is not specifically social in this definite sense is not the subject-matter of Economics. Professor Amonn in particular has devoted almost infinite pains to elaborating this conception. ([1932] 1984: 17)

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<sup>48</sup> „Ungleichheit individueller Verfügungsmacht im sozialen Verkehre, also einer sozialen Übermacht einzelner Individuen gegenüber andern.“ (1911: 355)

Although this view is first ascribed to “certain writers”, the only author explicitly mentioned by Robbins is in fact Amonn. Interestingly, after having presented his objections to this view (to which we shall return below), Robbins then suggested that there is little difference between Amonn’s definition and the one proposed by Schumpeter:

The objections outlined above to the definition suggested by Professor Amonn should be sufficient to indicate the nature of the objections to those definitions which run in terms of phenomena from the standpoint of ... the “science of exchange”. Professor Schumpeter, in his *Wesen und Hauptinhalt der theoretischen Nationalökonomie*, has attempted with never to be forgotten subtlety to vindicate the latter definition by demonstrating that it is possible to conceive all the fundamental aspects of behaviour germane to Economic Science as having the form of exchange. ([1932] 1984: 21, note 1)

It is not surprising, then, that Robbins also implicitly dismissed Amonn’s critique of Schumpeter’s definition by suggesting that he had ‘magnified the degree of his divergence’ from Schumpeter’s position.<sup>49</sup> As we saw above, Schumpeter’s definition of the scientific object of theoretical economics is by no means fully congruent with Amonn’s, and in some respects Schumpeter’s views are in fact much closer to Robbins’s than to Amonn’s.<sup>50</sup> Indeed, from the latter’s point of view, Robbins’s definition can be criticized for much the same reasons as Schumpeter’s (as well as for other reasons in addition).

Before we turn to Amonn’s criticisms of Robbins’s definition, let us first see what are Robbins’s objections to Amonn’s definition (which, in Robbins’s view, are also effective in disposing of Schumpeter’s definition). The first objection is this:

[It] is one thing to contend that economic analysis has most interest and utility in an exchange economy. It is another to contend that its subject-matter is limited to such phenomena. The unjustifiability of this latter contention may be shown conclusively by two considerations. In the first place, it is clear that behaviour outside the exchange economy is conditioned by the same limitation of means in relation to ends as behaviour within the economy, and is capable of being subsumed under the same fundamental categories. The generalisations of the theory of value are as applicable to the behaviour of isolated man or the executive authority of a communist society, as to the behaviour of man in an exchange

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<sup>49</sup> ‘With the very greatest respect for Prof. Amonn’s exhaustive analysis, I cannot resist the impression that he is inclined rather to magnify the degree of his divergence from the attitude of these two authors [Strigl and Schumpeter].’ (Robbins [1932] 1984: 17, note 2)

<sup>50</sup> This is not to suggest, of course, that in the writing of his *Essay* Robbins was drawing significantly on Schumpeter’s *Wesen und Hauptinhalt*. As Howson (2004, 2009) has shown, Robbins read German and Austrian contributions only much later, long after he had finished first drafts of his *Essay*.

economy – even if they are not so illuminating in such contexts. The exchange relationship is a technical incident, a technical incident indeed which gives rise to all the interesting complications, but still, for all that, subsidiary to the main fact of scarcity. ([1932] 1984: 19-20)

The second argument invoked by Robbins starts out from the claim that

the phenomena of the exchange economy itself can only be explained by *going behind* such relationships and invoking the operation of those laws of choice which are best seen when contemplating the behaviour of the isolated individual. Professor Amonn seems willing to admit that such a system of pure Economics may be useful as an auxiliary to Economic Science, but he precludes himself from making it the basis of the main system by postulating that the subject-matter of Economics must be defined in terms of the problems discussed by Ricardo. The view that a definition must describe the existing body of knowledge and not lay down arbitrary limits is admirable. But, it may legitimately be asked, why stop at Ricardo? Is it not clear that the imperfections of the Ricardian system were due to just this circumstance that it stopped at the valuations of the market and did not press through to the valuations of the individual? Surely it is the great achievement of the more recent theories of value to have surmounted just this barrier? (Robbins [1932] 1984: 20-21)

Amonn's answer to Robbins's objections to his definition, together with his own objections to Robbins's definition, is contained in an extensive book review of the second edition (1935) of Robbins's *Essay*.<sup>51</sup> Let us first discuss Amonn's response to the second argument put forward by Robbins, that is, his rhetorical question why one should want to stop at Ricardo:

Robbins seems to me to mistake conspicuously the difference that must be made between the "nature of the problem" and the "nature of the attempts at solving the problem" when he objects to *my* view that the scientific object of theoretical economics must be determined along the lines of the problems discussed by Ricardo: ... [see quotation above]. What Robbins says here about the imperfections of the Ricardian system and their overcoming by the more recent theories is entirely correct. But this concerns imperfections of the problem *solution* and not the problem *statement*, and these have no relevance whatsoever for the logical nature and the scientific object of our science. (1936: 317)<sup>52</sup>

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<sup>51</sup> It should be noted that the second edition of Robbins's *Essay* contains a number of textual changes and additions, which seem to have been prompted by discussions Robbins had with Austrian economists, including Mises and Haberler.

<sup>52</sup> „Robbins scheint mir in auffälliger Weise den Unterschied zu verkennen, der zwischen „Art der Probleme“ und „Art und Weise der Lösungsversuche“ gemacht muß, wenn er gegen *meine* Auffassung, daß der Erkenntnisgegenstand der theoretischen Nationalökonomie im Anschluß an die von Ricardo behandelten Probleme ... bestimmt werden müsse, einwendet: ... Was Robbins hier in bezug auf die Unvollkommenheiten des Ricardianischen Systems und deren Überwindung durch die neuere Theorie sagt, ist vollständig richtig. Aber es handelt sich da um Unvollkommenheiten der

Robbins's definition narrows down the field of theoretical economics to the modern, subjectivist theory of prices and distribution, to the exclusion of alternative approaches, and in particular of the approach to the theory of value and distribution of the classical political economists. This is made very explicit in his following statement:

The science has remained one and the same since *Ricardo*, because the problems specific to it have not changed; it has remained the same – it still has the same logical character, the same scientific objective and the same scientific object, – *notwithstanding* the fact that the *explanation* and, therefore, its substantial content has changed in a fundamental way. If we want to discover and describe its logical character, however, we must look for what has remained the same rather than for what has changed. It was and still is a “Theory of Value and Distribution”, where these terms must be understood in the Ricardian sense, that is, “value” as value in *exchange* and “distribution” as distribution arising from market *exchange*. We could also say: It was and still is a theory of the “circle of exchange”. The “circle of exchange” is its scientific object, and this “circle of exchange” is *essentially different* from the economic behaviour of individuals, even though this behaviour is of course a *precondition* of it. (1936: 323-4)<sup>53</sup>

According to Amonn, the subject matter of theoretical economics presupposes ‘specific social relations’ – relations, which exist only ‘in conditions of a particular social order’:

The phenomena that occur under these conditions and to which the generalizations that form the specific insights of our science apply exist neither in the isolated individualistic economy nor in any other, differently organized economy, and there the problems of course also cannot arise which we seek to solve by means of our generalizations. (1936: 314)<sup>54</sup>

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Problemerkklärung und nicht der Problemstellung und diese haben keine Bedeutung für die logische Natur und den Erkenntnisgegenstand der Wissenschaft.“ (Amonn 1936: 317)

<sup>53</sup> „Die Wissenschaft ist ein und dieselbe geblieben seit *Ricardo*, weil die ihr spezifisch eigentümlichen Probleme sich nicht verändert haben, sie ist dieselbe geblieben – sie hat immer noch denselben logischen Charakter, dasselbe Erkenntnisziel und Erkenntnisobjekt –, *trotzdem* die Erklärung und d. h. ihr materialer Gehalt in fundamentaler Weise gewechselt hat. Wollen wir ihren logischen Charakter erkennen und beschreiben, so müssen wir auf das sehen, was gleichgeblieben ist, und nicht auf das, was gewechselt hat. Sie war und ist eine „Theory of Value and Distribution“, wobei wir dies im Ricardianischen Sinne verstehen müssen, d. h. „Wert“ als *Tauschwert* und „Verteilung“ als *tauschwirtschaftliche* Verteilung. Wir können auch sagen: sie war und ist eine Theorie vom „circle of exchange“. Der „circle of exchange“ selbst ist ihr Objekt und dieser „circle of exchange“ ist etwas vom wirtschaftlichen Verhalten der Menschen *wesenhaft Verschiedenes*, wenn er auch solches zur *Voraussetzung* hat.“ (Amonn 1936: 323-4)

<sup>54</sup> „Die Phänomene, die unter diesen Voraussetzungen auftreten und auf die sich die Generalisationen, die die spezifischen Erkenntnisse unserer Wissenschaft bilden, beziehen, die gibt es weder in einer isolierten Einzelwirtschaft, noch in irgendeiner anderswie organisierten gesellschaftlichen Wirtschaft, und da kann es natürlich auch die

Against Robbins's definition of economics as "the science which studies human behaviour"  
 Amonn objects that

the type of analysis that is specific to our science only *starts* at the point where the analysis of economic behaviour ends. ... For our science the analysis of the economic behaviour of individuals is merely a *preparatory work*, which it must *also* carry out in order to master the task specific to it, i.e., the analysis of exchange relations. But this is a *data analysis*, not an analysis of the phenomena and problems which form the specific subject matter of our science. (1936: 315-6)<sup>55</sup>

In Amonn's view, Robbins's definition fails to acknowledge the distinction that must be made between differences in the attempted theoretical *explanations* of a problem and differences in the *problems* that one seeks to explain:

One can seek to explain one and the same problem in different ways, with different auxiliary concepts and insights. As long as it is one and the same problem, nothing has changed with regard to the logical nature of the science. It therefore makes no difference at all for the logical nature of our science, whether one believes to be able, as 100 years ago, to trace back the exchange value of commodities to the amounts of labour required in producing them, or if one explains the exchange value of commodities from utility and cost considerations or subjective evaluations, as it is the case since 50 years. It is *one and the same problem*, but entirely *different attempts at an explanation*. But this will not induce us to say that the logical structure or the subject matter of the science has changed. Otherwise we could not even speak of the *same* science anymore. (1936: 317)<sup>56</sup>

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Probleme nicht geben, die wir durch unsere Generalisationen zu lösen versuchen.“  
 (Amonn 1936: 314)

<sup>55</sup> „... die spezifische Art der Analyse unserer Wissenschaft *beginnt* erst *da*, wo die Analyse des wirtschaftlichen Verhaltens aufhört, weil sie zur Konstatierung ganz *andersartiger* Phänomene geführt hat. Für unsere Wissenschaft ist die Analyse des wirtschaftlichen Verhaltens der Tauschobjekte [sic] nur eine *Vorarbeit*, die sie zur Bewältigung der ihr eigentümlichen Aufgabe, nämlich der Analyse der tauschwirtschaftlichen Beziehungen, *auch* leisten muß. Es handelt sich dabei um eine Datenanalyse, aber nicht um eine Analyse der Phänomene und Probleme, die den besonderen Gegenstand unserer Wissenschaft bilden.“ (Amonn 1936: 315-316)

<sup>56</sup> „Man kann ein und dasselbe Problem auf verschiedene Weise, mit verschiedenen Hilfsbegriffen und Hilfserkenntnissen zu erklären suchen. Solange es ein und dasselbe Problem ist, hat sich an der logischen Natur der Wissenschaft nichts geändert. Es macht daher für die logische Natur unserer Wissenschaft gar keinen Unterschied aus, ob man, wie vor 100 Jahren, den Tauschwert der Güter auf den zu ihrer Produktion notwendigen Arbeitsaufwand zurückführen zu können, dessen Höhe als durch diese Arbeitsaufwände bestimmt betrachten zu können glaubt, oder, ob man, wie es seit 50 Jahren der Fall ist, den Tauschwert der wirtschaftlichen Güter aus Nutzen- und Kostenerwägungen oder aus subjektiven Wertschätzungen erklärt. Es handelt sich um *ein und dasselbe Problem*, aber um ganz *verschiedene Erklärungsversuche*. Trotzdem werden wir nicht sagen, daß sich

Accordingly, Amonn explicitly and quite emphatically rejects Robbins's definition as inadequate as a characterization of the science of economics "as it actually exists":

It is therefore simply *wrong* when Robbins says that "those forms of human behaviour" which are conditioned by this fact [scarcity of means which have alternative uses], "form the subject of economic science" (p. 13). ... It is in fact not identical with that about which economic science wants to obtain, and indeed does obtain, generalizations by means of its analyses. And therefore it is also *not correct*, that is, it does not conform to the science "as it actually exists", when Robbins says: ... "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses".

No, our science by no means "studies" "human behaviour" or the "disposition over scarce means", but the human behaviour of which Robbins speaks, and the disposition over scarce means, are its *data*. The science must of course make some generalizations about this behaviour, but these are statements of fact and as such they form the *starting point* of those analyses which constitute the specific task of our science. (1936: 313)<sup>57</sup>

The valid objections put forward by Amonn to Robbins's definition, to which the latter to the best of my knowledge never made a reply,<sup>58</sup> did not prevent the Robbins definition from quickly gaining general acceptance. On the one hand, the Robbins definition has narrowed down the subject matter of economics to the study of allocation problems. On the other hand, however, by putting the focus on rational choice in general, it can be said to have greatly extended the scope of economics to include all social phenomena which involve some kind of

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die logische Struktur oder der Gegenstand der Wissenschaft gewandelt habe. Sonst könnten wir ja gar nicht mehr von *derselben* Wissenschaft sprechen." (Amonn 1936: 317)

<sup>57</sup> "Es ist daher einfach *falsch*, wenn *Robbins* sagt, daß „diese Formen menschlichen Verhaltens“, die durch jenen Sachverhalt [die Zeitknappheit] bedingt sind, „den Gegenstand der ökonomischen Wissenschaft“ bilden. ... Es stimmt de facto nicht überein mit *dem*, worüber diese Wissenschaft generelle Aussagen gewinnen will und durch ihre Untersuchungen gewinnt. Und es ist deshalb auch *nicht richtig*, d.h. es *stimmt* wiederum *nicht mit dem Sachverhalt der tatsächlichen Wissenschaft überein*, wenn Robbins sagt: ... „Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses“. Nein, unsere Wissenschaft „studiert“ keineswegs „menschliches Verhalten“ oder die „Disposition über knappe Mittel“, sondern das menschliche Verhalten, von dem *Robbins* spricht, und die Disposition über knappe Mittel sind für sie ein *Datum*. Sie muß natürlich gewisse allgemeine Konstatierungen (Generalisationen) über dieses Verhalten oder diese Dispositionen machen, aber das sind *Tatsachenfeststellungen* und als solche bilden sie den *Ausgangspunkt* für jene Untersuchungen, die die spezifische Aufgabe unserer Wissenschaft bilden.“ (1936: 313)

<sup>58</sup> See, however, Hutchison (1938: 58) and Albert (1967: 255-6).

scarcity.<sup>59</sup> The Robbins definition is in fact less dissimilar from Schumpeter's than Robbins made it appear. Schumpeter focused on "exchange" (rather than on "scarcity"), but he extended the concept so as to incorporate also the economic decisions of an isolated individual, that is, rational choices of actions under constraints (i.e. time constraints). By calling this an "exchange" ('... of one state against another one'), Schumpeter indeed comes close to Robbins's definition. On the other hand, however, it must be acknowledged that Schumpeter in his *Wesen und Hauptinhalt* envisaged the "essence" of pure economic theory to lie in the general economic equilibrium of an individualistic exchange economy, which brings him close to Amonn's definition as well.

To the best of my knowledge, Schumpeter also never responded to Amonn's critique of his definition. However, from a short side remark that he inserted in a paper on "Contemporary economic theory in Germany" in 1927 it becomes clear that Amonn's critique had not gone unnoticed by him. After favorably discussing the debates triggered by Max Weber's plea for disclosing one's value judgements in scientific discourses, Schumpeter observed:

Other discussions "on principle" also have been attended with some yield, though in smaller degree. As an example one could mention the debate about the determination of the scientific object of our discipline, which is related to *Amonn's strong emphasis and meticulous discussion of the logical problems that are connected already with this point. What luck it is after all that its own scientific object is of so little practical relevance for a science!* ([1927] 1954: 267; emphasis added)<sup>60</sup>

#### 4. Amonn and Schumpeter on Ricardo's role in the development of economic theory

In view of the fact that Amonn had declared the scientific object of theoretical economics to consist in the determination of relative prices and income distribution in the individualistic exchange economy, a closer look at Amonn's and Schumpeter's contributions to the theory of value, prices, and income distribution seems appropriate. In this section we will first compare the two authors' views on Ricardo's role in the development of economic theory in

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<sup>59</sup> See Backhouse and Medema (2009: 805).

<sup>60</sup> „Auch andere „prinzipielle“ Erörterungen haben Ertrag gebracht, wenngleich in geringerem Maß. Als Beispiel diene die Debatte über die Begriffsbestimmung unserer Disziplin, die sich an AMONNS energische Betonung und sorgfältige Auseinanderlegung der logischen Schwierigkeiten knüpft, welche ... schon um diesen Punkt herum liegen. Ein Glück, daß für eine Wissenschaft ihr eigener Begriff so wenig praktisch wichtig ist!“ ([1927] 1954: 267)

their early writings. This is motivated by the existence of some striking similarities as well as some clear differences in their assessments.

#### 4.1 Schumpeter's assessment of Ricardo and classical political economy

In *Wesen und Hauptinhalt*, Schumpeter's assessment of Ricardo and classical political economy is rather fragmented and unclear. He not only associates the classical economists with "methodological individualism", but also criticizes them for having concentrated only on the cost element in the determination of prices, to the neglect of the subjective evaluations of consumers. He thus seems to consider the classical approach, much like Marshall, as an "early and rude" type of the supply and demand approach, with the demand side still in its infancy. More interesting, from a methodological point of view, is perhaps Schumpeter's association of the principle of equi-marginal utility with Ricardo's method of analysis. After explaining that this principle, which Schumpeter calls "law of marginal utility level" ("Gesetz vom Grenznutzenniveau"), characterizes a state of equilibrium or a resting position of the economic system, he observes that 'we find our law of marginal utility level already in Ricardo, in terms of the law of the uniformity of the rate of profit' (1908: 133). This association, while clearly apt to be misleading, nevertheless shows that Schumpeter realized that interdependencies are to some extent captured by the long-period method in Ricardo's analysis. However, according to Schumpeter, the most important point in "modern" (i.e., Walrasian) general equilibrium theory is 'the finding of the complete generality of effects and counter-effects in our system' (1908: 139)<sup>61</sup>. This he regards as

the most important advance of the more recent economic theory and its main difference from the older one. It is indeed characteristic of the classics, and in particular of Ricardo and his followers, that they take out single parts of the system and analyze them in isolation, without any organic connection; and in this, it seems to us, consists their most important *theoretical* shortcoming. (1908: 139)<sup>62</sup>

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<sup>61</sup> „... die Erkenntnis der vollen Allgemeinheit der Wirkungen und Gegenwirkungen innerhalb unseres Systemes oder besser, ... die Erkenntnis der Existenz eines solchen Systemes.“ (1908: 139)

<sup>62</sup> „...den größten Fortschritt der neueren Ökonomie und ihren wesentlichen Unterschied gegenüber der älteren‘: Es ist für die Klassiker, namentlich für Ricardo, und ihre Nachfolger geradezu charakteristisch, daß sie nur einzelne Teile davon aus dem Systeme herausheben und ohne organischen Zusammenhang miteinander behandeln; und darin scheint uns der wichtigste *theoretische* Mangel derselben zu liegen.“ (1908: 139)

A few years later, Schumpeter's assessment of Ricardo's contribution, and of the classical approach to value and distribution more generally, had changed significantly. This change appears to have been related to his writing of the *Theory of Economic Development*, published in 1912, and of his entry on "Epochen der Dogmen- und Methodengeschichte" for Max Weber's *Grundriß der Sozialökonomik* (1914).<sup>63</sup> There, Schumpeter calls Ricardo 'the most important follower of Adam Smith', and his *Principles* the 'culminating point' of classical economics ([1914] 1954: 69-70). Interestingly, Schumpeter no longer adopts Marshall's point of view, according to which modern, that is, marginalist economics, which explains relative prices and income distribution by the "forces" of supply and demand, was a continuation of, and elaboration on, the analyses of the classical economists. Classical theory and the theory of Marshall, Schumpeter now insisted, are 'connected only by a very loose tie' ([1914] 1954: 71).

Although the structure of the analytical approach adopted by Ricardo is never spelled out, there are some hints of Schumpeter's awareness of the existence of a distinctive alternative approach to the theory of value and distribution in classical economics. Thus he emphasizes the unity of approach (despite many differences in details) in the French Physiocrats, Smith, Ricardo, and Marx. With regard to the classical economists' treatment of capital and profits, Schumpeter remarked: 'What was altogether decisive was the whole design within the classical picture of the economic process and in particular the physiocratic idea, which Smith had introduced into English economics, that capital is a part of the social product which sets labour in motion in various ways and advances their subsistence and tools.' ([1914] 1954: 144) Schumpeter also noted that 'the construction offered by Marx ... in its principles is the same as Ricardo's' and that 'the scientific core' of Marx's theoretical edifice 'is derived from Ricardo' ([1914] 1954: 119 and 121). Moreover, he also pointed out that Ricardo had focused attention on the *proportional* distribution of income, and had taken as given, apart from the real wage rate, also the size and composition of the social product:

The theory of distribution was for the classical economists by far the most important problem. They were concerned with the proportional distribution of a social product which otherwise was considered as given and the absolute size of which together with its absolute changes were taken into account only in passing. ([1914] 1954: 128)

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<sup>63</sup> In the writing of this entry Schumpeter made extensive use of Kautsky's edition of Marx's *Theorien über den Mehrwert* (1905-1910), and of Böhm-Bawerk's *Geschichte und Kritik der Kapitalzinstheorien* (1884).

#### 4.2 Amonn's call for a return to Ricardo's problem statement

In his *Objekt und Grundbegriffe* Amonn praised Ricardo for having for the first time clearly defined the problem statement and scientific object of theoretical economics. By focusing attention on the problem of the determination of relative prices and income distribution, he asserted, 'the methodologically sharper and more rigorous thinker' Ricardo succeeded where Smith had failed, namely in synthesizing the *theoretical* problems addressed by the economists up until then into a logically consistent whole: 'Through this Ricardo has become the real founder and the father of *theoretical* economics.' (1911: 35)<sup>64</sup> Moreover, Amonn closed his book with a strong plea for a return to Ricardo's problem statement:

As concerns economic theory itself, it will best move forward by looking backwards, to that work which gave birth to it, Ricardo's *Principles of Political Economy*. Ricardo's economic theories may have been ever so imperfect, incomplete and contradictory, but in the problem statement of economic theory not a single step forward has been made after him, but indeed many steps backwards. The substantive deficiencies of his theories have always made people lose sight of the formal-logical perfection of his problem statement. It was believed that one could overcome Ricardo not only by deepening the problem *explanation*, but also by replacing his problem *statement* with another and seemingly better one. But thereby the socio-economic character of the problem itself was often lost. (1911: 397; emphases added)<sup>65</sup>

In 1924 Amonn published a treatise entitled *Ricardo als Begründer der theoretischen Nationalökonomie* [*Ricardo as the founder of theoretical economics*]. In this treatise he similarly praised Ricardo for having clarified the scientific object of theoretical economics, and exclaimed: 'Not to replace Ricardo ... is the present task in our field of science, but to *understand* and *develop* his thoughts.' (1924: iv) Amonn sought to accomplish this task by

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<sup>64</sup> „Damit ist Ricardo der eigentliche Begründer und Vater der theoretischen Nationalökonomie geworden.“ (1911: 35)

<sup>65</sup> „Was die nationalökonomische Theorie selbst betrifft, so wird sie ihren Weg am besten vorwärts tun, wenn sie nach rückwärts blickt, auf jenes Werk, mit dem sie zur Welt gebracht wurde, die „Principles of Political Economy“ Ricardos. Die nationalökonomischen Theorien Ricardos mögen noch so unvollkommen, noch so mangelhaft und widerspruchsvoll sein, in der nationalökonomischen Problemstellung ist nach ihm kein Schritt vorwärts, wohl aber mancher nach rückwärts getan worden. Die sachliche Unzulänglichkeit seiner Theorien hat stets die formal-logische Vollkommenheit der Problemstellung übersehen lassen. Man glaubte, so über Ricardo hinauskommen zu müssen, nicht nur dadurch, dass man die Problemerkklärung vertiefte, sondern dass man auch seine Problemstellung aufhob und eine andere, vermeintlich verbesserte ... an ihre Stelle setzte. Damit hat man aber gewöhnlich den nationalökonomischen Charakter des Problems überhaupt eingebüßt.“ (1911: 397)

providing a detailed critical study of Ricardo's theory of value and distribution. The main thrust of his argument is that Ricardo went astray when he adopted the labour theory of value and excluded "rarity" ("Seltenheit") as an explanatory element from the determination of relative prices of reproducible commodities. According to Amonn, 'all value is rarity value' (1924: 102), that is, "rarity" (or "scarcity") must be invoked not only in explaining the prices of rare paintings and diamonds etc., but must also enter into the determination of the prices of commodities which can be produced and reproduced, because the available amounts of (different types of) labour, of (different types of) land, and of produced means of production are scarce.

As opposed to Schumpeter, Amonn appears not to have studied Marx's writings intensively, and he failed to grasp the different analytical structure of the surplus approach.<sup>66</sup> He was apparently also unaware of the contributions of Bortkiewicz (1906-7, 1907) and Charasoff (1909, 1910), and simply associated the classical theory of value and distribution with Ricardo's formulation. His overall assessment of Ricardo's theory is uncompromising:

*Ricardo's edifice is frail in all its walls; when one walks in it, it is cracking in all its joints. Its ground is sand, and all artificial supports are insufficient to prevent it from collapsing completely. (1924: 93)<sup>67</sup>*

According to Amonn, a main shortcoming is the existence of an exogenously given real wage rate in Ricardo's system, in combination with the untenable "labour value principle". In his understanding, in order to further elaborate on Ricardo's theory it is necessary to introduce a system of simultaneous equations which reflect supply and demand conditions, that is, it must be turned into a general equilibrium theory along the lines of the model proposed by Gustav Cassel (1889, 1918). Ricardo himself, Amonn surmised, had already felt this need, but because he lacked the appropriate mathematical tools he desperately was on the look-out for

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<sup>66</sup> Many years later, when he published an extensive study of Sismondi (in two volumes), Amonn identified the existence of a surplus approach in Sismondi's writings, which he also traced back to the physiocrats: 'As the essential point in the production process Sismondi regarded the fact that this stock of means of production, including the workers' means of subsistence, is used up more or less quickly, and that it is constantly renewed and replaced, and this with simultaneously producing a surplus, which forms the "net income" of society.' (1949: 133-4)

<sup>67</sup> „Das Gebäude *Ricardos* ist brüchig in allen Wänden, es kracht, wenn man in ihm herumgeht, in allen Fugen. Der Grund ist *Sand*, und alle künstlichen Stützen reichen nicht aus, um es vor dem völligen Einsturz zu bewahren.“ (1924: 93)

some “fixed point” to hold on to, and he believed to have found it in the treatment of the real wage as an exogenously given magnitude:

But such a fixed point *does not exist* in the true system of the value relations. Therefore the theory must necessarily also be much more complicated. There exists only an “equilibrium condition”, but not a fixed point. (1924: 121-2)<sup>68</sup>

This equilibrium condition, Amonn maintained, had first been formulated in terms of a system of simultaneous equations by Gustav Cassel in his *Theoretische Sozialökonomie* (1918). Apparently, he believed that Cassel’s system of equations was fundamentally different from the theory of general equilibrium presented by Léon Walras, rather than being merely a simplified version of it.<sup>69</sup> In spite of his changing assessments of the Walras-Cassel model, Amonn in his critical review of Robbins’s *Essay* reiterated his view that the scientific object of theoretical economics had been first clearly set out by Ricardo in terms of the laws governing income distribution and relative prices. To Robbins’s rhetorical question “Why stop at Ricardo?” he replied:

By Ricardo this group of problems was for the first time recognized as something singular and specific, which forms the task of a specific scientific analysis. He explicitly contrasted these problems, as something unique and specific, to the old problems of riches and wealth which still played the main role in Adam Smith’s system, and stressed their specificity and singularity. ... *With Ricardo, we might say, political economy has first become conscious of itself as a theoretical science, conscious of the specificity of its problems and its scientific object.* (1936: 318; emphasis added)<sup>70</sup>

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<sup>68</sup> „Aber eine solchen festen Punkt gibt es nicht im tatsächlichen System der Wertverhältnisse. Deshalb muß notwendig die Theorie auch viel komplizierter sein. Es gibt nur eine ‚Gleichgewichtsbedingung‘, aber keinen festen Punkt.“ (Amonn 1924: 121-122)

<sup>69</sup> See, however, Amonn’s review of Cassel’s *Theoretische Sozialökonomie*.

<sup>70</sup> „Von *Ricardo* wurde zum erstenmal diese Gruppe von Problemen als etwas Besonderes und Eigenartiges klar erkannt, das die Lösungsaufgabe einer besonderen wissenschaftlichen Betrachtung bildet. Er hat sie ausdrücklich als etwas Besonderes und Eigenartiges den alten Reichtums- und Wohlstandsproblemen, die in Adam *Smiths* System noch die Hauptrolle spielen, gegenübergestellt, ihre Besonderheit und Eigenartigkeit gegenüber diesen betont und begründet. ... Mit *Ricardo* ist die Nationalökonomie als theoretische Wissenschaft – kann man sagen – zum Bewußtsein ihrer selbst gekommen, zum Bewußtsein der Eigenart ihrer Probleme und ihres Erkenntnisgegenstandes.“ (1936: 318)

## 5. Amonn on the marginalist approach and on the Walras-Cassel model of general economic equilibrium

In the interwar period Amonn critically discussed the “objective” and the “subjective” approach to the theory of prices and income distribution in a series of articles and book reviews. The following features of Amonn’s contributions deserve to be noted. First, the classical approach is generally associated by him with the labour theory of value, and he considered the most advanced statement of this approach to be Ricardo’s formulation. Amonn refrained from discussing explicitly Marx’s contribution and he apparently was unaware of the contributions of Bortkiewicz (1907, 1906-7) and Charasoff (1909, 1910), who had introduced systems of simultaneous equations into the classical approach to the theory of value and distribution. In his discussion of “modern” versions of the classical approach he rather focused attention on the contributions of Oppenheimer and Lederer, which he discussed in a review article (1926) of Emil Lederer’s *Grundzüge der ökonomischen Theorie*, and in a series of critical articles (1924, 1927, 1928) on Franz Oppenheimer’s *Theorie der reinen und politischen Ökonomie*. Secondly, from early on Amonn was rather critical of the Austrian theory of value and distribution to which he had been introduced by his teachers Böhm-Bawerk, Wieser, and Philippovich. In a long review article (1925) of Wieser’s *Theorie der gesellschaftlichen Wirtschaft* ([1914] 1924) he pointed out that the imputation problem had been left unsolved, and he indeed declared it to be “insoluble” within the Austrian unidirectional framework. He also dismissed Wieser’s concept of a “simple economy” (“einfache Wirtschaft”), which anticipated main features of the concept of a “representative agent”, as a useless hypothetical construction which ‘one cannot think, or at least cannot think clearly’ (1925: 293). Moreover, he claimed that Wieser’s proposed solution to the imputation problem, even under the conditions of the “simple economy”, presupposed the existence of “Nutzgrößen”, that is, of cardinally measurable utility. Third, in his book on Ricardo (1924) as well as in a long review article (1925) of Cassel’s *Theoretische Sozialökonomie* Amonn praised the latter’s achievements, apparently not noticing that Cassel’s system of equations was merely a simplified version of the Walrasian equation system. Cassel was criticized, however, for having wrongly dismissed marginal utility theory as an explanatory principle in the determination of prices. According to Amonn, Cassel cannot dispense with subjective evaluations, contrary to his repeated claims, because these are needed for motivating his demand functions. In addition, Cassel is criticized for having simply expressed the quantities demanded of each commodity as an unspecified function of all prices, and for having made no attempt at specifying the exact form of the demand functions. Finally, Amonn pointed out that

Cassel had no proper theory of entrepreneurship and of entrepreneurial profit, and had unduly ignored Schumpeter's valuable writings on this issue.<sup>71</sup> In his contribution to the *Festschrift* in honour of Gustav Cassel Amonn's main purpose was to demonstrate again that Cassel's equations could not be considered a "value-free" approach to price determination, because the shape of the supply and demand functions must ultimately be derived from the subjective evaluations of individuals. In addition, he pointed out that Cassel's system of equations did not determine long-period equilibrium prices:

Cassel's equations ... only give prices for a momentary market equilibrium, but not for a "static" or permanent state of the economy. This is because in his system one magnitude is treated as *given* which can be "given" only for a particular point in time, but which in the long run is itself determined by the process of price determination, and therefore must be considered as a variable to be determined endogenously. (1933: 50-51)<sup>72</sup>

According to Amonn, in order to arrive at long-period equilibrium prices Cassel would have to endogenize the agents' endowments with money or purchasing power (1933: 51). In a paper entitled "Zwei offene Fragen der allgemeinen Preistheorie" [Two open questions in general price theory] (1937) Amonn then pointed out that in the Walras-Cassel model the prices of the "production factors", including the price of labour, could also assume the value of nil. He reiterated this point in a paper entitled "Die Erklärung des Wertes der Produktionsfaktoren", published in the *Weltwirtschaftliches Archiv* in 1945, where he once more pointed out that the modern explanation of the prices of the factors of production in terms of marginal productivities, to be determined from a system of simultaneous equations of the Walras-Cassel type, was unsatisfactory, because there was no guaranty for the positivity

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<sup>71</sup> Schumpeter in his review article of the fourth edition of Cassel's textbook (1927) sharply rejected Cassel's claims to originality with regard to his system of equations and pointed out that Amonn had fallen victim to Cassel's smokescreen of his sources: 'Also with regard to the question of the production coefficients – and thus in each single point – Cassel proceeds exactly along the lines of Walras ... But even Amonn refers to "a completely new path" on which Cassel has embarked!' ([1927] 1954: 215)

<sup>72</sup> „Die Bestimmung der Preise, wie sie durch das Cassel'sche Gleichungssystem erfolgt, ist nun eine Bestimmung lediglich für einen einheitlichen, in sich geschlossenen Markt oder für eine einzelne Produktionsperiode und *kann es nicht* darüber hinaus, für einen längeren Zeitraum sein. Die Cassel'schen Gleichungen geben ... nur die Preise für ein momentanes Marktgleichgewicht, nicht aber für einen "statischen" oder Dauerzustand einer Wirtschaft. In seinen Gleichungen ist nämlich eine Größe als *gegeben* angenommen, die nur für einen bestimmten Zeitpunkt "gegeben" sein kann, auf die Dauer aber selbst durch den Preisbildungsprozess bestimmt ist, also als eine Unbekannte im Problem betrachtet werden muss. (1933: 50-51)

of prices. Amonn presented his argument only verbally and made no reference to the contributions of Wicksell ([1919] 1934), Neisser (1932), and Zeuthen (1933), or to the mathematically more demanding papers by Schlesinger (1935) and Wald (1935, 1936) that were first presented in Karl Menger's mathematical colloquium in Vienna. It is not clear, therefore, whether he had arrived at these findings all by himself or whether he had absorbed them from his reading of the relevant contributions. At any rate, even if these papers contained no original findings, they nevertheless show that by the end of the interwar period Amonn at least became better informed about some of the more recent developments in the theory of value and distribution.

## 6. Concluding remarks

Although he was born in the same year, Schumpeter was always one or several steps ahead of Amonn in his academic career. When the latter was still engaged in completing his graduate studies at the University of Vienna, Schumpeter was already on his way to Cairo, from where he would return in the following year with his finished habilitation thesis, while Amonn had only just started work on his. And when Amonn published his own thesis in 1911, Schumpeter had already been appointed to a chair at the University of Graz and completed the manuscript of his second major work, *Theorie der wirtschaftlichen Entwicklung*. There can be no doubt that in terms of acquaintance with "modern" developments in economic theory, analytical understanding, originality, rhetorical brilliance, and original theoretical contributions Schumpeter was superior to Amonn. Nevertheless, Amonn's early work is characterized by extraordinary meticulousness, sharp logic, and exceptional conceptual clarity. These qualities permeate in particular his habilitation thesis, and are visible to a lesser degree also in his writings on the theory of value and distribution.

While we found much evidence for the existence of a fairly close personal relationship between the two men, there is no evidence for Amonn having importantly influenced Schumpeter's ideas, or *vice versa*. Comparing their early contributions, we have noted the following points. Throughout his writings and from early on Amonn credited Ricardo with having first clearly stated the scientific object of theoretical economics. Moreover, Amonn believed that the shortcomings of Ricardo's theory of value and distribution could only be overcome by adopting the Walras-Cassel model of general economic equilibrium, which he seems to have detected, in the simplified version of Gustav Cassel, only in the early 1920s,

although Schumpeter had stressed the importance of Walras's general equilibrium theory already in his *Wesen und Hauptinhalt* (1908). However, he considered its use to be confined to static, and comparative-static, economic analysis, and in his attempt at developing a theory of economic development he then harked back to the classical economists, and in particular to Marx. He also seems to have recognized the existence of a distinctive classical approach the theory of value and distribution more clearly than Amonn.

Amonn's writings, as opposed to Schumpeter's, were not much recognized outside of the German-speaking countries. Of his many contributions only his habilitation thesis has gained some international recognition, in particular through the critical discussion of it in Lionel Robbins's *Essay on the nature and significance of economic science* (1932). But although Amonn had good arguments in defense of his own definition, and equally good arguments for his rejection of the Robbins definition, the latter quickly gained general acceptance.

Oskar Morgenstern, who was close friends with Alfred Amonn,<sup>73</sup> remarked in a diary entry of 9 September 1974, when clearing out his office in Dickinson College at Princeton University:

In Dickinson gone through my books and complimentary copies, etc. ... Strange feelings to let them go. Many from people whom one had known quite well & which nevertheless are *of no significance in the long run*, as e.g. Del Vecchio or Amonn ... nice people all of them. How difficult it is after all to leave behind some trace. (Oskar Morgenstern diaries, online edition; emphasis added)

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<sup>73</sup> During WWII Amonn and his wife were asked by Oskar Morgenstern to forward letters and parcels to his relatives in Austria, and in the 1950s Morgenstern always made sure to meet up with the Amonns in Berne whenever he visited Switzerland.

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