

Nevertheless, and as other scholars have suggested (Niman, Raffaelli), there are similarities between the ideas of Veblen and Marshall—even though neither of them appreciated these commonalities. In very broad terms, and Veblen’s criticisms of Marshall notwithstanding, both criticize the classical school and both believe that economics must embrace an evolutionary approach.

Chapter III is titled “From Thorstein B. Veblen to Institutional Economics: Wesley C. Mitchell and John Maurice Clark.” In this chapter we turn to how Mitchell and Clark read Marshall in order to identify the nature of the change of attitude that occurred between Veblen and the second generation of institutionalists. Mitchell, for example, concluded that Marshall’s view that money was “the centre” of economic science was compatible with an institutional theory of value. For the mature J.M. Clark, who, as we know, never rejected John Bates Clark’s theoretical contribution, institutionalism was to be an extension as well as an amendment of neoclassicism. In fact, even in his earlier works (e.g., his *A Contribution to the Theory of Competitive Price* of 1914), there are significant Marshallian elements (such as his definition of “normal price” and his employment of period-analysis).

This dissertation benefits from archival material from Yale University (Henry Walcott Farnam Papers) and Princeton University (Jack Carroll Myles File, Graduate School Alumni Records, Department of Rare Books and Special Collections), and from Columbia University (Joseph Dorfman Collection and Wesley C. Mitchell Papers, Rare Book and Manuscript Library).

## A THEISTIC ANALYSIS OF THE AUSTRIAN THEORIES OF CAPITAL AND INTEREST

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In this thesis I investigate the Austrian School of economics’ theories of capital and interest.

Though the Austrian School includes numerous contributors, I focus my attention on the work of Carl Menger, Eugen von Böhm-Bawerk, Friedrich Hayek, and Ludwig von Mises. I regard these scholars as the most significant Austrians and contributors to the Austrian School’s system of thought and to their theories of capital and interest.

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I maintain that the Austrian School is identified with the works of Mises and Hayek, as they developed the founding work of Menger and the earlier Austrian School. Böhm-Bawerk and Friedrich von Wieser developed Menger's work from its nascent form, though I argue that Böhm-Bawerk, who built on Menger's work, made the most important contributions to the theories of capital and interest.

Menger produced the original, exclusively subjectivist, approach to value, goods, and price. Böhm-Bawerk subsequently developed his embryonic propositions on capital (e.g., lower- and higher-order goods, and the time-dependent structure of production) into an important body of thought on capital and interest. Böhm-Bawerk's efforts were subsequently developed in a number of directions. Knut Wicksell focused on a productivity theory of interest, and Irving Fisher and Frank Fetter produced a (psychological) time-preference theory of interest.

Mises believed that Wicksell's work was an elaboration of Böhm-Bawerk's, which Mises then used in the development of his notion of the malinvestment theory of the trade cycle. Hayek also employed Wicksell's contributions in his own work on the trade cycle. This was eventually to make Hayek and the Austrians known to the English-speaking economics profession. Hayek continued his examination of capital and interest theory throughout the 1930s. His effort culminated in a major work on capital, in 1941, in which he examined the structure of production within an equilibrium framework. Hayek was committed to the productivity theory of interest until the mid-1940s, when he conceded that the time-preference theory played at least a minor role in the explanation of interest.

Mises was not content with Böhm-Bawerk's explanation of interest. Mises developed a distinct theory of interest, one consistent with Menger's theory of subjective value. This began with the time-preference theory of interest, as asserted by Böhm-Bawerk, Fisher, and Fetter. The time-preference theory was one development of two branches that emanated from Böhm-Bawerk's three causes of interest. The other branch was the productivity theory of interest, developed by Wicksell, which also emanated from Böhm-Bawerk's three causes of interest.

Mises found problems with Böhm-Bawerk's reversion to a productivity theory of interest, after Böhm-Bawerk had successfully criticized it and other theories of interest. However, Mises believed that a large part of Böhm-Bawerk's work was a significant advance on the existing theories of capital and interest.

Moreover, Mises consciously avoided the psychological basis of Böhm-Bawerk's, Fisher's, and Fetter's interest contributions. Mises integrated the time-preference theory of interest and the time-dependent structure of production into his own developed rationalist epistemology of praxeology, in which the action of individuals provides the basis for invariant, universal, and abstract economic theory. Indeed, what is referred to as Mises' "pure time-preference theory of interest" is abstract and does not depend on Böhm-Bawerk's roundabout methods of production thesis for its cause, but on an individual's preference for present or future satisfaction. This is a subjectivist theorem, developed in the Mengerian tradition, but with an epistemological framework that is claimed to be more rigorous than Menger's.

Mises presented the pure time-preference theory of interest in the context of an epistemology that is abstract and universal, invariant, and purportedly unassailable, as it built on an ontology that presupposes the uniformity of nature, the law of cause and effect, *Verstehen*, and the logical structure of the human mind.

I employ Cornelius Van Til's theistic or Christian philosophy in this thesis to examine the capital and interest theories of the Austrians. This is achieved by assessing the development of the Austrian School, its methodology (as represented in the epistemology and ontology of each of the Austrian scholars), the founding capital and interest work of Menger, and the subsequent contributions made by Böhm-Bawerk, Hayek, and Mises.

My claim in the thesis is that the Austrians argue for an ontology and an epistemology that have allowed them to develop unique theorems in economics, but that, from Van Til's theistic perspective, these theoretical propositions are claims that cannot be justified by the Austrians.

Furthermore, I argue that the capital theory and the interest theory of Mises are those central to the continuing Austrian School. Mises' praxeology is an epistemology developed along the lines of a monistic ontology. However, I claim that Mises did not provide a sound rationale for the important matters of the uniformity of nature, the law of cause and effect, or the logical structure of the human mind; therefore, Mises (and the Austrians) can provide no solution to the philosophical problem of the one-over-many. Mises also asserts that the mind-matter, or subject-object, relation exists; I argue that Mises does not present a sound argument for this proposition but just assumes that it exists.

I argue that Van Til's ontology and epistemology provide an answer to these crucial philosophical issues but that the Austrians cannot. This means that the Austrians' economic theorems, particularly those of Mises, do not possess a sound foundation; therefore, their claims to knowledge or truth for their theories of capital and interest are also not able to be justified.

The focus of my thesis is the ontological and epistemological groundwork of the Austrian School as it has an impact on the important areas of capital theory and interest theory. However, though I conclude that the Austrians cannot justify the groundwork of their position, this conclusion does not deny the importance of their valuable contributions to capital theory and interest theory.

## REGULATIONS AND COMPETITION IN THE FRENCH RAILROAD INDUSTRY 1823–1914

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January 1, 2010, marks the beginning of competition for the international traffic of passengers in the European Union. This deadline raises the problem of the regulation

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