

Erich W. Streissler and Monika Streissler (editors) and Monika Streissler and David F. Good (translators), *Carl Menger's Lectures to Crown Prince Rudolf of Austria*, Edward Elgar: Aldershot and Brookfield, 1994, pp.228.

In 1876, the economist who was subsequently to be known as the founder of the Austrian School of Economics, Carl Menger, was employed to tutor the next ruler of the Hapsburg Empire, Crown Prince Rudolf in the subject of economics. Rudolf was at the time a precocious 18 year old (he subsequently committed suicide in 1889). Menger met with Rudolf over six month period. The Crown Prince was required to reproduce from memory the essentials of these meetings with Menger in a series of notebooks. Menger would then read them and make corrections where he thought necessary, usually in the margin. The result was a legacy of 17 notebooks (almost all in Rudolf's hand, parts of Notebooks I and II are altogether in Menger's handwriting). These notebooks were recently rediscovered in 1986 by Dr Brigitte Hamann, historian and biographer of Rudolf, in the State Archives of Austria. They have been thoroughly edited and translated and are published in this volume together with a translator's note, extensive editorial footnotes and a provocative introductory essay by Erich Streissler (which complements his earlier contributions on the subject; see, for example, Streissler 1990).

This book will be of interest on a number of different levels. Most simply, it is a fascinating historical record of a pedagogical experience. Rudolf was obviously very smart and Menger was clearly a demanding but efficient teacher. Secondly, the Notebooks provide a window into the political and social conditions in Austria some 120 years ago "conditions which can be recovered from what Menger thought important to teach and how he went about it" (3). Thirdly, and perhaps most importantly, the Notebooks present the historian of economic thought, and those interested in the Austrian school in particular, with a number of intriguing, even frustrating, puzzles.

For those interested in the Austrian school and its ideas, Menger's views on the basic questions of economic policy (particularly on the appropriate degree of government involvement in the economy) have been something of a mystery (Kirzner 1990). The remarkable work for which he is so famous (1871) and which gave rise to the Austrian school is almost completely theoretical in nature and he rarely addressed himself to policy issues. One strand of conventional wisdom contrasts Menger as fundamentally a paternalist interventionist with the subsequent blossoming of the modern Austrian school into a radical libertarian tradition. So it is particularly fortuitous to have available these notebooks addressed to the questions of economic policy for a potential ruler (including taxation, public finance, trade, case studies on famine and so on). And the amazing verdict that emerges (at least according to Streissler's perceptive reading) is that "Menger [was] a classical economic liberal of the purest water, an economist, furthermore, who worked from an intimate knowledge of Adam Smith" (4). According to these Notebooks, Menger allows for the intervention of government only with extreme reluctance. He is seen as a faithful (but even more zealous) disciple of Smith's *Wealth of Nations*, both directly and through the works of the German economic texts of the time, to which Streissler provides ample reference (particularly Rau, Riedel, Roscher, and Mischler). This is of interest in itself, showing Smith's considerable influence in Germany in a way that was not true of Ricardo or J.S. Mill.

If one is to accept this characterization of Menger's approach to economic policy some questions have to be faced. First, there is an apparent contradiction with some of Menger's popular pronouncements in which he is seen to be more of a paternalist. Streissler subjects these to examination and concludes that the contradiction is indeed only apparent. Menger hides his classical liberalism behind rather obscure, formal language. Second, how can we be sure that this is Menger speaking and not Rudolf or, even those directing his education more generally? Streissler considers a number of alternative explanations and concludes that the most plausible is that Rudolf has faithfully produced the substance (though not the style) of Menger's ideas. But if this is true then we must explain one further puzzle. The Notebooks are surprisingly faithful to classical economic theory and show almost no connection with the subjectivism for which Menger is so famous. There is no discussion of subjective value, of the diamond water paradox (which Menger resolves in his *Principles*), of utility or marginal utility, or anything like that. This is nothing short of astounding. Why would Menger not expose his talented student to his (Menger's) most important insights and innovations, instead persisting with the teaching of ideas some of which we know he held to be obsolete? Streissler does not (it seems to me) have a knock down explanation. He calls it "a most astounding case of self effacement" and argues that "Menger evidently regarded the classical notions of value still as useful first approximations for an introductory course; and possibly he also thought the supply-side considerations he taught a better basis for those classically liberal ideas he wanted to convey" (22). Overall, "Both politically and theoretically Carl Menger was much more of a classical economist than is commonly realized" and, furthermore, "If there was one man whom it took extremely long to realize fully Carl Menger's revolutionary impact on economics, it was Carl Menger himself" (24). Whether one ultimately accepts this assessment or not, this is a book well worth reading for those interested in these matters.

#### REFERENCES

Kirzner, I. M. "Menger, Classical Liberalism, and the Austrian School of Economics", *History of Political Economy*, 22 (annual supplement), pp. 93-106.

Streissler, E. W. (1990), " Carl Menger on Economic Policy: The Lectures to Crown Prince Rudolf", *History of Political Economy*, 22 (annual supplement), pp. 107-129.

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