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# Menger's Political Significance

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Austrian Economics Conference, Vienna

5 November 2021: 16.05–16.50

Available online free of charge and on paper

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# Twenty-Four Conservative-Liberal Thinkers

Part I



New  
Direction

Hannes H. Gissurarson **TWENTY-FOUR CONSERVATIVE-LIBERAL THINKERS** Part I

Hannes H. Gissurarson **TWENTY-FOUR CONSERVATIVE-LIBERAL THINKERS** Part II

# Two Revolutions in Economics

- Smith: One man's gain need not be another man's loss; division of labour
- Smith: Order need not presuppose anyone ordering: coordination without commands
- Menger: Goods analysed as units, marginal utility
- Menger: Explains value and price, resolves paradoxes
- Menger: Process in time





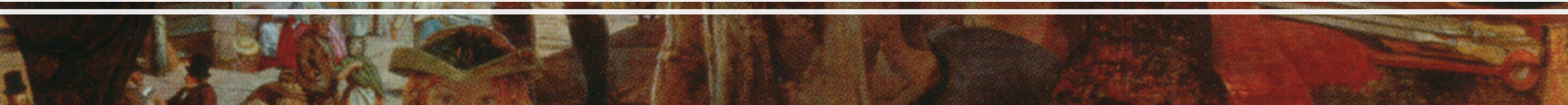


Ricardo: Land special, fixed supply, rent





Ricardo: Labour special, creates value





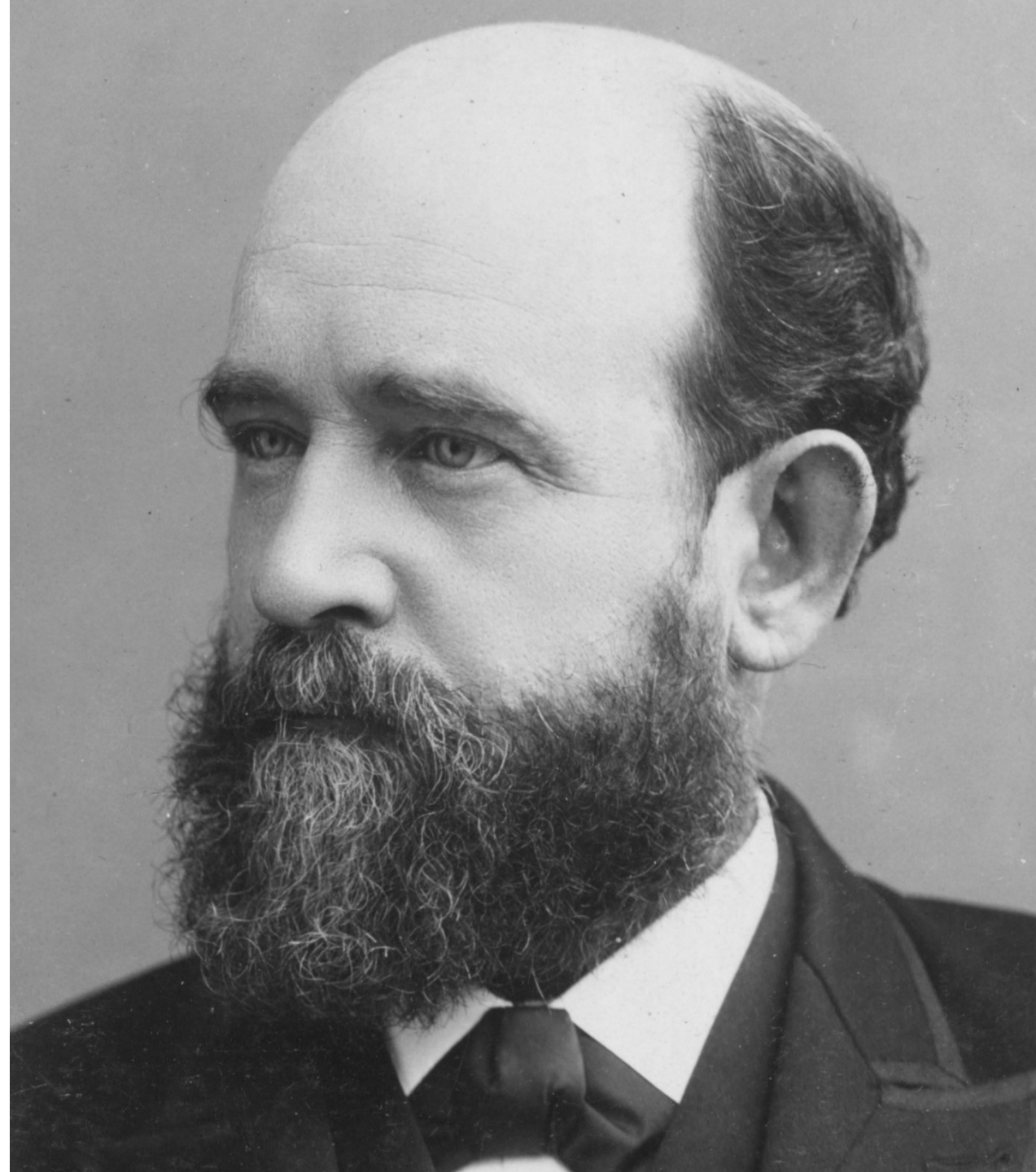
# Menger presents more comprehensive theory

- Traditional distinction between land, labour, and capital not necessarily relevant: all goods, breakable into units, with marginal utility determining price
- Nothing special about land or about labour
- Value, and price, determined by utility for consumers of last unit, not by cost of production
- Menger thus deprives both Georgism and Marxism of theoretical foundations

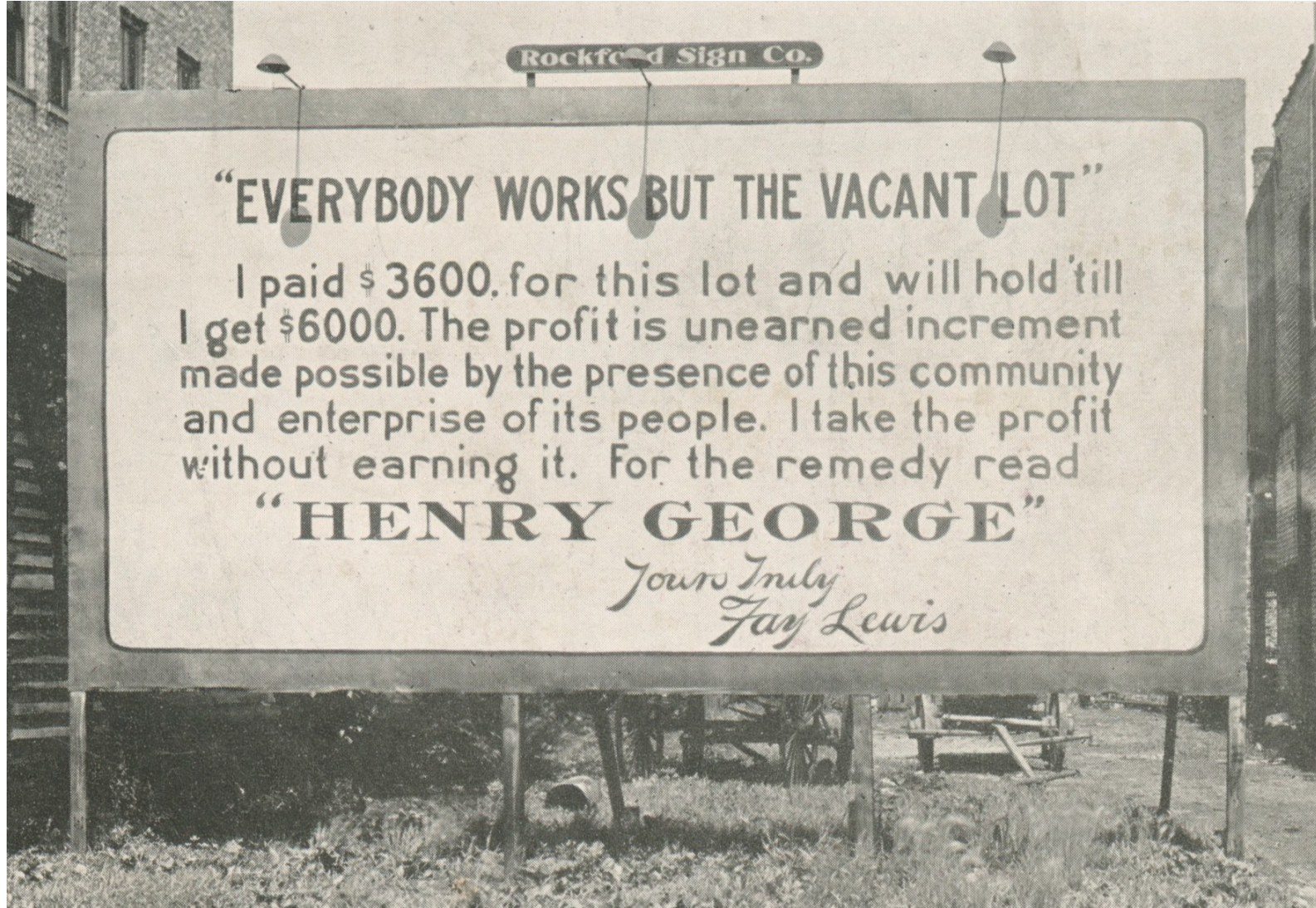


# Georgism even more popular than Marxism

- Land given, not produced
- Landowners exploiting others
- Land tax replacing all other taxes
- Proudhon, young Spencer, Mill, even young Hayek
- **Error:** Impossible to distinguish between contribution of nature and contribution of man
- **Error:** Land rent overestimated







## Moral Appeal of Georgism





Spectre of Georgism haunting Iceland





# Rawls: Georgism in persons

- Rawls: Nature distributes talents randomly, *ergo* Individuals do not deserve extra income from talents
- **Error:** Income distribution by choice
- Wilt Chamberlain and subjective value
- Income: Information about utilisation of abilities
- Redistribution: Contamination of information





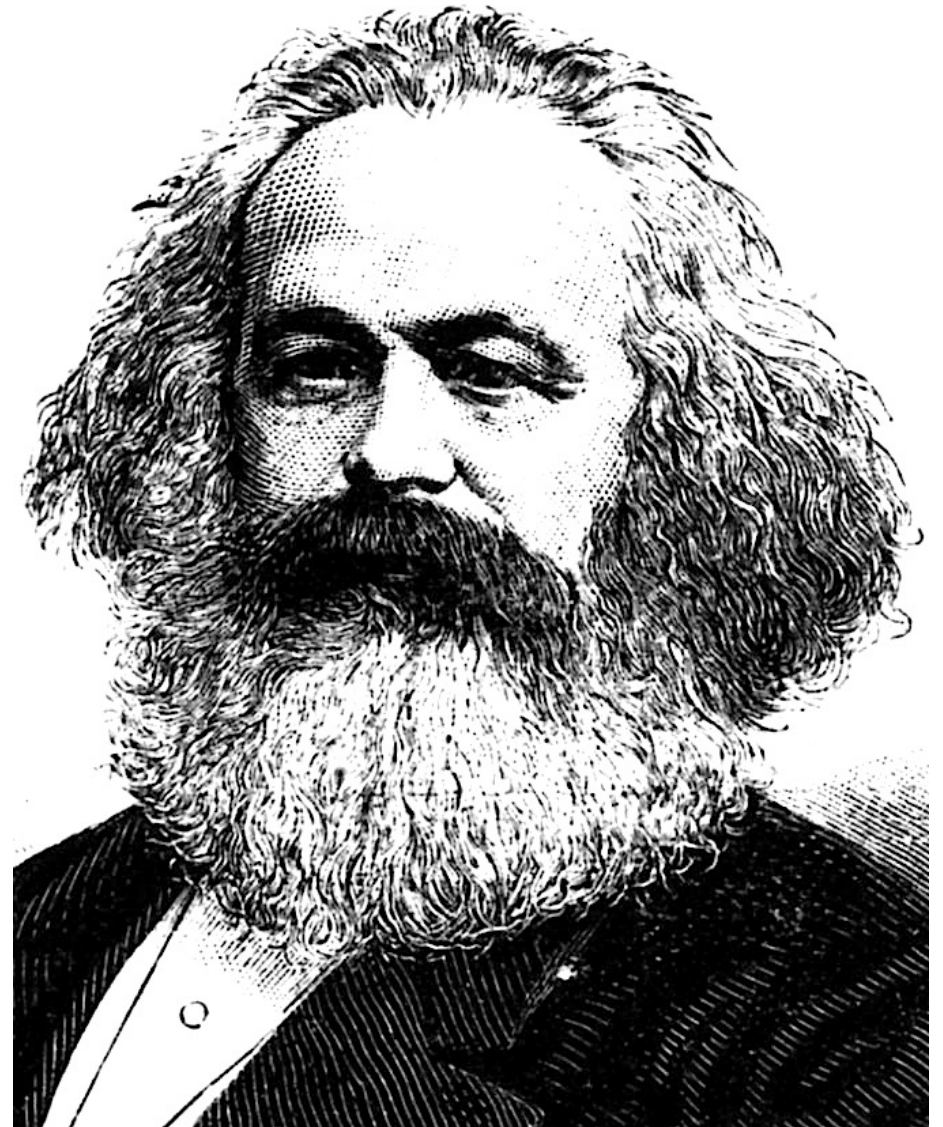
How did Marx become a communist?





# Marx and Menger

- Marx: Cost of production theory
- Wages cost of production, i.e. cost for workers of staying alive and reproducing
- Exploitation: capitalists use their bargaining power to impose longer hours, create surplus value
- Menger: Goods, including labour, valued according to marginal utility
- Old wine and new bread more valuable because consumers want it



# Today's Marxism dares not speak its name

- Radical feminism substitutes the Bourgeoisie with Patriarchy and ignores marginal utility
- If women were suppressed (paid below their marginal utility) then a profit opportunity would emerge
- Ecofundamentalism substitutes exploitation of labour with exploitation of nature
- If natural resources were correctly priced, then no exploitation
- Only way to price them is through private property rights to them (cf. Mises' contribution to calculation problem)
- In both cases task to remove barriers to free trade



# Menger's Positive Contribution

- Menger refuted Georgism and Marxism (even if both ideas are still haunting the West)
- His positive contribution is an analysis of institutions that are the unintended consequences of human action, i.e. spontaneous orders
- Two examples: money and language
- Best example the open society (Popper), the extended order (Hayek), civil association (Oakeshott)
- Menger belongs to the conservative liberal tradition



