

CAPITAL AND INTEREST

Eugen von Böhm-Bawerk and the discriminating reader

LUDWIG VON MISES

THE PUBLICATION of a new English-language translation of Böhm-Bawerk's monumental work on *Capital and Interest*¹ raises an important question. There is no doubt that Böhm-Bawerk's book is the most eminent contribution to modern economic theory. For every economist it is a must to study it most carefully and to scrutinize its content with the utmost care. A man not perfectly familiar with all the ideas advanced in these three volumes has no claim whatever to the appellation of an economist. But what about the general reader, the man who does not plan to specialize in economics because his strenuous involvement in his business or in his profession does not leave him the leisure to plunge into detailed economic analysis? What does this book mean to him?

To answer this question we have to take into account the role that economic problems play in present-day politics. All the political antagonisms and conflicts of our age turn on economic issues.

It has not always been so. In the sixteenth and seventeenth centuries the controversies that split the peoples of Western civilization into feuding parties were reli-

gious. Protestantism stood against Catholicism, and within the Protestant camp various interpretations of the Gospels begot discord. In the eighteenth century and in a great part of the nineteenth century constitutional conflicts prevailed in politics. The principles of royal absolutism and oligarchic government were resisted by liberalism (in the classical European meaning of the term) that advocated representative government. In those days a man who wanted to take an active part in the great issues of his age had to study seriously the matter of these controversies. The sermons and the books of the theologians of the age of the Reformation were not reserved to esoteric circles of specialists. They were eagerly absorbed by the whole educated public. Later the writings of the foremost advocates of freedom were read by all those who were not fully engrossed in the petty affairs of their daily routine. Only bores neglected to inform themselves about the great problems that agitated the minds of their contemporaries.

In our age the conflict between economic freedom as represented in the market economy and totalitarian government omnipotence as realized by socialism is the paramount matter. All political controversies refer to these economic problems. Only the study of economics can tell a man what all

these conflicts mean. Nothing can be known about such matters as inflation, economic crises, unemployment, unionism, protectionism, taxation, economic controls, and all similar issues, that does not involve and presuppose economic analysis. All the arguments advanced in favor of or against the market economy and its opposites, interventionism or socialism (communism), are of an economic character. A man who talks about these problems without having acquainted himself with the fundamental ideas of economic theory is simply a babbler who parrot-like repeats what he has picked up incidentally from other fellows who are not better informed than he himself. A citizen who casts his ballot without having to the best of his abilities studied as much economics as he can fails in his civic duties. He neglects using in the appropriate way the power that his citizenship has conferred upon him in giving him the right to vote.

Now there is no better method to introduce a man to economic problems than that provided by the books of the great economists. And certainly Böhm-Bawerk is one of the greatest of them. His voluminous treatise is the royal road to an understanding of the fundamental political issues of our age.

The general reader should start with the second volume in which Böhm analyzes the essence of saving and capital accumulation and

¹In three volumes: I. *History and Critique of Interest Theories*, 512 pp.; II. *Positive Theory of Capital*, 480 pp.; III. *Further Essays on Capital and Interest*, 256 pp.; South Holland, Illinois: Libertarian Press; \$25.00 the set.

the role capital goods play in the process of production. Especially important is the third book of this second volume; it deals with the determination of value and prices. Only then should the reader turn to the first volume that gives a critical history of all the doctrines advanced on the source of interest and profit by earlier authors. In this historical review the most important part is the chapter that analyzes the so-called exploitation-doctrines, first of all the doctrine that Karl Marx developed in his *Das Kapital*, the Koran of all Marxians. The refutation of Marx's labor theory of value is perhaps the most interesting, at any rate the politically most momentous chapter of Böhm's contribution.

The third volume consists of fourteen brilliant essays in which Böhm-Bawerk deals with various objections raised against the validity of his theory.

The new translation was made by Professor Hans Sennholz, the chairman of the department of economics at Grove City College, and by Mr. George D. Huncke. Mr. Frederick Nymeyer is to be credited with the initiative to make the whole work of Böhm-Bawerk accessible to the English-reading public. The hitherto only available translation is obsolete as it was made from the first edition of the treatise which consisted only of two volumes. The new translation gives the full text of the revised and considerably enlarged third edition which Böhm-Bawerk completed a few weeks before his premature death in 1914.

A book of the size and the profundity of *Capital and Interest* is not easy reading. But the effort bestowed upon it pays very well. It will stimulate the reader to look upon political problems not from the point of view of the superficial slogans resorted to in electoral

campaigns but with full awareness of their meaning and their consequences for the survival of our civilization.

Although Böhm-Bawerk's great opus is "mere theory" and abstains from any practical application, it is the most powerful intellectual weapon in the great struggle of the Western way of life against the destructionism of Soviet barbarism. . . .

The Austrian School of economics, in the final quarter of the nineteenth century, showed the cost or labor theory of value to be untenable and advanced instead the free market or subjective or marginal utility theory. Consumers determine prices, according to their evaluation of an article as compared with other goods, and the consequent decision to buy or to use a substitute. This is individual liberty in its economic aspect, and it is the cornerstone of a free society.

Ludwig von Mises, Visiting Professor of Economics at New York University, is by general consent the leading exponent of the Austrian School—an established master of his subject, ranking among the greatest names in the discipline.

Reprinted from *THE FREEMAN*, August 1959

Published by

FOUNDATION FOR ECONOMIC EDUCATION, INC.

Irvington-on-Hudson, New York