

**RECENT LITERATURE ON
INTEREST (1884-1899): A
SUPPLEMENT TO "CAPITAL AND
INTEREST". [NEW YORK-1903]**

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**EUGEN V. BÖHM-BAWERK & WILLIAM
A. SCOTT & DR. SIEGMUND FEILBOGEN**

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INTEREST

(1884-1899)

A SUPPLEMENT TO "CAPITAL AND INTEREST"

BY

EUGENE v. BÖHM-BAWERK

AUSTRIAN MINISTER OF FINANCE, AND HONORARY PROFESSOR OF POLITICAL
ECONOMY IN THE UNIVERSITY OF VIENNA

TRANSLATED BY

WILLIAM A. SCOTT, PH.D.

DIRECTOR OF THE SCHOOL OF COMMERCE AND PROFESSOR OF ECONOMIC
HISTORY AND THEORY IN THE UNIVERSITY OF WISCONSIN

AND

PROFESSOR DOCTOR SIEGMUND FEILBOGEN

UNIVERSITÄTS-DOCENT IN THE UNIVERSITY OF VIENNA

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TRANSLATOR'S PREFACE

THIS little volume is intended as a supplement to the admirable translation of the first edition of Professor Böhm-Bawerk's "Geschichte und Kritik der Capitalzins-Theorien," given to the world by Professor William Smart of Glasgow in 1890. During the twelve years since this notable contribution to the critical literature of economic science has been available to English-speaking students, great progress has been made in the realm of economic theory, and for this Böhm-Bawerk and Professor Smart's translation are in no slight degree responsible. Whatever may be the final verdict of science regarding the agio theory, no one can doubt that the splendid example of criticism and analysis which is contained in Böhm-Bawerk's work has raised theoretical discussion to a higher level and has been a constant and powerful stimulus to investigation in this field.

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In the United States the appearance of Smart's translation must be regarded as an event of prime importance in the history of political economy. The work of some of our theorists¹ had already been directed along practically the same line as that of Jevons and the Austrians, and a new generation of young economists had just entered the field. Böhm-Bawerk's masterly treatise gave support and encouragement to the former, and guidance and stimulus to the latter. It has been discussed over and over again in the courses in economic theory and in the economic seminars of the country, and it is safe to say that no candidate for the doctorate in economics during the last twelve years has been absolved from the requirement of familiarizing himself with this work.

Abundant proof of Böhm-Bawerk's influence is furnished by our literature. A glance at the files of the *Political Science Quarterly*, the *Quarterly Journal of Economics*, and the *Annals* indicates that a large proportion of

¹ Notably Professor John B. Clark and Professor Simon N. Patten.

the articles treating of economic theory are either directly upon some phase of Böhm-Bawerk's work or theories, or have been clearly influenced, if not directly inspired, by them. Of the books on economic theory which have appeared during the last twelve years, not one that I can recall fails to take account of his work, and few, if any, of them fail to show the effects of his influence. It is impossible to say as much as this of any other book or any other man. Great as has been Marshall's influence, it has not approximated Böhm-Bawerk's either in scope or intensity.

In 1900 the second edition of the "Geschichte und Kritik der Capitalzins-Theorien" appeared, and the present volume contains in its nine main chapters a translation of the Appendix, in which Böhm-Bawerk reviews the literature on interest which had appeared since 1884, the date to which the first edition translated by Smart brought the subject. In this preface we propose to give a summary of the most important of the other additions contained in the second edition. These are the

author's Preface, chapter XI on John Rae, and a supplement to the chapter on Karl Marx. To the author and the translators it has not seemed necessary or desirable to present a complete translation of these less important additions. A brief summary is sufficient to indicate their general character and scope, and the English-speaking reader who is unfamiliar with German and who desires more may avail himself of Miss Alice M. Macdonald's translation¹ of Böhm-Bawerk's criticism of the posthumous volumes of Karl Marx's "Das Kapital," of the author's reply to Walker's strictures in the *Quarterly Journal of Economics*,² and of Rae's book itself.³

The Preface of the second edition treats

¹ "Karl Marx and the Close of his System." A Criticism by Eugene v. Böhm-Bawerk. Translated by Alice M. Macdonald, with a preface by James Bonar, M.A., LL.D. London, T. Fisher Unwin, Paternoster Square, 1898.

² "The Positive Theory of Capital and its Critics." *Quarterly Journal of Economics*, April, 1895.

³ "Statement of some new principles on the subject of Political Economy, exposing the fallacies of the system of free trade, and of some other doctrines maintained in the 'Wealth of Nations.'" Boston, 1834.

chiefly of the author's defence of his method against the strictures of Alfred Marshall and of the late Francis A. Walker. These men had charged Böhm-Bawerk with misinterpreting many of the authors whom he criticised in "Capital and Interest," claiming that he frequently mistook "blunders of expression" for errors of judgment. Walker was a firm adherent of the productivity theory, and was unable to believe that any really able thinker could have sought for an explanation of interest in any other direction. He, therefore, denied the separate existence of the abstinence and the use theories. He claimed that the authors of these so-called theories intended them only as "a social justification of interest," and did not themselves mistake them for adequate explanations of the causes of this phenomenon. In this connection he mentioned especially Hermann, Karl Menger, and Senior.

Professor Marshall finds the explanation of interest in the coöperation of what he calls the "productiveness" and the "prospectiveness" of capital, the former determining the demand for

that factor of production, and the latter limiting the supply. He believes that most of the writers on interest have had both these elements of the problem in mind, and have differed from each other chiefly in the fact that some have laid more emphasis upon the one element, and others upon the other. He has expressed the opinion that many of the authors criticised by Böhm-Bawerk would not have accepted his statements as fair and complete presentations of their views.¹

In reply, Böhm-Bawerk says that the question at issue between himself and such critics as Walker and Marshall does not so much concern the interpretation and estimation of the views of other authors as the real essence of the interest problem, and the requirements for its solution. Regarding what the authors criticised really meant, he is quite willing to leave the decision to the intelligent readers of his book, for whose benefit he has very often quoted their exact words; but in justification of his view of the nature of the problem of interest, and the conditions necessary for its

¹ "Principles of Economics," 3d ed., pp. 142-664.