

Osnove austrijske teorije (Groundwork of the Austrian Theory) Božo Stojanović (The Faculty of Economics Belgrade, 2009)

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Very few economic schools survived the twentieth century's expansion of neoclassical mainstream thinking. The Austrians are among them, together with the Chicago School and the Virginia School of public choice. The Austrians had hard times between the 1940s and 1970s: in the former case because the main authors fled Europe in the face of rising totalitarianism, in the latter case because of the popularity of planning economy. Nevertheless, the School managed not only to survive, but also to become more attractive and popular intellectually today than ever.

The Austrians revived and returned to the intellectual scene both for theoretical and practical reasons. On the one side, they won the debate with communist authors about the basis tenets of economics, and Friedrich Hayek received a Nobel Prize in 1974. On the other side, communist economies collapsed in the 1980s, precisely for the reasons the Austrians writing articles and books about the impossibility of socialism (communism) envisaged in the late 1920s. In a wave of pro-market reforms in the developed western nations (UK, USA, New Zealand, Australia, Ireland, Iceland, Finland), in Latin America and throughout East Europe, the Austrians have had their own stake. They provided justification for a move from plan and regulation to the market, so they have inspired the changes in the East Europe.

With no surprise, the schools that pass the test of time have to say something beyond their own time, and for this reason the Austrians have both a vivid current theoretical production and historical coverage. Books on the Austrians – typical in more prominent languages¹ – are scarce in less common languages, so that Stojanović's book is the very first on the Austrians in the South Slavic languages.

Groundwork of the Austrian Theory forms an extensive and comprehensive exposition of the main tenets of the classical Austrian School of

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¹ Among recent examples, see Jesús Huerta de Soto (2008) and Peter Boettke (2009).

economics. The book provides both historical and theoretical perspective, and a systematic presentation of differences between the Austrian and the neoclassical approaches to economics.

The book consists of nine chapters and an appendix. Chapter I, “The Austrian School: emergence and development”, is about historical and intellectual roots of the School. The author begins with the founder of the School, Carl Menger, continues with Ludwig von Mises and Hayek, and concludes with the “new wave”: authors like Murray Rothbard, George Reisman, Leland Yeager, Rico and others. Chapter II, “Subject matter and method of the economic science”, is about the methodological foundations of the Austrian School and its rivals. Stojanović analyses in detail the views of Menger, von Mises and Hayek, pointing out similarities and differences in their methodologies.

The next five chapters are about the main topics of the Austrian economics. Chapter III is titled “Market process and market institutions”, Chapter IV, “The Austrian theory of production”, Chapter V, “The Austrian theory of capital”, Chapter VI “Wages and unemployment in the Austrian theory”, and Chapter VII, “The theory of economic cycles”.

The next two chapters are about authors that just partly count as Austrians. Chapter VIII deals with Joseph Schumpeter’s theory of production and development, and Chapter IX is about the Austrians’ contributions to game theory. The Austrians have had very diverse views concerning the game theory. Some of them contributed to the development of the game theory, while others have criticised the game theoretic approach to economics. Stojanović provides accounts along both lines. Finally, the appendix provides the reader with bio-bibliographical notes of four key Austrians in Stojanović’s view: Menger, Eugen von Böhm-Bawerk, von Mises and Hayek.

The central chapters (III-VII) basically review and evaluate the main topics of the Austrians, as different authors elaborated them in different periods. It is characteristic for all these chapters that they explore the positions of the main Austrian authors, like Menger, von Mises and Hayek, including the differences among them and the evolution in their positions. Stojanović tries to find out what are the basic tenets and convictions of the School on the one side; and what was different from one author to another, what has been changed and modified over time on the other side. These parts are probably the most useful for readers, both academic and non-academic. Stojanović does not pretend to be a part of one or another faction in interpreting the Austrians, as many authors today do; he rather intends to depict the logic and the main arguments of the School, and this is more useful for students and other readers.

To sum up, *Groundwork of the Austrian Theory* is a very useful and nicely written book that provides a detailed historical and theoretical account of the Austrian school, one of the most influential approaches in modern

economics. Good books like this one both enlarge historical-theoretical knowledge and provide incentives for further studies of modern economic topics along the Austrian lines.

References

- Boettke, Peter.** 2009. *Handbook on Austrian Economics*. Cheltenham, UK: Edward Elgar.
- Huerta de Soto, Jesús.** 2008. *The Austrian School*. Cheltenham, UK: Edward Elgar.