THE WEALTH OF NOTIONS: ECONOMISTS IN CONFLICT
The Wealth of Notions: Economists in Conflict

An Exhibition from the Hollander Collection of Economica of the Rare Book & Manuscript Library, University of Illinois at Urbana-Champaign, 14 September through 14 December 2012

Curated by Samuel Bostaph

Co-sponsored by the Department of Economics and the College of Business of the University of Illinois at Urbana-Champaign
Jacob Harry Hollander (1871-1940) began collecting books in the early 1890s while on study trips in London. He worked in the British Museum during the day and scoured London booksellers' shops in his spare time. Among his finds were a first edition of The Wealth of Nations for which he paid 20 shillings (his weekly living costs were 28 shillings), the famous Tassie miniature portrait of Adam Smith, letters by Jeremy Bentham, David Ricardo, Thomas Malthus, and other luminaries of the history of economics, and the original manuscript of John Stuart Mill's Autobiography. His collection ranks among the three greatest economics libraries in America—the other two being the Seligman Collection at Columbia and the Kress Collection at Harvard. From sixteenth-century tracts on lending practices (or usury) to early twentieth-century studies of the economics of socialism, the Hollander Collection covers many schools of economic thought—or a wealth of notions, to borrow the pun from the title of this exhibition. Seventeenth-century mercantilists, French Physiocracy, and the classical economists of England, Germany, and America are particularly well represented, in addition to manuscript material and numerous portraits of important economists.

For this exhibition, we asked a historian of economics, Samuel Bostaph, to survey the history of economics through examples from the Hollander Collection. Professor Bostaph took up the challenge with gusto, marveling at what he found and offering mini-economics lectures to us as he worked on the exhibition. We hope you, too, will enjoy the fruits of his labors in this exhibition. His essay, “Conflicting Schools of Economic Thought,” offers an insightful overview of the sometimes turbulent history of economics from the seventeenth to the twentieth centuries.

In order to set the stage for Professor Bostaph's essay and this exhibition of rarities from the Jacob Hollander Collection, we have reprinted Hollander's own account of his collecting habits. This brief and charming essay was originally included in the 1937 catalogue of his collection and printed in a limited edition.

Valerie Hotchkiss, Director
The Rare Book & Manuscript Library
It was the gracious kindliness of Foxwell in permitting an awed novice in the summer of 1895—annus mirabilis as only a first visit to England can hallow a year—to examine the great collection of Economica which then overflowed his cases in St. John's College, that gave the first impulse to the present collection. His dei majores—Newcomb, Patten and Clark—had equipped the young traveller with introductions, and with Marshall as philosopher, Edgeworth as friend, Higgs as guide, and Bonar, many times all three, he was led to George Harding, then easily the first among English book dealers interested in economic literature. In the little Museum Street cubby-hole, snugly hidden in the shadow of the British Museum and opposite the Bookbinders' Cooperative—they did his Oncken, just acquired, in deathless pigskin—this aspirant spent happy hours and indiscreet shillings from a none too well filled purse. But what purchases! For Harding although a good shopman was a sound counsellor, and there grew between us a friendship akin, if small things may be compared with great, to that between Quaritch and McCulloch—of which Quaritch himself told me one murky afternoon in his Piccadilly office. Harding's parting gift—doll-like, I wounded him by offering payment—was the original membership card (3912, within) of one of his own kinsmen in the National Anti-Corn Law League, with its moving vignette. Thence came my first editions of Mun, Child, Petty, Graunt, Stuart, Adam Smith, Godwin, Malthus and of the Ricardian tracts. Sprague lived in the same Bloomsbury boarding house and Hull, putting the last touches to his Petty, around the corner; and there was generous rivalry over new finds. An interest in economic personalia traces back to the same happy summer. Asher Meyers gave me the Phillips portrait of Ricardo that ever since has hung as patron saint above my desk; Daniels supplied the Lindell mezzotint of Malthus; Hollyer struck off "to order" a copy of the Watts head of Mill, and the sentimental journey of a political economist brought prized souvenirs, from Bath, in whose 'glass house' Malthus' body lies; long after I visited the Priory, near Dorking, his birth-place, and my young daughter took snap-shots, one of which went properly enough to Bonar; from Gatcomb Park, where the tradition still lingered that the four caryatids of Ricardo's incredible tomb were in reminder of the economist's four daughters; and from Edinburgh—almost! For a fickle bicycle played me false on Hadrian's Wall, —"humpty-dumpty," my travelling companions the John Martin Vincents, call me to this day—and thence woefully to Bloomsbury and hot applications! But many years later, one of my own students, Broadus Mitchell, mindful of the loss, visited Canongate Churchyard and sent me photographs and post-cards. And in the meantime back in London...
I had established relations with Rathbone, most prickly of porcupines but master of Wedgwood, that resulted after long waiting in that desirable of desirables—the Tassie medallion of Adam Smith in the original enamel (3877).

If my passion for the classical economists ‘in the skin’ goes back to George Harding, assuredly I owe my fondness for the pre-Adamite texts to Seligman. Who among the young economists of the last generation—for he was as he remains, host to many and gracious to all—will ever forget the nobility of that 86th Street library and its contents. In the greater formality of its new setting the “Seligman Library” will bring aid to successive generations of students. May it also bring the old thrill!

Form and direction were given in 1908 to the growing collection by the common interest, reached from different approaches, which Charles M. Andrews, then at Johns Hopkins, and I found in Joseph Massie’s “Alphabetical and Chronological Index of Commercial Books and Pamphlets.” The particulars of Massie’s life are hidden in the same irritating obscurity that enshrouds other notable English economic writers of the middle eighteenth century; we know only of his literary productivity from 1750 to 1765, and of his death in 1784. The “Fifteen Hundred, or more, Books and Pamphlets” concerning “the Commerce, Coin, and Colonies of Great Britain” which he had been “above Twelve Years in making”—though he “resided in London; and was not sparing of either Time or Money”—were sold in 1760, and thereafter dispersed, lost or hidden, how and in what manner we have no knowledge. But even after he had disposed of the actual collection, Massie continued to revise and extend an admirably compiled finding-list, and this “Index,” which by December 1764 had grown to 2377 items, still serves as a helpful guide to English economic literature before Adam Smith. Andrews and I had a transcript (3929, within) made from the original resting among the Lansdowne MSS. in the British Museum, and I ventured to check off those of the items which were on my own shelves. Ever since—partly in the fantasy of “reconstructing” a great collection, partly because the reliance is sound—I have been ardent in the pursuit of “Massie items.”

An ‘economic library’ may be designed for different purposes. Mine has been, with a fair degree of consistency, to document the doctrinal growth of the science. I have included—at least in this catalogue—only those compositions which withstood the test, omitting legal and political tracts. As Massie, I have begun with the last quarter of the sixteenth century and taken as the dividing zone of the longer span the middle of the eighteenth century, when tracts gave way to treatises and monographs to systems. Malthus’ “Essay” marks, naturally enough, the close of the “middle period,” and it, in turn, comes to an end with the early years of the twentieth century. I have rested with Marshall and those whom he fired. This is the terminal of my devotion. Books of the day mass about me, and I pay homage. But it is for those who come after to determine which of the new vintages shall be racked. Only as to the work of those who have been and, happily, still are my close associates in the Department of Political Economy of The Johns Hopkins University—Barnett, Weyforth, Mitchell, Evans, Cooper, Bullock—work that I have been permitted to follow in the making, has this rule been waived. I have not dared extend the license to the long line of students who have worked with me in Baltimore. May Clio be gracious!

The arrangement has thus been chronological; but I have not hesitated—when it seemed reasonable—to blur the separation by placing in order the several works of an author under the year in which his first composition appeared. I have added in separate place as many, as it has been possible in these years to have about me, of the portraits of those whom our craft delights to honor; as well as the letters, manuscripts and personalia that by circumstance or endeavor have come my way.

I may not claim Adam Smith’s merit as a beau in my books—pardonable hyperbole as Bonar’s toil has shown. But the state and the dress of a book have always stirred me. When no mint copy was to be had, place for the time has been given to a cripple—in extreme case mended by the wizardry of Pratt, the last of the craftsmen of his kind. Sometimes I have made sad mistakes as in breaking up three volumes of excise tracts that belonged to George Rose, in mechanical compliance despite Stevens’ protest—with the rule of one imprint, one book. But in the main I have made salaam to original garb and distinguished ownership. For the binding and rebinding that has been necessary I owe most to Sangorski & Sutcliffe, whom I learned to know almost at the outset of their business life through Turbayne, their teacher and friend—as mine; in later years the good offices of Stevens have bridged the Atlantic in this service.

It is as a souvenir of such good hunting that this compilation has been prepared. I have not risked chilling the intimacy of long association by stern devices of cataloguing and bibliography. The collection has grown as part of me, and I cannot at this stage play drill master.

I should like to think of myself as one of the company—far below the salt!—Massie, McCulloch, Foxwell, Seligman, Bell, Wagner, stout members of the crew of a ‘Stultifera Navis’—Osier’s coterie of bibliophiles, in which I was given undeserved place—who have cared for books not only as tools of their trade, but as living things to be assembled for their distinction, to be admired for their elegance, to be cherished for their association. Gilman once said to me that the most delightful avocation of a scholar was to gather and revere the monuments of his science. I have found it so.
Conflicting Schools of Economic Thought

by Samuel Bostaph

Economic thinking begins with the recognition of scarcity. The limitation of the means for securing the ends that are the purpose of individual or collective action requires choosing among possible means. The ends themselves are limited by the finitude of human aspirations and of life itself. Choosing rationally among ends, as well as among suitable means, requires principles of choice. Economics is the science of those principles. Historically, this has been particularly true with respect to decisions that determine the material conditions of life.

We can trace the beginnings of economic thought to the Greek poet Hesiod (ca. 700 BC). His poem *Works and Days* blames Prometheus, the Titan who favored humans, for so angering Zeus that man was condemned to toil for his sustenance ever after:

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The Gods keep livelihood hidden from men. Otherwise a day’s labor could bring a man enough to last a whole year with no more work. Then you could hang your oar over the smoke of your fireplace without a thought for the work of oxen and hardy mules. But Zeus was angered in his heart and hid the means to life because Prometheus with his crooked schemes had cheated him.1

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Hesiod’s response to limited means was to recommend hard work and the rule of justice in all human relations. This would establish and support social order and harmony. Later Greek philosophers emphasized the cardinal virtue of temperance as a molder of character and the proper response to limited means. In a world of scarcity, human excellence was manifested in the curbing of desire.

Two millennia later a drastic change in outlook provided the stimulus for the development of modern economic theory. Scarcity, and greatly unequal income and wealth among persons throughout the preceding centuries, had fueled the perennial advocacy of commu-
nism as one solution. Nevertheless, it was a solution not generally supported. Even Saint Thomas More famously ridiculed it in his ironic novel *Utopia*. It was not that communism was undesirable per se. After all, as nineteenth-century free market economist Carl Menger was later to point out in his *Grundsätze der Volkswirtschaftslehre* (1871) [Item 17], “Men are communists whenever possible under existing natural conditions.” The problem was that such conditions—a natural abundance of all goods—were seldom present. Man almost always faced scarcity.

If neither temperance nor communism were to be taken as solutions to the problem, what was? Seventeenth-century European writers argued that scarcity could be overcome by the production of wealth. The question was how to produce it.

European economies of that age were based on agriculture, mining and fishing, as well as on trading the results of those activities. Political relations among the various nation-states either involved war or verged on war, and the fuel for war was specie—gold and silver with which to pay armies. Trade itself was associated with colonization and the subsequent exploitation of colonies. Members of the trading classes used their own experience to conclude that wealth was generated for the successful trader by accumulating a surplus of specie through trading. Consequently, in pamphlets and books, many businessmen of that age presented a pre-analytic vision of nation-state wealth production.

These Mercantilists, as they came to be called, argued that what was true for the individual trader was also broadly applicable to the trade between nations. A nation would be politically powerful if it could amass wealth in the form of gold by selling a greater value of export goods than the value of goods imported—that is, by achieving a favorable “balance of trade.” Mercantilist literature and policies abounded in France, Germany, Sweden, Spain, Portugal, and England from the sixteenth to the eighteenth centuries. Its most well-known authors were seventeenth-century British nationals. Although not organized as a formal school, British Mercantilists proposed a doctrine of state intervention to favor business and thus grow the power of the state. They took it for granted that unrestricted individual activities would harm them and the community. Five hundred years later, their arguments and policies are again fashionable.

Gerard de Malynes (fl. 1586-1641) emphasized the hindrance to a favorable trade balance created by an “overbalancing” of foreign goods prices as compared to British ones. He argued that high foreign goods prices, rather than discouraging imports, actually led to the export of...
specie from England. He blamed the banking community for manipulating the rate of exchange so that it was cheaper for British merchants to ship coin abroad than to buy foreign bills of exchange. In *A Treatise of the Canker of Englands Common Wealth* (1601) [Item 3] he presents his arguments and calls for government to set the foreign exchange rate at the specie content ratio of coins.

In his *Free Trade. Or, the Means To Make Trade Florish* (1622) [Item 5] Edward Misselden (fl. 1608-54) argued that it was excessive imports and deficient exports that led to the exportation of money, not bankers manipulating the exchange rate. As a consequence of the decreased domestic money supply, domestic trade, government revenues, employment and the general wealth of the kingdom had all declined in the 1620s. His suggested remedy was for government to raise the value of British coin, subsidize exports, and erect barriers to imports in the form of quotas and tariffs. He especially blamed the monopoly East India Company for the exportation of coin, but later became a defender of the company after entering its employ.

Perhaps the most famous of these practical businessmen was Thomas Mun (1571-1641), whose *A Discourse of Trade, from England unto the East-Indies* (1621) [Hollander 28] was devoted mostly to the defense of the East India Trade, arguing that the East India Company (of which he was a director) not only increased British employment, but it brought back to England much needed goods as well as more silver than it exported in the course of its trading activities. More general in argument was his posthumously published *England’s Treasure by Forraign Trade* (1664) [Item 4]. Here, the basic principle of Mercantilist policy is found at the very beginning of the work:

“To sell more to strangers yearly than we consume of theirs in value.” To do so required: that all land in England be cultivated that can be used to produce export goods or import replacements; frugality at home to reduce imports; an emphasis on manufactured goods for export because they are more profitable and generate more employment; careful attention to the pricing of exports with an eye toward revenue maximization; and, governmental regulation of imports and exports to encourage a favorable balance.

The Industrial Revolution in the late eighteenth century saw the rise of defenders of free market exchange and opponents of Mercantilist policies in France and in England. Members of the French aristocracy, who believed that the source of wealth lay not in trade but in agriculture, opposed the Mercantilist policies of finance minister Jean-Baptiste Colbert and formed the first school of economic thought. They called their doctrine Physiocracy (rule of nature) and are consequently known as the Physiocrats.

Richard Cantillon (1680s?-1734) was an Irish banker who made a fortune through speculation in Paris. His posthumously published *Essai sur la nature du commerce en general* (1755) [Item 6] influenced both British and French writers, in particular François Quesnay (1694-1774), founder of the Physiocratic School. Cantillon’s *Essai* argued that the source of both wealth and value lies in land, which should be intensively cultivated by labor and its products circulated throughout society to bring prosperity. He saw landowners as the only independent class, and all others as dependent on them and the land for their sustenance. His treatise presents a systematic and general economic model with a central role...
for the entrepreneur, whose profits are a reward for successfully bearing uncertainty.

In his Tableau oeconomique (1758) [Item 7] François Quesnay presented a model and diagram of how the produit net (surplus product) of agriculture circulated among the classes. Quesnay was first physician to King Louis XV, as well as a surgeon who had written a medical treatise on bleeding. He likened the flow of money through society to the flow of blood through the body. His model was the precursor to the “Keynesian” (named after 1930s economist J. M. Keynes) economic concept and modern textbook diagrams of the circular flow of income and product in a macro-economy, and the model depicts a general equilibrium between production and spending.

Anne Robert Jacques Turgot (1727-81), a fellow-traveler of Physiocracy, wrote his Réflexions sur la formation et la distribution des richesses (1788) [Item 8] to provide a basic survey of his and their economic ideas. In both his writings and his actions as French Minister of Finance, 1774-76, he stressed the dependence of the “sterile” classes (landowners, merchants, artisans, laborers) on the farmer-cultivators or “productive” class, described the circulation of the surplus product among classes, emphasized the importance of capital investment by the landowners, outlined a theory of capital, and argued for a governmental policy of laissez-faire or non-interference with the production and circulation of the net product domestically, as well as in international trade.

Quesnay, Turgot and the other Physiocrats were natural law theorists and argued that Mother Nature made the interests of all individuals in society naturally harmonious. If the state would protect property rights and leave individuals...
to the pursuit of their separate interests, a natural order of peace and wealth would be the result. Although landowners themselves, the Physiocrats recommended the replacement of all other taxes by a single tax on the only productive sector, agricultural land.

On the British side of the English Channel, moral philosopher Adam Smith (1723-90) added his arguments to those of the Physiocrats in favor of a severe limit to state action and against Mercantilistic restrictions on international trade. Nevertheless, he argued that the source of national wealth lay solely in the productive powers of labor, whether applied in the agricultural or the industrial sector. Smith most fully presented his own views in his An Inquiry into the Nature and Causes of the Wealth of Nations (1776) [Item 9], which became the most influential treatise on an economy of co-operating strangers ever published.

The book includes a general theory of wealth production, a theory of capital, an economic history of European civilization, a history of economic thought that presents and criticizes both the Mercantilists and the Physiocrats, and a handbook on public finance. Smith’s theories of production, of value, of exchange and pricing, and of capital became the foundation of the theories of the Classical School of Economics, which dominated nineteenth-century economic thinking and policy debates. His labor theory of value stimulated Karl Marx’s theory of labor exploitation under capitalism. His rules of public finance became the basis of all nineteenth-century treatises on the subject. His “invisible hand” theory of how each individual peacefully pursuing his or her personal interests produces a natural order of social coordination and general prosperity for all still undergirds libertarian economic and political theory.

Thomas Robert Malthus (1766-1834) accepted Smith’s endorsement of a policy of laissez-faire; however, he saw two obstacles to the general prosperity of a market economy. One obstacle was “underconsumption.” His Principles of Political Economy (1820) [Hollander 2331] theorized that continuing prosperity would be hindered by a general inadequacy of total spending to purchase all output produced. Gluts would produce production crises and general unemployment.

It was his earlier identification of the second obstacle that made Malthus famous—“the population problem.” In An Essay on the Principle of Population (1798) [Item 10], Malthus argued that population naturally tends to outgrow its means of subsistence and the numbers in the lower classes are only checked by misery. Poverty was thus the fault of the poor, and poor relief was ineffective. The historical falsification of Malthus’s argument has not hindered advocates of population restriction to this day.


David Ricardo (1772-1823) was a successful London stockbroker whose On the Principles of Political Economy and Taxation (1817) was an attempt to straighten out what he saw as confusion in Smith’s book and to extend the analysis to explain the distribution of wealth among classes. His theoretical approach, which Joseph Schumpeter termed “the Ricardian Vice,” was model-building stripped to the essentials of deduction from hypothetical assumptions. It remains the basic approach of mainstream economists.

For example, Ricardo applied the labor theory of value to the extension of agricultural production on increasingly less fertile land and deduced consequences of rising grain prices and increased subsistence wages. The resultant inverse wage and profit movements, and rising land rents, implied a conflict of class interests. Falling profits and decreased investment thus tied material progress to a theory of distribution, rather than to Smithian production theory. Against Malthus, Ricardo argued that surpluses of production in one market are offset by shortages in others and general overproduction cannot occur. Lastly, Ricardo’s law of comparative advantage for determining production specializations among countries remains the central argument for free trade policy today.

John Stuart Mill (1806-73) is known for his contributions in philosophy and politics, as well as in economics. His broad interests made his extensions of Smith, Malthus, Ricardo, and Jeremy Bentham more those of a social philosopher, and he leavened them with socialism. Mill’s Principles of Political Economy, with Some of Their Applications to Social Philosophy (1848) [Item 12], confine natural law to the laws of production. The distribution of the resulting output is argued to be one of human design and can be otherwise than property rights would dictate. He concluded that trade unions and government could improve wages, the distribution of accumulated wealth, and working conditions. He saw voluntary co-operative associations as possibly a desirable vanguard of the future, given an improvement in human character.

Opposition to the Classical School arguments supporting a market capitalist economic regime was strongest among socialists and members of the German Historical School. Socialist Robert Owen (1771-1858) welcomed Mill’s belief in the perfectibility of man and the concession of the moral high ground to socialism. Owen strongly criticized the labor conditions and wage levels of the factories of his day and advocated abolishing property rights and the institution of marriage. In his A New View of Society: Or, Essays on the Principle of the Formation of Human Character (1813) [Item 20], he argued that institutional changes, such as providing universal public education and a system of public employment, prohibiting drinking and gambling, and abolishing organized religion could greatly improve human nature and the living conditions of labor.

Anarcho-Socialist Pierre-Joseph Proudhon (1809-65), best known for his self-contradictory catchphrase “property is theft,” was actually condemning rents and interest payments because he thought them “unearned.” His Système des contradictions économiques, ou, Philosophie de la misère (1846) [Item 21] was an attempt to provide a alternative theory of economy to replace that of the Classical School as well as of the communists, which he termed “the religion of misery.” It most notably stimulated a negative critique by Karl Marx (1818-83) in his Misère de la philosophie (1847). Marx took the Classical School labor value and class conflict theories of Smith and Ricardo...
and logically extended them to produce a theory of Capitalism’s labor exploitation, imperialism, crisis, and inevitable collapse. *Das Kapital* consists of three volumes, of which only the first (1867) was published in his lifetime. A prior attempt to present his economic interpretation of history and the analysis that became the first chapters of *Capital* was published as *Zur Kritik der Politischen Oekonomie* (1859). His disciple Karl Kautsky (1854-1938) edited and published it anew in 1897 [Item 22].

George Bernard Shaw (1856-1950) included an early version of his revisionist socialism in *Fabian Essays in Socialism* (1889), the American edition of which appeared in 1891 [Item 23]. He had fallen under the influence of Henry George (1839-97), an American advocate of a “single tax” on the “unearned” rental income of land and capital goods. Shaw generalized the principle to call for the nationalization of rents and use of the proceeds for income equalization and public investment.


**Exhibit Item 23. Fabian Essays in Socialism.**

The German Historical School originated with Wilhelm Roscher (1817-94) in the 1840s and included Bruno Hildebrand (1812-78) and Karl Knies (1821-98) in its founding generation. Their books, including Roscher’s *Geschichte der National-Oekonomik in Deutschland* (1874) [Item 14] and Knies’ *Die politische Oekonomie vom geschichtlichen Standpunkte* (1883) [Item 15], objected to the abstract, deductive reasoning and resulting “universalist” propositions of the Classical School. Instead, they argued for the use of an inductive “historical method” to produce a summary and description of the development of nations. Contemporary economic laws and institutions were argued to be relative in space and time. The British economy followed the laws of “The Ricardian Age” while the German economy had its own laws and its own development path. Bruno Hildebrand (1812-78) argued in his *Die Nationalökonomie der Gegenwart und Zukunft* (1848) [Item 13] that it is the very purpose of economics to identify the progress and perfection of humanity in the data of history.

With Gustav Schmoller (1838-1917) and his *Zur Literaturgeschichte der Staats- und Sozialwissenschaften* (1888) [Item 16], the German Historical School degenerated into detailed historical monographs on the minutiae of public administration. It ended as a fount of National Socialist dogma from Werner Sombart (1863-1941) in the Third Reich.

The 1870s ushered in what economists refer to as “The Marginal Revolution,” which most importantly confuted the labor theory of value with subjective value theories originated independently by Carl Menger (1840-1921) in Vienna, William Stanley Jevons (1835-82) in London, and Leon Walras (1834-1910) in Lausanne, Switzerland. This removed the foundational concept for the theories of members of the Classical School as well as of the various factions of theorists of socialism.

In his *Grundsätze der Volkswirtschaftslehre* (1871) [Item 17], Menger argued that the value of any particular unit of a good to an individual is determined by the marginal satisfaction that would be lost if that unit were removed. Rather than labor exerted in production determining the value of a good, the value of a good to its demander determines whether it is worthwhile exerting the labor to produce it. Menger saw the production, exchange, pricing and market structure of an entire market economy as driven by the evaluations, decisions, and actions of consumers—all occurring in a real time context of changing information. This meant that economic theorizing required abstracting the essentials of that process and deducing their implications. Purely descriptive historical methods alone could not produce theory.
Menger’s disciple Eugen von Böhm-Bawerk (1851-1914) extended Menger’s analysis to the theory of capital, and in Capital and Interest (1890) [Item 18] argued that capitalist production is “round-about.” The more indirect, the more time-consuming is the process, the greater will be the final output of consumer goods. Another disciple, Friedrich von Wieser (1851-1926), in his Über den Ursprung und die Hauptgesetze des wirthschaftlichen Werthes (1884) [Item 19], actually coined the terms “marginal utility” and “opportunity costs” that are ubiquitous in modern economic analysis and commentary.

William Stanley Jevons introduced the marginal utility concept in The Theory of Political Economy (1871) [Item 24]. In contrast to Menger, Jevons embraced Jeremy Bentham’s Utilitarianism and the “Ricardian Vice” and presented his theories in an algebraic and geometric format, arguing that economics was a mathematical science.
Francis Ysidro Edgeworth (1845-1926) agreed with Jevons concerning the application of both utilitarianism and mathematics to economics. In his *Mathematical Psychics* (1881) he used mathematics to formalize both production and consumption theory. Notably, he introduced the concept of a timeless “indifference curve,” along which bundles of various quantities of the same two consumer goods would all yield the same level of utility. This would become a mainstay of neoclassical consumption theory.

Alfred Marshall (1842-1924) accepted the new marginal utility theory for the determination of product demand, but kept the Classical School emphasis on the importance of cost for product supply. The result is what is known as “the neoclassical synthesis” and pervaded Marshall’s *Principles of Economics* (1890). Using the concepts of utility-driven demand and cost-driven supply, he outlined the conditions for a market-clearing equilibrium between the two, and the consequent effects for both individual firm equilibria and industry structure. Marshall’s *Principles* became the foundational work for the Neoclassical School of Economics and the standard textbook in British universities for the next several decades. Simplified Marshallian economic theory is still the mainstay of undergraduate education in economics.

Yet, even today, a myriad of conflicting schools do battle over the same question posed by Hesiod: “What decision principles and public policies best respond to a scarcity of means to secure human ends?”

Whether this modern “Wealth of Notions” is evidence of a need for a renewal of interest in, and reconsideration of, the arguments of the past is a question that continues to preoccupy the intellectual historian.

**Recommendations for Further Reading**


**Notes**

Exhibition Items


