

## FITTING ATTITUDE THEORY IN ECONOMICS: MENGER AND KEYNES

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*ABSTRACT:* Despite the substantial difference in their monetary theories, Menger and Keynes agree in terms of stigmatizing the love of money. This paper attempts to demonstrate that the shared ethical judgment is defensible for both on the grounds of the same metaethical assumptions—the value theory of Franz Brentano. The paper will be structured in two main parts: I. Ethics. The first part justifies the common rejection of the love of money, at the ethical level. This classical position, as a matter of fact, is considered controversial: in the case of Menger, his criticism towards egoism seems not coherent with his alleged utilitarianism; in the case of Keynes, his disparaging remarks on the love of money as a disgusting morbidity seem in direct contradiction with his endorsement of capitalism. II. Metaethics. In the second part, the focus will be the Fitting Attitude Theory of value, namely with reference to Brentano. The objective will be to identify and discuss the Brentanian arguments by which Menger and Keynes defend their ethical rejection of the love of money.

*KEYWORDS:* Menger, Keynes, Brentano, fitting attitude theory, ethics, metaethics

*JEL CLASSIFICATION:* B13, E12, E14, Z19

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## INTRODUCTION

*A Treatise on Money* begins with the following statement: “Money of account, namely that in which debts and prices and general purchasing power are expressed, is the primary concept of a theory of money.”<sup>1</sup> Obviously, Keynes does not underestimate the function of medium of exchange, and he adds: “Something which is merely used as a convenient medium of exchange on the spot may approach to being money, inasmuch as it may represent a means of holding general purchasing power.” Nevertheless, he believes, in a way that seems to be an implicit objection to Menger, that the function of medium of exchange is not sufficient to explain the true origin of money: “But if this is all, we have scarcely emerged from the stage of barter. Money proper in the full sense of the term can only exist in relation to a money of account.” (CWK, V, p. 3)

It is worth noting that, despite this clear disagreement, Streissler writes in 1973 “that in questions of monetary theory Menger anticipated most of Keynes’s ideas.” (Streissler 1973, p. 165) I agree with Streissler, and I think it is possible to demonstrate this accord at two different levels:

- 1) At the ethical level, the love of money is judged by both of them to be incorrect because it is a conduct based on a false interpretation of the value of money; and
- 2) At the metaethical level, Menger and Keynes make reference to the same theory of value—the fitting attitude theory of Brentano—with some relevant adjustment. This common reference allows them to justify their ethical positions.

## 1. ETHICS

### 1.1. Mengerian Utilitarianism?

The Aristotelian background, as argued by Smith (1990), permeates Austrian thought. This is particularly true for Menger, whose theory of value is inspired also by *Nicomachean Ethics*

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<sup>1</sup> *Collected Writings of John Maynard Keynes*, vol. V, 3. Hereafter cited as CWK, with volume and page number.

(Campagnolo, 2010). It should be easy to conclude, as Aristotle did, that *pleonexia* (greed) is a negative conduct. Nevertheless, it is not uncommon to find the thesis that the marginalist revolution is nothing but a version of the utility theory of value (Hunt and Lautzenheiser, 2011, p. 249), or the thesis that Menger, with Jevons and Walras, gave credit to the idea that “human behavior is exclusively reducible to rational calculation aimed at the maximization of utility” (Screpanti and Zamagni, 2005, p. 166). Here is then the problem to be solved: the Mengerian rejection of the love of money is not compatible with his utilitarianist model, because hoarding money may in some situations be good and perfectly rational for the utility maximiser.

My point is the following: Menger’s model is not utilitarianist. It is true that his emphasis on self-interest can be misinterpreted. It is also true that he is not prodigal of ethical evaluations on economics and, in particular, on the use of money. The reason is simple. He endorses a typically Weberian thesis: Economics should be conceived as a value-free science. It is not surprising, therefore, that Menger wrote:

One of the strangest questions ever made the subject of scientific debate is whether rent and interest are justified from an ethical point of view or whether they are “immoral.” (Menger, 2007, p. 173)

Consequently, from this theoretical standpoint, economics examines money without any political orientation, regardless of normative standards:

It may well appear deplorable—Menger concludes—to a lover of mankind that possession of capital or a piece of land often provides the owner a higher income for a given period of time than the income received by a laborer for the most strenuous activity during the same period. Yet the cause of this is not immoral, but simply that the satisfaction of more important human needs depends upon the services of the given amount of capital or piece of land than upon the services of the laborer. (Menger, 2007, p. 174)

However, this methodological focus on self-interest does not necessarily involve the thesis that “human behavior is exclusively reducible to rational calculation.” On the contrary, Menger is well aware that, in reality, individuals never behave in a purely economic way—that is, following an ever-constant self-interest:

For along with self-interest, which at most can be recognized as the main spring of human economy, also public spirit, love of one's fellow men, custom, feeling for justice, and other similar factors determine man's economic actions. (Menger, 1985, p. 84)

It is therefore crucial, for Menger, to grasp the difference between the task of economics, considered as a science, and the task of the practical sciences of national economy. The scientific task is to investigate self-interest in its purest form, "uninfluenced by other impulses or other considerations." (Menger, 1985, p. 87) The political task is to investigate and suggest what kind of monetary policy should be more suitable, under specific (historical and geographical) conditions of a country, and to prevent or, if necessary, fix possible disorders.

This is precisely the point that Schmoller, during the famous *Methodenstreit*, failed to appreciate. So, when he keeps on criticizing, stating that his opponent would be utilitarianist and a champion of the capitalist ideology of laissez-faire, Menger stands up for himself and justifies his political stance. In his pamphlet *The Errors of the Historical School*, published in 1884, he argues for the compatibility of his methodological option with his political and ethical commitment towards a fair economic model, which should be particularly in favor of the poor. (Menger, 1935a, p. 83)

Let us now turn to the *Lectures to Crown Prince Rudolf of Austria*.<sup>2</sup> I would argue that here Menger finally shows his ethical (Aristotelian) framework. "If and when the egoism and greed of a few become an obstacle to the interests of the many—Menger explains—the time has come for the state to defend the equal rights of all." (Streissler and Streissler, 1994, p. 125) There is a special feature that qualifies the selfish action—that is, it runs counter to the common good: it is the search for a momentary advantage. The example of

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<sup>2</sup> In 1876, Menger was asked to teach the principles of political economy to Crown Prince Rudolf of Austria, whose notebooks have come to light. How can we be sure, therefore, that these lectures reflect Menger's views? Obviously, this can never be fully proved. Streissler has examined a number of alternative explanations. I agree that the most plausible is the following: as far as we know, the notebooks were handed in to Menger for correction. So, we can conclude that, "apart from occasional naive remarks and a certain effusiveness, [...] the notebooks reproduce faithfully what Menger said." (Streissler and Streissler, 1994, p. 12)

deforestation is highly telling exactly because the selfish action, in this case, aims precisely to make (and hoard) fast money:

Quite often a forest owner in the mountains who is temporarily short of money will want to clear his high-lying forests; this can easily cause irreparable damage, since the rainfall will then run off in torrents and wash out the humus layer; floods in springtime, droughts in summer, and other kinds of damage to agriculture in the plains result from such deforestation of the mountain sides and tend to worsen over time. (Streissler and Streissler, 1994, p. 127)

This aspiration to large gains of the moments worries also Keynes, who considers this short-termist style of business with opprobrium. (Keynes, 1963 [1923], p. 94) Menger's judgment is as much trenchant: the blind greed of individuals may often "jeopardize the happiness of present and future generations." (Streissler and Streissler, 1994, p. 127) So, government intervention is required to correct the selfish drift towards commodification, putting individual egoism "in its legally defined place" (Streissler and Streissler, 1994, p. 125), which is also its ethically defined place. This displacement, from blind greed to normal egoism, is partly utopic: Menger is well aware that the ethical requirement to "make any sacrifice for the common good" "is an ideal every country must strive for" (Streissler and Streissler, 1994, p. 133). But precisely that ideal of a "good life" for everyone proves, in typical Aristotelian fashion, that Menger has committed himself on a level which is not strictly economic but evaluative–normative. I agree, then, with Boettke, who says that Austrian economics can be rightly described "as humanitarian in its concerns." (Boettke, 2010, p. 164) My point is that Keynes, too, does not argue in a different way.

## 1.2. Perversion of Desire

The love of money is, for Keynes, the primary ethical question: "At any rate to me it seems clearer every day that the moral problem of our age is concerned with the love of money, with the habitual appeal to the money motive in nine-tenths of the activities of life." (CWK, IX, p. 269) What is at stake here is a perversion of desire, which is typical of capitalism. Obviously, money can be well loved "as a means to the enjoyments and realities of life."

But if it is loved “as a possession”—that is, when money becomes “the object of true religion” (CWK, II, p. 12)—the love that this specific object engenders must be recognized for what it is: “a somewhat disgusting morbidity, one of those semi-criminal, semi-pathological propensities which one hands over with a shudder to the specialists in mental disease.” (CWK, IX, p. 329)

Keynes clearly refers to Freud (Dostaler and Maris, 2000). But I believe that the argument which justifies his diagnosis of perversion is linked to an Aristotelian background. The craziness arises when one starts to use money as a store of wealth. If we accept that money is a mere intermediary, then hoarding money becomes automatically an insane use. Keynes affirms it clearly: “Why should anyone outside a lunatic asylum wish to use money as a store of wealth?” (Keynes, 1937, p. 216)

But this is the problem with Keynes: the world we live in is not the world of the classical economy. We live in a monetary world of production, in which money—also considered as a store of wealth—plays a significant role. From this point of view, the case of “liquidity preference” is paradigmatic: in a context of uncertainty, Keynes admits that holding money seems a perfectly rational choice, because it “lulls our disquietude.” (Keynes, 1937, p. 216)

Apparently, Keynes is in contradiction with himself: the love of money (however morally and psychologically repugnant it may be) is absolutely normal and indispensable, at any rate when the future is dark. As a consequence, Keynes’s ethics seem directly in conflict with his monetary theory.

I argue, on the contrary, that the critical remark on money-motive is logically related with the idea that money’s ability to act as a store of wealth amounts—for Keynes—to a malfunction of the economic system. The liquidity preference, therefore, is not rejected by Keynes on the basis of an imaginary anti-capitalist utopia, but because it can make the capitalist system a) inefficient and b) unjust, at the same time:

- a) Inefficient, because the propensity to hoard causes the “enormous anomaly of unemployment”: as Keynes stated,

...unemployment develops, that is to say, because people want the moon;—men cannot be employed when the object of desire (i.e., money)

is something which cannot be produced and the demand for which cannot be readily chocked off. (CWK, VII, p. 235)

- b) Unjust, because the money-motive causes an “arbitrary and inequitable distribution of wealth and incomes.” (CWK, VII, p. 372)

Surely, the liquidity preference can be comprehended, but it is not the best way to manage the capitalist system. In the long run, the fact of holding liquid reserves can determine a crisis of confidence in the system of economic intermediations: “Our desire to hold money as a store of wealth is a barometer of the degree of our distrust of our own calculations and conventions concerning the future.” (Keynes 1937, p. 116) The consequence of this crisis is, for Keynes, catastrophic: the normal strategic interaction between economizing agents turns into “egotistic atomism,” a concept which Keynes employs for defining modern capitalism as “a mere congeries of possessors and pursuers.” (CWK, IX, p. 267)

There is however a difference here between Menger and Keynes. Keynes seems nearly “dogmatic” in taking egotistic behavior to be necessarily related to capitalism. Menger—as we have seen—is subtler: self-interest, obviously, is “the mainspring of human economy,” but there is also the “public spirit.” It is not then “automatic”—as for Keynes—that self-interest degenerates into selfishness.

Certainly, and here Menger and Keynes share the same concern, capitalism needs to be “wisely managed.”

In the case of Keynes, what has to be noticed is that his “Aristotelian” evaluation is strongly associated with his monetary theory: if “our gods” become “avarice and usury,” then “fair is foul and foul is fair, for foul is useful and fair is not.” (CWK, IX, p. 331)

The reference to “usury” is crucial in order to understand the function of ethics in Keynes’s economic thought. In the *General Theory*, and elsewhere, Keynes argues the equivalence of his liquidity preference theory with the medieval and classical (Aristotelian) definition of usury. But what is important is this: the critical evaluation of this repugnant practice is not immediately justified on the basis of ethical reasons. As for Aristotle, usury is first of all a monetary anomaly. It is then because of this economic reason

that usury may be ethically questionable. This excerpt of *Politics* (1285b) shows the same line of argument endorsed by Keynes:

Usury—Aristotle explains—is very justifiably detested, since it gets wealth from money itself, rather than from the very thing money was devised to facilitate. For money was introduced to facilitate exchange, but interest makes money itself grow bigger. (That is how it gets its name; for offspring resemble their parents, and interest is money that comes from money). Hence of all the kinds of wealth acquisition this one is the most unnatural.

When this unnatural kind of wealth acquisition becomes a system of production, everything can be transformed in a possible means of maximizing utility:

We destroy the beauty of the countryside because the unappropriated splendors of nature have no economic value. We are capable of shutting off the sun and the stars because they do not pay a dividend. (CWK, XXI, p. 242)

It is the same as Menger's diagnosis of commodification. Under these pathological conditions, the therapy against the disgusting morbidity of the love of money is simply said: Keynes invites us "to return to some of the most sure and certain principles of religion and traditional virtue—that avarice is a vice, that the exaction of usury is a misdemeanour, and the love of money is detestable." (CWK, IX, p. 331)

There is an indicator which, for Keynes, attests that we are anew on "the paths of sane wisdom": We shall be able to "prefer the good to the useful" (CWK, IX, p. 331). That does not mean, in my view, that the pursuit of the useful is, for Keynes, necessarily detestable. As for Menger, the useful has the value of means; therefore, the criterion which regulates the useful cannot again be the useful. The means, in the world of the classical economy to which Keynes refers, is regulated by the end, and the end is the good which, for Keynes, too, always involves a nexus between the individual and the common interest. That is what Keynes, I think, intends to say when he affirms that "fair is not useful"; fair is the intersubjective measure which makes appropriate and legitimate the pursuit of the useful. If the useful becomes its own measure, then "foul is fair."



This is the same line of argument on which *Nicomachean Ethics* is grounded. But the thesis according to which money—and the useful in general—is a means is justifiable for both Menger and Keynes on the basis of the same theory of value. We have now to make explicit this metaethical level.

## 2. METAETHICS

### 2.1. Fitting Attitude Account of Value

Lachmann (1977) has argued that the importance of the Austrian school of economics is essentially the subjective revolution. This applies, in particular, to the case of Menger, where the theory of value is subject-dependent. “Essentially the same thing may be said,” according to Chisholm (2010, p. 145), of the theory of value as Brentano conceived it.<sup>3</sup> As regards Keynes, his philosophical engagement with Moore and Brentano is well known (Baldwin, 2006). Let us then begin to define this common metaethical model.

The key idea of the Brentanian model is the distinction between “intrinsic good” and “instrumental good”: “We must distinguish between primary and secondary goods—between what is good in itself and what is good for something else.” (Brentano, 2009b, p. 11) We can provide an account of this difference in the following way:

- a) What is an intrinsic good is good for its own sake *necessarily*—that is, in every possible world in which it happens. As a consequence, a good in itself, Brentano explains, “can stand side by side with the true. For whatever is true, is true in itself.” (Brentano, 2009b, p. 11)
- b) What is instrumentally good, or good as a means, is something that happens to lead to a good result in this world—that is, it varies according to time, place and circumstances; what is instrumentally good on one occasion may be instrumentally neutral, or instrumentally bad, on another occasion.

The intrinsic/instrumental distinction allows us to put the typical economic goods in the right place: “the useful—the same

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<sup>3</sup>I do not discuss here whether or not Menger has truly read Brentano. I am interested in proving the equivalence of their respective metaethical assumptions.

Brentano explains—is a clear example of the latter type of good.” (Brentano, 2009b, p. 11) Money is then an instrumental good; that is to say, that it cannot be correctly loved for its own sake.

The next step is the definition of the predicate “good,” which is strictly conceived as intrinsic good. Grounded in the analogy good—true, Brentano formulates his fitting attitude theory of value:

We call a thing true when the affirmation relating to it is correct. We call a thing good when the love relating to it is correct. In the broadest sense of the term, the good is that which is worthy of love, that which can be loved with a love that is correct. (Brentano, 2009b, p. 11)

We can outline the following definition:

A is intrinsically good =<sub>def</sub> A is necessarily such that, for any x who contemplates A, A is a “fitting object of a pro-attitude.” (Ewing, 1948, p. 152)

The emotivist hypothesis has to be rejected immediately. The good is inferred from *correct* emotions—that is, in a sense true. But here, there is ample room for justified skepticism. The more questionable point is the meaning of “worthy”. It would seem reasonable, based on the Brentanian definition of good, to exclude that “worthy” depends on a real predicative determination of a thing. From here, the problem emerges: What does it mean that an object is “worthy of love” if the object does not possess properties such as to cause the pro-attitude? What does “correctness” of an emotion mean?

The fitting attitude theory of value cannot aspire to be a correspondentist theory in the classical sense of “adequatio rei et intellectus.” Brentano states it clearly: “It would be manifestly absurd to say that the correctness of love and hate consists in a kind of identity that holds between these feelings [...] and something lying outside the feelings.” (Brentano, 2009b, p. 48) However, Brentano is decidedly much less clear when he attempts to explain how this kind of correspondence should be conceived: “One loves or hates correctly provided that one’s feelings are adequate to their object—adequate in the sense of being appropriate, suitable, or fitting.” (Brentano, 2009b, p. 48)

Maybe an example could provide a clue to understanding. Brentano endorses Aristotle: “When we contemplate knowledge,

there arises out of this contemplation a correct love of knowledge." (Brentano, 2009b, p. 99) Similarly, it is correct to become indignant about injustice, because we have an immediate awareness that injustice is worthy of disgust. This means that, following Brentano, some of our emotional reactions are similar to the *apodictic* judgment. An axiom, for example, is a proposition which requires, as the correct epistemic reply, to be accepted as immediately true. The same happens for certain emotional answers which are recognized as correct (*richtige anerkannte*). Furthermore, the ability to detect this correctness emotively is, Brentano believes, "common to all the members of our species." (Brentano, 2009b, p. 13) This binding assumption, as we will see, is shared by both Menger and Keynes.

I think it is possible to conclude this point by saying that the pro-attitude is not dependent on congruence with an outside object, but it is not even a simple matter of taste. Rather, the correspondence has to be intended between a given attitude and its "self-giveness" (*Selbstgegebenheit*). This means that, for Brentano, correct love or hate stems from an inner experience of *evidence*—an immediate perception (*Wahrnehmung*) of their truth. In a letter to Oskar Kraus, Brentano writes: "We know with immediate evidence that certain of our emotive attitudes are correct." (quoted in Chisholm, 1982, p. 72)

It is not my intention to discuss here the consistency of this meta-ethical model. My aim is to prove that Menger and Keynes opt, within limits, for it. I shall simply note, in accord with Reicher, that the immediate access to values through evidence is dubious: "If evidence is merely a feeling of certainty, clarity and distinctness, then it does not guarantee truth." (Reicher, 2009, p. 113) To sum up: A feeling of clarity is not a sufficient criterion which allows us to distinguish between real evidence and apparent evidence.

It has to be said that Brentano himself sees the problem: "There is no guarantee that every good thing will arouse in us an emotion that is experienced as being correct. When this does not occur, our criterion fails." But he is, nonetheless, convinced that "there are many things, and not just a single thing that we recognize in this manner to be good." (Brentano, 2009b, p. 15) So, having once acquired the conviction that we possess certain insightful feelings, immediately perceived as correct, Brentano can explain how some of our other feelings are, on the contrary, ethically wrong.

The argument is simple: If correct love is similar to the apodictic judgment, incorrect love is similar to prejudice. The example concerns exactly the love of money: “The feelings of inclination and disinclination often resemble blind judgment in being only instinctive or habitual. This is so in the case of the pleasure the miser takes in hoarding money.” (Brentano, 2009b, p. 12)

What, then, has to be considered ethically wrong in avarice?

First, hoarding money is “a foolish passion” (Brentano, 2009a, p. 18)—that is, it lacks the typical sort of clarity that is supposed to qualify correct emotions. Second, the lack of clarity involves a misinterpretation of the value of money: “Who loves money, completely forgets the aim and acquires a senseless desire for the means, just as if they were the end” (Brentano, 2009a, p. 18).

Therefore, we can conclude by saying that avarice is a type of love which is not in harmony (*im Einklange*) with the value of money; or the same thing—money is not worthy of love for its own sake; it is not a fitting object of a pro-attitude, being only instrumentally good.

## 2.2. Menger’s Theory of Value

It seems that Menger completely endorses the Brentanian thesis, according to which value is not a property of things, but it is subject-dependent: “The goods-character is nothing inherent in goods and not a property of goods, but merely a relationship between certain things and men, the things obviously ceasing to be goods with the disappearance of this relationship” (Menger, 2007 [1871], p. 52). Obviously, we have to bear in mind that the value in question here is related to economic goods—that is, the typical instrumental goods, following the metaethical classification proposed by Brentano. For Menger, this means that a thing acquires goods-character when it is placed in a causal connection with the satisfaction of our needs. Therefore, knowledge of goods-character is *a posteriori* and contingent, because the causal nexus varies according to time, place and circumstances. To be more precise, if a thing is to become an economic good, all four of the following prerequisites must be simultaneously present:

1. A human need (*Bedürfnis*).

2. Such properties as render the thing capable of being brought into a causal connection with the satisfaction of this need.
3. Human knowledge of this causal connection.
4. Command of the thing sufficient to direct it to the satisfaction of the need. (Menger, 2007 [1871], p. 52)

I would argue that the first prerequisite can be considered Brentanian. I ground my interpretation in the second edition of *Principles of Economics* (published posthumously in 1923), in which Menger writes no more simply “a human need” but “the perception of a human need” (see Becchio, 2014). It is true that Menger never speaks of “fitting attitude” or “correct emotion.” Besides, what is at stake here are instrumental goods. It is also true that Brentano never speaks of “human need.” Despite the differences, I believe that there is a point of agreement. Menger considers needs as always being in connection with desires: A need appears as involving a request of satisfaction and, therefore, as strictly related to desires and interests. This point can also be found in the Brentanian model, and I would argue that it is not a mere coincidence. As Smith (1994) and Shionoya (2012) showed, it seems reasonable to infer that Mengerian subjectivism has been directly influenced by Brentano’s psychology. Brentano, in fact, stresses three classes of mental phenomena:

- a) ideas or *presentation*;
- b) *judgments* (affirmations and negations);
- c) *emotions*.

Presentation, which we acquire through perception or imagination, does not mean “that which is presented” but rather the *act* of presentation. This act is the basic part of the mind: Every mental act (judgment or emotion) is superimposed on presentation.

Every judgment is either true or false: It is true when its affirmation is correct; as a consequence, when something is affirmed as correct, it is implied that it is false (incorrect) to deny that which was affirmed.

Finally, the third class includes love and hate but also interests, desires, acts of will and choices.

Now, then, the Mengerian “perception of a human need” can be classified, I believe, as being on the first level: It is a self-presenting

state through which we know a need and its correlative desire for satisfaction. Therefore, the goods-character of a thing, for Menger himself, is related to an emotion (need-desire) which is based on a self-presenting perception. To put it more precisely: human needs and desires are the basic standard of the evaluation of economic goods. This is why Menger stated that the *nature* of the economic value is subjective.

It is actually not very different from Aristotle. Or, at least, this is the “subjectivist interpretation” of Book V of *Nicomachean Ethics*, which Menger knows well (Menger, 2007 [1871], pp. 277, 295). Here, Aristotle argues that there can be no exchange if goods were not measured by some standard. “This standard is in fact demand (*chreia*), which holds everything together; for if people needed nothing, or needed things on different degrees, either there would be no exchange or it would not be the same as it now is” (Aristotle, 2004 [c. 350 BC], p. 90).

So far, then, Menger is Brentanian because of his Aristotelian background. The other prerequisites, namely the second and the third, are clearly beyond the Brentanian framework.

With the second prerequisite, we understand that the goods-character of a thing also depends on the intrinsic properties of that thing. The goods-character is not obviously reducible to something inherent in goods; but not everything is capable of being brought into a causal connection with the satisfaction of our human needs.

At the metaethical level, Menger seems not to be content with the Brentanian criterion of evidence: The self-presenting perception does not function as an inner experience of clarity, which would thus guarantee itself and the emotion which is presented. Rather, I think that Menger tends to combine Brentano’s subjectivism with a classical (correspondentist) theory of truth. In fact, with the third prerequisite, Menger states that value, which remains dependent on desire, requires “a judgment economizing men make about the importance of the goods at their disposal for the maintenance of their lives and well-being” (Menger 2007 [1871], p. 121). The Mengerian theory of value intends to be subjective and objective at the same time. I agree with Zúñiga (1998, p. 164), who defends this double character as follows: “The judgment that the agent makes regarding the economic object is subjective but its truth or falsity

can be settled objectively by the correspondence of the judgment with facts in the world.”

I would also add that the subjective judgment is not a product of arbitrariness because the relation of correspondence is between the real properties of the thing desired and *real* needs and desires. Menger believes that it is possible to identify the “true constitution of things” (Menger, 2007 [1871], p. 53) and the “true human needs”<sup>4</sup> by separating them from their false counterparts. This distinction, which is borrowed from Aristotle, is easy to set: When properties are “erroneously ascribed to things that do not really possess them” or when “non-existent human needs are mistakenly assumed to exist,” we enter in the irrational domain of “*imaginary* goods” and “*imaginary* needs” (Menger, 2007 [1871], p. 53).

Menger, then, is more Aristotelian than Brentano because of his reference to the true constitution (i.e. essence) of things and the reference to “the *naturality* of the needs.”

What is problematic, in my opinion, is how to justify the imaginary/true distinction within a metaethical framework which is not purely objectivist. It is unquestionable, as stated above, whether Menger advocates for a correspondentist model of truth; but its reference to “human nature” and the “essence of things” is only apparently Aristotelian because it is consciously detached from any metaphysical background (see Crespo, 2003).<sup>5</sup> Menger’s position on metaethics actually swings between objectivism and subjectivism.

On the one hand, Menger would claim to establish the “exact types” of the fundamental human needs. At that point, he would come to classify the imaginary needs as “incorrect” tokens; on the other hand, he is forced to admit that there is no objective measure of needs and “true” values (Menger, 2007 [1871], pp. 146, 299) since we always have to deal with the (subject-dependent) perception of needs and with the (subject-dependent) use value of goods.

Because of this oscillation, Menger is vulnerable to criticism from a purely subjectivist standpoint. Mises (2003 [1933], p. 185), for

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<sup>4</sup> The expression “wahre Bedürfnisse” is actually in the second edition of *Principles of Economics* (see Shionoya, 2012, p. 75).

<sup>5</sup> We will see that this is a problem which Keynes also had to face.

example, views the first case (imaginary goods) as obviously inconsistent: It is highly possible that things that are “objectively” useless become subjectively goods in the economic sense of the world. The second case (imaginary needs) is even more problematic: Who can decide whether a certain human need is mistakenly assumed to exist? But Mises’s criticism is even more radical. Menger may condemn “certain modes of behavior as absurd and opposed to ‘real’ needs.” The question, however, is that “such judgments—for Mises—are beside the point for a science dealing with the reality of human action. Not what a man should do, but what he does, counts for praxeology and economic. (Mises, 1998 [1949], p. 96)

But the issue, with regard to Menger, is that he is neither a pure objectivist nor a pure subjectivist. The attribution of value is not a matter of pure choice; it is also a matter of judgment. Menger states it clearly, with reference to Aristotle: If the attribution of value derives from a process involving rational deliberation, then we are in the field of true needs and goods; if the process is, for some reason, irrational—that is, if it involves the false ascription of properties to things that do not really possess them, we are in the field of imaginary needs and goods. Markets provide incentives to generate such goods. I then agree with Caldwell, who states that “sellers of snake oil are constantly with us, and some people are taken in” (Caldwell, 2006, p. 381). But this process is open to critical examination. As a consequence, we can learn and rectify this kind of mistake.

This is why I am inclined to think that the imaginary/true distinction is anything but arbitrary. In particular, I believe, contrary to the claims of Mises, that the distinction is a valid criterion that can be used to detect and correct the process of assigning an imaginary value to money. Let us see why.

According to Mengerian metaethical laws, we said that being good is not a property of a thing but a relationship between a thing and a need; it depends on a judgment regarding a thing’s actual ability to satisfy real needs. The case of money is no different: As we know, money has a goods-character because it is a thing which is supposed to have a certain degree of marketability—that is, a non-inherent property to facilitate the exchange of economic goods.



What happens, then, when one loves money for its own sake? The money lover assigns to money the supposed inherent property of being good in itself. This is the first metaethical mistake. The attribution of this imaginary value involves the false perception of an imaginary need—the urge of accumulation. This is the second metaethical mistake. The need to hoard money is not real, because it does not arise from rational deliberation on the real nature of money and from a correct assessment of human nature; it follows from a process of fetishization. This is why, for Menger too, money is not worthy of love; this is as a consequence of his metaethical assumptions.

### 2.3. Keynes's Theory of Value

As it has been demonstrated, Keynes knows and admires Brentano's work (Bateman, Davis, 1991; Baldwin, 2006). I am interested in highlighting a theoretical agreement, which I consider relevant to proving my thesis. In a famous, unpublished paper (*Miscellanea Ethica*, 1905), Keynes endorses a metaethical view, which is close to the fitting attitude theory of value endorsed by Brentano: "An object, towards which a valuable mental relation is possible, is liable to receive the same epithet as the mental relation it inspires. [...] Anything which is fit to inspire a good feeling is itself regarded as good." (Quoted in Davis, 1994, p. 78)

As we already observed, the attribution of goods-character is justifiable on the basis of an inner experience of a pro-attitude which is immediately perceived as correct. For Keynes too, this state of mind, which is related to a *fit* object, has an intrinsic value. This means that, always in harmony with the Brentanian metaethical framework, Keynes, as well as Menger, grounds his line of argument in the intrinsic/instrumental distinction. Only the things that possess an intrinsic value may be ethically justifiable as ends; on the contrary, the things that have only an instrumental value count as means in relation to the ends.

However, Keynes, again in a similar way to Menger, is not purely Brentanian. In my opinion, there are two points of difference with the Brentanian model:

- 1) The attempt to combine the subjective attribution of goods-character with a certain objective standard of evaluation.

2) The thesis that some states of affairs may have intrinsic value apart from experience.

1) The pursuit of an objective standard of evaluation leads Keynes towards the reference to the (problematic) normative function of human nature: “Assuming the approximate uniformity of human organs, we can often—if not near enough—say what, apart from peculiar circumstances, a man *ought* to think and feel” (quoted in Davis, 1994, pp. 80–81). Obviously, this reference is not intended to be perfectly Aristotelian. Keynes is well aware that his position “lacks the precision which a metaphysician would desire.” In my opinion, it is more understandable in Humean terms. It is known that Hume argues for the universality of human nature exactly on the grounds of a certain “similarity” between the minds of all men:

The minds of all men—writes Hume—are similar in their feelings and operations; nor can any one be actuated by any affection, of which all others are not, in some degree, susceptible. As in strings equally wound up, the motion of one communicates itself to the rest; so all the affections readily pass from one person to another, and beget correspondent movements in every human creature. (Hume, 2000 [1739-1740], nn. 575–576)

I consider the Keynesian claim for the “approximate uniformity of human organs” to be along the same line of argument. Surely, this reference to a certain regularity in human thinking and feeling does not lead to an objectivist position. But I consider it sufficient, as in the case of Hume, to reject a thoroughly relativist subjectivism.

2) This is why Keynes is convinced that not only states of mind but also some states of affairs may have intrinsic value. Beauty, harmony, justice and virtue are, according to Keynes, some examples of intrinsically valuable states of affairs. This is the second difference from the Brentanian model. Following Brentano, the intrinsic value of a state of affairs is always dependent on the emotions which are appropriate to, or required by, that state of affairs. For Keynes, some states of affairs can be judged based on their intrinsic value—that is, Carabelli suggests, totally apart from their influences on experience. In another early paper (*On the Principle of Organic Unity*, 1910), Keynes states clearly this anti-consequentialist position:

We ought to aim at bringing into existence a good state of affairs, and we should not judge rightly if our approval and disapproval has reference to isolated consciousness only [...]. Intrinsic value is ethical. Some states of affairs ought to exist rather than others apart from their influence or experience. (Quoted in Carabelli, 1998, p. 198)

Let us now ask: How can we classify the love of money in reference to these metaethical assumptions?

The first point to remember is that money—and the market in general—belongs to the domain of instrumental goods. Keynes admits that he borrowed the distinction from Marx. As rightly pointed out by Meikle (2001, p. 41), Keynes might also have got it from Aristotle, whom he read, and who first made the distinction in *Politics* Book One (Aristotle, 1998 [350 BC]). Besides, Marx himself took it from Aristotle and made it the cornerstone of his analysis of the market economy. As a consequence, the love of money for its own sake is not a good feeling, because money is not a fitting object of such love. An instrumental good is fit to inspire appreciation, but the correct appreciation of an instrumentally good object is not for its own sake but for the sake of the intrinsic good it helps to realize. The love of money is not, then, a valuable mental relation (it is foolish, strictly speaking), because it is grounded in a misinterpretation: A means, belonging to the category of useful, becomes an end—that is, it is mistakenly treated as an intrinsic good.

The second questionable point is that the love of money engenders an unfair social order which is directly in conflict with a state of affairs which Keynes considers intrinsically good and, for that reason, ethically required.

Therefore, Keynes justifies his ethical refusal of the love of money, starting from the same metaethical premises endorsed by Menger.

## CONCLUSION

To sum up, Menger and Keynes can be considered in light of two significant points of agreement:

- 1) At the ethical level, I have tried to demonstrate that, for both Menger and Keynes, the line of argument is the same: The useful, which is not *per se* morally problematic, becomes ethically stigmatizable when it tends to occupy the entire horizon of human

desires. Actually, the useful—as, for example, money—has value as means; therefore, the ethical criterion which regulates the useful cannot again be the useful. The means, in the world of the classical (Aristotelian) economy to which Menger and Keynes refer, is regulated by the end, and the end is the common good. This is why the love of money, which is a clear symptom of egoism, is ethically and politically detestable.

2) At the metathetical level, I have argued that, for both Menger and Keynes, the love of money is unjustifiable with reference to a common metaethical assumption, the fitting attitude theory of value conceived by Brentano, combined with an objective standard, which balances the subjectivist background of the Brentanian model.

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