



Editorial – Special Issue (2018)

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The birth of the Austrian School of economics can be traced back to 1871, when Carl Menger published his seminal treatise on the *Principles of Economics* ([MENGER, 2007^a](#)). In this work, Menger not only introduced a distinct, subjective theory of value and price, but he also had many important and interesting insights regarding the process of economic growth. These insights, that are still highly relevant to countries both in the developing and developed parts of the world, laid the foundation for a distinct Austrian theory of growth and development.

In fact, right at the beginning of the *Principles*, Menger asks us to consider the case of an economy where individuals, instead of restricting their activity “merely to the tasks of a primitive collecting economy – that is, to the acquisition of naturally available goods of lowest order (ordinarily goods of first, and possibly second, order),” also focus on the production of “goods of third, fourth, and higher orders” ([MENGER, 2007^b](#), p.73). Because of such reallocation of the available resources, he notes that, “the hunter, who initially pursues game with a club,” will instead turn to “hunting with bow and hunting net;” and thereafter, he will graduate to “stock farming of the simplest kind, and in sequence, to ever more intensive forms of stock farming” ([MENGER, 2007^c](#), p.73). Moreover, following close on the heels of such economic development will be “the rise of manufactures, and their improvement by means of tools and machines” (MENGER, 2007, p.73).

Now, what will be the end result of such a gradual transfer of resources from production processes with a relatively short period of production, where the use of the resources lies relatively close in time to consumption, to those characterized by a longer period of production, where the resources are used further away in time from consumption? Menger argues that, “in the closest connection with these developments, we shall see the welfare of this people increase” (MENGER, 2007, p.73); for the progressive lengthening of the production structure will lead to “an increase in the consumption goods at human disposal”; to an improvement in the quantity and quality of the flow of consumer goods available to the members of this economy.

Menger, later in the *Principles*, also notes that the transfer of the available means of production from a shorter to a longer process, while yielding benefits in the form of an increase in productivity and a corresponding increase in the flow of consumer goods, also comes with its own share of cost and sacrifice: to embark on a longer and more productive process one must sacrifice the satisfaction of wants in the nearer future. Such a trade-off of present for future consumption, however, it comes with its own unique complications. For, “economizing men,” Menger observes, “generally endeavor to ensure the satisfaction of needs of the immediate future first” (MENGER, 2007, p.154). Only after this has been done do they “attempt to ensure the satisfaction of needs of more distant periods, in accordance with their remoteness in time” (MENGER, 2007, p.154 4).

The sacrifice of consumption in the nearer future for that in the more distant future, in other words, is constrained by the subjective time preferences of economizing individuals. And this fact of time preference, and the associated necessity that it imposes on individuals “of first making provision, with the goods at present available to them, for the satisfaction of their needs in the immediate future, [...] places a restraint upon the efforts of economizing men to progress in the employment of goods of higher orders” (MENGER, 2007, p.154).

Menger’s penetrating insights on the process of economic growth and development were developed by his followers, most notably by Böhm-Bawerk ([1959a](#), [1959b](#)), Mises ([1962](#), [1990a](#), [1998a](#)), Hayek ([1975](#), [2008](#), [2009](#)), [Rothbard \(2009\)](#) and [Lachmann \(1978\)](#). Most importantly, in his famous article discussing the possibility of economic calculation in a socialist economy ([MISES, 1990b](#)), and in his treatise, *Human Action* ([MISES, 1998b](#)), Mises notes that this process of growth also requires certain institutional preconditions. The existence of private property in the means of production, and the presence of a sound monetary order are both essential for the gradual lengthening of the production structure, for it is only under such conditions, that entrepreneurs can engage in economic calculation.

These and other insights that are integral to the Austrian theory of growth and development have been applied to analyze the development experiences of countries from around the globe in this Special Issue. In their contributions, the authors have used this theoretical lens to analyze the development experiences of countries such as Venezuela, Argentina, Brazil, Serbia and Angola, amongst others. It is my hope that these articles will help inspire scholars from around the world to further develop the unique insights of the Austrian theory of growth and development and to apply these insights to shed further light on the economic history and the development experiences of countries and regions from around the world, both in the recent as well as in the more distant past.

I would like to take this opportunity to thank Adriano Paranaíba and Fernando Monteiro D'Andrea for giving me the opportunity to serve as the guest editor for this special issue and for their excellent editorial assistance. I hope that this set of articles will help Mises Journal to continue to flourish and those associated with it to further the growth of the Austrian School of economics in Latin America and throughout the world.

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