

PROFESSOR ALBÍN BRÁF, HIS STUDENTS AND THE AUSTRIAN SCHOOL

Jaroslav Krameš

Abstract

Professor Albín Bráf and his students promoted mutual professional relationship into quality which was named the Czech National Economy School of Bráf in professional literature. A. Bráf and his students achieved an exceptional relationship with the founders of the Austrian School. Bráf exchanged with C. Menger numerous letters and was influenced by him in the conception of economic categories and in the approach to economic science. František Čuhel, a student of Bráf, developed the economic interpretation of needs, setting of borders between economics, psychology and the ordinalist version of utility theory in numerous discussions with Menger, Böhm-Bawerk and F. von Wieser. Another student of Bráf, Vilibald Mildschuh, developed very close professional relationship with Professor Friedrich von Wieser. Among others, he continued in development of Wieser's conception of income theory of money. Karel Engliš, probably the most significant student of Bráf, took up a critical position to the Austrian School. His attitude contributed to building of the teleological noetics and the teleologic theory and to a formation of the Teleological School of Engliš.

Keywords:

Austrian School, Czech National Economy School of Bráf, Teleology School of Engliš

JEL Code: B 100, A 100

Introduction

In the late 19th and beginning of 20th century leading figures in economic science recognised at international level influenced the German departments at Prague University of Technology in Prague and Brno. E.g. Friedrich von Wieser, Robert Zuckerkandl, Emil Sax. Also Oskar Engländer during the Czechoslovak Republic (Krames 2002). They represented the Austrian school of marginal utility. In the Czech departments there was Albín Bráf (1851 - 1912) and his disciples. This group of Czech economists was called "Czech national-economy Bráf's school". Czech economic science was born then. Will the genesis of Czech economic science be integrally connected with the Austrian school? Will A. Bráf and his students also follow the Austrian school of marginal utility? Initially, it seems that the answer to the question

would be positive. The fate of "Bráf's school" was supposed to unite with the Czech economist František Čuhel (1864-1914), who was talented, respected by the founders of the Austrian school and recognised (unfortunately today almost forgotten. This part of the history of Czech economic thought development is not fully explained. Its processing in the paper is based on the study of so far untapped archival documents (Bráf's estate). The economist F. Čuhel is described only in the article of Hudík (Hudík 2007) and an article from Josef Gruber (Gruber 1914) and some notes of brief information character (e.g. Vencovský 1997).

Bráf's attention was dragged to Menger's approach to the methodology of economic science in the so-called Methods Dispute between representatives of the Austrian school and the younger German historical school in particular see (Menger 1883). In Menger's approach Bráf sought support for his own solutions to methodological issues and concepts of economic science in general.

He laid great hopes in František Čuhel, who was to become his successor in both the theoretical work and the efforts of national economic emancipation. Čuhel was supposed to be involved in the theory building construction of the Austrian school and stand alongside the greats of the Austrian school, such as Carl Menger, Eugen von Böhm-Bawerk and Friedrich von Wieser. F. Čuhel however did not start at the Department of Political Economy at the University of Prague and did not replace Bráf. A. Bráf's hopes did not materialise. František Čuhel almost fell into oblivion. He was mentioned in the references to his file (Čuhel 1907) in the works of representatives of the Austrian school (L. Mises, W. C. Mitchell, L. Robbins and F. Machlup). Development of Czech economic thought didn't begin to follow the path of the Austrian school of marginal utility. He chose the way of forming the teleological noetics and teleological theories of Karel Engliš and his school that prevailed in the institutions of the Czechoslovak Republic. The opposition consisted of Josef Macek's education and the Czech Keynesianism, education of Vilibald Mildschuh, Cyril Čechrák and others. We will seek the answers to the question why it was like that.

1. The Austrian School and Albín Bráf (1851 - 1912)

What did the Austrian school offer to the Czech economists? It presented methodological issues, theory of value and price, theory of capital and interest, it offered the possibilities to participate in building theories or to supplement, change and develop the existing theories. Bráf was looking for inspiration for methodological issues in Austrians. He accepts the theory of value and price and theory of capital and interest for his lectures and lithography, but he

didn't involve in building his own theories of the Austrian school. This task was supposed to be taken on by František Čuhel.

Bráf's economic teachings were consisted of a mix of economic theories of an eclectic nature, in that time joined by a standard composition of economic matter consisting of production, distribution of shifts and consumption (Krameš 1999). To address the Czech national economic emancipation he needed a comprehensive system of economic learnings, which would be obtained in a uniform manner of observation, which would also be presented in the textbook. The inconsistent and discussion content of the economic categories and eclecticism of the theory meant obstacle. By the way, A. Bráf never wrote a textbook and never reached the synthesis. Bráf's personality also influenced his pupils and followers, i.e. Cyril Horáček, Josef Gruber, Emanuel Schindler and others. They also adopted the theory composition among others, they developed his concepts and approaches to solving various problems. Among others, they also borrowed his views on methodology (inspired by Menger) and the Austrian theory of value and price as well as the theory of capital and interest. F. Čuhel was supposed to be the first one to actively contribute to building the foundations of the theory of the Austrian school.

According to contemporary views the representatives of the younger German historical school couldn't explain all economic phenomena and processes, and history had to face the economic theory. It was based on the Austrian school. Čuhel was to become a personality who would start this process in Czech economic thought and influence other Czech economists.

Young Čuhel attracted attention with a three-page review of the internationally recognised textbook of financial science by Josef Kaizl in Právník magazine (Čuhel 1888). The review dramatised the need for J. Kaizl to change some parts of the textbook. F. Čuhel then published articles in reputable journals of that time - Právník, Osvěta, Hlas Národa. In 1894, 1895 he edited "New Messages" (the predecessor of Gruber in the National Economic Views), as the authority of Unity to encourage industry in the country.

2 Is the Czech national economy Bráf's school going to follow the path of Austrian school of marginal utility? Bráf and František Čuhel (1864 - 1914)

Professor Albin Bráf counted with Čuhel as his successor in the efforts of national economic emancipation of Czech society and in the building of abstract economic theory. In 1905 Bráf

states: "You know that I'd considered you to be the best theoretical head between us" /he means himself and his disciples - ed. author/ (Bráf to Čuhel on 20. 1. 1905). Čuhel was written to the history of economic thought by an excellent study of *Zur Lehre von den Bedürfnissen*. The documents were highly valued by the founders of the Austrian school, i.e. C. Menger, E. Böhm-Bawerk and F. von Wieser, and it became a cited study by other succeeding generations of representatives of the Austrian school (Hudík 1907). The documents were recommended by Carl Menger (1840 - 1921) to Böhm-Bawerk (1851 - 1914) for publication in the university publishing house in Innsbruck. Böhm-Bawerk wrote a laudatory report to the publisher and on the basis of this report, the publisher Wagner decided to issue Čuhel's documents. Čuhel made a succinct abstract of this publication (Čuhel 1907b).

Čuhel met with Carl Menger in 1895 and explained him his concept of economic science. Based on the recommendation of professor Menger, he focused his doctoral thesis on the psychological interpretation of the origin of the emergence of needs (Čuhel to Bráf on 22. 1. 1906). C. Menger sought, inter alia for expansion of economic science by the psychological underpinnings and Čuhel's work fitted in this plan. A. Bráf also believed that "the motive of acquisitiveness," on which the theory of classical school was based, is inadequate and extending the theory by the psychological under-pinnings is beneficial. However this focus distracted Čuhel from economics to psychology and Čuhel notes, "*and then I didn't know how to get out of it*" (Čuhel to Bráf 9. 10. 1904). He didn't process the habilitation thesis, didn't start at the department and the position at the university was later occupied by the professors Cyril Horáček (1862 - 1943) and Josef Gruber (1865 - 1925).

Čuhel returned to the processing again in 1904 - 1906. C. Menger wasn't influenced and in the discussions with him he followed the opinion that the category of need will be processed theoretically only with regard to the construction of the theory of value and neglect other psychological sources on purpose. Čuhel's intention was the analysis of "individual economy" which he subsequently limited to processing the issue of needs. He also led sharp discussions with another giant at the Austrian school Eugen Böhm-Bawerk. The subject was the reflection of the doctoral thesis, as well as Böhm-Bawerk's theory of capital and interest. Čuhel was so interested in the theory in 1904 that he was thinking of interrupting the processing of the subject of needs to pursue the theory of capital and interest. Both opinions were divided and E. Böhm-Bawerk even felt the need to write defence of his views. Čuhel also led discussions with Friedrich von Wieser (1851 - 1926) (Čuhel to Bráf 29. 5. 1906). Part of the process of the need issue was also as the study of higher mathematics according to the file of Irwing

Fischer. It should have served to form a final judgment on the usefulness, which he expressed doubts about in the file (Čuhel 1907). Čuhel's interest in the use of mathematics in economics became an important subject for links of other generations of Austrian school economists.

What topics were discussed between the founders of the Austrian school and Čuhel and subject of the references to Čuhel's essay? The concept of needs, the issue of the relationship of future and current needs, he criticised the subjective theory of marginal utility and custom solutions resulting in the ordinal concept of utility. He dealt with the problem of measuring the benefits. The subject of interest included the theory of interest. The original approach was expressed by original terminology. Čuhel defined the boundaries between the national economy and psychology. It also forms the subtitle of Čuhel's work.

The founders accepted Čuhel's approach although they had different opinions and also promised to appreciate it in the reviews in professional journals (Čuhel to Bráf on 8. 2. 1907). Critics saw the major "flaw" of the document and Josef Gruber described it as "*division and schematisation going to impossibility and division with new terms and cumbersome formulations created reading of his memoirs as boring*" (Gruber 1914: 424). Čuhel himself clearly states this fact - "*I wish I had the talent to clearly and concisely interpret what I had found out*" (Čuhel to Bráf on 16.12. 1904).

Through professional expertise and recommendation from internationally recognised scientific authorities František Čuhel was avoided in the area of schools (Czech-Slovan Business Academy in Prague, Prague University, Vienna University, Brno Technology, Prague Technology, Business Academy in Chrudim). He found place in the Business Chamber in Prague. In 1889 he became deputy secretary and in 1898 the second secretary. The reason was Čuhel's political activity. In particular, the national scandal publicised in the press at that time (the magazine Čas, the newspaper Hlas Národa, Národní listy, etc.), in which he was compared to Karel Sabina and Rudolf Mrva, the crucial witness in the trial of teenagers (Čuhel 1915, p. 14), see also (From the Courtroom 27. 2. 1903). Based on the affair, he lost his job in the Prague Chamber of Commerce and was prematurely retired. According to the statement of Professor Gruber the reason was: "*Nervous irritability escalating to mental illness*", which was confirmed by physicians (Gruber 1914: 423). Čuhel didn't become the successor of Bráf and building the theory of the Austrian school didn't anchor in Czech economic thought.

3 Albín Bráf and his disciples: Vilibald Mildschuh (1878 - 1939) and Karel Engliš (1880 - 1961)

Another Bráf's student - Vilibald Mildschuh was also close to the representatives of the Austrian school. Later, the professor of Prague University was influenced by the views of Friedrich von Wieser (1851 - 1926) regarding monetary theory and monetary policy, and Bráf considered him merely as adherents of the German line of economic thought in Czech Lands for a long time. He was in a close touch with Friedrich von Wieser. As a student he prepared two papers in his lecture.

At the beginning of 20th century the atmosphere around the theory of money was stirred in Austria by the dossier of Georg Friedrich Knapp (1842 - 1926) "*Die staatliche Theorie des Geldes*" (1905). Knapp undermined the theory of money, which, inter alia, was followed by the older generation of Czech economic thinking (Bráf, Gruber, Horáček), but he did not provide alternative theory. Wieser interpreted it as a challenge and in 1906 he brought a new pension theory of money. In 1909 he fully developed it at the General Meeting of the Association for Social Policy in Vienna in his written report.

Mildschuh remarked: "*Wieser's conclusions make up new proper foundations for the theory of money, in my belief, however, I still require a certain supplement, because the causes of changes in the value of money given by Wieser to explain the actual changes, aren't sufficient enough.*" (See Mildschuh 1926: 457). It opens the way for his development of Wieser's theory. Pension theory of money influenced a number of Czech economists. Its adherents included K. Engliš, C. Čechrák. Individual versions in the form of Engliš and Mildschuh's teachings got into one of the most important economic disputes in the Czechoslovak Republic. We may add that Mildschuh gravitated to the teachings of J. B. Clark (1847 - 1938) and the theory of marginal productivity. The pension theory of money is nowadays regarded as obsolete, but in its time it was considered to be an advanced theory. It didn't become the theoretical arsenal of the Austrian school. The monetary theory of Ludwig von Mises (1881 - 1973) and his document of "*The Theory of Money and currency*" (1912) become the main point of the Austrian school.

Bráf's desire for synthesis was filled by Bráf's another student - Karel Engliš, not F. Čuhel, by teleological noesis and teleological economic theory. According to Karel Engliš and his pupils, the economic phenomena and processes can be perceived in double epistemologically different science. Teleological economic theory and causal science (Bažantová 2016, Krames 2011, Vanek 2000). The same economic reality has dual object of

thinking. Teleology shows it as a dedicated file and causal method captures it as an existential phenomenon. Only the teleological economic theory is able to explain the reality in clearly defined concepts in a coherent system of economic knowledge gained by uniform system of observation (Engliš 1938, see also Engliš 1933). According to contemporary views, the younger historical school didn't progress in the economic theory. The importance and necessity of building economic theory was underlined by Menger's study (Menger 1883), but the use of the theory of the Austrian school proved to be fruitless, according Engliš and his student Vladimír Vybrál (1902-1980), because the theory constructed by the Austrian school is a causal science according to the representatives of the teleological school. The Austrian school was also subjected to criticism by another representative of the teleological school - Jan Loevenstein (1886 - 1932), see (Loevenstein 1917, Loevenstein 1919). The Austrian school continued in the Czechoslovak Republic at German universities.

Conclusion

The advent of the Austrian school at universities in the Czech Lands was mainly pushed at German universities and persisted into the Czechoslovak Republic. The Czech universities, influenced by Bráf's Czech national economic school, should have been directed to the Austrian school as well. Bráf's merged with the view that the historical school is not able to come up with the theory and disagreed with the view to stand history against the theory. The theory under the influence of Menger's document (Menger 1883) should have been built with the help of the representatives of the Austrian school. This focus was supposed to be personified by František Čuhel, who was to become the successor of A. Bráf at the department of Political Economy. He was written in history of economic thought by excellent treatise on the needs (Čuhel 1907). Čuhel became a recognised expert by C. Menger, E.v. Böhm-Bawerk, F. von Wieser and representatives of other generations of the Austrian school. F. Čuhel however didn't stay at the Prague University or any other university and didn't become the successor to Bráf. Czech economic thought e.g. through professor V. Mildschuh was diverted from the Austrian school and the development ended with a critical approach to the Austrian school of Karel Engliš and his students by building teleological Noetics and teleological theories.

Acknowledgment

This article is provided as one of the outputs of the research project of the Faculty of Business Administration IP 307055 „National and corporate competitiveness from the perspective of endogenous growth models“.

References

BAZANTOVA, I. (2016) *Czech economist Karel Englis and his relation to the Austrian school in the first half of the 20Th Century*. Prague economic papers Volume: 25 Issue: 2 Pages: 234-246

BRÁF to ČUHEL, Letter on 20. 1. 1905, Archive of the National Museum in Prague. Archival collection Albin Bráf. Cardboard 6. Inventory number 182.

ČUHEL, F., X., (1888) *Kaizl, J., prof. Pol. Ekonomie při c. k. české universitě. Finanční věda*. Edition magaz. *Ludvík Masaryk v Hustopeči*. Magazine Právník, Vol. XXVII, p. 417 – 420.

ČUHEL, F. (1907a). *Zur Lehre von den Bedürfnissen: Theoretische Untersuchungen über das der Grenzgebiet Ökonomik und der Psychologie*. Innsbruck: Wagner'schen Universitäts Buchhandlung.

ČUHEL, F. (1907b). *K nauce o potřebách*. Sborník věd právních a státních, Volume VII, Praha: Bursík & Kohout, p. 1 – 33.

ČUHEL to BRÁF, *Letter*. Archive of the National Museum in Prague. Archival collection Albin Bráf. Cardboard 6. Inventory number 182.

DOLEZALOVA, A. (2013) *From Albin Braf to Josef Macek – a contribution to the anniversary of two significant czech economists*. POLITICKA EKONOMIE Volume: 61 Issue: 3 Pages: 428-438

GRUBER, J. (1914). *JUDr. František Čuhel*. Obzor národohospodářský. Vol. XIX, p. 423 – 426.

HUDÍK, M. (2007). *František Čuhel (1862-1914)*. Nové pohledy na politickou ekonomii, Vol. 3, no. 1, p. 3 – 14. ISSN 1801 – 0938

KRAMES, J. (1999) *The place of Albin Braf in the development of the Czech economic thought*. Politická ekonomie Volume: 47 Issue: 3 Pages: 393-399.

KRAMES, J. (2011) *Definition of the term teleological school in the czech economic thinking*. Edited by: Loster, T; Pavelka, T. Conference: International Conference on International Days of Statistics and Economics Location: Prague, CZECH REPUBLIC Date: SEP 22-23, 2011 Sponsor(s): Univ Econ, Dept Stat & Probabil; Univ Econ, Dept Microecon; Univ Econ, Fac Business Econ; ESC Rennes Int Sch Business

International days of statistics and economics. Pages: 277-285.

KRAMES, J (2002) *The first 130 years of university economic teaching in Czech lands*
Politická ekonomie. Volume: 50 Issue: 1 Pages: 110-123

MILDSCHUH, V. (1926). *Bedřich Wieser*. Obzor národohospodářský. Vol. XXXI, pp. 450 – 460.

VANEK, J. (2000) *Teleology of Karel Englis as philosophical basis of economic thinking*
Politická ekonomie. Volume: 48 Issue: 4 Pages: 469-481

ZE SOUDNÍ SÍNĚ. Vládní rada dr. Čuhel pro denunciaci před soudem, Národní listy 27. 2. 1903, Periodical Item number 57, News, ISSN 1214-1240, p. 3, deposited in the National Library of the Czech Republic, Klementinum 190.

Contact

Jaroslav Krameš

FACULTY OF BUSSINESS ADMINISTRATION

DEPARTMENT OF MICROECONOMICS

University of Economics,

Prague Winston Churchill sq. 4, 130 67 Prague 3, Czech Republic

Krames@vse.cz