Walrasian vs. Mengerian Views of Prices

Summary of Chapter 1: Microfoundations and Macroeconomics

Comparative Analysis: Walrasian vs. Mengerian Perspectives

Based on Steven Horwitz's discussion in Chapter 1, the following table contrasts the mainstream Walrasian (neoclassical) approach with the Mengerian (Austrian) market process approach.

Feature	Walrasian View (Functional/Equilibrium)	Mengerian View (Genetic-Causal/Process)
Theoretical Goal	**Functional Theories:** Focuses on determining the conditions of equilibrium and the correspondence between existing prices[cite: 108].	**Genetic-Causal Theories:** Focuses on explaining the *genesis* or formation of prices and the laws of their origin[cite: 108].
Mathematical Structure	**Simultaneous Equations:** Binds non-simultaneous magnitudes together as if they exist at the same time[cite: 112].	**Dynamic Process:** Views the market as a process of learning and "becoming" that takes place in real time[cite: 55, 113].
Nature of Prices	**Parametric:** Prices are treated as independent variables ("inputs") given to the actor[cite: 70, 330].	**Endogenous:** Prices are the outcome of subjective human choices and market interactions[cite: 332].
Knowledge Assumptions	**Perfect Knowledge:** Often assumes actors have perfect knowledge or that prices are "sufficient statistics" containing all necessary info[cite: 61, 263].	**Sheer Ignorance:** Assumes actors have fragmentary knowledge; prices act as imperfect "knowledge surrogates"[cite: 61, 275].

Feature	Walrasian View (Functional/Equilibrium)	Mengerian View (Genetic-Causal/Process)
Role of Error	**Error-Free:** In equilibrium, plans dovetail perfectly; implies no error exists in the prices[cite: 65, 146].	**Embedded Error:** Prices are disequilibrium phenomena that embody the errors and expectations of previous actors[cite: 63, 68].
Informational Functions	**Ex Ante Only:** Prices serve primarily as "choice-influencing" inputs for utility maximization before action is taken[cite: 331, 335].	**Tripartite Role:** Prices serve **Ex Ante** (calculation), **Ex Post** (feedback on success/failure), and **Discovery** (signaling profit opportunities) functions[cite: 298, 302, 308].
Market Evolution	**Static State:** Describes a state of rest where the problem of calculation is already solved[cite: 114, 378].	**Evolutionary:** Markets evolve from isolated exchange (bilateral monopoly) toward bilateral competition, narrowing the price range[cite: 75, 76, 78].