

The influence of emigrated economists on economic thinking and economic policy in post-war Austria

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According to Hagemann/Krohn (1999) and other sources¹ 83 economists of Austrian origin² emigrated to the United States, to England and other countries in the 1930's. Only a small number returned to Austria after 1945, in some cases after having retired from their positions at US universities or international organizations. Almost 70 percent of the total emigrated to the USA, leaving some 25 percent for England and a small percentage for other countries. Half of the emigrants to England returned to Austria, mostly within a few years after World War II, but barely five of the emigrants to the USA. A comparison between American and English emigration with respect to theoretical and political orientations, and also of professional situations and working conditions the economists were confronted with, will serve as starting point of my contribution. Thereafter, I will take a closer look at individual cases to show in some detail the roles of returnees in public economic discourse and in the process of economic policy making.

Economists' involvement in economic policy making can be either direct or indirect. There are some cases in post-war Austria where important functions in institutions of economic policy were held by persons with university degrees in economics which they had acquired during their emigration. More often, economists get involved in the policy process as advisors to decision makers or as members of advisory institutions. Still more of an indirect nature is the influence on economic thinking exerted through teaching and publishing, not only related to specific issues of policy but also to the functioning of the economy.

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¹ Mainly the sources of Chaloupek 2011. Information on biographical details given in this contribution are from Hagemann/Krohn, unless otherwise stated.

² Vienna is the place of birth of the overwhelming majority. Those who were born in other parts of the Habsburg monarchy or Europe, they were counted as Austrian only if they had lived and worked (or studied) in the country for some time – for that reason, I have also claimed two economists born in Germany for Austria. Austrians accounted for almost a third of the total of German-speaking economists (243) who emigrated after 1933 (Hagemann 2010, p. 434) – a high percentage in regard to the fact that in 1938 Austria's total population was less than one tenth of that of Germany.

Austrian School of Economics shapes the profile of emigration to the USA

It must not be neglected that motives and conditions of emigration are not uniform. To be sure, most of the emigrant economists were Jews who were forced to leave Austria after its occupation by Nazi Germany in 1938. But in some of the most prominent cases, starting with F. A. Hayek in 1931 and Joseph Schumpeter in 1932, offers of attractive teaching positions were the decisive motive. In a few cases, economists who were not Jews left Austria to avoid degradation or prosecution because of their political affiliations.

Of the almost 60 Austrian economists who emigrated to the USA, a large part lacks a distinct theoretical and/or political profile. They worked in more or less narrowly specialized fields of economics or in business economics, and can therefore not easily be assigned to a school of thought. But for the majority orientation towards a certain school of thought determines their thinking and writing – among those, the Austrian School of Economics is the most important.

Alternative approaches in economic theory and political orientations are closely intertwined in the period under consideration. In the sphere of theory, there is the great dichotomy between Keynesianism on one side and liberal orthodoxy – neoclassical or Austrian type – on the other. In their political orientations, Keynesians are mostly left wing (in US political categories: Democrats), whereas orthodox economists side with conservative or liberal parties.

Whereas the Austrian School experienced something like a Golden Age in the first decades of the newly formed Republic of Austria, its position at the University of Vienna was declining steadily (Craver 1986; Klausinger 2012). In 1938, Hans Mayer, who had been appointed to Friedrich von Wieser's chair in 1923, was the school's only representative with a full professorship at an Austrian university. Anti-Semitism (open and latent) was the main reason why the other members of the Austrian School, despite their superior scientific achievements, had been passed over in appointments or even refused habilitation. Besides that, the so-called *Ganzheits*-doctrine of Othmar Spann had gained sufficient ground to seriously deteriorate career chances of non-Jewish scholars such as Oskar Morgenstern and Gottfried Haberler.

As a scientific community, the economists of the Austrian School organized themselves in the *Privatseminar* (private seminar) of Ludwig Mises, and also around the *Institut für Konjunkturforschung* (Institute for business cycle research) which was headed by Hayek

(1927-1931) and Morgenstern (1931-1938)³. Social cohesion and uniformity of theoretical and political positions among members of the school weakened progressively during the 1930's (Klausinger 2006). The circle around Mises dissolved after his retirement⁴ and move to Geneva in 1934. As an economist with practical experience in economic policy advice Morgenstern had distanced himself not only from Mises' theoretical apriorism, but also from the latter's "rigid system of economic policy." Haberler followed a synthetic approach in his book "Prosperity and Depression" (1937), a survey of existing theories of the business cycle commissioned by the League of Nations. After the occupation of Austria most of the Jewish members of the Mises seminar emigrated to the USA⁵, where they faced an uncertain future. In the USA, cohesion among them was loose, as they were dispersed over many states where they found a place to live and work.

Notwithstanding the generous financial support which the Austrian economists had received from the Rockefeller Foundation in the 1930's⁶, the situation especially in the sphere of economic policy with which they were confronted in the USA had become increasingly unfavourable after F.D. Roosevelt had been elected President in 1932. Worse still, Keynesianism had triumphed at least among the younger generation of economists⁷ after publication of the "General Theory of Employment, Interest and Money". In his book *Grenzen der Wirtschaftspolitik* (1934) Morgenstern had called Keynes a „*Quacksalber*“ (quack) and the policies of the New Deal "*unsinnig und widerspruchsvoll*" (foolish and inconsistent, p. 131). "From an Austrian point of view, a heterodoxy prevailed" in the host country. "In this sense, Austrians found themselves 'in the wilderness' " (Klausinger 2006, p. 627). Since they had participated in international discussions before emigrating to America, they continued by writing their contributions in English. Yet, their endeavours "to propagate the specifically Austrian strand of (political and economic) liberalism" remained unsuccessful for several decades to come (ibidem, p. 627f).

³ On the pre-war history of the institute see Hayek (1977) and Klausinger (2007?).

⁴ Although Mises was entitled to retire, he preferred to take a leave from his position at reduced salary (Mises 1978, p. 86f).

⁵ Martha Steffy Browne, Walter Fröhlich, Herbert Fürth, Alexander Gerschenkron, Felix Kaufmann, Gertrud Lovasy, Richard Schüller, Ilse Schüller-Mintz, Eric Schiff, Gerhard Tintner, Abraham Wald. Mises left Geneva in 1940 and had to take the dangerous route via France, Spain and Portugal. Helene Lieser survived in Switzerland. Paul Rosenstein-Rodan had moved to London in 1931 to accept a teaching position at the University College.

⁶ Mainly through grants to the *Institut für Konjunkturforschung* – see Craver (1986), p. 19f.

⁷ As Schumpeter (1936) sadly noticed in his review of Keynes' book.

Whereas the history of the emigration of the Austrian School to the USA and its revival as New Austrian Economics after 1970 is a well-researched subject in the history of economic theory, literature on the remaining part is still scarce. Of the other Austrian economist emigrants to the USA who did not belong to the Austrian School, as non-socialists I mention Karl Pribram, whose magnum opus “A History of Economic Reasoning” was published posthumously in 1983; Walther Federn, the editor of the legendary weekly journal *Der Österreichische Volkswirt* between 1924 and 1934; and Peter F. Drucker, who branched off into management science where he acquired high reputation after the war.

Most of the socialist emigrants were attached to Marxism and Marxian economics, and therefore rather hesitant to consider non-Marxist economic ideas seriously. In Austria, Marxian type of social science was excluded from the universities after Karl Grünberg’s departure to Frankfurt in 1924⁸. After the failed insurrection of the *Schutzbund* in February 1934 the Social-democratic party was forbidden, its members suffered from the political repression of the so-called *Ständestaat*. Unlike the economists of the Austrian School, the socialists hardly had any contacts to academic institutions in the USA. Scholarly tracts in Marxian economics⁹, such as those published by Alfred Braunthal (1927) and Otto Leichter (1923), were unsuited to serve as a basis for continuing a career of a professional economist. Leichter went into journalism, Braunthal became a staff member of the American and later of the international trade union movement. Eduard März and Maria Szécsi continued with their studies at American universities, thereby developing theoretical and political approaches which combined elements of Marxian and Keynesian economics with varying proportions. Later, they managed to establish themselves as professional economists at academic institutions of lower rank. The case of Adolf Sturmthal, formerly staff member in the office of the Socialist International (Zürich, then Brussels), who became professor of economics at Columbia University, New York, in 1940, is rather exceptional among socialist emigrants.

Non-Marxist socialists Albert Lauterbach and Adolf Kozlik accepted teaching positions at US colleges. Bert F. Hoselitz continued with his studies of economics at the University of Chicago where he was appointed to full professor in 1953. Karl Polanyi, who was a member of the Austrian Social-democratic party and a staff member of the *Österreichische Volkswirt*

⁸ Grünberg was appointed extra-ordinarius at the law faculty of the University of Vienna as early as 1899, to full professor in 1912. Among his students was Henryk Grossmann, born as Austrian citizen 1881 in Krakau, whose first position as an economist was with the Austrian Statistical Office. He followed Grünberg to Frankfurt. Together with other members of the Frankfurt *Institut für Sozialforschung* he took fled from Nazi Germany to Paris and later to New York.

⁹ E.g., contributions to the debate about calculation in the socialist economy – see Chaloupek 1990.

belongs to a special category of economist/social scientist, emigrated to the USA, finally settled in Canada.

It is worth noting that the Austrian socialist economists in the USA did not have an institution like the New School for Social Research which provided opportunities for left-wing Jewish economists from Germany (Emil Lederer¹⁰, Adolph Lowe, Alfred Kähler, Hans Neisser, Gerhard Colm) to continue their professional careers¹¹.

US and English emigration compared

Due to the emigration of most members of the Austrian School, Austro- or other types of old style-liberalism is the prevailing orientation of emigrant economists from Austria to the USA, their number being about twice that of the socialists. Among the emigrants to England¹², the relationship is just the opposite: the socialists are about double the number of the liberals. There is, of course, the prominent case of F.A. Hayek, who was invited to become professor at LSE in 1931 by Lionel Robbins to re-enforce the doctrinal fortifications against the rising tide of interventionism and socialism. The success was rather limited, if in the mid-1930's the LSE was widely considered a "hotbed of communism", according to the testimony of Theodor Prager (1975, p. 9), who enrolled with the LSE in 1935. Hayek's views on causes and cures of the Great Depression soon became a minority position. "In the controversy with Keynes most of the earlier Hayekians defected to the Keynesian camp". (Klausinger 2006, p. 631) The academic environment in England was even more unfavourable to the doctrines of the Austrian School than in the USA.

The British universities provided opportunities for economic scholars from Austria with sympathies for Keynes and/or socialist ideas to further pursue their studies: Josef Steindl¹³, who had been on the staff of the *Institut für Konjunkturforschung* in 1938, went to Oxford; Kurt Rothschild, who had a Dr. iur.-degree from the University of Vienna, studied at the University of Glasgow where he became lecturer in 1940. Other emigrants who worked as professional economists after World War II obtained economics degrees from English

¹⁰ As a native of Pilsen (Plzen, Czech Republic), and graduate from the University of Vienna, Emil Lederer's connections to Austria are strong. With his habilitation at the University of Heidelberg he moved to Germany before World War I.

¹¹ At the New School of Social Research, a "graduate faculty had been founded by Alvin Johnson, the president of the New School, where in 1933 he created the 'University in Exile' to provide a safe haven for scholars who were endangered by totalitarian regimes." (Hagemann 2014) See also Hagemann (2010), p.400.

¹² On the emigration of German-speaking economists to England see Hagemann (2007).

¹³ Steindl who was not Jewish had lost his job at the institute because of his critical attitude towards Nazi Germany and the occupation.

universities: Philipp Rieger and Theodor Prager, who later worked for the institute “Political and Economic Planning” (PEP) from LSE.

Unlike emigrants to the USA, Austrian emigrants to England formed a community, with a major part of the 30.000 Austrian emigrants organized in the FAM (“Free Austrian Movement”). According to Prager (1975, p. 63), the FAM officially was an all-party organization, but controlled by members of the Communist Party. The Social-democrats had their own “London Bureau” to which Rieger, Stefan Wirlandner¹⁴ and Karl Ausch¹⁵ belonged.

Originally, the purpose of these organizations was to provide financial and other support to compatriots who had found a shelter in Britain, and to foster social cohesion among them. Towards the end of the war the associations prepared for organizing the return of their members to support reconstruction of the political system in Austria after its reconstitution as an independent state, of its economy and society.

The role of returnee economists in economic thinking and economic policy¹⁶

Whereas almost half of the economists who had emigrated to England permanently returned to Austria, only 5 of the 70 came back from the USA. To a considerable extent, reasons for this striking difference originate from the private sphere. If most emigrants had to work hard to adjust to the new social environment and to establish a stable basis for their living in the USA, by the end of the war their standards of living were far above what was the income an academic economist could expect in Austria after the war and in the foreseeable future. Many of the emigrants had already become US citizens, or would so be entitled to it. Moreover, as a country part of which was under Soviet occupation and surrounded by countries with communist regimes, Austria did not appear to be a safe place to live, looked at from the other side of the Atlantic.

But apart from that, for the economists of the pre-war Austrian School post-war Austria did not appear as a country that was hungry for their political and theoretical messages. If the USA had turned into a wilderness for Austro-liberalism, laissez-faire policies were even less in place in an impoverished country suffering from heavy war-time destructions. For returnees

¹⁴ Stefan Wirlandner (1905-1981) probably began his studies of economics in England, he acquired a Dr’s degree in state sciences from the University of Vienna after his return to Austria.

¹⁵ Karl Ausch (1893-1976) became economic editor of the SPÖ’s daily newspaper *Arbeiterzeitung* After his return to Austria in 1946.

¹⁶ For a general view on remigration of emigrated economists to Austria after 1945 see Hagemann (2010), p. 434ff.

from Great Britain the situation was different. With their knowledge of Keynesian macroeconomics, and with their political affiliations to left wing parties (Social-democrats or Communists) they were eager to play their role in the economic reconstruction of their country.

Supreme economic priority for several years to come would be the reconstruction of the production system to bring national income back to pre-war levels. That nationalization of industries (and banks) and national planning had to play decisive roles, was the approach that dominated economic policies not only in Austria but in all countries of Western Europe. The handling of scarcities and the control of inflation could not be left to the free play of market forces.

The moment for Keynesian economic policies for full employment and economic stability came much later, namely some ten years after the war, when Austria's GDP had surpassed pre-war levels. But Keynesianism was more than that: an equally important aspect of fundamental change in economic thinking is the break-through of macroeconomic analysis brought about by Keynes "General Theory", i.e. the comprehensive look at the total economy in terms of big aggregates GDP, private and public consumption, investment, total income consisting of wages and profits, and current statistical observation of these magnitudes¹⁷. A strong impulse for the application of macroeconomic analysis came from the Marshall plan. To fulfil the criteria for financial assistance, the Austrian economic ministries had to provide overall and disaggregated plans and projections for investment and its presumed effects on macroeconomic performance. But the number of experts who were able to produce these documents was rather small.

Even after the tasks of reconstruction had been accomplished by the mid 1950's, economic policy concepts of Austro-liberalism were ill-suited for Austria's economic realities. In the early post-war years with their tightly controlled economy the Christian-democratic People's Party (ÖVP) held the ministries of finance and economy. It also endorsed the nationalization of a heavy industry, electricity generation and banks. When general conditions normalized and controls could be lifted during the 1950's, the People's Party generally advocated a return to a market economy, a reduction of the income tax, revitalization of the private capital market and privatization of banks and industrial companies – the so-called *Raab-Kamitz-*

¹⁷ This part of the Keynesian revolution has even been accepted by the modern form of economic liberalism represented by Milton Friedman's monetarism. With their rejection of macroeconomics Austro-liberals had withdrawn from the central part of the economic policy debate. On this point see Skousen (2005).

*Kurs*¹⁸ (Butschek 2008, pp. 304ff). At the same time, fiscal policy was markedly anti-cyclical, the corporate tax system was heavily biased towards promotion of investment, and public investment in infrastructure (including electricity generation) was sustained at a high level. A general pension system was introduced in 1955. The People's Party sympathized with the German concept of *Soziale Marktwirtschaft*, but never really embraced it. The restrictive system of small business regulations through an extremely illiberal *Gewerbeordnung* and the prevalence of monopolies and oligopolies in many branches of manufacturing would not harmonize with the idea of "perfect competition" which was the core of Eucken's concept. Soon, social partnership emerged as the central idea of Austria's economic policy.

This kind of pragmatism also shaped the Social-democratic party's (SPÖ) positions in economic policy. Originally, the SPÖ had committed itself to democratic socialism, i.e. nationalization of major industries and planned economy. During the 1950's, the SPÖ gradually reoriented towards a reformist Keynesian concept of economic policies, when it became evident that the growth dynamics of the market economy were a reliable basis for raising real wages and for the introduction of modern welfare state schemes (Chaloupek 2006).

The strong position which Keynesianism held in Austria's economic policy in the post-war period (up to the present) was to a considerable extent based on returnees' superior knowledge of modern macroeconomic theory, and also of techniques of empirical research. Through their work in important institutions (Austrian Institute for Economic Research - WIFO, Chamber of Labour), through publications and engagements in a variety of advisory institutions of economic policy (see the case studies below) the returnees exerted considerable influence on economic thinking and economic policy, beginning in the 1940's, and with growing intensity after 1960. The general level of economics in Austria benefitted significantly from this knowledge transfer.

For more than a decade, knowledge of modern economics and of new techniques of economic analysis could not be acquired from universities in Austria. Hans Mayer still held the main chair for economics at the law faculty of the University of Vienna. He re-affirmed his distance towards Austro-liberalism in an address written at the occasion of Ludwig Mises' 70th

¹⁸ Julius Raab was federal chancellor from 1953 to 1961. Reinhard Kamitz was finance minister from 1952 to 1960. He was on the staff of the Institute for Business Cycle Research from 1934 to 1938. Already in 1933 Kamitz had joined the Austrian NSDAP. Supposedly, Kamitz had sympathized with Keynesian ideas before the war.

birthday. After having paid respect to Mises' achievements in economic theory, Mayer rejected Mises' claim that "the Austrian School" would postulate free competition as an "ideal model of an economy", and that the alternative between "extreme liberalism" and "totalitarian planning" had been left behind (Mayer 1952, p. 516). After Mayer's retirement, the teaching of economics "reached its lowest point"¹⁹ (for some ten years to come), not to speak of the *Hochschule für Welthandel*, with its absurd attachment to "universalism"²⁰.

In the first decades, Austrian universities were mostly unwilling to acknowledge higher academic credentials of returnees acquired abroad. Barred from teaching at a university, returnees sought work in other institutions such as the Austrian Institute of Economic Research - WIFO, successor of the Institute for Business Cycle Research – Rothschild and Steindl, or the Chamber of Labour (among others, Wirlandner, März, Rieger, Szécsi, Prager²¹).

Modern economics began to be taught at Austrian universities only in the 1960's. The catching up-process accelerated towards the end of the 1960's when the University of Linz was founded in 1966, where Rothschild was appointed to the chair for economic theory; and also with new appointments at the University of Vienna (Erich Streissler in 1969). Belatedly, honorary professorships were conferred to Steindl (Vienna) and März (Salzburg).

Two of the returnees from England came to occupy important positions as decision makers: Stefan Wirlandner was one of the key actors in the economic policy process in the first decades after the war. Upon his return, he became deputy director general of the Vienna Chamber of Labour. In 1961, he was appointed deputy director general of the Austrian National Bank, where Philipp Rieger joined him as a member of the board in 1965.

Individual cases

Eduard März (1908-1987)²²

März decided to return to Vienna in 1953. With his Ph.D. from Harvard University, he had established himself as professor at Union college in upstate New York, but he had felt

¹⁹ Steindl (1987), p. 401.

²⁰ On the state of economics at the *Hochschule für Welthandel* (now: *Wirtschaftsuniversität Wien*) after World War II see see Klausinger 2015.

²¹ Upon their return, Szécsi and Prager worked for the Communist party, after dissenting at various occasions they joined the economics department of the Chamber of labour.

²² For biographical and bibliographical information see März (1987), Chaloupek (1987 and 2015).

increasingly alienated from the host country by the intellectual climate created by the McCarthy committee.

The *Creditanstalt Bankverein*, at that time Austria's largest commercial bank, commissioned him with the project to write a history of the institute at the occasion of its 100th anniversary. Thereafter, in 1955 März was asked by Stefan Wirlandner to set up a department of economic research (*Wirtschaftswissenschaftliche Abteilung*) within the Chamber of Labour of Vienna. In the first two decades, returnee economists made up a major part of the department's staff (Rieger, Szécsi, Prager, Peter Milford²³, who had returned to Austria from New Zealand). Although März was denied a teaching position at the University of Vienna, with his widely read publications²⁴ and his lecturing activities he became the teacher of the following generation of young economists oriented towards the Social-democratic party and the trade union organization.

März never ceased to feel as a Marxist economist. Unlike his mentor Wirlandner, who had played a decisive role in convincing his party SPÖ and the trade union movement switch from socialist ideas such as nationalization and planning to a Keynesian full employment and welfare state program, März never gave up the idea of socialism as final state of the development of capitalism²⁵. At the same time, März was a forceful advocate of Keynesian economics. He propagated state intervention in order to promote economic growth and full employment and the introduction of a system of overall economic planning according to the model of the French *planification* which had attracted considerable attention not only from left wing parties in Western Europe during the 1960's. Together with his colleagues in the department, and in co-operation with economists from business organizations Economic Chamber and Association of Austrian Industry, he worked on recommendations on a variety of specific economic policy issues. März was a member of the *Beirat für Wirtschafts- und Sozialfragen* (Economic and Social Advisory Board) of the Austrian Parity Commission which is a joint institution of Austrian social partners. Alternately with Philipp Rieger März acted as chairman of the *Kautsky-Kreis*, a discussion forum of social-democratic economists.

After his retirement in 1973, März resumed his studies in economic history which resulted in another volume on the history of the *Creditanstalt Bankverein* (März 1981). He also

²³ For biographical information see Chaloupek/List (2007).

²⁴ Most important, his book *Die Marxsche Wirtschaftslehre im Widerstreit der Meinungen* (1958), and numerous articles in monthly journals *Arbeit & Wirtschaft* and *Die Zukunft*; also his book *Österreichs Wirtschaft zwischen Ost und West*.

²⁵ On this point, see Butschek (2014) and Kernbauer (2015).

published a book on Joseph Schumpeter (1983) who had been one of the supervisors of his Ph.D.-thesis at Harvard.

Maria Szécsi-März (1914-1984)

Maria Szécsi²⁶ was born in Budapest into a well-to-do Jewish family. Like her uncle Karl Polanyi, Szécsi moved to Vienna in 1919 after the downfall of Béla Kun's communist regime. She completed her studies at the universities of Cincinnati and Chicago. Szécsi returned to Vienna as a member of the Communist party (KPÖ) in 1948. When she left the party in protest against the crushing of the Hungarian insurrection by Soviet troops in 1956, she lost her job with the communist World Trade Union Federation. She found a new field of activity in a newly founded association for consumer protection. She joined the economic research department of the Chamber of Labour in 1960. She married Eduard März after her retirement in 1974.

The representation of the interests of consumers remained one of her central matters of concern during her professional career (Szécsi 1973). She became a pioneer of competition policy in Austria in the 1960's with her study on abuses of pricing practices in the retail sector (Szécsi 1963). She also made important contributions to the reform of cartel legislation in 1973. She was a member of the advisory committee of the Austrian cartel court.

Another area of Szécsi's principal interests was income distribution. Her study on the long term development of the share of wages in national income (1970) was an important publication of empirical literature. Moreover, by its objective style the study made an important contribution to a pragmatic handling of the conflict about distribution between social partners. Being the first woman to become member of the *Beirat für Wirtschafts- und Sozialfragen* (Economic and Social Advisory Board), she worked on recommendations on several economic policy issues in cooperation with experts from the social partner associations.

Adolf Kozlik (1912-1964)²⁷

Kozlik started his career as economist in the Institute for Business Cycle Research where he had got a job, despite his engagement for the illegal Social-democratic party during the period of the fascist *Ständestaat*. He left his position as director of a government-financed institute

²⁶ For more information on biographical and bibliographical details see the Festschrift *Wirtschaftspolitik zwischen Weltanschauung und Sachzwang* (1979).

²⁷ Rothschild (2004) wrote a lively portrait of Kozlik.

called "Office of European Economic Research" for Mexico 1944, after he had been drafted to the US Army in 1944. Kozlik returned to Vienna in 1959, but he was unsatisfied with his position as director of a community college. In 1963 Kozlik was appointed associate director of the newly founded *Institut für Höhere Studien* (see below in the section on Morgenstern). Once more dissatisfied, he accepted a call from Dalhousie University in Halifax, but he died in Paris at the age of only 52 on his way to Canada.

In his writings, Kozlik combined mainstream neoclassical and Keynesian theory with Marxist political economy. He criticized rigid economic and social structures in Austria in several publications, of which the book *Wie wird wer Akademiker* attracted considerable attention. His most ambitious books were published posthumously (1966). In his critique of the capitalist system, which in many ways resembles that of J.K. Galbraith, Kozlik casts doubt on the sustainability of economic growth and rising standards of living which characterized the Golden Age of post-war economic development. He identifies the system's tendency to produce affluence and scarcity simultaneously as likely causes of future crises of capitalism.

Only few of the emigrated economists returned to Austria after retirement from their positions they held in the United States or Great Britain: Hans Mars, who retired from the University of Manchester in 1962; Albert Lauterbach, who retired in 1972 from Sarah Lawrence College, Bronxville, N.Y.; and Gerhard Tintner (1907-1983), who became professor at the Vienna University of Technology after his retirement from the University of Southern California in 1973.

Lauterbach (1904-1990) published two books in German in the highly-acclaimed book series *rowohlts deutsche enzyklopädie*. In the spirit of social democracy, he pleaded against ideological fixation and in favour of pragmatism in social and economic policies which aimed at solutions of real problems (Lauterbach 1963).

For emigrants of the Austro-liberal School, the European Forum Alpbach, established by Otto Molden and Simon Moser in 1945, provided recurrent opportunities to establish or renew

contacts with their original home country. The names of F.A. Hayek and Fritz Machlup appear several times in the list of Alpbach's guest lecturers from the 1950's onwards²⁸.

Gottfried Haberler showed some interest in Austria's economic policy, in particular in its model of social partnership. In a contribution to a symposium on the Austrian economy held at the American Enterprise Institute for Public Policy Research in 1982 Haberler (1982) argued that the high degree of price stability maintained in Austria during the 1970' and 1980's was due to a restrictive monetary policy pursued by the Austrian National Bank as a consequence of the fixed exchange rate of the Schilling vis á vis the DM. Against this, the Austrian representatives argued that self imposed nominal wage discipline which was part of the ex ante-coordination between the different actors of economic policy, ensured the simultaneous achievement of the goals of price stability and full employment, which many other countries had failed to achieve, notwithstanding their restrictive conduct of monetary policy.

Oskar Morgenstern and the Vienna Institute of Advanced Studies (*Institut für Höhere Studien*)

The Institute of Advanced Studies was founded in 1963²⁹ upon the initiative of the sociologist Paul Lazarsfeld and the economist Oskar Morgenstern. It was jointly financed by the federal government, the City of Vienna, and received financial support from the Ford Foundation during the first years, when its unofficial name was *Ford-Institut*. The Princeton Institute of Advanced Study served as a model where Morgenstern was in charge of the Time Series Project. Slawtscho Sagoroff, a professor of statistics at the University of Vienna, was the first director of the institute, Kozlik his associate. The principal purpose of the newly established institute was to promote the spread of modern approaches and methods of social sciences (economics, sociology, political science, mathematical methods) in Austria whose universities were still dominated by traditional conservative, sometimes rather obscure doctrines. Morgenstern's main effort was devoted to the teaching of game theory of which he had become the pioneer with his path-breaking book "Theory of Games and Economic Behavior" (jointly written with John von Neumann), and to promote this approach among economists not only in Austria. Game theory has ever since been one of the institute's main focuses in

²⁸ Unfortunately, there is hardly any literature on the history of Alpbach and the impact of its European Forum on Austria's intellectual and political life. This will hopefully change as the results of a current research project of the *Institut für Zeitgeschichte* at the University of Vienna will begin to appear.

²⁹ On the history and complicated pre-history of the IHS see Fleck (2000).

teaching and research. For several decades, the IHS was the only place where students could become familiar and work with computerized methods of empirical research. During the 1970's and 1980's the IHS had the reputation of educating "red cadres" (*rote Kadenschmiede*) – not the orientation Morgenstern would have approved of.

The first years of the IHS were characterized by organizational turbulences. After the resignation of Sagoroff, Morgenstern helped to stabilize the institute by serving as interim director in 1965/66, yet his presence in Vienna was limited to short time spans³⁰. After that, Morgenstern more or less withdrew from Vienna, presumably due to his disappointment about the refusal of the University of Vienna to award him an honorary professorship³¹. This is another – fortunately the last – shameful example of failure on the part of Austria's academic institutions to duly appreciate the scientific achievements of emigrant economic scholars.

Friedrich A. Hayek at the University of Salzburg

After the occupation of Austria in 1938 Hayek refused to become a German and accepted British citizenship. He left LSE in 1949 to pursue his political studies in the USA. In 1962 he accepted a call to the chair at the University of Freiburg where Walter Eucken had founded the Freiburg School. Germany was attractive for Hayek as a centre of the debate about the fundamental question of economic order, and also as a country which had committed itself to the concept of *Soziale Marktwirtschaft*, even though he objected to the adjective *sozial*³². Surprisingly, there are several occasions when Hayek explored possibilities for a return to the University of Vienna, at a time when Austria must have seemed unattractive, even repellent to him with its highly interventionist economic policy, the strong position held by trade unions, its high share of nationalized industries, and – not least - with its deplorable state of economics at the universities. He tried to establish contacts to the university and to the WIFO right after the war³³. When Austria had regained its full sovereignty in 1955, Hayek tried to obtain financial support from Henry Ford II for an initiative to bring emigrated scholars back to Austria in a "concerted move" (Fleck 2000, p. 129ff).

³⁰ Information by personal communication from Gerhard Schwödiauer. In that function, Morgenstern was assisted by the diplomat Dr. Kolb as associate director.

³¹ Whether Morgenstern, who retired from Princeton University in 1967??, would have preferred such a position to his appointment as professor at the New York University (1970-1978) – as suggested by W. Leinfellner (1987) – remains doubtful.

³² Hayek also rejected Eucken's demand for permanent state interventions to establish perfect competition. (Hagemann 2010, p. 426f)

³³ Information by personal communication from Hansjörg Klausinger.

When Hayek accepted a call from the University of Salzburg in 1970, the country and the state of its economics had changed considerably. But the main motif why Hayek returned to Austria was financial. “The University of Salzburg was willing to buy Hayek’s library, and by moving there, he would still be able to use it.” But the university did in no way provide an ambiente fitting Hayek’s intellectual standards. In its law faculty economics was reduced to a minor role, the university could not bestow doctorates in the social sciences. (Ebenstein 2001, pp. 253f) Hayek left Salzburg for Freiburg when had been awarded the Nobel prize (together with Gunnar Myrdal) in 1974. His attempt to get his library back resulted in a law suit against the university which he did not win.

I recall one attempt when Hayek, in capitalizing on his award, tried to influence Austria’s economic policy. In an interview with the weekly magazine Profil (January 2, 1975) he predicted mischief for Austria’s economic policy regime. To bring inflation, which was running at 8 percent at that time, back to a tolerable level, the rate of unemployment would have to rise to 12 percent (from 2, . percent). Obviously, he expected that Austria’s post-Keynesian had reached its limits. But the subsequent course of events showed that Hayek’s statement was out of touch with reality: by 1976, inflation was back to 3,5 percent and the rate of unemployment was still below 4 percent.

Short resumé

The main conclusion is that the influence of economists who returned to Austria after World War II was significant. Although only a minor part (15) of the 100 emigrants returned, and despite that high academic credentials were not honoured by Austria’s universities, without their contribution the spread of new ideas, especially of Keynesian New Economics, would have taken much more time, given the conservatism and backwardness of economics at our universities. Keynesian economics was the preferred orientation of economists who had emigrated to Great Britain. Returnees from that country outnumbered returnees from the United States, where the liberalism of the Austrian School of economics was the dominant orientation of emigrated economists.

The influence of returnees on economic policies was much greater in Austria than in West-Germany. The attitude of pragmatism which has characterized Austria’s economic policies since the 1950’s created conditions which were favourable to the reception of Keynesianism, whereas in Germany the anti-Keynesian Ordo-liberals dominated the economic policy debate

until 1966³⁴. In its essence, the system of Social Partnership which has been the central paradigm of Austria's economic policy ever since the late 1950's realizes the core ideas of Post-Keynesianism.

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³⁴ However, in reality economic policy during the era of Ludwig Erhard owed much more to Keynesian ideas than was admitted officially.

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