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**Working Paper**

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CHOPE Working Paper, No. 2016-35

**Provided in Cooperation with:**

Center for the History of Political Economy at Duke University

*Suggested Citation:* Kolev, Stefan (2016) : Ludwig von Mises and the "Ordo-interventionists": More than just aggression and contempt?, CHOPE Working Paper, No. 2016-35, Duke University, Center for the History of Political Economy (CHOPE), Durham, NC

This Version is available at:

<https://hdl.handle.net/10419/155463>

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# LUDWIG VON MISES AND THE “ORDO-INTERVENTIONISTS” — MORE THAN JUST AGGRESSION AND CONTEMPT?

BY

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CHOPE WORKING PAPER No. 2016-35

DECEMBER 2016



# Ludwig von Mises and the “Ordo-interventionists” – More Than Just Aggression and Contempt?

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## Abstract

This paper explores the four decades of intellectual relationship between the Austrian School economist Ludwig von Mises (1881-1973) and two major representatives of German ordoliberalism, Walter Eucken (1891-1950) and Wilhelm Röpke (1899-1966). The timespan covered starts in the early 1920s and terminates with Röpke's passing in 1966, a period featuring numerous encounters in person and several debates in published works, accompanied by exchange in correspondence. The central goal of the paper is to provide a more nuanced understanding of the reasons for the hostile climate and the confrontation patterns than earlier narratives in secondary literature. A key tool is the technique of embedding the scholarly component of the interactions into a complex network of interpersonal relationships. The four decades are separated into five distinct phases with differently nuanced communication patterns: 1) early socialization echoing the animosities between the Austrian School and the Historical School; 2) initial debates in the 1920s and early 1930s on business cycle theory and policy where seniority and maturity play an important role; 3) clashes on political economy and social philosophy at the Colloque Walter Lippmann in 1938 and during the two initial decades of the Mont Pèlerin Society after 1947; 4) coexistence during the German “economic miracle”; 5) exchanges in the 1960s, including a discussion of archival materials never published before about Mises' only honorary doctorate in economics, awarded to him by the University of Freiburg in 1964. Based on this historical account at the heart of the paper, conjectures are formulated as to why – despite the common ground in the inquiries pursued – the protagonists continuously fail to engage in more fruitful scholarly debates, and hypotheses are formulated about the substantive core at stake. In addition, a critical overview of selected strands within the extensive historiographic literature exploring the Austrian School and ordoliberalism in recent decades is provided, including a specific reading of the concept of neoliberalism.

**Keywords:** Ludwig von Mises, Walter Eucken, Wilhelm Röpke, Austrian School, Mont Pèlerin Society, ordoliberalism, neoliberalism

**JEL Codes:** A11, B25, B31, H10, N44, P16

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For most of what is reasonable and beneficial  
in present day Germany's monetary and commercial policy  
credit is to be attributed to Röpke's influence.  
He – and the late Walter Eucken – are rightly thought of  
as the intellectual authors of Germany's economic resurrection.  
Mises (1966), p. 200.

## 1. Introduction

History of economics is having hard times regaining its reputation as a sub-discipline within economics that can be informative and stimulating for students and researchers alike. One of the reasons for this unsatisfactory standing can be identified within the history of history of economics itself: in the course of its own evolution, many pieces have been published which bear the character of what has been called a “hagiography” or a “doxography”. Etymologically, both terms contain a religious connotation and intend to classify publications as being too uncritical of the persons and opinions depicted or, even more problematic, as being ideologically biased. As is easily imaginable, this risk is particularly virulent when historicizing authors who have themselves not shunned normativity and labels of “isms” – an example of which are economists theorizing with explicit reference to the social philosophy of liberalism.

The current paper delves precisely into such a subject – economists and 20<sup>th</sup> century liberalism, particularly in its German-language varieties. Its aim is to delineate in detail the relationships within a prominent group of scholars, focusing on a particular nexus which appears underrepresented in previous analyses on this broad range of authors: the link between Ludwig von Mises (1881-1973) and the major representatives of ordoliberalism, especially Walter Eucken (1891-1950) and Wilhelm Röpke (1899-1966), a group referred to by Mises as the “Ordo-interventionists”. F.A. Hayek (1899-1992) is only intermittently integrated in the analysis, at intersections where he can be of instrumental value for the narrative in his frequent role as an in-between bridging the two camps. Alexander Rüstow (1885-1963) is also granted a secondary role: though a very active participant in some of the debates, he expressed positions which seldom were clearly distinguishable from those of the main two representatives of ordoliberalism.

While the nexus between Mises and the ordoliberals has been studied before, some of the major treatises dedicated to it suffer from the aforementioned “hagiography” risk. Examples of this risk can also be found in the two recent biographies of Mises and Röpke, Hülsmann (2007) and Hennecke (2005), respectively. Both volumes share a common strength which can hardly be esteemed highly enough: they present an astounding plenty of material, both from published works and from archival sources, which constitutes a valuable foundation for enabling further research. However, the volumes also share a common weakness: the proximity between biographer and biographee is often too close. The two subtitles, “The last knight of liberalism” and “A life against the tide”, can certainly be interpreted as signs of honesty and explicitness of the biographers' value judgments towards the object of study. Still, large sections of both biographies let Mises and Röpke appear as unprecedented heroes of their age, an image which can be counterproductive for a sober analysis. The aim of the current paper is, while building on

the source plenty in Hülsmann (2007) and Hennecke (2005), to overcome this deficiency as well as the and to provide a new, especially a more nuanced reading of this relationship – following and expanding on the approaches contained in Barry (1989), Streit/Wohlgemuth (2000), Ebeling (2003) and Solchany (2015).

The narrative explores chronologically a sequence of five distinct phases in the interactions within the triangle Mises-Eucken-Röpke and aims at integrating two perspectives of analysis. First and foremost, a sociology of science level compiles a picture as diverse as possible of the biographical nexuses in the triangle, including archival material never published before in the context of the honorary doctorate which Mises received from the University of Freiburg in 1964. Second, a substantive level supports the first perspective by examining published works and correspondence, searching for the sources of the perennial conflict between Mises and the “Ordo-interventionists”, while allowing for these sources to vary in the five phases. The results are condensed in a final section which presents a retrospect on the debates and formulates conjectures for the reasons why the protagonists seldom mine deeply enough for reaching the substantive core which is at stake. It is also important to underscore at the very beginning that none of this is intended to be a homogenization endeavor: such efforts appear neither feasible nor desirable, as clearly exemplified in the heated confrontation between Ancil (1994) and Pongracic (1997).

Since some of the heat in previous debates has its roots in conceptual misunderstandings, the next section explains the specific usage of the “liberalism” concepts in the paper.

## 2. Conceptual clarification: neoliberalism, ordoliberalism and classical liberalism

Neoliberalism is a colorful and embattled term, with its connotations passing substantial transformations over the last decades (Boas/Gans-Morse 2009). Its usage in this paper leans neither towards the original formulations when some authors self-identified with the term, nor does it take the later meaning used in an inflationary manner to condemn certain concrete policies in various countries from the 1970s onwards. Instead, the German-language neoliberals are depicted here as a generation of scholars who lived in a very particular context and decided to fight very particular challenges in their efforts to restore liberalism, in line with Hayek’s usage of “the new liberal school” in a piece dedicated to Mises’ 70<sup>th</sup> birthday (Hayek 1951/1967, p. 196). As shown elsewhere, the quadrangle Mises-Hayek-Eucken-Röpke is a very helpful device to focus on the German-language section of this neoliberal generation, which of course included several other authors (Kolev 2013, pp. 2-4). For the approach of the current paper, this focus is particularly effective due to the high degree of communication within this group for decades on end, despite all historical ruptures and impasses that accompanied their lives. Calling this group “neoliberal” is also practical and operational in the way that it can do without the (rather unfruitful) attempts to precisely delineate the borders of schools in economics (Blumenthal 2007, pp. 25-33) – and also because it clearly indicates the common goal to restore liberalism and make it compatible with the challenges of the 20<sup>th</sup> century, notwithstanding all substantial differences in the approaches to reach this common goal.

The reading of neoliberalism above contains the Austrians Mises and Hayek, as well as the ordoliberals Eucken and Röpke. Attaching the tag “neoliberal” to Mises is likely to appear counterintuitive compared to the usual boxes “classical liberal” or “libertarian” he is inserted into – but it is this very tagging which helps to clarify the specific usage of “neoliberal” in this paper. When tracking its history, most narratives go back to the *Colloque Walter Lippmann* in 1938 where it was allegedly coined by the reformist-oriented part of the attendants who aimed at distancing themselves from 19<sup>th</sup> century liberalism (Wegmann 2002, pp. 101-110; Plickert 2008, p. 93-103; Burgin 2012, pp. 70-86; Goodwin 2014, pp. 233-260). Historically, however, this was just *one* neoliberalism. Google Ngram searches on “neoliberalism” and on “neoliberal/neo-liberal” show usage of the terms already in the 19<sup>th</sup> century. Particularly interesting is the peak observable in the late 1890s. When exploring Jstor of this period, an intriguing exchange in the *Economic Journal* of 1898 is encountered between two prominent economists of the time, Maffeo Pantaleoni and Charles Gide. Pantaleoni’s piece embedded economics’ domain within the field of economic sociology: he claimed that economic relationships were to be defined as peaceful and voluntary settlements of human coexistence mostly based on contracts, but nevertheless he left room for power relationships between strong and weak individuals or groups (Pantaleoni 1898, pp. 191-195). Gide focused on a particular aspect of Pantaleoni’s analysis, the role of co-operatives as a form of cooperation vis-à-vis free competition, and called Pantaleoni’s statements on the future of co-operatives “neo-liberal”: in Gide’s assessment, Pantaleoni was restating arguments by earlier liberal economists in France who had been similarly skeptical about co-operatives and similarly optimistic about free competition as was Pantaleoni (Gide 1898, pp. 494-497). The “neo” in Gide’s “neoliberal” pointed to Pantaleoni’s allegedly intended revitalization of an old liberalism, including his supposed attempt to make old arguments more convincing by reformulating them – incidentally, a similar intention as the one attributed to Thorstein Veblen’s describing his opponents as “neoclassical” in 1900.

This particular exchange is valuable for explaining the interpretation of “neoliberal” in this paper. It shows that if we broadly subdivide the history of liberalism into  $n$  generations of thinkers, we are left with at least  $n-1$  neoliberalisms, i.e. attempts by later generations to restate with better methods and higher clarity what constitutes the core of a social order based on liberty. In addition, different reformulation attempts often took place in various languages. Furthermore, one generation could aim at reformulating different previous generations’ formulations of liberalism. Finally, adding an individualistic perspective makes such a plot of tracking the history of the “neo” reformulations almost infinitely intricate, as different authors within the same generation could (and very often did) wage battles over their simultaneous reformulations. This view is not only applicable to retrospective analyses: every new generation from today onwards will also create new varieties of neoliberalisms. Thus the definition of the “neo” in neoliberalism employed here has a *procedural* core focusing on the practice of reformulation and avoids the unfruitful debates in the aforementioned literature of who “really” was neoliberal in *substantive* terms, as opposed to “paleoliberal”, a label coined by Alexander Rüstow for liberals clinging to old formulations (Hennecke 2000, p. 273).

The discussion of the term “ordoliberal” is a less controversial one and can, unlike the aforementioned definition of “neoliberal”, be resolved in more specific terms. Even though “ordoliberal” is often used in current political economy debates with sometimes polemical rhetoric as a label for “typically German” policy responses in fiscal or monetary policy (for very recent and differently nuanced examples of the usage in policy debates see Burda 2015; Feld/Köhler/Nientiedt 2015; Bofinger 2016), the historiographic case of delineating ordoliberalism today does not involve much heat. The ordoliberals – the term was coined in 1950 (Moeller 1950, p. 224) with reference to the *ORDO Yearbook of Economic and Social Order* (the main post-war publication outlet of the group, founded in 1948) – were German political economists within the neoliberal generation of international scholars jointly discussing reformulations of liberalism at the *Colloque Walter Lippmann* as well as during the first decades of the *Mont Pèlerin Society* (Kolev/Goldschmidt/Hesse 2014). The ordoliberal group is commonly described today as comprising three varieties: the Freiburg School around Eucken and Franz Böhm, the “sociological liberalism” of Röpke and Rüstow, as well as the Cologne strand around Alfred Müller-Armack and his “Social Market Economy”, a concept he coined in 1946 (Goldschmidt/Wohlgemuth 2008; Zweynert 2013). These early ordoliberals established related, partially complementary politico-economic research programs whose primary goals were: 1) in positive terms, gaining a deeper understanding of economic and social orders, and 2) in normative terms, identifying this economic and social order which is to the highest possible degree an efficient *and* a humane one (Kolev 2015; Kolev 2017) – an agenda which until today poses challenges and which is well connectable to other current research programs in the social sciences (Zweynert/Kolev/Goldschmidt 2016).

Finally, a comment on the term “classical liberal” is in place. The label is commonly self-attributed by persons who wish to avoid today’s meaning of “liberal” in the American context, but also to avoid certain connotations of “libertarian” – and it is also a common label for characterizing the thought of Mises and Hayek. In the reading of this paper, however, “classical liberal” bears a problematic connotation and is not operational for the exposition below: it might well be suitable for describing laymen, but it is ill-suited for original thinkers. The problematic connotation lies in the general meaning of “classical” as something to be admired and emulated, and at least two imprecisions might ensue if using it. First, it is not always clear who exactly the thinker to be emulated is, and regarding the history of liberalism, it makes a great difference if a “classical liberal” chooses to admire Smith, Ricardo, Mill or Spencer. Second and more important, an original thinker like Mises cannot be an emulator of somebody earlier – to become an independent thinker of his own renown, one is of course an innovator and not a copy-cat. An innovator may well work in a specific tradition, but he or she by definition always breaks with key postulates of earlier theories, including some of one’s own tradition, in order to contribute something original. And this is obviously true also in Mises’ case: while he worked within the Austrian tradition, his theories of capital and interest openly confronted aspects of the ones of Böhm-Bawerk. In the same vein, his praxeology and his reformulation of utilitarianism were innovations which clearly defied notions of human action, of utility and of natural rights as expressed by earlier representatives of liberalism.

The insertion of Mises into the box of the German-language section within the specific “neoliberal” generation of the *Colloque Walter Lippmann* and of the early decades of the *Mont Pèlerin Society* is hopefully clearer now. In the terminology of Erwin Dekker’s recent book, the members of this “neoliberal” generation were all “students of civilization”: they developed new ideas on how economy and society fit into their civilization, but also what their own role should be in preserving this embattled civilization (Dekker 2016). They all assessed the achievements of previous generations within the development of liberal thought in a different manner, and they all innovated with the hope of re-shifting the development of liberalism by correcting what they perceived as earlier deficiencies. Some saw the error of earlier times in not emphasizing consistently enough the principle of “laissez-faire”, others saw “laissez-faire” as meaningless, insufficient or harmful. But all of them aimed at generating new theories and new methods, and successfully did so, thus becoming important new knots in the fabric of liberal thought and changing it indeed – as neoliberals, not as admirers of the wisdom of earlier ages.

### 3. Sociology of German-language neoliberalism

When a group of scholars interacted for decades, a closer look at their interpersonal relations seems promising and intriguing in itself. In addition, such a perspective provides indispensable context for a nuanced textual interpretation. So if the debate on the most suitable term for the historiographic process of economics is reduced to the distinction between “history of economics” and “history of economic thought” (Schabas 2002, pp. 211-212), this paper sides with the broader term “history of economics”: it aims at integrating the interpersonal and institutional relationships of the investigated authors with the analysis of their patterns of thought. Here the narrative follows Schumpeter’s classical “sociology of economics” framework in chapter 4 of his historical magnum opus (Schumpeter 1954/2006, pp. 31-45). Such a perspective lets the objects of study appear as complex personalities, ones whose interpersonal relationships might well have at least the degree of explanatory power for identifying the lines and sources of conflict as has the scientific core of their works provided by textual exegesis.

#### 3.1 Preanalytic visions: with blinders early on?

Schumpeter’s famous concept of the preanalytic vision with its postulate that “analytic effort is by necessity preceded by a preanalytic cognitive act that supplies the raw material for the analytic effort” (Schumpeter 1954/2006, p. 39) will be utilized as a starting point here. By using Keynes’ career as an illustration, Schumpeter characterized an author’s preanalytic vision as a predisposition taken in an early stage of his scientific socialization which subsequently could accompany him for decades. It could facilitate the scholar’s perception of scientific phenomena, but it also had the potential to make him prone to ideological influences and to possibly lead to “passionate allegiance and passionate hatred” within the scientific community (Schumpeter 1954/2006, p. 40). And while it may not always be easy for the historian to distinguish between the preanalytic and the analytic part of an author’s position, being aware of the existence of the former as a powerful source of shaping the latter appears as a useful heuristic.

What elements of preanalytic visions may play a role in the context of Mises and the ordoliberals? Let us focus on Mises first. When studying his *Notes and Recollections* (written prior to 1940 and first published in 1978, Mises 1978/2013) as well as *The Historical Setting of the Austrian School of Economics* (written in the late 1960s, Mises 1969/2013), a common narrative strikes the reader from the very beginning, despite the decades lying between the two pieces: Mises' seemingly infinite contempt for the Historical School and the intellectual inferiority of its representatives – and it is important to note that in the process of writing his historicist dissertation published in 1902, he very early on had the opportunity to get deeply acquainted with the methods and the leading figures of the Historical School. While “it is not the task and function of science to make value judgments” (Mises 1978/2013, p. 3), both historiographic pieces of 1969 and 1978 abounded in Mises' judgments of the havoc which historicism had wreaked on economics, attacking its scientific tenets as well as its representatives – by calling German economists as a whole “characterless simpletons” (Mises 1978/2013, p. 72, which in the German original reads even more drastically as “charakterlose Schwachköpfe”), and by depicting some of the very prominent ones like Franz Oppenheimer as a “megalomaniacal monomaniac” or Karl Diehl as a “narrow-minded ignoramus” (Mises 1978/2013, p. 72). Regarding the scientific tenets, Mises objected to historicists' relativism, to their inability and unwillingness to engage in abstract theorizing, to their proximity to the Prussian government's interventionist policies he referred to as “Royal Prussian Police-Science” (Mises 1978/2013, p. 73), and finally accused historicists of having paved the road to Nazism. Notably, the critique was not limited to Mises' contemporaries, i.e. to what is today called the “Younger” and the “Youngest” Historical School (Schumpeter 1954/2006, pp. 783-788; Rieter 1994/2002, pp. 142-164), but extended well into the 19<sup>th</sup> century: “During the first half of the nineteenth century the German professors at best were merely transmitters of the ideas of English economists: only a few, among them Hermann and Mangoldt, should be remembered”, culminating a paragraph further in the claim that “The Historical School of Economic State Science did not produce a single thought” (Mises 1978/2013, p. 6). Almost three decades later, he drew the same picture of scholars who were best described as epistemologically misled, methodologically naïve and theoretically incompetent, resulting in the “sterility of Germany in the field of economics” (Mises 1969/2016, p. 139). Interestingly, the list of names explicitly quoted as exceptions was now somewhat longer: Thünen, Gossen, Hermann, Mangoldt and Knies.

What might be identified as a corresponding preanalytic vision on the side of the ordoliberals Eucken and Röpke? Like in Mises' case, the echoes of the “Methodenstreit” turned out to be formative. Both were raised in the climate of the “Youngest” Historical School, its influence being stronger in Eucken's case. While Eucken, eight years Röpke's senior, wrote both his 1914 dissertation and his 1921 habilitation largely in accordance with historicism (for a differentiated view on the degree of their historicist content see Peukert 2000, pp. 97-98), Röpke's socialization took place after the end of the war, so that his dissertation and habilitation (both published in 1922) were less dominated by historicism, especially his habilitation focusing on business cycles phenomena (for a retrospective on his relationship to Eucken see Röpke 1960). Nevertheless, given this socialization both Eucken and Röpke clearly shaped a preanalytic vision against pure abstractness in theorizing, and in all their subsequent work they struggled with what

Eucken would later call “the great antinomy” between the “individual-historical approach” and the “general-theoretical approach”. Early on, Eucken criticized in correspondence Mises and Hayek of producing “a purely constructive, freely floating theory” detached from and alien to empirical research (Eucken to Rüstow, 27.3.1929). In this vein, he later associated Menger with the “general-theoretical approach” and accused him of having aggravated the deplorable “dualism” between the two approaches instead of reconciling them (Eucken 1940/1989, pp 55-58). Röpke explicitly endorsed Eucken’s view on the relationship of theory and history (Röpke 1937/1963, pp. 15-16). Their generally skeptical attitude to the pure abstractness in the Mengerian tradition further amplified during the Great Depression, again especially vis-à-vis Mises (and Hayek), when accusing them of not realizing how specific the concrete circumstances of time and space were and how naïve it was to stick to the Austrian Business Cycle Theory in times where the overall political order was about to collapse (Röpke 1931, p. 450; Röpke 1933, pp. 428-433). By the *Colloque Walter Lippmann*, this early uneasiness about the pure abstractness of the Austrian tradition had transformed into quasi-automatically viewing Mises as a dogmatic doctrinaire, one without any sensitivity regarding the problems of (in-)applicability of his doctrines to the concrete circumstances of time and space.

Many of these points will be explored in detail below. But they already indicate the deeper roots of the antagonistic view held of each other in both camps. Mises was convinced early on that German economists per se were incapable of economic theorizing, and that they were by default proponents of interventionist statism. Eucken and Röpke, on the other hand, were persuaded that Austrian theory, elegant as it might be, was a purely abstract exercise and that its proponents were doctrinaires often detached from the concrete problems of the real world. After their formation and entrenchment in one’s mind, such preanalytic visions were not promising as a foundation for rational exchange. Nevertheless, debates did take place, even despite the further sociological problems delineated in the sections below.

### 3.2 The problem of scientific credit: the senior and the aspiring disciples?

As convincingly shown by Till Düppe and Roy Weintraub recently, the problem(s) of scientific credit are among the most complex and also most sensitive ones around scientific innovations, having the potential to create excitement, frustration, confrontation and depression (Düppe/Weintraub 2014). And problems of credit did exist in the intricate interpersonal relations studied here.

In most histories of the Austrian School, Mises is commonly depicted to belong to its “third generation”, whereas Hayek and his peers constitute the “fourth generation”. While generational separations always contain a certain degree of arbitrariness, it is clear that Mises was by far the senior in the triangle here, being 10 years Eucken’s and 18 years Röpke’s (and Hayek’s) senior. This difference was not simply of quantitative significance: rather, he was a scholar old enough to have experienced some of the masterminds of the age, scholars who had passed away before Eucken’s and Röpke’s scientific maturity, most significantly Menger, Böhm-Bawerk and Max Weber – a fact that could grant Mises’ positions extra

authority on top of the age differential. In addition, Mises played a formative role for the other protagonists, especially with his *Gemeinwirtschaft* of 1922, of which Hayek reported that it diverted many of his peers, among others Röpke, Lionel Robbins and Bertil Ohlin, from socialism (Hayek 1992, p. 133). Despite criticism of Mises' "extreme and antiquated" liberalism, Eucken was laudable of the core argument against socialism in *Gemeinwirtschaft* (Dathe 2009, p. 6). Röpke also acknowledged the special role of *Gemeinwirtschaft* for his own development, a volume he reviewed for *Frankfurter Zeitung* as early as 1922 (Hennecke 2005, p. 40).

Nevertheless it may be not as simple as that. Röpke's congratulatory address for Mises' 80<sup>th</sup> birthday, *Homage to a Master and a Friend* (Röpke 1961), is a brief and intriguing piece whose noteworthy title already contains the key ambiguity at place here: the will to show deference and simultaneously to claim equal footing as a peer. This text is not widely known today and deserves some extra attention, as the feeling of ambiguity is confirmed and further amplified by exploring it in-depth. Röpke began "these lines of cordial allegiance and admiration" by calling himself "disciple and friend" of Mises – and Röpke's command of English, by that time over twenty years amid the international atmosphere of Geneva, certainly justified the assumption that using the special term "disciple" was not arbitrary. In the text he underscored the specificity of its usage, claiming the "privilege of being, in a very special sense, the disciple of Ludwig Mises" (Röpke 1961, p. 5). Being president of the *Mont Pèlerin Society* at that moment, Röpke jocularly remarked of Mises' "sarcastic comments upon the unenlightened spirit of so many of its members, not necessarily excluding, I am afraid, its actual president", but then the deferential tone continued (Röpke 1961, p. 5). He expressed regret for not having been able to attend one of Mises' seminars in Vienna and acknowledged the impact of Mises' books on his development – interestingly enough, not just the widely known treatises on money and socialism, but also of Mises' 1919 book *Nation, State, and Economy* "which was in many ways the redeeming answer to the questions tormenting a young man who had just come back from the trenches" (Röpke 1961, p. 6). Röpke depicted next their first encounter ("with this author who I had admired from afar") at the meeting of the *Verein für Socialpolitik* in Eisenach 1922, continuing with his "innumerable stays in Vienna" and delineating how their "friendship which has withstood the trial of time, of circumstances and of dissensions" had the chance to be "finally consolidated" during the joint Geneva years between 1937 and 1940, concluding with the memoir of their joint trip to Zurich to obtain Mises' US visa in May 1940 and of how during this very trip "we tried to sum up philosophically the fundamental meaning of all this" happening in Europe around them (Röpke 1961, p. 6). The piece ended by stressing how this "extremely rare combination of the keenest intellect and the most admirable sharpness of mind with a most noble character" embodied in Mises "would have to be invented" if it did not exist (Röpke 1961, p. 7). Summarizing these impressions, this very ambiguity of being simultaneously in a vertical relationship of superiority and in a horizontal relationship of friendship and collegiality (in addition, correspondence showed a feeling of friendship connecting the two families and also contained memories of mutual Geneva students well after Mises' departure to New York) would be characteristic for the four decades of their coexistence: from the early 1920s when all met at the *Verein's* meetings until Eucken's and Röpke's passings in 1950 and 1966.

There were four key junctures where Eucken and Röpke met their “master and friend” and (potentially) collided with him: the meetings of the *Verein für Socialpolitik* until 1933, the debates around the Great Depression, the *Colloque Walter Lippmann* and the joint years in the *Mont Pèlerin Society*. While the former two arenas had the rather narrow focus on business cycle theory and related policies, the latter two shared a broader perspective on political economy and social philosophy. It is beyond any doubt that Mises provided seminal impulses to all these fields, mostly precedent to the ordoliberal contributions, but it is astounding to observe how he was largely neglected in the references of the ordoliberal treatises. In other words, the younger scholars were not generous in granting scientific credit in published work. The same was symmetrically true for Mises: for example, in his *Nationalökonomie*, published 1940 in Geneva while being professor at the same institute as Röpke (at the very end of the years of which Röpke claimed above to have “finally consolidated” their friendship), neither Röpke nor Eucken received a single reference.

When meeting each other in person, however, it was not so much a neglect which characterized the interactions, but rather the tension of the “master and friend” kind. An interesting starting point for this perspective was the meeting of *Verein für Socialpolitik* in Zurich 1928 (records of the earlier meetings in Eisenach 1922, Stuttgart 1924 and Vienna 1926 do not contain exchange in public). Previously both Eucken and Röpke had published pieces which, while not entirely free of criticism, were highly laudatory of Mises’ *Theory of Money and Credit* (its second German edition was published in 1924): Eucken concluded his review of the book by stating that it “deserves an outstanding place in the recent German literature on monetary theory” (Eucken 1926, p. 653), while Röpke regretted how the book had been largely neglected in Germany even though “it would have deserved a much stronger echo” (Röpke 1926, p. 250). At the eve of the meeting in Zurich, local organizer Manuel Saitzew found noteworthy words to introduce the convention to the Swiss public in *Neue Zürcher Zeitung*: quoting the *Verein*’s president Heinrich Herkner, Saitzew described it as “a sociologically highly interesting, though by no means rational entity, an entity of its own kind” (Saitzew 1928/1929, p. V) – and the records of this and other meetings indeed vindicated this view. The third day in Zurich was dedicated to the topic “Credit and cycles”, and Eucken gave a paper with this title which, after discarding other approaches, approvingly presented a nutshell version of Mises’ monetary theory of the cycle. Eucken did not explicitly give credit to Mises, instead depicting the core ideas as being provided by “a number of outstanding scholars” (Eucken 1928/1929a, p. 292). Mises immediately opened the general debate with an extended comment, discussed conceptual and theoretical issues, and, what was particularly noteworthy, shared his observation of an “ever increasing consensus of opinions” acknowledging the Austrian theory as the dominant explanation of the business cycle in the German-language scholarly community, also pointing to the presentation of “my student and friend Hayek” later during that day (Mises 1928/1929, p. 323). In his concluding remarks, Eucken expressed the uneasiness that his presentation had been largely ignored and this time he explicitly referred to Mises, but also to other authors like Schumpeter or Irving Fisher (Eucken 1928/1929b, p. 389).

This relative sense of harmony proved only of short duration and also rather confined to the domain of business cycle theory. The short-lived history of the “German Ricardians” in the late 1920s, an incipient

group of young theorists of liberal and of socialist leanings who jointly aimed at overthrowing the still enduring dominance of the “ruins of the Historical School” (Rüstow to Eucken, 24.1.1927) was a case in point how the group failed precisely because of severe tensions between Eucken, Röpke and Rüstow on the one side and Mises on the other. The tensions were based on a mix of personal incompatibilities and substantive divergences in the general notions of economic policy (Janssen 1998/2000, pp. 38-40; Janssen 2009, pp. 10-11; Köster 2011, pp. 222-228), a mix which only few months after Zurich led to a sharp break between the young Germans and Mises. For the claim of this section regarding the significance of seniority and of the rebellion against it for understanding the dynamics of interactions, it is particularly noteworthy that the split hit above all the relationship to Mises (and Schumpeter, belonging to the Mises generation), whereas all younger Austrians involved other than Oskar Morgenstern – among them Hayek, Haberler and Machlup – remained in the “tier 1” level of trust among the “German Ricardians” as seen by Eucken, Röpke and Rüstow (Janssen 1998/2000, pp. 40-41; Janssen 2009, p. 12).

Röpke was not among the ones featured as speakers in the Zurich meeting records (the records of the last two *Verein* meetings ahead of its 1936 self-liquidation, Königsberg 1930 and Dresden 1932, do not contain exchanges with Mises in public), also he was not as central to the “Ricardians” as were Rüstow and Eucken. But in the course of the Great Depression which was just about to unfold, he soon became a leading figure in the rebellion of “heretics” against the Viennese “orthodoxy” (Allgoewer 2009/2010, p. 148) – a rebellion which, along with the Keynesian avalanche, would let Mises’ observation of having the dominant cycle theory in the German-language scholarly community appear as one of rather short validity.

Before plunging into this, a digression has to be inserted here, important in two ways: first, it addresses a key concept of the interactions in the following decades; second, the interaction about this concept in the 1920s is in itself a step consequential for the process of emancipation from the senior and for reaching maturity: the debate about the concepts of intervention and the theory of interventionism. As shown by Sanford Ikeda, Mises’ 1929 essay collection *Critique of Interventionism* laid the foundations for the Austrian analysis of interventions, but it also bore ambiguities and carried some paradoxical characteristics (Ikeda 2015, pp. 396-401). This diagnosis is vindicated and amplified by Helmut Krebs and Maximilian Tarrach who have criticized Mises’ theory of interventionism as being rather rudimentary, especially as compared to the profoundness of his theory of socialism (Krebs/Tarrach 2016, pp. 65-68). Less known today, Röpke formulated almost simultaneously his understanding of interventions and interventionism in an entry *State Interventionism* for the authoritative German encyclopedia of the social sciences, with reference to Mises’ core paper in the interventionism volume (a paper first published in 1926). When comparing the two expositions, a key difference and a central similarity can be distilled. The difference was the general willingness of the two authors to accept interventions: while both in principle discarded interventionism as a coherent system, Röpke showed more openness to explore cases where specific kinds of interventions could be helpful for the operation of the market process. His analysis was less systematic in comparison: while Mises distinguished two types of interventions, Röpke’s taxonomy consisted of nine types, located both on the micro and on the macro level. The conclusions also differed: Mises ended with a sketch how

the battle against interventionism might still be won (Mises 1929/2011, pp. 30-31), while Röpke saw the defense of the market economy becoming more effective by discarding the idealization of the market process and by allowing for cases of its imperfection (Röpke 1929, pp. 881-882). While Mises' original paper of 1926 preceded Röpke's work and of course could not contain a reference to him, Röpke did refer to Mises and it reads as likely that his plea in the end against "dogmatic stubbornness" of defending the idealized market had Mises' stance as its target (Röpke 1929, p. 881). So much for the key difference, but the two approaches also shared a central similarity: both neoliberals struggled with the complex question of what the essential characteristic of an intervention was, and which state activity might be considered as necessary – questions obviously answered only unsatisfactorily so far, so their theoretical innovations of the 1920s were required. While both Mises and Röpke saw price interventions as nonsensical and self-defeating because of the induced dynamics, compiling a clear-cut taxonomy for more complex state activity proved much more difficult. The sentence "Measures that are taken for the purpose of preserving and securing the private property order are not interventions in this sense" could be both Mises' and Röpke's, as it showed the core of the later ordoliberal program that the economic order in itself was not self-sustaining and had preconditions and prerequisites mandatory for ensuring its stability – but in this case the statement was made by Mises (Mises 1929/2011, p. 2). The struggle to discriminate necessary from harmful interventions and to lay out a full-fledged theory of interventionism can at this stage be assessed as only partially successful for both of them. But as will become clear later on, this vagueness did not hinder the term "interventionist" from becoming a key rhetorical device in the conflicts of the next decades – just as "dogmatic" and "doctrinaire" were used (as synonyms) by the other side.

Mises' *Critique of Interventionism* and Röpke's *State Interventionism* were published on the immediate eve of the Great Depression (GD) and surfaced a new willingness of the young generation to be openly critical of their senior. The outbreak of the GD provided an extensive arena to continue the debates on the role of the state in the market, this time in the context of the macroeconomic slump. At this point the Viennese economists not only continued to expand on the theoretical edifice of the Austrian Business Cycle Theory (ABCT), but also heavily engaged in empirical research after the founding of the Austrian Institute for Business Cycle Research in 1927, with Mises as member of the supervisory board and Hayek as the first director (Klausinger 2013, pp. 6-8). The members of this group were among the few who were skeptical about the sustainability of the boom of the 1920s and were not surprised when the crisis started in 1929. But when fast-forwarding a few years ahead to 1933, Hayek would remark in retrospect that while the ABCT had satisfactory properties in explaining the upswing of the cycle, it was still not fully convincing in explaining the downswing (Hayek 1933, pp. 110-117). Even though still not surprised by the qualitative properties of the cyclical movements, his statements of 1933 showed some new humility as to his capability to quantitatively explain the depth and the length of the GD. And indeed, during these years, the climate of the German-language academic debate changed dramatically as compared to Zurich 1928. There was one person whose stance did not seem to change at all: Mises. Even in 1943, in complete disregard of all debates related to the Keynesian revolution, he apodictically claimed that in the 31 years since the publication of his *Theory of Money and Credit* "no tenable argument has been raised against the

validity of what is commonly called the ‘Austrian’ theory of the trade cycle” (Mises 1943, p. 251). And in 1931 Mises depicted the GD as being differently deep and long from regular crises simply because, unlike the case of regular crises, the interventionism in the preceding period had this time been directed not only at lowering the interest rates, but also at meddling in the commodity prices and in the wages, so in his view the evolution of the GD was fully captured in and explicable by his theory of interventionism. He rejected “all attempts to overcome the crisis by further interventionist measures” and proposed as “the *only* solution” to drop all interventionist measures (Mises 1931, pp. 33-34, emphasis in the original). Since he was not expecting such a swerve in the opinion of the ruling parties, his essay somewhat ominously concluded by the hope that “the governments and parties whose policies led to the crisis will at some point disappear and make place for men whose economic policy program leads to reconstruction and not to destruction and chaos” (Mises 1931, p. 34). While certainly beyond any doubt of having any sympathies for the upcoming totalitarianisms in Central Europe, Mises clearly indicated with this and other statements that he did not have an applicable policy proposal for the GD other than the radical change of economic policy depicted above, while otherwise waiting for the disequilibria in the economy to clear up.

In the course of the GD, this stance became increasingly unpopular in the academic debate. Even though the actual economic policy in Germany followed a path of austerity, mostly due to the interwar monetary regime constraints on Germany, the climate shifted, with Röpke as one of the central figures in this shift (Klausinger 1999, pp. 379-385; Klausinger 2006, pp. 641-642). In the 1920s, the conflict lines in the camp of the younger theorists (also among the “Ricardians”) often followed ideological lines and split the liberal and the socialist/social democratic theorists. In the course of the crisis, however, this division became less and less important – and new alliances united liberals like Röpke and Eucken with socialists like Eucken’s age peer Wilhelm Lautenbach (1891-1946), later to be called (among others by Eucken) “the German Keynes” (Borchardt and Schötz 1991, pp. 9-10; Klausinger 1999, pp. 379-381). Röpke and Eucken chose different ways to engage in the GD debates. While Eucken dropped allegiance to the ABCT altogether and declared that a general dynamic theory of the cycle was impossible (Eucken 1933, p. 74), Röpke attempted a theoretical innovation which has been classified very differently in secondary literature and at the Wilhelm Röpke Congress in Geneva: the classifications range from being an innovation within the ABCT to a major breakthrough of “Proto-Keynesianism” (Klausinger 1999, pp. 386-394; Hennecke 2005, pp. 81-84; Huerta de Soto 2006, pp. 452-456; Allgoewer 2009/2010, pp. 143-148; Kolev 2013, pp. 178-181; Magliulo 2016, pp. 32-44). The core of Röpke’s innovation was the concept of the “secondary depression” (interchangeably used with the term “secondary deflation”): Röpke claimed that the ABCT remained valid during the *primary* phase of the depression when the indispensable purification of the preceding boom’s excesses took place, but when the depression entered its *secondary* phase, the deflationary processes started spreading to sectors of the economy which had not expanded during the preceding boom. Thus in the phase of secondary depression, the deflationary process became useless in terms of economics – and potentially extremely harmful in terms of politics, as the generally spreading depression could turn into a depression in the sense of mass psychology, entailing a situation where the political order was in great danger (Röpke 1931, pp. 450-453; Röpke 1933b, pp. 428-433; Röpke 1936, pp. 206-209).

It is instructive to conclude this passage with a review by Röpke of Mises' 1931 piece discussed above. Polite in tone and granting Mises credit for his still at least partially applicable explanation of the crisis, Röpke allowed for the possibility that events of the months between the original publication and his review in 1933 might have changed Mises' mind on some of his positions expressed in 1931, and he also in principle agreed with Mises' claim that it was too easy to simply present capitalism as the culprit for the crisis. But then a significant line of division came up, already in the diagnosis of the crisis: Röpke disagreed with Mises' monocausal explanation of the crisis and with his attributing all its dynamics to phenomena exogenous to the market, all captured by the term "intervention". Instead, Röpke would also allow for endogenous processes within capitalism ("periodical unloadings of capitalism's power") to have additionally contributed to the dynamics of the preceding upswing and proposed that (similar to his 1929 view on the idealized market and interventionism) denying the possible existence of such internal causes would actually weaken the defense of capitalism (Röpke 1933a, p. 274). While being in "perfect sympathy" with Mises that for the particular severity of the GD the role of interventionism in the preceding boom had been of utmost importance, his sympathy "cools down by several degrees" when diagnosing the very particular point of time in 1932/1933 and when conceiving a suitable therapy for this particular moment. Röpke voiced his disagreement that at this point – a moment which he elsewhere located as already belonging to the secondary depression – lowering the wages could be helpful, as he was skeptical about its effect on the banking system, and pleaded for a credit expansion due to the "immense non-utilized production reserves" and the "gigantic 'surplus of capital'" available, while underscoring that he would not put forward this plea if it entailed any danger of inflation (Röpke 1933a, p. 275). Finally, it is important to note that when comparing this explicit review of Mises' stance with other statements of the same moment, Röpke's tone in this review reads as much more moderate: when talking elsewhere about "business cycle policy liberalism", alluding to positions clearly associated with Mises (and Hayek), Röpke used strongly disparaging terms like "business cycle policy nihilism" to depict these positions, and aggressively asserted that "if, by sitting back and doing nothing, we leave the economic system slide down more and more by relying on the negative effects of the crisis, the moment will become ever closer in which, due to the indignation of the crisis victims and the increasing anticapitalistic mass sentiment, capitalism will become untenable, and with it liberalism – or the remnants which are still preserved – will vanish into the museum" (Röpke 1931, p. 450).

The analysis presented here does not aim at making claims as to whose judgment eventually proved right, but rather at delineating an important distinction which surfaced in this debate. This distinction would be characteristic for the coexistence (and the confrontation) of the decades to come: while Mises remained perfectly loyal to the prescription of "pure theory" and was willing to put the aforementioned policy conclusion at the end of his analysis, Röpke showed willingness to trespass the borders of "pure theory" and to move into the realm of "political economy". His plea – in writings like the above and in his role as a public figure and as a policy consultant (Schüller 2003, pp. 25-32; Hennecke 2005, pp. 65-80) – for "re-expanding" the economy was not only based on business cycle theory considerations, but also on a stance which Eucken would later frame with the concept of the "interdependence of orders" (Eucken

1940/1989, pp. 298-299): what Röpke feared most was a scenario in which the crisis of the economic order persisted long enough and the secondary depression spread and entrenched itself, so that the crisis of the *economic order* could generate repercussions for the *political order* powerful enough to undermine the very foundations of the political order – an argument which he assessed as particularly plausible in the concrete circumstances of time and space surrounding him, i.e. given the weakened democracy of the Weimar Republic of the early 1930s (Gregg 2010, pp. 107-113).

These two distinct approaches to economic policy – remaining loyal to the policy implications generated by the deductions of an abstract theory regardless of the particular context *versus* being willing to adapt one's theory to the concrete politico-economic circumstances of time and space – would remain, and it is intriguing to build in Hayek's view here. When in 1931 he explored Röpke's position that the ABCT was valid in principle but not applicable to the very specific point when the GD entered its secondary phase, Hayek classified such a position as an unnecessary and dangerous concession to interventionism and to the incipient expansionist patterns of thought later to be called "Proto-Keynesianism" (Hennecke 2000, pp. 89-91; Hennecke 2005, pp. 83-84). In the 1970s, however, he revisited and substantially revised his assessment of Röpke's stance during the GD to the latter's credit (Haberler 1986, pp. 426-427; Magliulo 2016, pp. 44-51). Owing to the thorough editorial work of Hansjörg Klausinger, Hayek's previously unpublished reply to Röpke's policy recommendations in 1931 – a curious piece which Hayek immediately sent to Röpke but which Röpke decided not to publish, and to which Hayek would refer in the 1970s – has recently been reproduced in the German-language edition of Hayek's Collected Works. A handwritten comment added later by Hayek showed him making the concession that if the political order in 1931 was to be considered endangered by the risk of unemployment at the time, his piece, containing the usual ABCT policy recommendations and contradicting the expansionary ones advocated by Röpke, should not be published, and so Röpke decided not to publish it (Hayek 1931/2015, p. 499). Finally, it might well be that it was his retrospect on this particular point of divergence in the 1930s which led Hayek to the praise of how Röpke had understood "early, probably earlier than most of our contemporaries, that an economist who is only an economist cannot be a good economist" (Hayek 1959, p. 26).

### 3.3 The problem of confrontation by default: the dogmatist and the interventionists?

After the "annus horribilis" of 1933 and the ensuing emigration intricacies, the encounters in person became less frequent. The arena re-opened in 1938 at the *Colloque Walter Lippmann (CWL)* and perpetuated itself at the meetings of the *Mont Pèlerin Society (MPS)* after 1947 – an arena combining debates on technical economics, political economy and social philosophy. The phase of this section is distinct by the key new assumption that now the phase of juvenility was definitely over, giving place to scholarly maturity: at the *CWL* Röpke was approaching his 40<sup>th</sup> birthday, and while Eucken did not attend the *CWL*, at the founding *MPS* meeting he was approaching his 60<sup>th</sup> birthday (Rüstow was anyway only two years Mises' junior). Thus age differentials might still have played a role, but their weight was significantly lower than when a scholar in his early 20s met one above 40, as was the case of Röpke and Mises in Eisenach 1922.

And while the encounters became less frequent, they changed their character as compared to the ones depicted in section 3.2. The tension of the “master and friend” kind transformed into open confrontation of rather aggressive verbal clashes and even more sarcastic statements in correspondence. Now that the scholarly socialization of the ordoliberalism is assumed as fully completed, the “blindness” of section 3.1 were firmly configured on both sides, so the famous battles between Mises and factions of “pseudo-liberals” could begin – the prominent two groups being the ordoliberalism and the Chicago School representatives (for the latter see Skousen 2005). Moreover, the “blindness” as presented in section 3.1 had been confirmed by the experiences with each other during the GD as presented in section 3.2: from now on Eucken and Röpke saw Mises “by default” as a dogmatist, one who despite the elegance of his theoretical edifices was detached from the problems of the real world and correspondingly naïve and impractical in his judgments on concrete economic policy recommendations. Reciprocally, Mises was convinced more than ever that German economists as such, now including the most recent generation with their interventionist preferences revealed during the GD, were incapable of consistent economic theorizing, and that they by default supported interventionist statism.

To set the scene for this phase, the heat involved can be clearly discerned in the following three passages:

“The German Ordo-Liberalism is different only in details from the Sozialpolitik of the Schmoller and Wagner school. After the episodes of Weimar radicalism and Nazi socialism, it is a return in principle to the Wohlfahrtsstaat of Bismarck and Posadovsky.”

Mises (1958/2007, p. 273)

“Mises and Hayek should be put into museum, conserved in formaldehyde, as the last samples of the otherwise extinct species of liberals who provoked the current catastrophe.”

Rüstow to Röpke (21.2.1941)

“Especially in this area [creating the conditions for effective competition, SK], already before the war a number of important studies were published in Germany, primarily owing to the impulses of Professor Walter Eucken in Freiburg i.B. and of Professor Franz Böhm, now in Frankfurt. [...] The problem of the “order of the economy” in the sense in which these scholars have addressed it and have attempted to sketch its solution is one of the most important tasks which the human mind can pose itself today, and the solution of which is of immense importance.”

Hayek (1947/2004, p. 170)

The polarity of mutual judgment contained in these statements is striking, but also in line with the usual narrative of aggression and contempt dominating the irreconcilable relationships of Mises and the German “Ordo-interventionists” (Hennecke 2005, pp. 1-3; Hülsmann 2007, pp. 878-880). When having a closer look at the first two quotes, both of them prove to be factually wrong. The least thing Röpke could be accused of is sympathy for the welfare state (or of sympathy for Prussia, as symbolized here by Bismarck and the high Prussian official Arthur von Posadowsky-Wehner, Bismarck being Röpke’s

perennial culprit for what he called the tragedy of the German nation) – and even less so in 1958, the year of publication of his *Humane Economy*, whose centerpiece was a biting critique of various plans to establish or expand the welfare state. Equally biased and distorted was Rüstow's ad hominem accusation of Mises' and Hayek's responsibility for the crisis, as neither of them could be traced to have been of seminal importance for the course of practical economic policy during the GD. Last but not least, it is intriguing to juxtapose Mises' and Hayek's diametrically different assessments of the ordoliberal research program and of the role of the ordoliberals: while Mises simply put them into the "German interventionists" box, Hayek of the 1930s and 1940s systematically searched proximity to Eucken, Röpke and their associates, and started building his political economy and social philosophy on grounds very close to the realms explored by the ordoliberals (Kolev 2010, pp. 8-18; Kolev/Goldschmidt/Hesse 2014, pp. 1-4; Kolev 2015, pp. 432-436). Similar to the discussion of the "Ricardians" in section 3.2, the lines here were not congruent with the simple Austrians *versus* Germans division – rather, they showed Mises being in the one corner, the ordoliberals in the other, and a layer of in-betweens (age peers of Eucken and Röpke) like Hayek (or Gottfried von Haberler) who were willing to engage in discussions with and to use arguments of both corners. This pattern remained valid for both the *CWL* and the early *MPS* decades.

The *CWL* in Paris 1938 fell into a period when a number of representatives of the Eucken-Röpke-Hayek generation left their focus on technical economics aside and proceeded to the broader fields of political economy and social philosophy (Blümle/Goldschmidt 2006, pp. 547-557). Correspondingly, while covering topics of economics, the debates were dominated by discussions of the history and future of liberalism as well as on liberal political economy (Wegmann 2002, pp. 101-110; Plickert 2008, p. 93-103; Burgin 2012, pp. 70-86), also due to the interdisciplinary composition of the conferees (for embedding the *CWL* into Walter Lippmann's personal evolution see Goodwin 2014, pp. 233-260). The reasons for Eucken's absence are still to be explored in the ongoing processing of his archives, while it is noteworthy that Hayek's statements (made mostly in English) are hardly present in the Record of the Sessions, as only contributions in German and French were protocolled. The clashes between Mises and Röpke/Rüstow took place at four intersections: 1) concentration of industry as a result of endogenous market processes or as a result of interventions (Record of the Sessions 1938, pp. 24-29); 2) nationalism and the decline of liberalism (Record of the Sessions 1938, pp. 40-47); 3) liberalism's too narrow focus on the economic domain and the disregard of non-economic factors of liberty as the culprit for liberalism's decline (pp. 55-66); 4) necessity to formulate a new liberalism, with a special regard to interventionism (Record of the Sessions 1938, pp. 75-80). The tone was polite, but the statements did not lack polemic components, especially in the exchange between Mises and Rüstow, a prime example being Rüstow's pun about the evolution of mass sentiment in the 19<sup>th</sup> and 20<sup>th</sup> century: "If they have not listened to Moses and the prophets – Adam Smith and Ricardo – how will they believe Mr. von Mises?" (Record of the Sessions 1938, p. 66). The core difference can be summarized in a double-bifurcated question: first, whether every evil in the economic and social sphere is attributable to state intervention, and second, whether the answer to the problems of the time can be found in the termination of interventions (thus going back to the common image of liberalism in the 19<sup>th</sup> century) or in the introduction of new interventions

(synonymously used here with the better-sounding term “reforms”) to heal the evils in the economic and social sphere (thus proceeding to a new liberalism of the 20<sup>th</sup> century). The answers given to this central question were not as clear-cut as it might appear at first glance, an ambiguity brought to light if one considers the topic of limited liability and Mises’ positioning: to him, this institution was simply indispensable (Record of the Sessions 1938, p. 29). But is it as simple as that? Couldn’t it equally be claimed that both the institution itself and the way it had been granted in earlier decades were results of preceding government interventions? Thus a consequently “non-interventionist” stance might also lead to the conclusion that such government interventions were to be perceived just as harmful as “any other” intervention. This ambiguity notwithstanding, the principal answers to the question on the necessity of new interventions/reforms broadly justified the loose characterization and grouping of the attendants into a “neoliberal”/more reformist and a “paleoliberal”/less reformist fraction. And it is likely that the exchange in Paris was a seminal experience for both sides, once again confirming their embittered attitude towards each other, leading to the statements about each other quoted above.

A note referring to the conceptual discussion of “neoliberalism” in section 2 is in place here: in the concluding session of the *CWL* dedicated to the plans of establishing a new *International Center of Studies for the Renewal of Liberalism*, Lippmann proposed to focus this Center’s agenda around the question “interventions, necessary or not?”, and Mises immediately agreed: “Here is no doubt that the principal problem to study is that of the possibilities and limits of interventionism. We need to prepare that conference by elaborating a report on the ways in which economists have until now envisaged the question” (Record of the Sessions 1938, p. 80). This statement was intriguing: while paying due respect to the previous contributions to the theory of interventionism, certainly also implicitly referring to his seminal studies of the 1920s, the sentence by no means implied that everything had already been said or that subsequent conferences of the Center would be unable to innovate on the theory of interventionism. This is yet another instance that, in the sense explicated in section 2, Mises was indeed a neoliberal – while not as reformist as Röpke, Eucken and Rüstow and more willing to give credit to classical liberalism’s theoretical achievements, he was a key innovator himself and also one willing to further explore potential innovations in discourse with others.

A multifaceted illustration of Mises’ willingness to engage in discourse with the “Ordo-interventionists” (and other “pseudo-liberals”) was provided by the first two decades of the *MPS*’s development, years in which the Society was heavily influenced by its German membership (Kolev/Goldschmidt/Hesse 2014). Until his sudden passing in 1950, Eucken participated very actively in building up the Society: he was the only economist working in Germany to attend the first meeting in 1947 and left a long-lasting impression on some of the young American scholars (Stigler 1988, p. 146; Friedman/Friedman 1998, p. 160). Röpke was seminal for organizing the initiation of the *MPS* and left a significant footprint during its formative decade, served as its second president 1961-62 and eventually left the Society in the course of the ill-famed “Hunold Affair” (Burgin 2012, pp. 133-146) – a clash not covered by this paper due to the only subordinate role which Mises played in it. The potential conflict lines with Mises surfaced already on the

eve of the founding. In 1946, when informed of Hayek's plan about the envisioned academic society and especially about the proposed invitees to the Mont Pèlerin, Mises penned a memorandum which concluded with a clear rejection of Hayek's idea to create a broad platform for liberals (incidentally, the platform soon proved too narrow in the eyes of Karl Popper vis-à-vis his own plans to invite a broad anti-totalitarian collection of scholars): "The weak point in Professor Hayek's plan is that it relies upon the cooperation of many men who are known for their endorsement of interventionism" (Mises 1946/2009, p. 3). In the letter accompanying the memorandum sent to Hayek, Mises was more specific: "Above all I am concerned about Röpke's participation, who is an outright interventionist" (Mises to Hayek, 31.12.1946, in the German original: "ausgesprochener Interventionist"). And the prediction for cloudy skies turned out partially correct. At the 1947 meeting, the famous "You are all a bunch of socialists!" scene happened at a session on taxation, and in a letter to Rüstow who was not able to attend, Röpke described Mises as "isolated in an almost tragicomical way" during the meeting, especially because of his unwillingness to accept the "primacy of our framework problems" (Röpke to Rüstow, 24.4.1947).

A case in point for the controversy over these "framework problems" was the second general *MPS* meeting in July 1949 in Seelisberg, where Mises collided with Eucken and his Freiburg associate Leonhard Miksch (1901-1950) (for Miksch's contributions to the research program of the Freiburg School see Feld/Köhler 2015). The issue at stake was competition policy, especially the question if the competitive order was a framework necessarily imposed by government to preclude market power concentration, or whether government interventions were the only source of market power, a clash colorfully portrayed in Miksch's diary. When Mises accused Miksch of "totalitarian lines of thought" because he sought to solve problems of economic policy in general and of unemployment in particular on the level of the economic constitution/framework, Eucken and Mises entered a furious debate, depicted by Miksch as follows: "This led to a heated debate, in the course of which Mises exclaimed: 'What Adam Smith! I am liberalism.' If you ask me, his liberalism is a rather jaded Manchesterism that, its logical coherence notwithstanding, gives the impression of a crafty and biased ideology" (reproduced in Kolev/Goldschmidt/Hesse 2014, p. 21). The picture became more nuanced, however, when reading a few lines further in Miksch's account of their interaction: "After dinner, he had calmed down and told me amicably that we needn't quarrel. I told him that I agreed and that I was fully aware of the respect I owed a man by far my elder [20 years, SK], but that I must nevertheless draw attention to the fact that he had attacked me and not I him. As a matter of fact, views such as those from Mises can only be harmful and sap all action" (reproduced in Kolev/Goldschmidt/Hesse 2014, p. 35). In retrospect Röpke depicted the Seelisberg clash between Eucken and Mises as one to "remain symbolic of the factional dispute within the liberal camp which would often recur in the Mont Pèlerin Society" (Röpke 1960, p. 11).

A note on historiography is in place here, expanded in section 3.6 when discussing the problems of (self-) canonization. Today many acolytes of Mises indulge in repeating the "You are all a bunch of socialists!" scene, and while it is true that in these initial years of the *MPS* he was often isolated and frequently assumed the role of the dissident, Mises remained an active member and regularly attended the Society's

meetings as late as the Stresa meeting in 1965 (Hülsmann 2007, p. 1032). Regardless of how “unenlightened” Mises might have perceived “so many” members of the *MPS*, as jocularly noted in the aforementioned *Homage* by Röpke as president of the *MPS* upon Mises’ 80<sup>th</sup> birthday (Röpke 1961, p. 5), the interpretative statement that “the 1947 Mont Pèlerin Society meeting was enough to satisfy Mises’s curiosity about Europe and European scholars for quite some time” (Hülsmann 2007, p. 874) might contain a tendency of stressing too much his “knightian” nature, while at the same time underselling his perennial willingness to engage in debates.

### 3.4 The problem of public recognition: the underdog and the heroes?

With the foundation of the Federal Republic of Germany only a few weeks after the Seelisberg meeting, two key shifts with diametrically different impact took place. On the one hand, the unexpected passing of Eucken while lecturing at the *LSE* in March 1950 (and of Miksch a few months later) deprived the incipient Freiburg School of two indispensable proponents in academia and the public arena, losses which would prove of seminal importance for its future evolution – and losses which already at the time were assessed as hardly compensable: in the months after Eucken’s passing, Hayek wrote to Ludwig Erhard how in his view Röpke’s presence in Germany could only serve a partial substitute for Eucken (Hayek to Erhard, 30.6.1950). On the other hand and at the very same time, Erhard, who as a political entrepreneur was intellectually related to Eucken’s circle as well as to Röpke and Rüstow, was widely perceived as a shooting star due to his successful policy agenda of the “Social Market Economy” igniting the “economic miracle”. With him as a promotional vehicle, ordoliberalism gained in prestige in its three aforementioned varieties (the Freiburg School, the “sociological liberalism” of Röpke and Rüstow, as well as the Cologne strand around Alfred Müller-Armack) and would even be classified by Michel Foucault as being at the heart of the German “radically economic state”, a term Foucault coined to portray an essential trait of the Federal Republic (Foucault 1979/2008, p. 86). In the context of this rising renown, the Walter Eucken Institut was founded 1954 in Freiburg by Eucken’s family, friends, colleagues and associates – with Erhard, Röpke and Hayek among its founding members.

Mises, however, had only mixed feelings about the “economic miracle”, and his attitude towards Erhard’s policies seems adequately summarized as having identified yet another German interventionist. The accounts in the two biographies coincide on this point. When first requested in 1948 on his opinion of Erhard, Mises replied that he did not know him, other than that Erhard directed the *Economic Advisory Board* in Frankfurt – a commission which Mises depicted as “moderately interventionist”. Still, at this point Mises allowed for the commission’s opposition to the dominant ideas of the German political parties and of the British administration to be possibly attributable to “Erhard’s uncompromising attitude and the persuasiveness of his exposition of the principles of true liberalism” (Hülsmann 2007, p. 875). Knowledge of the commission’s composition enables an easy guess as to who the “moderate interventionists” were: the *Economic Advisory Board* was dominated by Eucken, Miksch and the group around them (Nicholls 1994, pp. 185-205; Klinckowstroem 2000, pp. 99-100; Glossner 2010, pp. 43-46).

However, allowing for the possibility of Erhard to become a proponent of “true liberalism” proved short-lived: Mises was soon disappointed to realize that Erhard’s intellectual background was based on the theories of Eucken, Röpke and Müller-Armack (Hülsmann 2007, p. 878). When the *MPS* convened once again in Seelisberg in 1953, Erhard had just triumphantly won the federal elections as a key figure in Adenauer’s cabinet and many *MPS* members were excited to have him among them at the meeting – while Mises declined a meeting with this “compromising pseudo-liberal” (Hennecke 2005, p. 192). In this context, a curious person emerged on the scene: Volkmar Muthesius. Presented as Mises’ “closest German ally”, he was suspected by Röpke of having advised Mises to avoid meeting Erhard (Hülsmann 2007, p. 880). It was in correspondence with Muthesius in 1955 that Mises coined the terms “Ordo-interventionism”/“Ordo-interventionists” (Hülsmann 2007, p. 880/p. 1007). The journal *Monatsblätter für freiheitliche Wirtschaftspolitik* established by Muthesius in 1955 succeeded already in its very first year to produce what has recently been called the “Muthesius controversy” (Nientiedt/Köhler 2015) – a rather unpleasant and heated affair when accounts were voiced in the journal about an alleged proximity of elements of ordoliberalism to the economics of National Socialism, the details of which will soon be published (see for a nutshell version Hülsmann 2007, pp. 1007-1008, fn. 36). Equally important for this phase, the *Monatsblätter* “fight an honorable rear-guard action” (Hülsmann 2007, p. 1007) – a characterization which, if discounted for its martial rhetoric, indeed captures well the spirit of the journal which reads as being one where “underdogs” fought the undeserved “heroes” of the day. A perennial target of Muthesius’ team was Erhard’s compromising nature, the pseudo-successes of the Social Market Economy and the harmful character of anti-trust legislation – permanently opposing the Act against Restraints of Competition of 1958, which the ordoliberals celebrated as a milestone success after a decade of controversy especially with the Federation of German Industry and despite the nature of compromise for some sections of the final version after multiple lines of conflict in the political arena (Nicholls 1994, pp. 329-337).

Four of Mises’ contributions to the *Monatsblätter* are of particular interest here. “The Truth about Interventionism” (Mises 1957a) contained passages well-known from his 1920s interventionism essays and reads like a version of Mises (1958/2007) streamlined for usage in the German context, with an identical quotation as the one at the beginning of section 3.3 but for one curious spelling difference: here “German ORDO-Liberalism” (Mises 1957a, p. 603) was now spelled in capital letters, in line with the official spelling of the *ORDO Yearbook*, the organ of Muthesius’ opponents. Another curiosity in the *Monatsblätter* is a pre-publication of Mises’ contribution to a festschrift for Ludwig Erhard’s 60<sup>th</sup> birthday which reads like an angry rebuke of egalitarianism equally prevalent in Western countries and in world politics, not omitting a biting reference to Prussian economist Adolf Wagner and the way to National Socialism paved by his kind (Mises 1957b, 92). Two other *Monatsblätter* pieces of his directly relate to the final scene of this account, Mises’ honorary doctorate in Freiburg 1964.

### 3.5 The problem of ceremonial occasions: genuine reconciliation or superficial courtesy?

Advanced age often entails an increase of ceremonial occasions, taking the forms of congratulatory addresses, festschriften or oral testimonials. The case was similar in the group studied here, not surprising given the scholarly socialization in early 20<sup>th</sup> century Central European universities, institutions famous and sometimes notorious for their formal rituals. Such rituals are equally observable in the correspondence among the protagonists: not only were first names not permissible, they also continued – after decades of cooperation – until the very end to start letters in the style of “esteemed professor Mises”, with “my dear Mises” being the warmest acceptable tone of informality (Margit von Mises, while addressing Röpke’s wife as “dearest Eva”, used the most formal possible “esteemed Herr Professor”, without the surname – as was quasi-mandatory in Germany until 1968 for anyone who does not hold a PhD: Margit von Mises to Eva and Wilhelm Röpke, 7.10.1959; yet again in what she called a “fan letter” to Röpke, 19.10.1961). Specimens of ceremonial courtesies have already been discussed above: Röpke’s address for Mises’ 80<sup>th</sup> birthday (Röpke 1961), Hayek’s address for Röpke’s 60<sup>th</sup> birthday (Hayek 1959) and for Mises’ 70<sup>th</sup> birthday (Hayek 1951), as well as Mises’ contribution to the festschrift for Erhard’s 60<sup>th</sup> birthday (Mises 1957b) and his obituary for Röpke (Mises 1966). When using sources of this kind, certainly special attention and sensitivity are required (Backhouse 2007) since both their rhetoric and their content might have been “upgraded” for the occasion as compared to the usual interactions, so a “discounting” of this ceremonial courtesy component might be necessary – although Mises’ piece for the Erhard festschrift shows that such an “upgrade” of courtesy is not mandatory.

Of all acts of academic esteem prior to the establishment of the Nobel Prize in Economics in 1969 (and in a generation too senior to have aspired for John Bates Clark Medals), receiving an honorary doctorate from a prestigious university ranked among the most welcome acknowledgements of one’s achievements. This final section presents the somewhat curious case of Mises’ honorary doctorate which he received from the University of Freiburg in 1964. “Curious” is used here judiciously. It is striking how few of these recognitions such an internationally renowned scholar like Mises received during his long career: apart from the special moment of becoming Distinguished Fellow of the American Economic Association in 1969 soon after the initiation of this distinction, Mises was awarded only three honorary doctorates, two of them in law: 1957 by Grove City College and 1963 by New York University (Moss 1976, pp. 118-122). So, strictly speaking, he received his single honorary doctorate in economics – of all places – from the University of Freiburg, on July 27 1964.

When Hayek moved from Chicago to Freiburg in the spring of 1962, he not only honored Eucken’s (and Miksch’s) heritage in his inaugural lecture (Hayek 1962/1969, p. 1-2) and became for many years the director (and later the life-long honorary president) of the Walter Eucken Institut. In a parallel effort with a similarly speedy timing, in December 1963 he initiated a correspondence with the dean of his Faculty of Law and State Sciences. The faculty’s structure where political economy, as a part of “state sciences”, was integrated in the faculty of law was characteristic for one of the two major models of institutionalizing political economy in the German-language area, the other one being the Prussian model which integrated

political economy in the faculty of philosophy (Waczek 1988; Brintzinger 1996, pp. 23-28). Freiburg had an explicit chair in “Cameral-Wissenschaft” since 1768 (Universitätsarchiv Freiburg 1994, p. 5), constituting one of the oldest traditions in any German-language university (Streissler 1990, pp. 31-32).

The core of Hayek’s initiative (of which he wrote to have coordinated it with his “closer colleagues”) was immediately directed at convincing the dean (initially law professor Konrad Hesse, at the end of the procedure law professor Fritz Rittner) of awarding Mises an honorary doctorate, extensively delineating Mises’ merits already in the first letter (Hayek to Hesse, 22.12.1963; this and all related documents are retrieved from Universitätsarchiv Freiburg, Bestand B0110, Akte 51). The three principal achievements listed were: 1) the 1912 habilitation, “in many respects still appearing modern”, to have for the first time integrated a theory of money and credit into “the general economic theory of prices and markets”; 2) the 1920 article on socialist calculation and the ensuing *Gemeinwirtschaft* to have initiated “an international discussion lasting for many years”, even receiving the recognition by one of his main opponents of having deserved “a statue in the marble halls of the future socialist planning board”; 3) the 1940/1949 *Nationalökonomie/Human Action* to have presented, after numerous and highly controversial previous studies, “an extensively designed and comprehensive system of the theory of human action in society, which combines the main results of his life-time efforts”, and that while the basic methodological tenets of this book might be considered controversial, praxeology was to be “acknowledged as the culmination of a long and influential tradition” and to be granted the special merit of having “worked out in the clearest form the pure logic of choice [in the German original: reine Logik des Wirtschaftens]” – the latter being an interesting statement in itself when connecting it to the recently identified archival materials on Hayek of the same period, showing previously unknown works of his on this very domain of the “logic of choice”/“economic calculus” (Caldwell 2016, pp. 163-175). Two additional intriguing passages were contained in this same letter. First, while praising Mises’ consequent pursuit of logic and his intellectual courage, Hayek inserted the statement: “Also those among the younger ‘neoliberal’ school who are not quite willing to follow him, can say that it was him whose critique awakened them from their ‘dogmatic slumber’ which had caused serious blindness vis-à-vis important problems”. Second, given the fact that “several of his students who have expanded upon his impulses have long been distinguished with honorary doctorates by prestigious universities” and given Mises’ regained great international prestige “after a long time of relative neglect in the German-language area”, Hayek considered an honor by a German university to be a “particularly appropriate gesture” – the latter possibly also containing an implicit reference to the numerous obstacles in Mises’ career related to his Jewish origin.

In the end of the letter, he even proposed a text for the laudatio on the diploma:

“To Ludwig von Mises who, in more than sixty years of scholarly work, has crucially promoted the theoretical social sciences in an unflinching pursuit of guiding fundamental ideas, has stimulated them by posing decisive questions and has enriched them by new contributions, especially the development of praxeology as a logical foundation of the social sciences, in a long-lasting manner.”

The formal procedures which ensued did not take long, and Hayek was successful in convincing his colleagues – with one exception: J. Heinz Müller. An economist specialized in location theory and transportation hardly remembered today, Müller was the scholar who in 1955, after five years of unsuccessful attempts by the faculty to find replacement, became the formal successor to Eucken’s chair. When studying his publications (in the biographical sketch of Mückl 1997), any proximity to ordoliberalism is very much indiscernible. Still, Professor Müller (by the time of the honorary doctorate episode slightly above 40) voiced an objection to the laudatio as formulated by Hayek above, and a rather bizarre one: in a note to the dean of February 26 1964, Hayek communicated Müller’s request to omit the term “long-lasting” at the end of the text, and declared his own accord to do so. When first discussing these documents at a conference in Freiburg in September 2013, an opportunity presented itself to talk to Eucken’s son, Christoph Eucken who, as a professor of ancient philology and a student of Hayek in the 1960s, examined the diploma and assured me that Müller’s efforts had been successful and the term “long-lasting” was not included in the final laudatio reprinted below.

In a hand-written reply of March 10 1964, Mises expressed his gratitude to be granted an honorary doctorate in “economic state sciences” (“der wirtschaftlichen Staatswissenschaften”: of all possible formulations, this very particular one additionally contributes to the curios character of the episode). Furthermore he declared to be especially flattered of being honored by this particular institution “since I well know what I owe to teachings who took their beginning at the University of Freiburg”. In the unlikely event of expecting a reference to the ordoliberals (or, perhaps more likely, to Max Weber who had his first position in Freiburg between 1894 and 1896), such expectations were disappointed: the only explicit name referred to is that “also my first teacher of political economy, Eugen von Philippovich, taught there long” – still, the inclusion of “also” allows for some speculation who else might have been of importance to Mises. The correspondence between Mises and Hayek cannot help either: Hayek spent the months prior to the awarding ceremony in Japan and the intermittent correspondence contained only logistical details about Mises’ schedule in Freiburg.

When in Freiburg, Mises delivered a talk on July 27 1964, a minor but interesting detail being that the talk took place not at the university, but – upon the special invitation of Eucken’s widow, Edith Eucken-Erdsiek (Eucken-Erdsiek to Mises, 12.3.1964) – at the Walter Eucken Institut, with a title which translates as “Ownership of the Means of Production in the Market Economy” (Walter Eucken Institut 1964, p. 8). Unlike most other papers presented in this context, Mises’ talk was not published in *ORDO Yearbook* but, reminding of the battlefield in section 3.4, as two separate articles in Muthesius’ *Monatsblätter* (Mises 1964; Mises 1965). The pieces did not contain any reference to Freiburg, the honorary doctorate or to ordoliberalism (other than general terms like “social reformers” or “the order of economy and society”, Mises 1964, p. 725). With knowledge of the sections above and of the special event, however, they rather clearly read as an attack on core ordoliberal tenets, especially Mises’ claims that power in the market economy could only lie in the hands of the consumer, and that monopolies and cartels were always the result of exogenous interventions by national government or by a cartel of national governments.

# UNIVERSITAS LITERARVM ALBERTO-LVDOVICIANA

RECTORE MAGNIFICO BERNHARDO PANZRAM EX AVCTORITATE SENATVS  
ACADEMICI ET DECRETO ORDINIS IVRIS CONSVLTORVM ET RERVM POLITI-  
CARVM EGO FRIDERICVS RITTNER PROMOTOR LEGITIME CONSTITVTVS

## LVDOVICO VON MISES

QVI PLVS SEXAGINTA ANNIS PERVESTIGATIONE NVNQVAM INTERMISSA DE  
HVMANAE SOCIETATIS STRVCTVRA ATQVE OECONOMIA DOCTRINAM OPERIBVS  
LIBRISQVE PERMVLTI AVXIT / QVI PRINCIPIA EIVSDEM DOCTRINAE MAGNA CVM  
AVCTORITATE DEMONSTRAVIT / QVI VERITATIS DILIGENTISSIMVS SCRVTATOR  
DISCIPLINAM EAM NON MODO OMNINO PROMOVIT VERVM ETIAM  
CONTRIBVTIONIBVS NOVIS / IMPRIMIS QVIBVS PRAXEOLOGIAM EXPLICAVIT  
CAPVT EIVS ESSE ET FVNDAMENTVM / DILVCIDE ILLVSTRAVIT

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MILLESIMI NONGENTESIMI SEXAGESIMI QVARTI /  
QVINGENTESIMI SEPTIMI VNIVERSITATIS ALBERTO LVDOVICIANAE

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1966 set the final scene in this account's interactions with Röpke's passing on February 12. And the end is similarly awkward as Müller's intervention in Freiburg 1964. On the one hand, given the ceremonial occasion, Mises penned the obituary quoted at the very beginning of the paper, with high praise for Röpke and Eucken (Mises 1966, p. 200). Similar tones were expressed in correspondence when crediting Röpke with "a decisive contribution" to the "awakening of the liberal spirit" in earlier decades (Mises to Röpke, 12.3.1956), or when referring to their "identical goals" while looking back on the preceding fifty years (Mises to Röpke, 27.10.1961) – a stance very much shared by Eucken-Erdsiek, when writing to Mises about the "identical goal" which "in the ultimate foundations" united Mises with her late husband and herself (Eucken-Erdsiek to Mises, 26.2.1951, in the German original: "ein in den letzten Grundlagen gleiches Wollen"). On the other hand, in the very same year he published a passage in the 3<sup>rd</sup> edition of *Human Action* how "the most recent variety of interventionism, the German 'soziale Marktwirtschaft'" was nothing else but the usual stance of "interventionist doctrinaires" (Mises 1949/1966, p. 723).

With this, the curtain fell – in a rather characteristic manner, as Mises' final statement succeeded in merging two of the key terms which have been our constant companions in the account of the preceding four decades' polemic rhetoric.

### 3.6 The problem of (self-)canonization: lions and heroes, demons and villains?

Now that the curtain has fallen on the actual interactions of the three protagonists, an overview is in place on the historiography that has been conducted during the five decades since 1966. As sketched in section 3.1, the historiographic explorations conducted by the protagonists themselves were rather peculiar, and a forthcoming paper will shed light on the intriguing approach of the generation depicted here to the task of portraying earlier generations and scholars, notably Friedrich von Wieser. Let it suffice for here that the problems of scientific credit identified between Mises and the young ordoliberals are identifiable in a very similar pattern when exploring Mises (and, to a certain degree, also Schumpeter) vis-à-vis the Böhm-Bawerk/Wieser generation. As is widely known, the history of the Austrian School today is heavily based on the accounts compiled by Mises and Hayek – neoliberal scholars who are not unlikely to have also pursued their own agenda vis-à-vis the older liberals when writing the history of the old days.

More important here, since the "Austrian revival" in the 1970s, an impressive body of literature both on the further development of Austrian Economics and on the history of the Austrian School has emerged. An extensive overview would be misplaced and hardly possible here (see instead the expositions in Boettke/Coyne 2015). Rather, a specific strand in this literature requires examination, one which in an interesting way has been paralleled by the (mostly) German literature on ordoliberalism since the 1950s. This approach is best captured by the term "canonization": a technical term in historiography (Goodwin 1999, pp. 22-23), it is not used in a normative way here, but rather to depict a particular approach towards schools of thought and towards individual thinkers, typical examples being Smith, Marx or Keynes. Historians with the (explicit or implicit) intention to "canonize" have produced history which emphasizes

the originality of a certain thinker and his uniquely innovative take on specific scientific problems. Such efforts frequently lead to the usage of a particular rhetoric and often entail the (explicit or implicit) diminution of other thinkers, so that the uniqueness of the thinker portrayed can shine even brighter, as brilliantly described by Robert Dimand in his overview of “lionization” and “demonization” of and by economists in the history of economics (Dimand 2007).

Some prominent examples from the literature on the Austrian School and on ordoliberalism can be helpful to illustrate this “lions/heroes *versus* demons/villains” technique. Hoppe (1994) is curious not only by the usage of a terminology like “champion of the free market economy” or “rising tide of statism and statist ideologies”, but also by his conclusion of having identified this “champion” in “the great and unsurpassed Ludwig von Mises” vis-à-vis Hayek who is to be discarded as a “modern social democrat”. Hülsmann (2012) is equally interesting, presenting the contrast between Mises and the “neo-liberals” – the latter box containing Hayek, the ordoliberals as well as early representatives of the Chicago School like Henry Simons – as being between “100% capitalism” and “the neo-liberal interventionist agenda”. The first *MPS* meeting of 1947 is juxtaposed with the *CWL* of 1938 by reference to Mises’ 1938 honeymoon, so that in 1947, when the honeymoon was over, he did not have to be “unusually tame” any more. This paper is also special in a sociological way: it was presented at the 2012 *MPS* meeting in Prague and, while the claim that the ordoliberal “Third Way is the fastest way to the Third World” was not entirely new and had already been prominently presented at the 1998 *MPS* meeting in Washington (Klaus 2000), putting Hayek into the same “neo-liberal” box of pseudo-liberals in front of the *MPS* was a bold achievement, reciprocated with rather mixed feelings by the audience. Most recently, a somewhat differently nuanced “canonizing” demarcation line surfaces in Bagus (2016): the Austrians (this time including Hayek) are contrasted here with the “neoliberals”, most prominently “the Chicago school and the Ordoliberal school”, who opposed socialism but also opposed the “laissez-faire approach of classical liberalism” – concluding (with some strategic martial rhetoric often encountered in “canonizing” essays) that “instead of treating neoliberals as friends with a common cause, Austrians could have fared better by regarding neoliberals as enemies of their enemies”.

Very similar accounts of ordoliberalism are easily at hand. They refer to the content of the ordoliberal research program as well as to the principal proponents of ordoliberalism as heroes of the Social Market Economy, but also as undisputable members of the resistance against National Socialism – equally valid for exiles like Röpke and Rüstow and for “half-exiles” (Johnson 1989, p. 40) like Eucken. This is problematic in several ways. First of all, the originality of a research program is only identifiable when compared to earlier and contemporaneous programs – but when exploring the *ORDO Yearbook* of the last seven decades, systematic comparative treatises vis-à-vis classical liberalism or other programs broadly corresponding to the motto of “laissez-faire within rules” (Kolev 2015, pp. 438-439) only appeared after Viktor Vanberg began his long-term project in the late 1980s to revitalize ordoliberalism by connecting it to Constitutional Political Economy (Vanberg 1988). Second, even though the merits of Eucken, Röpke, Rüstow and Müller-Armack for the Social Market Economy are beyond any doubt, this fact does not

“canonize” them as saints who are exempt of any ethical suspicions. Recent aggressive reactions to a publication of Quinn Slobodian on Röpke’s involvement with the South African apartheid regime (Slobodian 2014) or to a line in *Frankfurter Allgemeine Zeitung* discussing how the late Röpke may have become a “reactionary” (Horn 2015) have been audible signs how followers of ordoliberalism are not always willing to soberly engage in debates when their heroes are challenged. The resistance against National Socialism presents a parallel case: while it is undeniable that Röpke, Rüstow and Eucken were active opponents to the regime in various ways, the same is not equally clear about Müller-Armack or Miksch – and while it is untenable to depict all of them as collaborators of National Socialism (Haselbach 1991; Ptak 2004), it certainly is an oversimplifying “canonization” to deny any collaboration by some of them (see the nuanced accounts in Goldschmidt 2005; Dathe 2015). Last but not least, a deficiency symmetrical to the diminution of the ordoliberals by some strands of Austrian literature has been the astounding neglect of Mises’ work and heritage in the seven decades of the *ORDO Yearbook*’s existence.

The conjoint effect of these two bodies of “canonization” literature is at least twofold. First, as pieces of this literature reach the “mainstream” of the profession, Austrian and ordoliberal economists have to permanently struggle with being suspected of an ideological bias: a suspicion which, when combined with the dissident positions on methodology vis-à-vis common practices in the profession, lets today’s Austrian and ordoliberal economists – but also today’s historians of economics specializing in the Austrian School and in ordoliberalism – potentially appear as a *sect* detached from the discipline. Second, if the “canonization” efforts are successful and the “hero/lion” is indeed promoted to the rank of a saint in the eyes of his acolytes, such a setting can easily create the serious danger (primarily, though not exclusively, for young scholars) of initiating the belief that the books of the saint contain “Truth” and are thus to be zealously studied and followed, with the extreme possibility of a *cult* dedicated to this “canonized” author. These threats, both concerning the perception from the outside and the self-identification inside, show how powerful historical accounts can be in engaging young scholars into a field of economics neglected by top universities, but also what serious risks for the credibility and respectability of such a field are contained in the historical accounts of its evolution.

#### 4. Yet another history of wasted energy? Mining problems towards the substantive core

The above study of the four decades with a sociological prism easily invites the conclusion that the interactions between Mises and the ordoliberals shared Schumpeter’s diagnosis of the “Methodenstreit” being “a history of wasted energy” (Schumpeter 1954/2006, p. 782). And such a view is probably correct when posing the question whether the communication in the Mises-Eucken-Röpke triangle was fruitful for the protagonists themselves: apart from the important impulses Eucken and Röpke had received from Mises’ treatises during their scholarly socialization, the decades of actual discourse proved rather sterile due to the overwhelming aggression and contempt which both sides kept displaying and which constantly overshadowed their exchanges.

In retrospect, however, exploring their discourse must not appear futile. The four decades of interaction constitute a rather intriguing example for debates in the domain of political economy and can shed light on seminal issues often encountered when studying the debates in this domain. In the cases of the “Methodenstreit” and the Socialist Calculation Debates, the protagonists frequently showed little willingness to “mine deeply enough” for reaching the core of the arguments at stake, thus implicitly leaving such “mining” for later generations of historians of economics. A similar pattern surfaces when portraying the debates of this paper by adding in 2016 yet other five decades of hindsight since the end of the interactions in 1966. In the following, four conjectures are presented about the reasons for the perennial failure to attain the depth required to engage in fruitful debates, conjectures which also contain aspects of the substantive core of the debates at stake in the Mises-Eucken-Röpke triangle:

1) *Problem of abstractness:*

As usual in economic theorizing, theoretical elements can be developed on different levels of abstractness. Lack of clarity about the level of abstractness on which the debates take place can be highly confounding, especially when discussing economic policy recommendations. When exploring the debates above, the ambiguity about the level of abstractness was a constant companion. Two examples: on a very abstract level, both camps’ economic theories aim at a better understanding of economic and social order, while their economic policies aim at preserving the embattled civilization of the time (Dekker 2016). And their understandings of “order” – which of course must not include the Prussian connotations of which Mises continuously accuses the ordoliberals – are not necessarily conflicting, as visible in Hayek’s social philosophy as an in-between between the two camps (Kolev 2010). On a very concrete level, when advising an actual government on how to conduct its economic policy, the differences between the two camps also become smaller than they usually appear. Richard Ebeling’s portrayal of the “daylight Mises” in Vienna of the 1920s as an “economic policy advocate in an interventionist world” (Ebeling 2016, pp. 98-107) and the archival evidence presented of his “daylight” activities of this period (Ebeling 2002) – as opposed to Mises’ ideas from the prism of his theoretical treatises (presumably written mostly by “nightlight”, i.e. in the spare time from his official obligations) – show proximity to the compromises Röpke had to make regarding business cycle policy in the *Brauns-Kommission* of the early 1930s and to the compromises Eucken had to make in the *Economic Advisory Board* while organizing majorities for Erhard’s policies in the late 1940s. A key to the perennial misunderstandings may thus be that after leaving Austria in 1934, Mises was able to detach himself from politics and by this to consistently voice a non-compromising attitude, while after 1945 Eucken and Röpke gravitated around practical economic policy which by itself required proposals where consent was potentially achievable. The diverging attitude towards Erhard’s achievements is a case in point: while Röpke never was in full accord with Erhard’s policies and controversially debated these with him, he sided with him both in public and vis-à-vis Chancellor Adenauer (Nicholls 1994, pp. 273-275), while Mises could much more easily afford characterizations like “compromising pseudo-liberal” discussed in section 3.4. Another way to pinpoint this confusion is that often it remained unclear if statements like “power in the market economy only lies

in the hands of the consumer” used (in Weberian terms) “the market economy” as an “ideal type” or rather as the “real type” of the time to be tackled by practical economy policy.

### 2) *Problem of transition:*

When asking about the kind of politico-economic situations at which the proponents targeted their economic policy proposals, a related issue presents itself: the views on the role of theory and history. Neither camp was fair in this respect. The ordoliberals accused Mises’ edifice of being purely detached from concrete time and space, which clearly was an oversimplified judgment, especially when exploring his complex apparatus in *Theory and History* (Mises 1957/2007). Symmetrically, Mises’ ongoing insertion of the ordoliberals into the historicist box was unwarranted, especially when exploring Eucken’s efforts to bridge the “great antinomy” in his *Foundations of Economics*, a volume whose English translation of 1950 bears as subtitle *History and Theory in the Analysis of Economic Reality* (Eucken 1940/1989). Eucken’s and Röpke’s political economies constituted attempts to cope with the problems of their concrete time and space – a period comprising multiple moments of transition, in the economy and all other spheres of society, including a component of urgency in the actions to be taken by economic policy. Recipes targeted at this kind of politico-economic situations are generalizable only to a limited extent (Rodrik 2009; North/Wallis/Webb/Weingast 2013) and often indispensably entail a “second best” type of reasoning. This is clearly illustrated by an example about the agenda for competition policy. This agenda would certainly shrink significantly if all global markets were open and integrated – but in the late 1940s, the global economy had just reached a record level of disintegration (Röpke 1942; Röpke 1945/1959), so market power very much mattered and was by no means only in the hands of the consumer, as often claimed by Mises at the very same time, so a law like the Act against Restraints of Competition (GWB) enacted in 1958 might not be the “first best” within the conditions of a globalized economy of open markets, but certainly was an improvement given the constraints for the economy of the Federal Republic in the 1950s. As convincingly portrayed by Roman Köster, a similar collection of unfruitful clashes is observable before and during the Weimar Republic within the antagonisms between the camps of “pure theory” (among others Mises, claiming to have identified laws independent of time and space) and “social theory” (among others Weber and later Weberian scholars, claiming to have identified laws contingent on sets of social institutions), battles that significantly contributed to the decline of German economics during the 1920s (Köster 2011, pp. 128-142).

### 3) *Problem of concepts:*

One of Max Weber’s warnings about key obstacles for the development of the social sciences is the usage of terms which lack sufficient conceptual clarity (Weber 1922/1962, pp. 25-26). Deplorably, this was very much what was observable in the Mises-Eucken-Röpke triangle. Terms like “doctrinaire” or “dogmatic” were certainly not analytically helpful for understanding the person described in such terms. The lowlight in this respect, however, was attributable to the terms collection “intervention”, “interventionist” and “interventionism”. As delineated above, both camps agreed that price interventions were nonsensical and

self-defeating – and both camps struggled with rather mixed success to delineate what precisely was the positive task of government, leaving behind a lack of clarity with regrettable consequences for the posterity of the respective research programs. Mises’ disciples moved on to “purify” him of his own interventionist aberrations and discarded government activity whatsoever, despite numerous explicit pleas in Mises’ writings not to be linked to anarchism. In the opposing camp, later ordoliberal generations tended to authoritatively declare policies which seemed agreeable to one’s own normative standpoint as acceptable “Ordnungspolitik” even in cases which were controversial, or to wage theology-like battles based on “What Eucken would say” conjectures for current economic policy issues. Furthermore, additional lack of conceptual clarity came in from the reading of economic history which significantly differed between Mises and the ordoliberals, especially about developments in the 19<sup>th</sup> century (Ebeling 2003, pp. 235-237). These divergent views had severe consequences for the diametrically opposed usage of the term “capitalism”, an opposition leading to additional heat, as clearly discernible in Mises’ anti-capitalistic accusations penned in his contributions to the *Monatsblätter* discussed in section 3.4.

#### 4) *Problem of endogeneity:*

While studying the above portrayals of the debates on interventionism, business cycles and competition, the reader might have experienced a déjà vu at several points: the issue whether markets had endogenous imperfections justifying interventions was constantly recurring – on the micro level, primarily regarding the policy relevance of market power, and on the macro level, primarily regarding the policy relevance of secondary depression phenomena. Mises’ recurring interventionism accusations were based on his diagnosis that neither power nor secondary depression were relevant, a stance which was in harmony with his general view that all malfunctions of the market were caused by *exogenous* forces, i.e. by government interventions. Eucken and Röpke opposed this reading, since they saw such an idealizing diagnosis as actually weakening the defense of the market economy – especially regarding problems 1) and 2) in the enumeration of the current section, i.e. the “status quo” of their time in Central Europe. Eucken’s plea for establishing a competitive order to preclude market power was not only based on his aversion to this kind of power – rather, he was convinced that even if market power might be short-lived on open markets, it was capable to quickly capture the state and to entangle state and market power, in his view the worst imaginable scenario: here the state fell prey to the special interests of powerful players and stopped having its own independent will, a diagnosis which he particularly attested to be the fate of the Weimar Republic (Eucken 1932, pp. 302-309). Röpke’s argument concerning the secondary depression was similar: he regarded the political order as being at the brink of falling prey to the mass sentiment of depression, a moment when a weak democracy like the Weimar Republic was likely to collapse and succumb to the competing totalitarianisms promising easy solutions (Röpke 1931, pp. 450-453). At this stage, pointing the finger to the state as an exogenous player was in their view no more a legitimate stance: rather, the state and the market had transformed themselves into what Eucken called the “economic state”, a highly entangled entity (very much in the sense of Richard Wagner, see Wagner 2014) where interventions and stability became *endogenous* phenomena of political economy. The ordoliberal research program was an

inquiry for ways to disentangle this entity: while certainly being a huge challenge of perhaps never-ending efforts, such a perspective might still be more promising than Mises' "*only* solution" of the state dropping all exogenous interventions amid the Great Depression (Mises 1931, pp. 33-34).

## 5. Concluding remarks

In recent decades political economy has experienced a remarkable comeback, not least owing to scholars like James M. Buchanan. A seminal player in this revival, Buchanan not only had profound interests in the history of economics, but also explicitly acknowledged the numerous intellectual influences on his development. Interestingly, among the most highly appreciated figures one encounters his own teacher Frank Knight, a founder of the "Old Chicago" School which Buchanan later characterized as being a close relative of the Freiburg School, as well as Ludwig von Mises, as his *Human Action* was of seminal impact for developing the Public Choice research program. In this vein, a statement of Buchanan reflecting on Hayek's research program well suits these concluding remarks: "The diverse approaches of the intersecting 'schools' must be the bases for conciliation, not conflict. We must marry the property-rights, law-and-economics, public-choice, Austrian subjectivist approaches" (Buchanan 1979, p. 7).

The cross-fertilization as envisioned by Buchanan is only possible if the potential candidates for such efforts are first analytically separated as clearly as possible. For deepening such inquiries by delving into the evolution of the research programs involved, history of economics can provide key insights and original impulses. This has been one of the aims of this paper, and the debates between Mises and the ordoliberals indeed constitute a rather intriguing case of exploring how the respective research programs evolve, how and why they clash with each other, but also how these perennial frictions may be stimulating – if not to the protagonists of the time, they are certainly able to provoke today's historians and today's economists interested in further developing these and related research programs.

In the interpretation of this paper, history of economics is both valuable in itself as well as instrumental for the further development of economics. At times of multiple economic crises, among others of the field of economics itself, it can provide ways out of some of the impasses we have moved into, also reaching out for new inquiries in fields like political economy on what "Old Chicagoan" Henry Simons called the "division of labor" between the market and the state. One "usage" of history of economics, however, is likely to entail fatal consequences, fatal both for history and for the historicized paradigms: putting history "in the service of ideology" (Caldwell 2008, p. 143). This paper aimed at disentangling the objects of its study from such expositions which, as depicted especially in section 3.6, abound in the literature on the Austrian and the ordoliberal economists. Embedding the analysis of the substantive issues into a rich picture of the interpersonal relationships was also an attempt to show the authors as "normal" human beings who, along with being insightful scholarly personalities, have their own vanities, conceits, ideologies and blinders – character traits which can gain additional dynamics when reinforced in a setting with so many layers of interaction as the ones accumulating during the four decades. Thinkers of the type

studied here were important enough not to need representations as knights, heroes, lions or magicians – just as they do not need to be represented as misunderstood martyrs of the profession, a reading often encountered in today’s literature on Mises being both factually incorrect (for a concise clarification see Boettke 2016) and dangerous for posterity regarding the founding of sects or cults around such martyrs.

Let us, in lieu of a summary, conclude with a story about the protagonists. There are at least two stories about Mises and Röpke: one where both were caricatured in Henry Hazlitt’s utopia “The Great Idea”, the other about their garden walk (Hennecke 2005, pp. 1-3). The latter fits better here, even though it is anecdotal oral history. Röpke depicted a walk with Mises in the early 1930s in a settlement of workers gardens in Rotterdam. At one point Mises exclaims: “What an irrational way to produce vegetables!”, while Röpke rejoins “But it may well be a highly rational way to produce happiness”. The account of the four decades presented in this paper was very much of this kind: an exchange of mutual misunderstandings, puns, sarcasms and ridicules. It is clear that in the respective search for a better understanding of economic and social order, the other camp did play an important role – a productive or a destructive one, but hardly an irrelevant one. Still, the “mutual gains from trade” could have been much more significant. While Mises presents a more elaborate theory of market process dynamics, the ordoliberals focus on elaborating the statics which markets required in terms of a framework of prerequisites and preconditions. In the same vein, Mises’ theory of the market process is a better description of times of steady economic development with open markets, while the ordoliberals focus on a political economy applicable to moments of transition where the issues of power and stability are of utmost relevance.

However, these potential gains from trade were not effectively explored by the protagonists, as their debates got bogged down in a rhetorical quagmire of the “interventionist”/“statist” and “dogmatic”/“doctrinaire” accusations – until today a key set of labels for debates among liberal political economists, attributed both internally and externally. If today’s neoliberals are willing to learn from earlier neoliberals, it is not only substantive lessons provided by a textual perspective, but also procedural lessons provided by the sociological prism – and avoiding the quagmires of aggression and contempt by sticking to the Weberian plea for conceptual clarity appears as an indispensable starting point, followed by developing a sensitivity for the multiple communicative problems in previous generations. In this particular sense, “neo” and “classical” even appear complementary.

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