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## Transatlantic Roads to Mont Pèlerin: "Old Chicago" and Freiburg in a World of Disintegrating Orders

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**Stigler Center**

for the Study of the Economy and the State

**Transatlantic Roads to Mont Pèlerin:  
“Old Chicago” and Freiburg in a World of  
Disintegrating Orders**

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# Transatlantic Roads to Mont Pèlerin: “Old Chicago” and Freiburg in a World of Disintegrating Orders

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## Abstract

This paper depicts the co-evolution of the political economies of the “Old Chicago” and Freiburg Schools. These communities within the “laissez-faire within rules” research program and the long-standing “thinking-in-orders” tradition emerged in the 1930s and culminated in the 1940s into a surprisingly coherent stream of institutional economic thought, crystallizing around the personalities of Henry C. Simons and Walter Eucken. We show how, in an age of disintegration of national and international orders of economy and society, the political economists at Chicago and Freiburg underwent a double transition: From students of equilibrium to students of order, as well as from students of various positive orders to defenders of a specific normative order. The normative order of the economy on both sides of the Atlantic was the competitive order and its rules-based framework. Along with shared angst amid disintegrating orders, personal transatlantic connections between the two communities are identified, starting in Berlin during the 1920s. We highlight the special role of Friedrich A. Lutz who, from the mid-1930s to Eucken’s passing in 1950 and beyond, served as a lifeline between the isolated Freiburg School and US economists. Lutz’s activities are embedded in a narrative of transatlantic conversations around Friedrich A. Hayek and the early meetings of the Mont Pèlerin Society.

*Keywords:* Neoliberalism, Chicago School, Freiburg School, Mont Pèlerin Society, Henry C. Simons, Walter Eucken, Friedrich A. Lutz, Friedrich A. Hayek

*JEL Codes:* A11, B25, B31, H11, P16

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The deceased Professor Henry C. Simons may have played, and still plays,  
a role in the US as the one of Walter Eucken in our country.  
At Chicago, he increasingly evolved into the head of an entire “school”.  
*Rittershausen (1951), 426,*  
*in a review of Henry C. Simons’ “Economic Policy for a Free Society” (1948),*  
*ORDO Yearbook of Economic and Social Order*

## 1. Ordoliberalism’s Renaissance – Is German Exceptionalism Back?

The past decade has witnessed a curious development regarding the reception of ordoliberal politico-economic thought. While ordoliberalism and its intellectual foundations in the Freiburg School still constitute a challenging artefact for historians of economics, the most recent abundant literature published at some of the best international presses stems from disciplines as diverse as macroeconomics, finance, political theory, law, intellectual history, sociology of science or literary studies (e.g., Feld, Köhler and Nientiedt 2015; Brunnermeier, James and Landau 2016; Nientiedt and Köhler 2016; Bonefeld 2017; Beck and Kotz 2017; Biebricher and Vogelmann 2017; Hien and Joerges 2017; Köhler and Nientiedt 2017; Commun and Kolev 2018; Fèvre 2018; Slobodian 2018; Biebricher 2019; Dold and Krieger 2020; Germann 2021). However, since this renewed interest has been mostly triggered by Germany’s peculiar positions on fiscal and monetary policy during the Eurozone crisis, the perennial claim that ordoliberalism has been a “German oddity” (Beck and Kotz 2017) or even an “irritating German idea” (Hien and Joerges 2017) remains in the air, perhaps even a fortiori. Our paper challenges precisely this “exceptionalism” claim.

We build on previous work (Köhler and Kolev 2011; Köhler and Kolev 2013) and provide fresh evidence of the parallel emergence and evolution of the research programs in Freiburg crystallizing around the political economy of Walter Eucken, and in Chicago crystallizing around the political economy of Henry C. Simons – calling the latter the “Old Chicago” School to distinguish it from the later political economies of the Milton Friedman / George Stigler / Gary Becker cohorts. The strikingly similar political economies in “Old Chicago” and Freiburg during the 1930s and 1940s are reconstructed as parts of the contemporaneous “laissez-faire within rules” research program (Buchanan 1989, 11; Buchanan 2010; Buchanan 2020; Levy and Peart 2020, 165–170). This research program successfully updated the long-standing “thinking-in-orders” tradition which had informed and shaped numerous German and European discourses from cameralism to ordoliberalism

(Tribe 1995). By harnessing publications and archival evidence from 11 collections located in the US, Germany and Austria which are listed at the end of the paper, we shed light on yet unexplored transmission channels across the Atlantic, in addition to Friedrich A. Hayek who is often discussed in the existing literature (Van Horn 2009; Van Horn and Mirowski 2009; Van Horn 2011a; Köhler and Kolev 2013). Our spotlight is on the role of Friedrich A. Lutz. Lutz was Eucken's most successful student who in the course of the 1930s moved from Freiburg to Princeton, including several research stays in the UK during this decade. After marrying Hayek's doctoral student at the London School of Economics, Vera C. Smith, and moving to the US, Lutz became a crucial transatlantic interlocutor, a role for which we present extensive archival evidence from the Walter Eucken Papers that have become accessible only very recently.

Our exposition starts out with what we call the “competitive order puzzle”, by which we mean the striking substantive similarities that we reconstruct in the political economies of “Old Chicago” and Freiburg. We emphasize the competitive order as the shared normative vision and the rules-based framework as the shared conceptual tool on both sides of the Atlantic (Section 2). To resolve this puzzle, our historical narrative consists of two parts, which we figuratively caption the formative years (Section 3) and the interesting roads (Section 4). First we focus on the academic and civic socialization of what we call the “fin-de-siècle generation”, a journey which we identify to commence in Berlin of the 1920s and which we track to the school formation process at both universities (Section 3). Subsequently we discuss the Eucken-Lutz correspondence and Lutz's continuous role as a lifeline for Freiburg from the 1930s to Eucken's passing in 1950 (Section 4.1). Regarding Hayek's role as the interlocutor between the Continent, LSE and the US, we challenge narratives that depict the founding meeting of the Mont Pèlerin Society in 1947 or the Colloque Walter Lippmann in 1938 as the beginning of these neoliberal transatlantic conversations. For us, the 1947 MPS meeting was the culmination of a conversation which had started 20 years earlier in Berlin (Section 4.2). With the passing of Simons in 1946 and Eucken in 1950, the transatlantic constellation lost its key pillars (Section 4.3). In concluding, we highlight reasons for the diverging fates of the two research programs in the postwar decades, but also reasons for their growing topicality in today's age of increasingly unstable and fragile orders (Section 5).

Overall, our comparative analysis pursues a double aim: While we pinpoint concrete *personal connections* across the Atlantic which co-shaped the two research programs from the 1920s to the 1940s, our focus is not primarily on unidirectional influences. Instead, our central claim is that the shared “thinking-in-orders” political economy resulted from a shared angst about the existential threats to the embattled Western civilization and its *disintegrating orders*. The extreme urgency of the age, felt in similar ways in Chicago and Freiburg, required a radically new conceptualization of the rules of politico-economy frameworks on all levels. These new frameworks were devised to stabilize what could still be stabilized from the fragile interwar national and international orders, and to provide more robust orders for the postwar age.

## **2. The Competitive Order Puzzle: Striking Politico-Economic Similarities across the Atlantic**

History of economics is often a quest for resolving puzzles. When reading their posthumously published books on their respective positive programs of economic policy (Simons 1948; Eucken [1952] 2004), the overlap between the two political economies of Simons and Eucken is stunning – and at first sight this is surprising, given the isolation of German academia after the annus horribilis of 1933. In this section we outline these similarities and thus the puzzle at hand. Let us start with a crucial proposition from *A Positive Program for Laissez Faire*, Simons’ early politico-economic manifesto:

Laissez faire, to repeat, implies a division of tasks between competitive and political controls. (Simons [1934] 1948, 55).

Already from this quote one can discern that there is a *positive* role which Simons assigns to government within a sustainable economic order in its division of labor with markets, i.e., a government which has to actively set up institutions, instead of only disbanding undesirable institutions through *negative* policies. But what precisely are the tasks of such a “positive program” government? The following quote best summarizes Simons’ normative notion of the ideally functioning government in his theory of order:

The proper function of the state [...] is largely not that of providing services but that of providing the framework within which business, local-public and private, may effectively be conducted. (Simons [1945] 1948, 55).

Providing the *framework* is the essential function of government. While government can also provide services, their provision is only of secondary importance. The qualitative dimension of policy overrules the quantitative (“what kind of government intervention” instead of “how much”), and Simons’ entire theory of order is centered around the concept of the framework theorized as *the* essential prerequisite for the market economy. His political economy has been aptly dubbed the “market-plus-framework approach” (Samuels 2005, 198), in which the framework is constituted by “market-supporting” (as opposed to “and market-suppressing”) regulation (Zingales and McCormack 2003, 13). For Simons, the quintessential problem of the order of economy and society is the existence of *power*, and the goal of his framework is to identify and destroy any power concentration which constantly pose a serious threat to both the political and economic orders:

A cardinal tenet of the libertarians is that no one may be trusted with much power – no leader, no faction, no party, no “class”, no majority, no government, no church, no corporation, no trade association, no university, no large organization of any kind. They must forever repeat with Lord Acton: ‘Power always corrupts’ – and not merely those who exercise it but those subject to it and the whole society. (Simons [1945] 1948, 23).

Along with disempowerment, the fight against *inequality* is the second goal of the framework which should be targeted above all by taxation, so that Simons’ “pro-market” attitude can be interpreted as the opposite of being “pro-business” or “pro-rich” (Zingales and McCormack 2003, 13). Simons’ underlying metaphor is the economy as a game which requires rules in order to function in a proper, i.e., disempowering and inequality-combating, manner. To attain those two ends, Simons identifies *rules* as the key feature of the framework of the economic order in a democratic political order:

There is no means for protecting the common interest save in terms of rules of policy; and it is only in terms of general rules or principles that democracy, which is government by free, intelligent discussion, can function tolerably or endure. (Simons [1944] 1948, 123).

Simons does not remain tacit about the critical issue of legitimation and adheres to the idea of common constitutional interest by consensus. Finding such a consensus on rules is what he believes can save democracy from constant and polarizing quarrel on discretionary decisions. “Rules versus Authorities in Monetary Policy”

(Simons [1936] 1948) is probably his most enduring legacy as a formative piece for the later “New Chicagoans”, most clearly visible in Friedman’s monetarism (Taylor 2017, 4–5; Johnson 2018, 221–223), despite the rejection of Simons’ concrete institutional proposals by the “New Chicagoans” (Köhler and Vanberg 2015). Simons delineates the properties of his preferred type of rules: “more definite and adequate ‘rules of the game’” (Simons [1934] 1948, 57); “simple rule or principle”, “rules of the game as to money are definite, intelligible, and inflexible” (Simons [1934] 1948, 63); as well as “definite, mechanical set of rules of the economic game” (Simons [1936] 1948, 173). Thus he calls for rules capable of containing the arbitrariness of political and bureaucratic authority which must be *interpersonally general*, i.e., minimizing bureaucratic interpretation and discretion, as well as *intertemporally stable*, i.e., stabilizing the expectations of the market participants.

Arriving from the principle of citizen consensus over rules, it is easily understandable that Simons contextualizes the order of the economy in the larger order of society. First, he underscores the interrelationships between the different societal orders, especially the legal, political and economic orders – very much in line with the contextual understanding of the economic order in 19<sup>th</sup>-century German political economy (Goldschmidt, Grimmer-Solem and Zweynert 2016), a pattern of thought which the Freiburgeans contemporaneously called *interdependence of orders*. Second, Simons outlines that the different fields of economic policy like competition, monetary or foreign trade policy are intricately interwoven – implying an *interdependence of policies within the economic order*. Every decision of the policy-maker in one field should be analyzed as to the impulses it can generate in the other policy fields in the economic order, as well as in the other societal orders.

The normative ideal of the competitive order captures the five core propositions of Simons’ political economy. First, government is crucial for enabling the competitive order of markets in an adequately designed *division of labor* with markets. It must permanently pursue a number of *positive* policies, aimed not primarily at providing specific services, but rather a general *framework* within which the market participants are free to interact competitively, a vision aptly captured by “laissez-faire within rules”. Second, this framework has to be designed in a manner which *disempowers* the economy as much as possible (by measures in all fields of economic policy, not only anti-trust legislation), as well as government itself (by federalism, decentralization and the consistent application of the rule of law). Third, the framework consists above all of consensual *rules* (interpersonally



general and intertemporally stable), since citizen consensus as a source of legitimacy for rules of higher order is easier to achieve than for discretionary measures, thus extending the basic tenets of *constitutionalism* to the economic order. Fourth, the framework of the competitive order aims at establishing, implementing and adapting general *rules of the game*, not at interfering in concrete *moves of the game*, and abstains from direct interventions in the price systems. Fifth, all societal orders are *interdependent*; similarly, all measures of economic policy within the economic order have to be analyzed interdependently, i.e., regarding their impact on other societal orders and on all fields of economic policy.

Looking now at Freiburg, it is fundamental that both the *positive* notion of the framework and the *normative* vision of the competitive order are – substantively and rhetorically – equally central in Eucken’s aspirations towards a well-ordered market economy as they are for Simons.<sup>1</sup> Eucken’s double criterion for the competitive order – it must be efficient and humane (Eucken [1952] 2004, 372–374) – corresponds to Simons’ concerns about power and inequality, with both as threats to an efficient and humane economy. And the similarities continue, independent of the level of abstraction. The political economies by Eucken, his Freiburg School associates as well as non-Freiburgean ordoliberals like Wilhelm Röpke with his plea for “positive economic policy” (Röpke [1944] 1948, 24–34)<sup>2</sup> share basically all of Simons’ five core propositions – with one exception, namely the prerequisite of citizen consensus over constitutional rules, which was later identified as a gap in the ordoliberal theory of order with respect to democratic legitimation (Vanberg 2001). The notion of *interdependence* is as fundamental for Eucken and Böhm as it is for Simons, across orders and within the economic

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<sup>1</sup> The following studies provide an overview of the contemporaneous discussions about the competitive order: German émigré Herbert von Beckerath who, educated at Freiburg, taught from 1935 to 1955 at Duke, explored the place of competition and the competitive order in the history of economics, see Beckerath (1937). His cousin Erwin von Beckerath focused his review of Schumpeter’s *Capitalism, Socialism and Democracy* (Schumpeter 1942) on the notions of competition and the competitive order, see Beckerath (1950). Alan Peacock, who as a student at LSE became early on a close student of ordoliberalism and long kept these interests (Peacock and Willgerodt 1989a; Peacock and Willgerodt 1989b), provided a contemporaneous review of the recent German literature on competition and the competitive order, see Peacock (1950).

<sup>2</sup> In his review of Röpke’s *Die Gesellschaftskrisis der Gegenwart* (*The Social Crisis of Our Time*) (Röpke [1942] 1950), Karl Pribram underscores how the successive destruction of “the capitalist, competitive order” is at the very core of Röpke’s diagnosis of Europe’s post-1914 tragedy, and how its restoration would be a decisive factor for Europe’s reconstruction, see Pribram (1944).

order (Eucken [1952] 2004, 332–334). Eucken clearly prefers *general rules* over case-by-case discretion as the modus operandi for economic policy (Eucken [1932] 2017, 55–61). The Freiburger *critique of laissez-faire* in the 19<sup>th</sup> century very much parallels that of Simons: Eucken and Böhm see the legal framework of the late 19<sup>th</sup> century as responsible for the increasing power concentration in the German economic order, and the inability of both legal and economic scholarship (Böhm, Eucken and Großmann-Doerth [1936] 1989, 20–21) to recognize competition as “the greatest and most ingenious disempowering instrument in history” (Böhm 1961, 22) contributed to these tendencies. The topos of *power*, so prominent in Simons, is equally central in Freiburg, along with the shared goal of *disempowerment*.<sup>3</sup> Providing a *rules-based framework* is the trademark of Freiburger “Ordnungspolitik”, with Eucken’s perennial emphasis that government should focus on the *rules of the game*, whereas the *moves of the game* should be left to the privately autonomous individuals in their competitive interactions. The *generality and stability* of the rules, so important for Simons, are also endorsed by Eucken, with “constancy of economic policy” as one of his seven constitutive principles of the competitive order (Eucken [1952] 2004, 285–289). In one of the few direct references, Eucken calls Simons’ *Economic Policy for a Free Society* one of the three most important works on the necessity for “positive principles which constitute the competitive order”, along with the writings of his closest associates Franz Böhm and Leonhard Miksch (Eucken [1952] 2004, 255, 269).

In addition to this overlap in the theories of order, the similarities are equally stunning when revisiting the domains of competition policy, taxation policy and monetary policy. In competition policy, both Simons and Eucken search for arrangements which can disempower the economic order comprehensively, i.e. addressing not only the concentration of companies, but also other forms of cartelization and monopolization, including organized labor. In taxation policy, both Simons and Eucken recognize progressive taxation as a crucial instrument for correcting excessive inequality that can emerge in the competitive order. In monetary policy, Eucken and his affiliates directly endorse the Chicago Plan of 100 Percent Money, where Eucken identifies Simons as having had the “leading role” within “the group of Chicagoan economists”. This plan is

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<sup>3</sup> For a topos-centered comparative interpretation of the theories of order of Eucken (with the topos of power), Hayek (knowledge), Röpke (societal cohesion) and Mises (private autonomy), see Kolev (2017).

assessed as the most promising institutional arrangement to stabilize the shattered monetary order of the interwar period and to diminish the instability stemming from the monetary order for the economic order in the postwar age (Eucken [1940] 1950, 165–169; Eucken 1949, 98, 76–83; Eucken [1952] 2004, 259–261; Köhler and Kolev 2011, 21–24; Köhler and Kolev 2013, 213–221; Köhler 2019).

Students are among the most authentic witnesses of parallelisms in the thought and rhetoric of their teachers. Public Choice pioneers Gordon Tullock and Peter Bernholz provide a curious case of pinpointing the proximities of the two schools around 1950. Tullock studied law at Chicago from 1939 to 1943 and then again from 1946–1947, with his only course in economics being Simons’ price theory course Economics 201 in 1943. To commemorate Simons’ formative influence on his cohort, Tullock edited the syllabus of this course,<sup>4</sup> and in the foreword reflected on the “Chicago, in the 1930s, developed a particular brand of economics and a school of thought” (Tullock 1983, iv). Bernholz, only few years Tullock’s junior, immediately reviewed the syllabus and acclaimed its publication, but disagreed with Tullock’s claim about the “particular brand”: Having studied at Munich and Marburg from 1950 to 1955, Bernholz reminisced that “we were exposed to nearly the same material as contained in Simons’ syllabus” (Bernholz 1984, 387). Along with Heinrich von Stackelberg’s and Gustav Cassel’s textbooks, Bernholz highlighted Eucken’s *Die Grundlagen der Nationalökonomie* (*The Foundations of Economics*) and concluded:

In comparing Simons’ ideas with those of the Ordo-Liberals in Germany one is again struck by their similarities. The latter, too, were proponents of free trade and the control of monopolies and cartels. Both were opponents of collectivism, believe that an economic order has to be organized and are skeptical concerning discretionary monetary and fiscal policies. (Bernholz 1984, 389).

With this, the puzzle about the shared fascination for the substance and rhetoric of the competitive order at Chicago and Freiburg is sufficiently laid out. In the following, we hope that our historical quest uncovers at least some of these parallelisms.

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<sup>4</sup> Having reviewed Tullock’s edition of Economics 201 (Samuels 1985), Warren Samuels provided, jointly with Kirk D. Johnson, an edition of lecture notes by two students who attended Economics 201 and Economics 360 (Public Finance) in 1933–34, including a comparison to the Tullock edition (Samuels 2005).

### 3. The Formative Years: “Old Chicago”, Freiburg and the Crisis of the Liberal Order

#### 3.1 Seniors and Juniors, Emancipation and Cohesion

The generation at the heart of this paper was highly homogenous agewise: Simons, Hayek and Wilhelm Röpke were all born in 1899, Eucken in 1891, his student Lutz in 1901. We name these scholars the “fin-de-siècle generation” which also includes international peers like Lionel Robbins, born in 1898, and Bertil Ohlin, born in 1899. Formative for their youth was the *order collapse* of 1914. The Great War shattered not only the political and economic orders in the combating nations, but additionally crushed many of the civilizational advancements of the “long 19<sup>th</sup> century” with its international political and economic orders that had co-evolved with the first wave of globalization (Wegner 2020). When those who had to fight the war came back from the front, each of them acquired one’s academic credentials, identified one’s scholarly passions and found one’s own research niche. During the 1920s, they were in several ways in the position of juniors to the generation of Ludwig von Mises, born in 1881, and Frank Knight, born in 1885. At the same time, Mises and Knight were towering teachers and mentors for the “fin-de-siècle generation”, but also figures from whom the juniors increasingly sought emancipation.

The case of Mises is particularly interesting, also for the opposite side of the Atlantic. His books, especially *Die Gemeinwirtschaft (Socialism)* (Mises 1922), were formative for the “fin-de-siècle generation” and taught them what they should *not* aim at, thus shaping the *negative* part of their politico-economic agenda. Regarding the *positive* agenda, Mises also played an important, but rather different role. Unlike his critique of socialism, his *Kritik des Interventionismus (A Critique of Interventionism)* (Mises 1929) was met much more skeptically and was perceived by the juniors as a genuine challenge, as a theory they aimed to reach beyond. Instead of Mises’ insistence on laissez-faire, the “fin-de-siècle generation” formulated their various neoliberalisms which are aptly described with the chiffre “laissez-faire within rules” (Buchanan 1989, 11; Buchanan 2010; Buchanan 2020; Levy and Peart 2020, 165–170). With these theories, the “fin-de-siècle generation” responded to the Misesian challenge: The role of government which they struggled to identify was about what *good interventionism* could mean, what rules were systemically necessary for constituting and sustaining a “good” order of economy

and society – and thus, in contrast to Mises, with an emphasis on the *within rules* part of the chiffre. In their self-description of *neoliberals*, and this is the meaning employed in our exposition, this was the central distinction to the *paleoliberal* Mises (Kolev 2018a).

In our assessment the “fin-de-siècle generation” grew out of the shadow of the Mises-Knight generation by the early 1930s. We identify Hayek’s first explicit opposition to Mises’ insistence on laissez-faire in March 1933 (Hayek to Mises, 10.03.1933),<sup>5</sup> while in his first correspondence with Simons (Hayek to Simons, 01.12.1934)<sup>6</sup> and Eucken (Hayek to Eucken, 18.10.1932)<sup>7</sup> he expressed his enthusiasm for their manifestos on “laissez-faire within rules” political economy (Simons [1934] 1948; Eucken [1932] 2017). At this same moment, the terrain they entered as mature scholars was most difficult. Only 15 years after the collapse of order in their youth, the scars of the Great Depression were pushing numerous countries towards a fundamental transformation not “only” of their economic order, but instead of the overall order of economy and society as well as of the international order. Thus for the “fin-de-siècle generation”, economic theory understood as technical economics focusing on issues of *(dis-)equilibrium* lost in topicality, in contrast to a political economy and social philosophy focusing on issues of *(dis-)order* (Blümle and Goldschmidt 2006). In addition, instead of “only” studying the various societal orders and their configurations, the “fin-de-siècle generation” increasingly turned to defending a certain configuration of societal orders and thus consciously entered the domain of *normativity*: In line with Walter Lippmann’s *Good Society* (Lippmann 1937) which was formative for their discourses (Goodwin 2014, 245–260; Reinhoudt and Audier 2018), the 1930s and 1940s became the decades of several parallel searches in the hotspots of neoliberalism for what constituted a “good society”. The neoliberals hoped that these endeavors would provide their generation with the tools to defend the order of Western civilization at the brink of extinction (Dekker 2016; Kolev 2019).

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<sup>5</sup> Archive of the Republic, “Moscow Special Archive”, Collection 623 “Ludwig von Mises” (Box 6, Folder 81), Austrian State Archive Vienna.

<sup>6</sup> Henry C. Simons Papers, Folder “Lutz, Friedrich A.” (Box 4, Folder 23), University of Chicago.

<sup>7</sup> Walter Eucken Papers, Folder “Friedrich A. von Hayek”, Thüringer Universitäts- und Landesbibliothek Jena, University of Jena.

This *double transition* – from students of equilibrium to students of order, and from students of positive orders to defenders of a specific normative order – is the discursive context for the following analysis of the emergence of the order-focused political economies on both sides of the Atlantic. Amid their world of two order collapses post-1914 and post-1929, the double transition shifted them away from the narrow context of *academia* to the broader discussions about economy and society on the *agora*, and here they devised political economies that were openly political: Their overarching aim was to stabilize what could still be stabilized in the 1930s, and to prevent the interwar fragility from repeating itself in the postwar age.

Yet should the hotspots of neoliberalism – Vienna, London, Chicago, Freiburg and Geneva – also be called “schools”, as it is commonly done? When it comes to the groups in Chicago and Freiburg, the “school” notion seems well applicable, if we use a threefold criterion.<sup>8</sup> *First*, there is the substantive dimension. Along with Ludwik Fleck’s concept of the thought style, as well as Larry Laudan’s extension of Kuhn’s paradigm concept, the substantive dimension postulates that the scholarly process within a group follows similar epistemological paths, a common ontology and appreciates similar scholarly tradition(s) (Blumenthal 2007, 27–30). *Second*, there is the social dimension. Along with Fleck’s concept of the thought collective, as well as Joseph Schumpeter’s emphasis on action against outsiders and mutual confirmation of insiders, the social dimension postulates that schools are stable thought collectives, united by vertical teacher-student and horizontal student-student connections. The emancipation and differentiation vis-à-vis outsiders incorporate a sense of belonging to the collective, a cohesion felt both by the insiders and by the outsiders (Blumenthal 2007, 30–32). *Third*, there is the structural dimension. The thought collective has to share a common institutional infrastructure and material resources. Typically they are “intramural”, i.e., within the boundaries of universities like the power over the succession to influential chairs, joint possibilities to supervise graduate students or a prestigious book series as well as a journal; but also “extramural” infrastructure outside the official university like informal colloquia or seminars can fortify the structural cohesion (Blumenthal 2007, 32–33). In the following parts of Section 3, we depict along these three dimensions the school-like formations as they emerged in Chicago and Freiburg.

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<sup>8</sup> Karsten von Blumenthal’s study of taxation theories in the Austrian School contains an analytical apparatus which is crucial for our understanding of the “school” notion, see Blumenthal (2007).

### 3.2 It All Started in Berlin: From German Staatswissenschaft to Law and Economics

The first accounts of the schools appeared from the inside (Director 1948; Böhm 1957) as well as from the outside (Miller 1962; Moeller 1950). In both cases, there was a distinct sub-section within the economics department which is classified by most accounts as a sufficiently cohesive group: In the case of Chicago, a group centered around Knight as the senior and around Simons as the “‘crown prince’ of Chicago economics” (Tavlas 2015, 101) and “the head of a ‘school’” (Director 1948, v); in the case of Freiburg, a group centered around Eucken. Both Simons and Eucken are depicted in all accounts as gifted teachers who were formative for numerous graduate students from the mid-1930s to their passing. In both cases, there were other members of the economics department who oscillated around the cohesive group but did not belong to it: In the case of Chicago, prominently Jacob Viner (Samuelson 1972; Van Horn 2011b); in the case of Freiburg, prominently Constantin von Dietze and Adolf Lampe (Blumenberg-Lampe 1973; Goldschmidt 2013).

In both cases, the school-generating group extended beyond the formal boundaries of the economics department: In 1939, Simons was the first economist to be employed by the Law School (Katz 1946, 2–4; Stein [1987] 2018, 12331–12332), while the legal scholars Franz Böhm and Hans Großmann-Doerth were constitutive for the Freiburg School from its very initiation around 1933 (Vanberg 2001, 37–39) within the typically German, rather broad Faculty of Law and State Sciences which Max Weber had initiated during his 1894-1896 tenure at Freiburg (Brintzinger 1996, 23–27). Due to this structural interdisciplinarity, Freiburg and Chicago have been portrayed as incubators of Law and Economics as a specialized domain in the postwar decades (Medema 2010; Streit 1992, 675–678; Möschel 2001, 4–10). And although the school formation took a while (Medema 2014; Harberger and Edwards 2021), Simons was *the* key figure for consolidating the school’s “specific proposals for economic policy” (Irwin 2018, 745). For reasons which included the (self-)censorship in German academic journals during National Socialism, the Freiburgeans lacked the equivalent of the *Journal of Political Economy* as a periodic outlet, but they established two book series: *Probleme der theoretischen Nationalökonomie* (*Problems of Theoretical Economics*) with Jena-based publisher Gustav Fischer in 1932, and *Ordnung der Wirtschaft* (*Order of the Economy*) with Stuttgart-based publisher Wilhelm Kohlhammer in 1936. The *ORDO Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft* (*ORDO Yearbook of Economic and Social Order*) was founded only after the war, in 1948.

We could identify a common starting point for the astoundingly similar trajectories at the core of our exposition which we start tracking here: Berlin, more specifically Friedrich-Wilhelms-Universität Berlin, today's Humboldt-Universität, amid the rivalry of different groups for the legacy of Gustav von Schmoller who had passed away in 1917. Several authors have recently revisited the continuities between the Historical School and the emergence of the ordoliberal research program (Schefold 2021; Fritz, Goldschmidt and Störing 2021). In 1921, Eucken defended his habilitation here and became Privatdozent at the university, after publishing his inaugural address in *Schmollers Jahrbuch* (Eucken 1921). It was in the winter semester 1921/1922 that Eucken met the other key German protagonist of our exposition, Friedrich A. Lutz (Grudev 2021), who became his student at Berlin, doctoral student at Tübingen in 1925 (Lutz 1927) and habilitation candidate at Freiburg in 1929 (Lutz 1932). While writing his habilitation under Hermann Schumacher, Eucken assisted the editorial work of *Schmollers Jahrbuch* since Schumacher had become, jointly with Arthur Spiethoff, its co-editor after Schmoller's passing in 1917. Notwithstanding Schumacher's affiliation with the Historical School, the notion of economic and societal orders played an important role in his work (Goldschmidt 2002, 172–178).

Another influential economist at Berlin was Heinrich Herkner. A rival of Schumacher, he had been the hand-picked successor to Schmoller's chair since 1913, the president of the Verein für Socialpolitik since 1917 – and, curious for our story, quite likely also a nexus to Simons. After learning German at Chicago in 1927 (Collier 2016), Knight's Chicagoan doctoral student and “friend”<sup>9</sup> arrived in Berlin in 1928 (Kasper 2003, 31; Shaviro 2013, 5) and spent several months at the university (Stigler 1974, 1). Simons experienced Berlin two years after Keynes' famous *The End of Laissez-faire* which had been a widely discussed public lecture at Friedrich-Wilhelms-Universität in June 1926 (Keynes [1926] 1931), and which would be a formative (counter-)impulse for Simons' first major publication, *A Positive Program for Laissez Faire* (Simons [1934] 1948). In addition, we surmise that also the term “positive program” can be tracked back to Simons' stay at Berlin. In 1925, a major two-volume Festschrift for Herkner's teacher Lujo Brentano was published (Bonn and Palyi 1925). Brentano

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<sup>9</sup> In a letter to Viner from Iowa, Knight called Simons “my friend” and praised his recent development at Iowa. While Viner was positive about Simons' “intellectual capacity”, he expressed “skepticism as to his capacity for sustained effort not yielding constant mental exhilaration” (Knight to Viner, 13.07.1925; Viner to Knight, 31.07.1925), Jacob Viner Papers, Folder “Knight, Frank H.” (Box 16, Folder 24), Princeton University.



was one of the major German economists in Schmoller's generation, but also a scholar mentioned in one of Simons' last pieces, the manifesto-like "A Political Credo" which contains the "political predispositions" underlying Simons' political economy, where Brentano is explicitly mentioned in the intellectual tradition from Smith to Hayek in which Simons located himself (Simons 1945, 1). Herkner contributed a piece to the Brentano Festschrift which contains a truly noteworthy passage in his discussion of the evolution of liberalism and his own proposal of "socio-political liberalism":

Modern liberalism proposes, in contrast to the older liberalism which struggled above all against the abolition of obstructing obstacles, a positive, constructive program. (Herkner 1925, 47).

In this discussion of "modern liberalism" Herkner refers to, among others, J. A. Hobson, Winston Churchill and Lloyd George, while simultaneously sketching some of the policy proposals which would very soon become trademarks of "Old Chicago" and Freiburg: Social security without crowding-out self-responsibility, correcting market failure by the state and cooperatives, fighting the private power of monopolies, skepticism about inherited wealth, attention to balance of power on the labor market, including the notion of countervailing power (Herkner 1925, 47–52).

And with regard to the "emancipation from seniors" narrative outlined above, it is intriguing that Mises attacked almost immediately this "social liberalism", taking Herkner's paper in the Brentano Festschrift to task already on the first pages of his rather aggressive paper (Mises 1926, 242–254). However, it seems that the juniors both at Chicago and Freiburg were not frightened by Mises' attack – on the contrary, it may well be that they felt even encouraged to further develop the "positive program" discernible in Herkner's sketch (Watrin 1979, 407–408). In a letter Walter Lippmann of October 5, 1937, Simons was adamant that Mises' role of the state was "often fanatically extreme" and that Mises' contribution to liberalism "on balance, is probably a disservice".<sup>10</sup> Equally important for our exposition, the Festschrift also attracted Eucken's attention. He left Berlin in 1925 for a chair at Tübingen, but soon moved on to Freiburg in 1927 where he would stay for the rest of his life. In one of his first publications from Freiburg, he reviewed the Festschrift and referred to Herkner's

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<sup>10</sup> Henry C. Simons Papers, Folder "Lippmann, Walter" (Box 4, Folder 18), University of Chicago.

attempt to solve the crisis of liberalism by a “modern social liberalism” which, in contrast to the “old” liberalism, aimed at “the capacity to master the social problems of the present” (Eucken 1928, 550). In the very same vein, Röpke defended “social liberalism” against Mises’ 1926 critique and attacked Mises for having caricatured this recent variety of liberalism as “a deformation and a heresy against the pure liberal doctrine” (Röpke 1931, 346).

For Simons just as for his teacher Knight, the cultural proximity to Germany and German academia was not interrupted even by the annus horribilis of 1933. Knight famously produced one of the first English translations of Max Weber in 1927 (Emmett 2006), and in June 1930 he sent letters to Simons from Vienna and Heidelberg which are illuminating about his cultural affinities: Apart from using a number of German terms, the letters clearly indicate that Knight himself was struggling with specificities of the language and that he encouraged Simons to improve his own competencies.<sup>11</sup> Even though after 1933 both the German language and the academic landscape became increasingly isolated, a certain level of connectivity – mostly through émigrés, as discussed in Section 4.1 – could be sustained by both Simons and Knight. However, that did not entail political compromises, as is clear from the sharp rhetoric about the “political conditions” in Knight’s rejection letter to Carl Brinkmann of May 25, 1936 upon the offer of an honorary doctorate from Heidelberg’s Faculty of State and Economic Sciences.<sup>12</sup>

Two final indications of Simons’ connectivity to Germany result from his profile as a public finance scholar. First, Richard Musgrave, a postwar public finance pioneer who emigrated to the US in 1933 after an economics education at Heidelberg, reflected on his own combination of German and American influences:

The thinking of Henry Simons, the intellectual father of the American income tax tradition, was influenced greatly by the extensive German literature on income concepts and in particular the writings of Georg Schanz. (Musgrave 1983, 12).

In this vein, George Stigler jokingly reminded in his biographical sketch how in *Personal Income Taxation* (Simons 1938) his teacher Simons showed “his perverse pleasure in quoting the German literature only in the original”

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<sup>11</sup> Henry C. Simons Papers, Folder “Knight, Frank H.” (Box 3, Folder 73), University of Chicago.

<sup>12</sup> Frank Hyneman Knight Papers, Folder “Brady, Alexander - Buchanan, James M.” (Box 3, Folder 2), University of Chicago.

(Stigler 1974, 1). The book was Simons' dissertation, even though he never finished his PhD (Kasper 2003, 31). Studying his German quotations produces an impressive result, Simons' emphasis on the German-language literature in *Personal Income Taxation* is overwhelming: Among others, he quotes from the Berlin luminaries Gustav Schmoller and Adolph Wagner as well as other historical economists like Wilhelm Roscher, Adolf Held, Gustav Cohn and Wilhelm Lexis, from the proto-marginalists Karl Heinrich Rau, Hans von Mangoldt and Friedrich von Hermann, from Austrians like Emil Sax, Robert Meyer, Eugen von Philippovich, Friedrich von Kleinwächter and Alfred Amonn, from public finance specialists like Georg von Schanz, Friedrich Julius von Neumann, Hans Teschemacher, Bruno Moll, Theodor von Pistorius, Wilhelm Gerloff, Gerhard Colm, Walther Lotz and Johannes Popitz. Simons quotes not only their scholarly publications, but also from widely used textbooks. Stigler is correct to point out that book abounds in complex quotations in the German original, including theory names like Konsumtionsfondstheorie, Periodizitätstheorie or Quellentheorie. From all of these traces, it is crystal-clear that by 1938 at the latest, Simons possessed an intimate knowledge of German-language political economy in various ramifications, and that from the 1840s to the 1930s.

Finally, the Henry Simons Papers contain a short 1939 correspondence in English with Tübingen-based publisher Mohr Siebeck. Simons enthusiastically thanks the publisher for the review of *Personal Income Taxation* in *FinanzArchiv*, one of the leading German journals.<sup>13</sup> The review compares Simons' notion of income to the common notions of income in the German public finance tradition by Friedrich von Hermann and Georg von Schanz (Schmölders 1940, 183), a contribution of Simons which would soon lead to a definition of income soon to become a classic under the name of Schanz-Haig-Simons (Feld 2000, 167–168). The *FinanzArchiv* reviewer was Günter Schmolders, an economist with whom Eucken interacted in those same years (Nientiedt and Köhler 2017, 622–623), and Schmolders was full of praise for Simons' "familiarity with the European, and especially German, public finance literature which is rare in American publications." (Schmölders 1940, 183). Interesting enough, Ursula Hicks' review of *Personal Income Taxation* in the *Economic Journal* criticized Simons' usage of income concepts because they dated from the 1880s and 1890s and were thus disconnected from the recent literature,

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<sup>13</sup> Henry C. Simons Papers, Folder "J.C.B. Mohr (Paul Siebeck)" (Box 4, Folder 50), University of Chicago.

but also because “most are German” (Hicks 1938, 720). Similarly, while internally reviewing the manuscript of *Personal Income Taxation* as a Chicagoan dissertation, Jacob Viner recommended that Simons should translate “the long quotations in German” and place the originals in notes, while he should expand the range of quoted authors “outside of the Germans” (Viner to Simons, 09.02.1937).<sup>14</sup>

### 3.3 Dissidents with Distance to the National Capitals

When looking from Chicago and Freiburg at Washington and Berlin, a clear sense of opposition was present in both groups which helped their social cohesion in the sense of Blumenthal’s process of emancipation and differentiation vis-à-vis outsiders. Opposing the zeitgeist was formative for both groups, despite all fundamental differences between the two countries at the time. Fighting the New Deal as a dire threat to both economic and political liberty urged Simons to publish the *Positive Program* in the format of a “public policy pamphlet” in 1934 (Kasper 2010, 332–333). Eucken’s outspoken opposition in the university senate in 1933 and 1934 against Martin Heidegger’s highly problematic behavior as rector (Heidegger [1933] 1985) led to Eucken’s 1936 lecture “Der Kampf der Wissenschaft” (“The Battle of Science”) and to meetings with colleagues that, after 1938, developed into the “Freiburg Circles” of resistance against National Socialism (Goldschmidt 2013, 142–143). In addition to the intellectual disagreement, the geographical distance to Washington and Berlin may have contributed to this stance of dissidents, since effective policy consultancy was less in demand as compared to East Coast or Berlin-based economists (Davenport 1946, 6–7).

Yet this stance did not mean that relevance for economic policy was not topical for the political economy which emerged in Chicago and Freiburg in the 1930s and 1940s, on the contrary. The systems in Section 2 very much read as if a relevance check for economic policy was a “litmus test” for the type of politico-economic theorizing that became typical for the groups. In our interpretation, for the “fin-de-siècle generation” it was equally important to critically expand the theories of the Mises-Knight generation *and* to show their topicality and practicability for economic policy in shaping the restart of Western civilization after 1945.

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<sup>14</sup> Jacob Viner Papers, Folder “Simons, Henry C.” (Box 24, Folder 11), Princeton University.

On top of this awareness for practical relevance, both Simons and Eucken radiated a sense of *urgency*, in their works but also in their lifeworlds, and this urgency amid a *world of disintegrating orders* was felt by contemporaries. Aaron Director recounted how “Simons acted as if the end of the world was at hand” (Stein [1987] 2018, 12332), while George Stigler reminisced how “Simons frequently invoked imminent and utter catastrophe as the justifications for his proposals” (Stigler 1974, 5). Quite similarly, British economist John Jewkes, who experienced the last days of Eucken’s life during his lecture series at LSE in March 1950 where he passed away from influenza, diagnosed how it was “a burden of work too great for any one man, which contributed to his final exhaustion and led to his untimely and tragic death” (Jewkes 1951, 8).

Summing up these formative decades, “Old Chicago” and Freiburg could be reconstructed above as cohesive enough, structurally and socially, and can thus legitimately be called “schools”. Now we move to reconstructing the transatlantic lifelines which loosely connected the two schools during the 1930s and 1940s and which, together with the commonalities from the formative years outlined in this section, led to the stunning substantive proximity of the two political economies presented in Section 2.

## **4. The Intersecting Roads: Lutz, Hayek and the Renewal of the Liberal Order**

In addition to the shared lifeworld of the crisis of liberalism amid disintegrating orders, we turn to personal intermediation between the two schools beyond the formative years. For the parallel emergence of so similar systems within the “laissez-faire within rules” research program of the 1930s and 1940s, two personal transmission channels deserve special attention as conduits across the Atlantic: Friedrich A. Lutz, already in the interwar years, and Friedrich A. von Hayek, particularly in the immediate postwar years. The institutional transmission channels of LSE, the Mont Pèlerin Society and the Walter Eucken Institute enhance the picture.

### **4.1 Lutz’s Princeton as Interwar Conduit**

We highlight Lutz as an interlocutor for five reasons. First, his life-long proximity to Eucken reached beyond the purely professional level. Second, his stellar career in US academia made him unique within the Freiburg

School. Third, in the US he soon reached a high level of connectivity to top-tier US economists, not least those in Chicago. Fourth, he cultivated a decades-long nexus to Hayek which lasted until Lutz's passing in 1975. Fifth, the recently initiated processing of the Walter Eucken Papers at Jena has produced an extensive set of previously unexplored Eucken-Lutz correspondence which provides deep insights into the transatlantic lifeline to Freiburg. Before we delve into the correspondence, we provide a biographical sketch which already indicates that his vita predestined him to transmit crucial signals, about academia and beyond, between his teacher and his new colleagues in the UK and US. And while Eucken's former student Miksch observed in his diary, after meeting Lutz in 1948 for the first time since Lutz's emigration ten years earlier, that they seemingly "live[d] on different stars" (30.7.1948),<sup>15</sup> we outline Lutz's efforts to connect these two "stars" despite all intricacies of the age.

## **I. The Eucken-Lutz Nexus over 30 Years**

Lutz was born in 1901 in Saarbürg in Lorraine, then part of the German Empire, and passed away in 1975 in Zurich (Rühl 1999; Veit-Bachmann 2003; Hagemann 2008; Grudev 2021). He studied economics from 1920 to 1925 at Heidelberg and Berlin and met Eucken in Berlin. Lutz became Eucken's first doctoral student during Eucken's Tübingen tenure 1925-1927, and in 1932 he defended at Freiburg his habilitation *Das Konjunkturproblem in der Nationalökonomie* (*The Business Cycle Problem in Economics*) (Lutz 1932). In the academic year 1934/1935 he was a Rockefeller Fellow in England where he met and later married Hayek's doctoral student Vera Constance Smith (Smith [1936] 1990). At the time, Lutz wrote his next book, *Das Grundproblem der Geldverfassung* (*The Fundamental Problem of the Monetary Constitution*) in the new Böhm-Eucken-Großmann-Doerth book series *Ordnung der Wirtschaft* (*Order of the Economy*) (Lutz 1936). He addressed here very similar themes as those in Simons' contemporaneous paper "Rules versus Authorities in Monetary Policy" (Simons [1936] 1948). Again as a Rockefeller Fellow, he spent the academic year 1937/1938 in the US but, after last lectures in Freiburg in the summer of 1938, emigrated definitively (Lenel 1976, 3).

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<sup>15</sup> Leonhard Miksch Diary, Walter Eucken Institute.

In 1938, he joined Princeton's faculty. Initially holding the position of an instructor, by 1947 he had risen to a full professor.<sup>16</sup> He remained on this post until 1953, including a 1943-1946 affiliation with the Institute for Advanced Study's School of Economics and Politics (Institute for Advanced Study 2021). During his tenure at the Institute, Lutz compiled a volume on the reconstruction of the postwar global economy for the committee on foreign economic relations of the New York-based public policy institute Twentieth Century Fund (Buchanan and Lutz 1947). Apart from being a formative teacher, e.g., for later Fed Chairman Paul Volcker (Silber 2012, 33–34), he was also the author of several papers on monetary economics in the *Quarterly Journal of Economics* and the *American Economic Review* (Lutz 1938; Lutz 1940a; Lutz 1945). In *Zinstheorie (The Theory of Interest)* (Lutz [1956] 2006), probably his best-known book today translated into numerous languages (Hagemann 2008, 274), Lutz compares among others the interest theories of Knight and Hayek and thus reminisces of the heated capital theory debate between the two in the 1930s (Cohen 2003). By the early 1940s Lutz was very well connected to the US economics profession in general and the Chicagoans in particular. Ten years later, he co-edited with the Chicagoan Lloyd Mints an authoritative collection of papers on behalf of the American Economic Association entitled *Readings in Monetary Theory* (American Economic Association 1951).

Even during the war Lutz remained openly loyal to his Germany-based teacher. He reviewed Eucken's *Die Grundlagen der Nationalökonomie (The Foundations of Economics)* (Eucken [1940] 1950) in a highly laudable tone for the *American Economic Review* (Lutz 1940b) and for LSE's *Economica* (Lutz 1944).<sup>17</sup> In the postwar years, the connection to Eucken intensified anew. From 1948 onwards, Lutz visited Freiburg regularly during the summer breaks (Hagemann 2008, 274). Even though Hayek invited him to the founding meeting of the MPS (Plickert 2008, 132, fn. 24), Lutz's first MPS meeting was the 1948 business meeting in Basel where he supported Eucken in his plea for a purely academic, non-activist nature of the nascent MPS (Hartwell 1995, 82–83). After Eucken's passing in 1950, Lutz temporarily replaced him at Freiburg in the academic year 1951/1952, but in 1953 accepted the financially superior offer of the University of Zurich where he remained until his retirement in 1972 (Lenel 1976, 4). In 1964-1967 he became president of the MPS and, due to organizational intricacies at the time, served

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<sup>16</sup> Alumni and Faculty Offprint Collection, Folder "Lutz, Friedrich" (Box 29, Folder 12), Princeton University.

<sup>17</sup> The publication of the *Economica* review was delayed by the war (Veit-Bachmann 2002, 155).

as the only MPS president with two terms until today. The close connection to Freiburg remained, especially through the Walter Eucken Institute which was founded in 1954 by Eucken's friends, associates and students, where he served as board member from 1954 until his passing. Also, from 1950 until his passing he served on the editorial board of the *ORDO Jahrbuch* and published numerous pieces there.

## II. The Eucken-Lutz Correspondence

The Eucken-Lutz correspondence became accessible only during the past few years due to the recent processing of the Walter Eucken Papers at Jena.<sup>18</sup> The long delay in their accessibility has impeded for decades the historiography of ordoliberalism. The collection is not only valuable due to Eucken's special role as scholar and teacher, but also due to the fact that he stayed at Freiburg all the way from 1927 until 1950, so that his sets of correspondence did not suffer the breaks discernible in the Hayek or Röpke Papers due to moves to London and Chicago or Geneva, respectively.

The correspondence with Lutz starts already in the 1920s and continues to the last weeks of Eucken's life. It adds up to more than 110 letters, including numerous undated pieces, most of them long and handwritten. Since Lutz did not leave behind official papers (his personal library was integrated into the library of the Walter Eucken Institute), Eucken's replies are mostly missing unless he kept carbon copies. Like most of his students, Eucken lived in the increasingly self-isolating *reich*, so that in the late 1930s and early 1940s old acquaintances like Hayek and Röpke became his sole connectors to the free world, but even these connections became increasingly rare. Many of the Eucken-Lutz letters are personal and family-related, others are primarily of interest to the genesis and evolution of the Freiburg School. But after Lutz's emigration to the UK and later to the US the scholarly tone of the letters reads as Lutz being *the* outlet for Eucken to the Anglo-Saxon world in those years of almost complete international isolation.

This type of exchange started in October 1934. Early on, Lutz wrote from LSE that Knight was perceived there "as one of the best economists in the world" and recommended to Eucken Knight's *Risk*,

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<sup>18</sup> Walter Eucken Papers, Folder "Friedrich A. Lutz", Thüringer Universitäts- und Landesbibliothek Jena, University of Jena.



*Uncertainty and Profit* (Knight 1921) for Eucken's ongoing *Foundations* book project (16.01.1935). In March 1936, Lutz reported from LSE how "Keynes' new book is very difficult" and how "Hayek and the other gentlemen here are very interested in our books in Freiburg", but also mentioned Robbins to whom Lutz had just given such books (Lutz to Eucken, 10.03.1936, underscoring in the original). After arriving in the US, the letters regularly exhibited an émigré full of nostalgia for Europe and the community of German economists around Eucken. Before arriving at Princeton, Lutz wrote several long letters from Minnesota, Harvard and Chicago. The reports from Harvard and Chicago are noteworthy in the peculiar ways he described émigrés like Schumpeter or Haberler and local luminaries like Hansen, Mitchell, Knight and Viner. Regarding the émigrés, Lutz noticed early on at Harvard their rhetorical deficiencies in an alien lingual environment, and shared in very personal formulations his (and Vera's) disappointment about the ageing Schumpeter as a "terrible poser" (Lutz to Eucken, 15.10.1937). In the same letter, he reported how "mathematics in our field, at least outside of Germany, is on the advance" and voiced a skepticism as to the trajectory where "the drilling of the students here in mathematical theory" might be leading economics. To Lutz, "economics here is very different" (Lutz to Eucken, 20.10.1937), and once at Princeton he was disenchanted with the "school-like" teaching methods required from him (Lutz to Eucken, 11.11.1938), but also with the "intensity of teaching in the US which no one in Germany can imagine" (Lutz to Eucken, 17.04.1940). Curiously, during the Harvard weeks Lutz was full of enthusiasm about a tentative offer he has received via Hayek who, while visiting Vienna, attempted to arrange for Lutz a position at Prague (Lutz to Eucken, 24.10.1937).

Ahead of Harvard, Friedrich and Vera spent some weeks in Chicago, a city which they experience as "free of fantasy or charm", and where Vera even felt "offended by America" (Lutz to Eucken, 10.05.1937). Lutz assessed Chicago's department to have a "decent composition", but immediately recognized the serious tensions between Viner and Knight and clearly sided with Viner, assessing "Viner's lectures to be the best" (Lutz to Eucken, 12.05.1937). Knight was depicted as a "very strange man who deals in the seminar with philosophy, power ideologies and sociology instead of economics", while Viner was "the most influential economist here" and also the person who showed interest in Lutz's publications. Regarding Simons, the only remark identifiable in the letters is that he invited the Lutzes for dinner (Lutz to Eucken, 10.05.1937). While Lutz was writing his

*Fundamental Problem of the Monetary Constitution*, Eucken urged his student to include reflections on the Chicago Plan of 100 Percent Money in the book (Lutz to Eucken, 19.03.1935), and Lutz endorsed this recommendation (Lutz 1936, 86–91).

A noteworthy intensification of the Lutz-Chicago nexus took place in the context of the publication of Eucken's *Foundations* in early 1940. Already in April Lutz reported that he had commissioned a review with the *American Economic Review* which he had to do himself after not finding an American ("they are all too lazy to read German, if they can at all", Lutz to Eucken, 18.03.1940). He had also spoken with Princeton University Press about a potential translation of the book, which "for the near future" did not appear too promising (Lutz to Eucken, 17.04.1940). In the same letter Lutz regretted that he was increasingly cut off from receiving German journals and thus not being able to read the German reviews of the *Foundations*, especially the one by Stackelberg (Stackelberg 1940). But the reactions from Chicago turned more enthusiastic. Lutz reported to have sent the book to Knight who had responded in a highly positive manner after reading the first sections. Knight had praised the book as "an extraordinarily forthright and simultaneously original approach to the core issues of our science", and Lutz mentioned further comments by Knight "of which you can be proud" (Lutz to Eucken, 18.03.1940). After several letters, Lutz's conclusion was that a publisher of an English translation could probably be found only after the war (Lutz to Eucken, 23.06.1940). He even organized a discussion evening about the book at Princeton, but this also did not bring the interest he hoped for (Lutz to Eucken, 23.07.1940). When Lutz's review was published in the *American Economic Review* (Lutz 1940b), he was disappointed by the journal's having shortened it, and emphasized to Eucken, who could not receive the journal because of Germany's isolation, that one of the main points in the review was "the problem of economic power" (Lutz to Eucken, 02.11.1940). In those same months, Lutz yet again expressed nostalgia for Europe, but also his apprehensions about the increasingly heated atmosphere in the US as well as, alluding to anti-German sentiments, about his fears whether "I will teach here in the next academic year" (Lutz to Eucken, 25.12.1940). In one of the final letters of the war years, Lutz reported of having started reading Hayek's *Pure Theory of Capital* and of Haberler's visits to Princeton, but when reflecting on the relationships between the émigrés, he concluded that "this group of economists does not speak nicely of each other" (Lutz to Eucken, 02.05.1941).

The postwar letters turned different, especially as the transatlantic divide suddenly appeared surmountable, and that in several ways. When they discussed economics, the evolution of Eucken's thought during the last decade of his life is elegantly extractable from his letters. Given the great respect for the wartime achievements of his student on the domain of monetary economics, Eucken was even more eager to discuss with him both political economy as it emerged in his ongoing *Grundsätze der Wirtschaftspolitik* (*Principles of Economic Policy*) book project, and technical economics as it emerged in his plan of a thoroughly revised edition of his 1934 *Kapitaltheoretische Untersuchungen* (*Investigations into Capital Theory*) (Eucken to Lutz, 06.11.1946). Given his cordial relationship with Schumpeter before his move from Bonn to Harvard in 1932 (Dathe and Hedtke 2018), Eucken showed himself deeply disappointed by Schumpeter's treatment of the centrally planned economy in *Capitalism, Socialism and Democracy* (Eucken to Lutz, 09.06.1947). He wrote about his gratitude to Hayek for having invited him to contribute a piece on the centrally planned economy for LSE's *Economica* where Eucken planned to counter some of Schumpeter's claims. Lutz in turn reported of Hayek's interest in Eucken's paper "Wissenschaft im Stile Schmollers" ("Science in Schmoller's Style") (Eucken 1940) and of sending a copy to Hayek (Lutz to Eucken, 21.10.1945).

It is curious to experience in several of Eucken's letters a double desire: To catch up with the missed decade of Anglo-Saxon economics, but also to challenge some recent developments he had identified in parts of Anglo-Saxon economics (Eucken to Lutz, 31.12.1948). He was especially disenchanted with two tendencies: First, the unrealistic assumptions in many of the new models, and second, that the limits of these models were primarily limited to the static properties of an equilibrium system as opposed to its dynamic capabilities to coordinate towards equilibrium (Eucken to Lutz, 09.06.1947). In addition, in an implicit reference to his contemporaneous preoccupation with his theory of order, Eucken believed that many British and American economists focused on too narrow problems "without the specific problems to fit into the overall process" (Eucken to Lutz, 24.03.1947), and that some of these economists "think too 'globally' in terms of the newly fashionable aggregates of macroeconomics" (Eucken to Lutz, 18.12.1947).

Sociologically, Eucken and Lutz shared an enthusiasm for new formats like the *ORDO Jahrbuch* and the Mont Pèlerin Society. Regarding the MPS, Lutz did not make it to the founding meeting in April 1947, calling

it ahead of the conference “the Hayek meeting” (Lutz to Eucken, 05.02.1947). Speculating about the uncertainty of Eucken’s receiving an exit visa from the French occupation zone, he assured his teacher that Eucken would be “the only reason” to make such a short transatlantic trip (Lutz to Eucken, 12.03.1947). When after the meeting Lutz learned from his Princeton colleague Frank D. Graham that in the last moment Eucken had received the visa, he very much regretted to have missed their conversations at Mont Pèlerin (Lutz to Eucken, 03.05.1947). Regarding the *ORDO Jahrbuch*, Eucken wrote about his hopes to launch it in the summer of 1947 and urged Lutz to start contributing from the very beginning (Eucken to Lutz, 12.03.1947), and once the Yearbook started in 1948, Lutz contributed a piece to the second volume “Geldpolitik und Wirtschaftsordnung” (“Monetary Policy and Economic Order”) (Lutz 1949a), a paper which perfectly mirrored the two domains of the transatlantic conversation with his teachers during the preceding fifteen years.

From the UK, Lutz reported of his joint efforts with Hayek for a translation of the *Foundations* with William Hodge in London, and announced how already in 1947 Robbins had read the book in the original and is “highly laudable” of it (Lutz to Eucken, 08.09.1947). Lutz passed on to his teacher his own wish to remain in Europe which “despite its terrible situation is by far more interesting and exciting than the somewhat saturated America” (Lutz to Eucken, 08.09.1947). Several invitations to visit Freiburg and to give lectures and seminars followed, including Eucken’s idea to give a joint seminar on employment theory with his former student (Eucken to Lutz, 25.04.1948). Again in LSE’s *Economica*, Lutz applauded the German currency and price liberalization reforms of June 1948 which were heavily influenced by Eucken and his associates (Lutz 1949b). From the final letters directly ahead of Eucken’s passing it became clear that Eucken had received an offer from Frankfurt where Böhm had moved after 1945, also serving as rector from 1948 to 1949, and that Eucken simultaneously attempted to arrange an offer for Lutz there (Eucken to Lutz, 03.02.1950). On his way to the tragic LSE lecture series, Eucken hoped that this trip might be the beginning of acquainting Anglo-Saxon economics with the particular epistemological tools which he and the Freiburg School had developed while formulating their theory of order, tools that he believed could help to resolve the crisis of modern economics (Eucken to Lutz, 03.02.1950).

The Wilhelm Röpke Papers offer a complementary angle on the Eucken-Lutz nexus as well as their connection to Simons during the immediate postwar months. Despite a 1941 controversy about Viner's rejection of a paper by Röpke in the *Journal of Political Economy* based on a harsh referee report by Lutz (Christ 2018, 41–44), the Röpke-Lutz letters of 1945-46 turned extremely friendly and cordial, and Eucken was *the* central topic – Röpke spoke of Eucken already in the very first paragraph of the first letter (Röpke to Lutz, 18.10.1945). Both were relieved to learn that Eucken and his associates had survived the war and stipulated to constantly update each other with news from Eucken and from Germany in general (Röpke to Lutz, 18.10.1945; Lutz to Röpke, 28.10.1945). They both shared a skepticism about Eucken's attempts to influence practical policy at this very early moment (Röpke to Lutz, 17.12.1945; Lutz to Röpke, 23.07.1946). Apart from intellectual exchange with Eucken about “first and foremost, all aspects of the German catastrophe” (Röpke to Lutz, 10.11.1945) and recurrent ideas about lecturing at Freiburg, both Röpke and Lutz were existentially worried about their Freiburgerian friend. While Röpke wished he could “pull him over to Switzerland!” (Röpke to Lutz, 10.11.1945), Lutz even suggested sending dollars to Röpke for buying “fat parcels” in Switzerland and sending them to shortage-ridden Freiburg (Lutz to Röpke, 23.07.1946).<sup>19</sup>

During these same weeks, Röpke exchanged letters with Simons about his international journal project *Occident* “to rally the forces of liberal humanism in the Western world” (Röpke to Simons, 10.11.1945). Although eventually the project did not materialize, the funds raised for it were crucial for founding the Mont Pèlerin Society (Hennecke 2005, 159–164). The letters indicate that Röpke and Simons were well informed about each other's publications and that both were genuinely interested to meet in person. Röpke approached Simons with an attempt to win him as a “contributing editor” of the journal, along with Lutz, Eucken and Hayek, the specific idea being that Simons should write about “the main lines of constructive liberal programmes of to-day as compared with your own which I find most stimulating” (Röpke to Simons, 18.12.1945). Calling his “output of articles” being “small”, his interests as primarily directed to American problems and his health “not good of late”, Simons voiced his “diffidence” about being useful for the project “without declining categorically”. Apart

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<sup>19</sup> Wilhelm Röpke Papers, Folder “Friedrich A. Lutz”, Institute for Economic Policy, University of Cologne.

from the tone in the letter few months ahead of his suicide which bears signs of a depressed mind, it is important for our narrative to observe that, of all potential alternatives for himself in the journal project, the first option he suggested to Röpke was Lutz, while the second was Fritz Machlup (Simons to Röpke, 29.01.1946).<sup>20</sup>

#### 4.2 Hayek, LSE and MPS as Postwar Conduits

To understand the role of LSE as a conduit between the Continent and the US, not only via Vera Smith and Hayek, it is important to emphasize that Robbins also developed a special relationship with Eucken – culminating in the tragic lecture series in March 1950 upon Robbins’ and Hayek’s invitation (Eucken 1951). Robbins met Eucken for the first time at the 1947 MPS meeting, and in 1948 he included the *Foundations* – as discussed, Lutz had reviewed it for LSE’s *Economica* in 1944 (Lutz 1944) – into his LSE Principles lecture (Howson 2011, 682–683). Given the fact that Terence W. Hutchison’s translation was published only in 1950 (Kolev, Goldschmidt and Hesse 2020, 451–452), Robbins’ decision to integrate a book in the German original by an author who stayed in Germany during the war into his syllabus can be interpreted as a special acknowledgment, and as a rather bold sign of sympathy amid the blitz-scarred London. And when the translation appeared, the immediate reactions included an aggressive, anonymous review entitled “Economics under the Nazis” in the *Times Literary Supplement* (Hutchison 1979, 438–439).

At the same founding MPS meeting in April 1947 where Robbins first encountered Eucken, Hayek organized something even bolder. In the very first session entitled “‘Free Enterprise’ or Competitive Order”, he scheduled three presenters: Director (for the deceased Simons), Eucken and himself (Caldwell 2020, 30–35). The boldness to schedule a Jewish economist and a German non-émigré to speak in the same session barely two years after the end of the war was remarkable. Hayek, himself connected intellectually to the ordoliberal research program (Kolev 2015), was fortunate that the German was the impressive figure of Eucken. The joint session as well as the overall appreciation of Eucken, especially by the Americans, succeeded in “contributing a little, if I may use this term, to the rehabilitation of German scholars on the international scene” (Hayek [1983]

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<sup>20</sup> Wilhelm Röpke Papers, Folder “Henry C. Simons”, Institute for Economic Policy, University of Cologne.

1992, 192). Decades later, Friedman and Stigler still kept special memories of their encounter with Eucken during their first trip to Europe (Friedman and Friedman [1998] 1999, 160; Stigler [1985] 1988, 146). And while the complex issue of the transition to “New Chicago” is beyond the scope of this paper, it is important to note that the early political economy of Milton Friedman radiated precisely the spirit of the rules-based framework and the competitive order he experienced at the founding MPS meeting (Friedman 1948; Friedman 1951).

In their joint preparation of the MPS meeting, Hayek enthusiastically informed Eucken after his 1946 trip to the US about the group in Chicago and their work which, as Hayek saw it, focused on the “legal framework” (Hayek to Eucken, 11.11.1946).<sup>21</sup> At that same time, when he informed Knight of his MPS plans, Hayek added a handwritten remark about his “great regret” that Simons would not be with them, with whom he had discussed the plans “in some detail” (Hayek to Knight, 28.12.1946).<sup>22</sup> When the three MPS papers of Director, Eucken and Hayek are juxtaposed,<sup>23</sup> they read as being in almost perfect harmony with each other. In other words, they read as concise versions of Simons’ *Positive Program*, i.e., as pleas for setting up *frameworks* that enable the *competitive order* as the normative anchor for economic policy amid the postwar order of economy and society on both sides of the Atlantic. Thus the 1947 MPS meeting became the dot which connected the long and winding roads which had commenced in Berlin during the 1920s, and it was also the junction where the theoretical and normative proximities of “Old Chicago” and Freiburg became crystal-clear. The double transition outlined in Section 3.1, towards an order-based approach in the positive analysis and towards defending a normative concept of order, had been fully accomplished when the roads intersected at Mont Pèlerin.

Although the harmony was disturbed already at the 1949 MPS meeting, again between Mises and the “fin-de-siècle generation” (Kolev, Goldschmidt and Hesse 2020, 452–453), the remaining months until

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<sup>21</sup> Friedrich A. von Hayek Papers, Folder “Eucken, Walter 1939-1950” (Box 18, Folder 40), Hoover Institution, Stanford University. While Hayek’s letter is in German, he used the English phrase “legal framework” to describe the Chicagoan research program (Kolev, Goldschmidt and Hesse 2020, 448).

<sup>22</sup> Frank Hyneman Knight Papers, Folder “Hawes, Raymond - von Hayek, F. A.” (Box 4, Folder 6), University of Chicago.

<sup>23</sup> Friedrich A. von Hayek Papers, Folder “Mont Pelerin, Switzerland 1947 / Papers” (Box 81, Folder 4), Hoover Institution, Stanford University. The papers are currently in the process of being published, together with all materials of the founding MPS meeting, in Caldwell (2022).

Eucken's passing were characterized by a high-frequency correspondence between Hayek as MPS president and Eucken as one of the vice-presidents, a correspondence increasingly personal, cordial and heartfelt.<sup>24</sup> Hayek commissioned from Eucken a paper on the German experience with the centrally planned economy for LSE's *Economica* (Eucken 1948a) as well as an obituary on Heinrich von Stackelberg for the *Economic Journal* (1948b), both of which discuss the competitive order. The papers of Albert Hunold, the long-time secretary of the MPS, contain an important trace of Hayek's plans for Eucken only torpedoed by Eucken's unexpected death. Hayek was pondering about stepping down as president and shared with Hunold that even though it was "still too early", he very much wished to see Eucken "sooner or later" as MPS president (Hayek to Hunold, 25.03.1949; Hayek to Hunold, 01.04.1949).<sup>25</sup>

A similar sense of particular appreciation is discernible from the few letters of Knight to Eucken in the Walter Eucken Papers. In 1947, they are already framed by "Dear friend Professor Eucken" (Knight to Eucken, 16.12.1947), while by the end of their exchange Knight acknowledged the receipt of publications by Eucken, mentioned that since 1940 he has already been in possession of a first edition of the *Foundations* as depicted in Section 4.1 in the context of Lutz's attempts to organize reviews of the book, but also that Knight would be most happy to receive the most recent edition which he had heard was in the process of being translated into English (Knight to Eucken, 05.05.1949).<sup>26</sup>

Finally, the Henry Simons Papers contain a set of lively correspondence between Simons and Lutz from the immediate postwar months.<sup>27</sup> Unlike the Simons-Hayek correspondence where Hayek had to urge Simons to drop "the formal 'Professor' in writing to me" (Hayek to Simons, 05.11.1945),<sup>28</sup> Lutz's first letter is already framed with "Dear Henry" / "Yours Friedrich", expressed gratitude for the "nice treat" by Simons and his wife

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<sup>24</sup> Friedrich A. von Hayek Papers, Folder "Eucken, Walter 1939-1950" (Box 18, Folder 40)", Hoover Institution, Stanford University; Walter Eucken Papers, Folder "Friedrich A. von Hayek", Thüringer Universitäts- und Landesbibliothek Jena, University of Jena.

<sup>25</sup> Albert Hunold Papers, Folder "Friedrich A. von Hayek", Institute for Economic Policy, University of Cologne.

<sup>26</sup> Walter Eucken Papers, Folder "Frank H. Knight", Thüringer Universitäts- und Landesbibliothek Jena, University of Jena.

<sup>27</sup> Henry C. Simons Papers, Folder "Lutz, Friedrich A." (Box 4, Folder 23), University of Chicago.

<sup>28</sup> Henry C. Simons Papers, Folder "Institute of Political Economy" (Box 8, Folder 9), University of Chicago.



during Lutz's visit to Chicago, and related a very personal story of the refugee destiny of Lutz's relatives in Germany and of his mother's death (Lutz to Simons, 17.05.1945). We assess the rhetoric of the letters as a clear indication of an already existing non-formal acquaintance between the two. The main matter they discussed was, as Lutz called it in the very first letter, "the Hayek affair" or, in Simons' first reply, "our conspiracy" (Lutz to Simons, 17.05.1945; Simons to Lutz, 26.06.1945). By that they meant the "Free Market Study" project, initially termed "Institute of Political Economy", to establish a policy-oriented institute at Chicago, with Simons as its hub and with special involvement of Hayek and Director. The project was motivated by Hayek's idea of an American version of *The Road to Serfdom*, which aimed at applying the ideas of the book to the specific institutional framework of the US (Van Horn and Mirowski 2009, 143–158). Very much in line with Eucken's plea to Hayek after *The Road to Serfdom* (Eucken to Hayek, 12.03.1946)<sup>29</sup> to become more concrete on the domains of economic policy (Goldschmidt and Hesse 2013), Lutz shared with Simons that "Hayek does not say when planning is good and when it is bad; he keeps in the realm of general ideas but does not develop a positive program. There is indeed gap here of which he is very conscious and which he feels should be filled. I agree with him there." (Lutz to Simons, 07.06.1945).

In order to fill this very gap, Lutz suggested as "some of the problems which should be treated" by the envisioned institute and its director: "(1) A tax system appropriate for a competitive order; (2) Monetary arrangement " " " " [appropriate for a competitive order, K&K]; (3) The problem of social security from the same standpoint; (4) The problem of competition in the labor market; (5) The problem of industrial giants (although much has been written about this); (6) The systems of law required for the competitive order; (7) The relation of the economic order and the political order. One special aspect of this is the influence which agglomerations of economic power, once they are allowed to develop, have on the government until, in view of the different interests of these agglomerations, it becomes absolutely impossible for the latter to follow a consistent economic policy. (8) The competitive order in agriculture. There are innumerable others (particularly in the international sphere) and the stream could be kept going for quite a while." (Lutz to Simons, 07.06.1945).

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<sup>29</sup> Friedrich A. von Hayek Papers, Folder "Eucken, Walter 1939-1950" (Box 18, Folder 40)", Hoover Institution, Stanford University.

In his last letter to Simons, Lutz referred to Hayek's burgeoning MPS project as "his Acton Society" and called it "an interesting idea" (Lutz to Simons, 04.10.1945). Hayek had informed Simons of this idea a few weeks earlier (Hayek to Simons, 22.08.1945). And while vis-à-vis Hayek Simons assessed Lutz's abovementioned suggestions for the institute as "very sensible", he also reported to Hayek of a conversation about the "Acton-Tocqueville Society" project with a University of Chicago official, with whom Simons had discussed the burgeoning MPS project especially as a "scheme for intellectual cooperation with German scholars and historiographers" (Simons to Hayek, 02.07.1945).<sup>30</sup> However, the difficulties in establishing the institute further aggravated Simons' depressed state of mind, leading eventually to his suicide on June 19, 1946 (Van Horn 2014).

The extreme intensity in the Simons-Lutz-Eucken-Hayek nexus at this climax post-1945 is aptly captured by several archival findings. The tensions of the "fin-de-siècle generation" with Mises, whose beginnings we identified in Section 3.2 in the 1920s, flared up one last time in the period we study.<sup>31</sup> Both in print and in correspondence, Simons expressed his annoyance with Mises' "old liberal or Manchesterite" stance in *Omnipotent Government* (Mises 1944), criticized its lack of a positive program and called Mises "the worst enemy of his own libertarian cause" (Simons 1944, 192), while contrasting this book to the "magnificent contribution" of *The Road to Serfdom* (Simons to Hayek, 01.09.1944).<sup>32</sup> At that same time Lutz was Hayek's favorite candidate to write the American version of *The Road to Serfdom* (Lutz to Simons, 07.06.1945),<sup>33</sup> and he was also discussed as an alternative director of the institute if Simons would not step in (Caldwell 2011, 305–306). Finally, we could identify two letters by Hayek, the few weeks after Simons' and the other few weeks after Eucken's passing. It is very clear from both how personally close he had become to Simons and Eucken in these very years, and how irreplaceable he saw them for this transatlantic nexus and the related endeavors, especially the MPS and the

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<sup>30</sup> Henry C. Simons Papers, Folder "Institute of Political Economy" (Box 8, Folder 9), University of Chicago.

<sup>31</sup> Two decades later, in his MPS Presidential Address at Tokyo on September 5, 1966, Lutz included a jocular remark about Mises. While reflecting about the current status of liberalism, Lutz emphasized how the combination of "university teachers who are first class theorists" and "bright students" had produced successful groups, the examples being "the Chicago group, the University of Virginia group and – working on his own, I believe – Professor von Mises in New York." Mont Pèlerin Society Records, Folder "1966, Tokyo, Japan (Regional Meeting)" (Box 17, Folder 9), Hoover Institution, Stanford University.

<sup>32</sup> Henry C. Simons Papers, Folder "von Hayek, Friedrich A." (Box 3, Folder 40), University of Chicago.

<sup>33</sup> Henry C. Simons Papers, Folder "Lutz, Friedrich A." (Box 4, Folder 23), University of Chicago.

“Free Market Study” (Hayek to Harold Luhnnow, 26.06.1946; Hayek to Ludwig Erhard, 30.06.1950).<sup>34</sup> In this sense 1946-47 was the moment when the traditions of “Old Chicago” and Freiburg – intermediated through Lutz and Hayek, both of whom were at that moment intimately connected to Freiburg and, increasingly so, also to “Old Chicago” – could have joined their intellectual forces towards a shared research program.

#### **4.3 (Dis-)Continuities beyond 1950: The End of “Old Chicago” and Freiburg**

While Simons and Eucken left behind a large number of students, these students continued the two traditions – albeit in their own ways. In the Chicago context, the year 1946 was a structural break of fundamental importance for at least two reasons (Mitch 2016): “The departure of Jacob Viner [to Princeton, K&K] and the passing of Henry Simons are the watersheds” (Bronfenbrenner 1962, 72–73) between “Old” and “New Chicago”, the former also dubbed “the Frank Knight-Henry Simons era” (Coats 1963, 491) or “the classical liberalism of the Knight-Simons agenda in the 1930s and 1940s” (Emmett 2018, 1559). Moreover, the appreciation for Simons in the Friedman-Stigler generation declined over time. While they were highly laudatory in their Henry Simons Lectures (Stigler 1958; Friedman 1967), later on their reminiscences of Simons’ political economy turned much more critical (Kitch 1983; De Long 1990), containing formulations like “he had a vague and contradictory picture of the state as an instrument of economic policy” (Stigler 1974, 4).

In the case of Freiburg, continuity problems of a different kind came up around 1950. The passing of Eucken’s gifted student Miksch in the very same year as his teacher, Lutz’s preference for Zurich over Freiburg in 1953, Böhm’s move to Frankfurt in 1945 and his preference to shape practical politics as a member of the Bundestag from 1953 to 1965 were shattering structural breaks. In addition, the all too reverent attitude of other Eucken students to his legacy and their unwillingness to critically develop this legacy (Feld and Köhler 2016, 71–76) impeded development of a “New Freiburg”, not even after attracting Hayek from Chicago to Freiburg in 1962 which happened upon the initiative of Eucken’s widow (Vanberg 2013; Kolev 2021, 30–36).

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<sup>34</sup> Friedrich A. von Hayek Papers, Folder “William Volker Fund / 1939-1948” (Box 58, Folder 16); Friedrich A. von Hayek Papers, Folder “Erhard, Ludwig 1950-1962” (Box 73, Folder 25), Hoover Institution, Stanford University.

## 5. Conclusion: The New Topicality of Order-Based Theorizing in the 21<sup>st</sup> Century

This paper aimed at delineating the parallel intellectual trajectories of two scholarly communities in the 1930s and 1940s which, according to the notion of school we employ, can legitimately be portrayed as school-like groups. Instead of making claims of influence of the one on the other, we attempted to show how the political economists at Freiburg and Chicago, but also at Princeton and LSE, were moving along very similar lines during this period. In their age of national and international orders falling apart, first post-1914 and then again post-1929, two major transitions took place in all those hubs. Following the acute years of the Great Depression, the “fin-de-siècle generation” moved: First, from students of *equilibrium* to students of *order*, and second, from students of *positive* orders to defenders of a specific *normative* order, the latter captured in their shared notion of the *competitive order* with its *rules-based framework*. A journey which commenced in Berlin during the 1920s and culminated at the founding meeting of the Mont Pèlerin Society in 1947 produced two political economies with a stunning number of common traits, both on the theoretical and the applied policy levels.

Using Eucken’s methodological notion of *topicality* borrowed from Edmund Husserl’s phenomenology, we conclude by suggesting another reason why “Old Chicago” and Freiburg as parts of the “laissez-faire within rules” research program, and the “thinking-in-orders” tradition more generally, experienced their post-1950 demise. Along with the increasing specialization of postwar economics which gave rise to differentiated sub-disciplines like Law and Economics, Public Choice or the Property Rights research programs which sometimes located themselves in the “Old Chicago” or Freiburg tradition, the world, and by that also the civic and academic lifeworlds of economists, changed fundamentally. The decades of the Cold War were, all geopolitical tensions notwithstanding, fairly stable, so fundamental debates about (re-)ordering the frameworks of economy and society became much less *topical* when compared to the fundamental fragility of economy and society during the 1930s and 1940s, or in the post-communist countries during the 1990s. If we harness a recent juxtaposition of “contextual economics” which highlights (positively and normatively) issues of order frameworks, versus “isolating economics” which studies (positively) issues of (dis-)equilibria in the market process within the frameworks (Goldschmidt, Grimmer-Solem and Zweynert 2016), many postwar research programs both in

microeconomics and macroeconomics can be understood as a shift away from the contextual economics of the 1930s and 1940s towards isolating economics.

For better or worse, today we live in an age where neither the national nor the international orders are particularly robust or stable. Living in such a context, further research into the insights generated by the “fin-de-siècle generation” may well be worthwhile, and that not only for the discourses within history of economics or within academia broadly speaking. As proclaimed by James Buchanan, a student of “Old Chicago” in 1940s (Johnson 2014; Marciano 2020) and an admirer of Freiburg later in his life (Vanberg 2014; Kolev 2018b), the final addressee of politico-economic research is the citizen, so that “the task for the constitutional political economist is to assist individuals, as citizens who ultimately control their own social order” (Buchanan 1987, 250). Exploring an age of fragile orders and its theorists like these who lived through the 1930s and 1940s has the potential to illustrate to today’s citizen how history of economics can produce illuminating, topical narratives of the artisanship of orders (Ostrom 1980). Little of this is a “German oddity”, in contrast to the claims in the recent literature on ordoliberalism discussed at the beginning of the paper, but a general concern in many Western democracies amid their current fragility. In a democracy, this artisanship of orders is performed jointly by the scholar and the citizen who need to find a way back to peaceful coexistence in a humane order of the “good society”.

## **Archival Collections**

Albert Hunold Papers, Institute for Economic Policy, University of Cologne

Alumni and Faculty Offprint Collection, Seeley G. Mudd Manuscript Library, Princeton University

Archive of the Republic, Moscow Special Archive, Austrian State Archive Vienna

Frank Hyneman Knight Papers, Hanna Holborn Gray Special Collections Research Center, University of Chicago

Friedrich A. von Hayek Papers, Hoover Institution, Stanford University

Henry C. Simons Papers, Hanna Holborn Gray Special Collections Research Center, University of Chicago

Jacob Viner Papers, Seeley G. Mudd Manuscript Library, Princeton University

Leonhard Miksch Diary, Walter Eucken Institute

Mont Pèlerin Society Records, Hoover Institution, Stanford University

Walter Eucken Papers, Thüringer Universitäts- und Landesbibliothek Jena, University of Jena

Wilhelm Röpke Papers, Institute for Economic Policy, University of Cologne

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