Ludwig von Mises and the “Ordo-interventionists” –
more than just aggression and contempt?

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Abstract

This paper explores the four decades of intellectual relationship between the Austrian School economist Ludwig von Mises (1881-1973) and two major representatives of German ordoliberalism, Walter Eucken (1891-1950) and Wilhelm Röpke (1899-1966). The timespan covered starts in the early 1920s and terminates with Röpke's passing in 1966, a period featuring numerous encounters in person and several debates in published works, accompanied by exchange in correspondence. The central goal of the paper is to provide a more nuanced understanding of the reasons for the hostile climate typical of most of the covered period than previous narratives in literature. To reach this goal, a key tool is the technique of embedding the scholarly component of the interactions into the complex network of interpersonal relationships, and studying these relationships proves to indeed shed additional light on the evolution of the patterns of confrontation. The four decades are separated into five distinct phases, as the nuances discernible during the phases evolve significantly. These five phases are: early socialization amid the animosities of the Austrian and the Historical Schools; initial debates in the 1920s and early 1930s on business cycles where seniority and maturity play an important role; clashes on political economy and social philosophy at the Colloque Walter Lippmann in 1938 and the two initial decades of the Mont Pèlerin Society after 1947; coexistence during the German “economic miracle”; finally, exchanges in the 1960s, including a discussion of archival materials never published before on Mises’ only honorary doctorate in economics, awarded to him by the University of Freiburg in 1964. Based on this historical account at the heart of the paper, conjectures are formulated as to why – despite common ground in the pursued inquiries of the two groups – the protagonists essentially fail to engage into more fruitful scholarly debates, and hypotheses are formulated about the substantive core at stake. Given the extensive historiographic efforts invested in recent decades into explorations of the Austrian School and of ordoliberalism, the paper also provides a critical overview on selected strands of this literature, including a specific reading of the concept of neoliberalism.

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


1. Introduction

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

The current paper delves precisely into this subject – economists and 20th century liberalism, particularly in its German-language varieties. Its specific aim is to delineate in detail a relationship within a prominent group of scholars, but a particular nexus somewhat underrepresented in previous analyses on this broad range of authors: the link between Ludwig von Mises and the representatives of ordoliberalism, especially Walter Eucken and Wilhelm Röpke, a group referred to by Mises as the “Ordo-interventionists”. F.A. Hayek is only intermittently integrated in the analysis, at intersections where he can be of instrumental value for the narrative in his frequent role as an in-between bridging the two camps. Alexander Rüstow is also granted a secondary role: though a very active participant in some of the debates, he expresses positions which are seldom clearly distinguishable from those of the main two proponents of ordoliberalism. While the nexus between Mises and the ordoliberals has been studied before, some of the major treatises dedicated to it suffer from the “hagiography” risk. Examples of this risk can also be found in the two recent biographies of Mises and Röpke, Hülsmann (2007) and Hennecke (2005), respectively. Both volumes share a common strength which can hardly be esteemed highly enough: they present an astounding plenty of material, both from published works and from archival sources, which constitutes a valuable foundation for enabling further research. However, the volumes also share a common weakness: the proximity between biographer and biographee is often too close. The two subtitles, “The last knight of liberalism” and “A life against the tide”, can certainly be interpreted as signs of honesty and explicitness of the biographers’ value judgments towards the object of study. Still, large sections of both biographies let Mises and Röpke appear as unprecedented heroes of their age, an image which can be counterproductive for a sober analysis. The aim of the current paper is, while building on the source plenty in Hülsmann (2007) and Hennecke (2005), to overcome this deficiency as well as the and to provide a new, especially a

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

2. Conceptual clarification: neoliberalism and classical liberalism

Neoliberalism is a colorful and embattled term, with its connotations passing substantial transformations over the last decades (Boas/Gans-Morse 2009). Its usage in this paper leans neither towards the origins when some authors self-identify with the term, nor does it take the later meaning used in an inflationary manner to condemn certain policies in various countries from the 1970s onwards. Instead, the German-language neoliberals are depicted here as a generation of scholars who live in a very particular context and decide to fight very particular challenges in their efforts to restore liberalism, in line with Hayek's usage of “the new liberal school” in a paper dedicated to Mises’ 70th birthday (Hayek 1951/1967, p. 196). As shown elsewhere, the quadrangle Mises-Hayek-Eucken-Röpke is a very helpful device to focus on the German-language section of this neoliberal generation which of course includes several other authors (Kolev 2013, pp. 2-4). For the approach of the current paper, this focus is particularly effective due to the substantial degree of communication within this group for decades on end, despite all historical ruptures and impasses that accompany their lives. Calling this group “neoliberal” is also practical and operational in the way that it can do without the (rather unfruitful) attempts to precisely delineate the borders of schools in economics (Blumenthal 2007, pp. 25-33) – and also because it clearly indicates the common goal to restore liberalism and make it compatible with the challenges of the 20th century, notwithstanding all substantial differences in the approaches to reach this common goal.
The reading of neoliberalism above contains the Austrians Mises and Hayek, as well as the ordoliberalists Eucken and Röpke. Attaching the tag “neoliberal” to Mises is likely to appear counterintuitive compared to the usual boxes “classical liberal” or “libertarian” he is inserted into – but it is this very tagging which helps to clarify the specific usage of “neoliberal” in this paper. When tracking its history, most narratives go back to the Colloque Walter Lippmann in 1938 where it is allegedly coined by the reformist-oriented part of the attendants who aim at distancing themselves from 19th century liberalism (Wegmann 2002, pp. 101-110; Plickert 2008, p. 93-103; Burgin 2012, pp. 70-86; Goodwin 2014, pp. 233-260). Historically, however, this is just one neoliberalism. Google Ngram searches on “neoliberalism” and “neoliberal/neo-liberal” show usage of the terms already in the 19th century. Particularly interesting is the peak observable in the late 1890. When exploring Jstor of this period, an intriguing exchange in the Economic Journal of 1898 is encountered between two prominent economists of the time, Maffeo Pantaleoni and Charles Gides. Pantaleoni's piece embeds economics' domain within the field of economic sociology, claims that economic relationships are to be defined as peaceful and voluntary settlements of human coexistence mostly based on contracts, but nevertheless leaves room for power relationships between strong and weak individuals or groups (Pantaleoni 1898, pp. 191-195). Gide focuses on a particular aspect of Pantaleoni’s analysis, the role of co-operatives as a form of cooperation vis-à-vis free competition, and calls Pantaleoni’s statements on the future of co-operatives “neo-liberal”: in Gide’s view, Pantaleoni restates arguments by earlier liberal economists in France who have been similarly skeptical about co-operatives and similarly optimistic about free competition as is Pantaleoni (Gide 1898, pp. 494-497). The “neo” in Gide’s “neoliberal” points to Pantaleoni’s allegedly intended revitalization of an old liberalism, including his supposed attempt to make old arguments more convincing by reformulating them – a similar intention as the one attributed to Thorstein Veblen’s describing his opponents as “neoclassical” in 1900.

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

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

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

3. The sociology of German-language neoliberalism

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

3.1 Preanalytic visions: with blinders early on?

Schumpeter’s famous concept of the preanalytic vision with its postulate that “analytic effort is by necessity preceded by a preanalytic cognitive act that supplies the raw material for the analytic effort” (Schumpeter 1954/2006, p. 39) will be utilized as a starting point here. By using Keynes’ career as an illustration, Schumpeter characterizes an author’s preanalytic vision as a predisposition taken in an early stage of his scientific socialization which subsequently can accompany him for decades. It facilitates the scholar’s perception of scientific phenomena, but it also has the potential to make him prone to ideological influences and to possibly lead to “passionate allegiance and passionate hatred” within the scientific community (Schumpeter 1954/2006, p. 40).

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

What might be identified as a corresponding preanalytic vision on the side of the ordoliberals Eucken and Röpke? Both of them are raised in the climate of the “Youngest” Historical School, its influence being stronger in Eucken’s case. While Eucken, eight years Röpke’s senior, writes both his 1914 dissertation and his 1921 habilitation largely in accordance with historicism (for a differentiated view on the degree of their historicist content see Peukert 2000, pp. 97-98), Röpke’s socialization takes place after the end of the war, so that his dissertation and habilitation (both published in 1922) are less dominated by historicism, especially his habilitation on business cycles (for a retrospective on his relationship to Eucken see Röpke 1960). Nevertheless, given this socialization both Eucken and Röpke very clearly shape a preanalytic vision against pure abstractness in theorizing, and in all their work they will struggle with what Eucken would later call “the great antinomy” between the “individual-historical approach” and the “general-theoretical approach”. Early on, Eucken criticizes in correspondence Mises and Hayek of producing “a purely constructive, freely levitating theory” detached from and alien to empirical research (Eucken to Rüstow, 27.3.1929). In this vein, he later associates Menger with the “general-theoretical approach” and accuses him of having aggravated the deplorable “dualism” between the two approaches instead of reconciling them (Eucken 1940/1989, pp 55-58). Röpke explicitly endorses Eucken’s view on the relationship of theory and history (Röpke 1937/1963, pp. 15-16). Their generally skeptical attitude to the pure abstraction in Menger’s tradition amplifies during the Great Depression, again especially vis-à-vis Mises (and Hayek), when accusing them of not realizing how specific the concrete circumstances of time and space are and how naïve it is to stick to the Austrian Business Cycle Theory in times where the overall political order is about to collapse (Röpke 1931, p. 450; Röpke 1933, pp. 428-433). By the Colloque Walter Lippmann, this early uneasiness with the “pure abstraction” of the Austrian tradition has transformed into quasi-automatically viewing Mises as a doctrinaire.

Many of these points will be explored in detail below. But they already indicate the deeper roots of the antagonistic view held of each other in both camps. Mises is convinced that German economists per se are incapable of economic theorizing, and that they are by default proponents of interventionist statism. Eucken and Röpke, on the other hand, are persuaded that Austrian theory, elegant as it may be, is a pure abstraction and that its proponents are doctrinaires detached from the problems of the real world. These predispositions are not very promising as a foundation for rational exchange in the future. Nevertheless, debates do take place, even despite the further sociological problems delineated in the sections below.

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

As convincingly shown by Düppe and Weintraub recently, the problem(s) of scientific credit are among the most complex and also most sensitive ones around scientific innovations, having the potential to create excitement, frustration, confrontation and depression (Düppe/Weintraub 2014). And problems of credit do exist in the intricate interpersonal relations studied here.
In most histories of the Austrian School, Mises (born in 1881) is depicted as belonging to its “third generation”, whereas Hayek and his peers constitute the “fourth generation”. While generational separations always contain a certain degree of arbitrariness, it is clear that Mises is by far the senior in the triangle here, being 10 years Eucken’s and 18 years Röpke’s (and Hayek’s) senior. This difference is not simply of quantitative significance: rather, he is a scholar old enough to have experienced some of the masterminds of the age who pass away before Eucken’s and Röpke’s scientific maturity, most significantly Menger, Böhm-Bawerk and Max Weber – a fact that can grant his positions extra authority on top of the age differential. In addition, Mises plays a formative role for the other protagonists, especially with his *Gemeinwirtschaft* of 1922, of which Hayek reports that it diverted many of his peers, among others Röpke, Lionel Robbins and Bertil Ohlin, from socialism (Hayek 1992, p. 133). Despite criticism of Mises’ “extreme and antiquated” liberalism, Eucken is laudable of the core argument against socialism in *Gemeinwirtschaft* (Dathe 2009, p. 6). Röpke also acknowledges the special role of *Gemeinwirtschaft* for his own development, a volume he reviews for *Frankfurter Zeitung* as early as 1922 (Hennecke 2005, p. 40).

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

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

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

This relative sense of harmony proves only of short duration and also rather confined to the domain of business cycle theory. The short-lived history of the “German Ricardians” in the late 1920s, an incipient group of young theorists of liberal and of socialist leanings who jointly aim at overthrowing the still enduring dominance of the “ruins of the Historical School” (Rüstow to Eucken, 24.1.1927) is a case in point how the group fails precisely because of severe tensions between Eucken, Röpke and Rüstow on the one side and Mises on the other. The tensions are based on a mix of personal incompatibilities and substantive divergences in the general notions of economic policy (Janssen 1998/2000, pp. 38-40; Janssen 2009, pp. 10-11; Köster 2011, pp. 222-228), a mix which only few months after Zurich leads to a sharp break between the young Germans and Mises. For the claim of this section regarding the significance of seniority and rebellion against it in understanding the dynamics of the interactions, it is especially noteworthy that the split hits above all the relationship to Mises (and Schumpeter, belonging to the Mises generation), whereas all younger Austrians involved other than Oskar Morgenstern – among them Hayek, Haberler and Machlup – remain in the “tier 1” level of trust among the “German Ricardians” as seen by Eucken, Röpke and Rüstow (Janssen 1998/2000, pp. 40-41; Janssen 2009, p. 12).

Röpke is not among the ones featured as speakers in the Zurich meeting protocols (the records of the last two Verein meetings, in Königsberg 1930 and Dresden 1932, do not contain public exchanges with Mises), also he is not as central to the “Ricardians” as are Rüstow and Eucken. But in the course of the Great Depression which is just about to unfold, he soon becomes a leading figure in the rebellion of “heretics” against the Viennese “orthodoxy” (Allgoewer 2009/2010, p. 148) – a rebellion which, along with the Keynesian avalanche, will let Mises’ observation of having the dominant cycle theory in the German-language community appear as one of rather short validity. Before plunging into this, an important digression has to be inserted here, one which is important in two ways: first, it addresses a key concept of the interactions in the following decades, and second, the interaction in the 1920s is in itself a step consequential for the process of emancipation from the senior and for reaching maturity: the debate on the concepts of intervention and the theory of interventionism. As shown by Sanford Ikeda, Mises’ 1929 essay collection Critique of Interventionism lays the foundations for the Austrian analysis of interventions, but it also bears ambiguities and has some paradoxical characteristics (Ikeda 2015, pp. 396-401). This diagnosis is vindicated and amplified by Helmut Krebs and Maximilian Tarrach who criticize Mises’ theory of interventionism as being rather rudimentary, especially as compared to the profundity of his theory of socialism (Krebs/Tarrach 2016, pp. 65-68). Less known today, Röpke formulates almost simultaneously his understanding of interventions and interventionism in an entry State Interventionism for the authoritative German encyclopedia of the social sciences, with reference to Mises’ core paper in the interventionism volume (first published in 1926). When comparing the two expositions, a key difference and a central similarity can be distilled. The difference lies in the general willingness of the two authors to accept interventions: while both deny in principle interventionism as a system, Röpke is more open to explore
cases where specific kinds of interventions can be helpful. His analysis appears less systematic as compared to Mises’: while Mises distinguishes two types of interventions, Röpke’s taxonomy consists of nine types, located both on the micro and the macro level. The conclusions also differ: Mises ends with a sketch how the battle against interventionism might still be won (Mises 1929/2011, pp. 30-31), while Röpke sees the defense of the market economy becoming more effective by discarding the idealization of the market process and by allowing for cases of its imperfection (Röpke 1929, pp. 881-882). While Mises’ original paper of 1926 precedes Röpke’s work and of course cannot contain a reference to him, Röpke does refer to Mises and it reads as very likely that his plea in the end against “dogmatic stubbornness” of defending the idealized market has Mises’ stance as its target (Röpke 1929, p. 881). So much for the key difference, but the two approaches also share a central similarity: both neoliberals struggle with the complex question of what the essential characteristic of an intervention is, and which state activity might be considered as necessary – questions obviously answered only unsatisfactorily so far, so their theoretical innovations of the 1920s are required. While both Mises and Röpke see price interventions as nonsensical and self-defeating because of the induced dynamics, compiling a clear-cut taxonomy for more complex state activity proves much more difficult. The sentence “Measures that are taken for the purpose of preserving and securing the private property order are not interventions in this sense” could be both Mises’ and Röpke’s, as it shows the core of the later ordoliberal program that the economic order in itself is not stable and has preconditions and prerequisites which are mandatory for enabling the market – but in this case the sentence is by Mises (Mises 1929/2011, p. 2). The struggle to discriminate necessary from harmful interventions and to lay out a full-fledged theory of interventionism can at this stage be assessed as only partially successful for both of them. But as will become clear later on, this vagueness does not hinder the adjective “interventionist” from becoming a key rhetorical device in the conflicts of the decades to come – just as the adjective “dogmatic” is used reciprocally by the other side.

Mises’ Critique of Interventionism and Röpke’s State Interventionism are published on the immediate eve of the Great Depression (GD) and surface a new willingness of the young generation to be openly critical of their senior. The outbreak of the GD provides an extensive arena to continue the debates on the role of the state in the market, this time in the context of the macroeconomic slump. At this point the Viennese economists not only continue to expand on the theoretical edifice of the Austrian Business Cycle Theory (ABCT), but also heavily engage in empirical research after the founding of the Austrian Institute for Business Cycle Research in 1927, with Mises as member of the supervisory board and Hayek as the first director (Klausinger 2013, pp. 6-8). This group is among the few who are skeptical to the boom of the 1920s and are not surprised when the crisis starts in 1929. But when fast-forwarding a few years ahead to 1933, Hayek remarks in retrospect that while the ABCT has satisfactory properties in explaining the upswing of the cycle, it is still not fully convincing in explaining the downswing (Hayek 1933, pp. 110-117). Even though still not surprised by the qualitative properties of the cyclical movements, his statements of 1933 show some new humility as to his capability to quantitatively explain the depth and the length of the GD. And indeed, during these years, the climate of the academic debate changes dramatically as compared to Zurich 1928. There is one person whose stance does not seem to change at all: Mises.
Even in 1943, in complete disregard of all debates related to the Keynesian revolution, he apodictically claims that in the 31 years since the publication of his Theory of Money and Credit “no tenable argument has been raised against the validity of what is commonly called the ‘Austrian’ theory of the trade cycle” (Mises 1943, p. 251). And in 1931, Mises depicts the GD as being differently deep and long from regular crises simply because, unlike the case of regular crises, the interventionism in the preceding period had this time been directed not only at lowering the interest rates, but also at meddling in the commodity prices and the wages, so in his view the evolution of the GD is fully captured in and explicable by the theory of interventionism. He rejects “all attempts to overcome the crisis by further interventionist measures” and proposes as “the only solution” to drop all interventionist measures (Mises 1931, pp. 33-34). Since he himself is not expecting such a swerve in the opinion of the ruling parties, his essay somewhat ominously concludes by the hope that “the governments and parties whose policies led to the crisis will at some point disappear and make place for men whose economic policy program leads to reconstruction and not to destruction and chaos” (Mises 1931, p. 34). While certainly beyond any doubt of having any sympathies for the upcoming totalitarianisms in Central Europe, Mises clearly indicates with this and other statements that he does not have an applicable policy proposal for the GD other than the radical change of economic policy depicted above, while otherwise waiting for the disequilibria in the economy to clear up.

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

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

The analysis here certainly does not aim at making claims as to whose judgment proves right, but rather at delineating an important distinction which surfaces in this debate. This distinction will be characteristic for the coexistence (and the confrontation) of the decades to come: while Mises remains perfectly loyal to the prescription of “pure theory” and is willing to put the aforementioned policy conclusion at the end of his analysis, Röpke is willing to trespass the borders of “pure theory” and to move into the realm of “political economy”. His plea – in writings like the above and in his role as a public figure and as a policy consultant
(Schüller 2003, pp. 25-32; Hennecke 2005, pp. 65-80) – for “re-expanding” the economy is not only based on cycle theory considerations, but also on an argument which Eucken would later frame with the concept of the “interdependence of orders” (Eucken 1940/1989, pp. 298-299). What Röpke is mostly afraid of is a scenario when the crisis of the economic order persists long enough and the secondary depression spreads and entrenches, so that the crisis of the economic order can generate repercussions for the political order powerful enough to undermine the very foundations of this political order – an argument which he assesses as particularly plausible in his specific context of time and space, i.e. given the weakened democracy of the Weimar Republic of the early 1930s (Gregg 2010, pp. 107-113). These two distinct approaches to economic policy – sticking to the policy implications of the deductions of pure theory versus willingness to adapt one’s theory to the politico-economic situation of the particular time and space – remain, and it is intriguing to build in Hayek’s view here. When in 1931 he explores Röpke’s position that ABCT is valid in principle but not applicable to the very specific point when the GD enters its secondary phase, Hayek classifies such a position as an unnecessary and dangerous concession to interventionism and to the incipient expansionist patterns of thought later to be called “Proto-Keynesian” (Hennecke 2000, pp. 89-91; Hennecke 2005, pp. 83-84). In the 1970s, however, he revisits and substantially revises his assessment of Röpke’s stance during the GD to the latter’s credit (Haberler 1986, pp. 426-427; Magliulo 2016, pp. 44-51). Finally, it might well be that it is the retrospect on this point of divergence in the 1930s which leads Hayek to the praise that Röpke has understood “early, probably earlier than most of our contemporaries, that an economist who is only an economist cannot be a good economist” (Hayek 1959, p. 26).

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

Due to the “annus horribilis” of 1933 and the ensuing emigration intricacies, the encounters in person become less frequent. The arena opens here at the Colloque Walter Lippmann 1938 and perpetuates itself in the first decades of the Mont Pèlerin Society after 1947 – an arena which combines technical economics, political economy and social philosophy. The phase depicted in this section is distinct by the key new assumption that now the phase of juvenility is definitely over, giving place to scholarly maturity: at the CWL Röpke is approaching his 40th birthday, and while Eucken cannot attend the CWL, at the founding MPS meeting he is approaching his 60th birthday (Rüstow is anyway only two years Mises’ junior) – age differentials may still play a role, but their weight is significantly lower than when a scholar in his early 20s meets a person above 40, as is the case of Röpke and Mises in Eisenach 1922.

And while the encounters become less frequent, they change their character as compared to the ones depicted in section 3.2. The tension of “master and friend” transforms into an open confrontation of rather aggressive verbal clashes and even more sarcastic statements in correspondence. Now that the scholarly socialization of the ordoliberalists is assumed as fully completed, the “blinders” of section 3.1 are firmly set on both sides, so the famous battles of Mises and factions of “pseudo-liberals” begin – the prominent two groups being the ordoliberalists and the Chicago School representatives (for the latter see
Moreover, the “blinders” as presented in section 3.1 seem now vindicated by the experiences of each other during the GD as presented in section 3.2: from now on Eucken and Röpke see Mises “by default” as a doctrinaire, one who despite the elegance of his theoretical edifices is detached from the problems of the real world and correspondingly naïve and unpractical in his judgments on economic policy, while Mises is more than ever convinced that German economists as such, now including the most recent generation with their interventionist recommendations during the GD, are incapable of consistent economic theorizing, and that they by default support interventionist statism.

To set the scene, a clear indication of the heat involved can be inferred from the following three passages:

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

Mises (1958/2007, p. 273)

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

Rüstow to Röpke (21.2.1941)

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

Hayek (1947/2004, p. 170)

The polarity of mutual judgment contained in these statements is striking, but also in line with the usual narrative of aggression and contempt that dominate the irreconcilable relationships of Mises and the German “Ordo-interventionists” (Hülsmann 2007, pp. 878-880; Hennecke 2005, pp. 1-3). When having a closer look at the first two quotes, both of them prove to be factually wrong. The least thing Röpke can be accused of is sympathy for the welfare state, even less so in 1958, the year of publication of his *Humane Economy*, whose centerpiece is a biting critique of various plans to establish or expand the welfare state. Equally biased and distorted is Rüstow’s ad hominem accusation on Mises’ and Hayek’s responsibility for the crisis, as neither of them can be traced to have been of seminal importance for the course of practical economic policy during the GD. Last but not least, it is intriguing to juxtapose Mises’ and Hayek’s diametrically different assessments of the ordoliberal research program and of the role of the ordoliberals: Mises directly puts them into the “German interventionists” box, while Hayek of the 1930s and 1940s systematically searches proximity to Eucken, Röpke and their associates, and starts building his political economy and social philosophy on grounds very close to the realms explored by the ordoliberals (Kolev 2010, pp. 8-18; Kolev/Goldschmidt/Hesse 2014, pp. 1-4; Kolev 2015, pp. 432-436). Similar to the
discussion of the “Ricardians” in section 3.2, the lines here are not congruent with the simple “Austrians” vs. “Germans” division – rather, they show Mises being in the one corner, the ordoliberalists in the other, and a layer of in-betweens (age peers of Eucken and Röpke) like Hayek (or Gottfried von Haberler) who are willing to engage in discussions with and to use arguments of both corners. This pattern remains valid for both the CWL and the early MPS decades.

The CWL falls into a period when a number of representatives of the Eucken-Röpke-Hayek generation leave technical economics aside and proceed to the fields of political economy and social philosophy (Blümle/Goldschmidt 2006, pp. 547-557). Correspondingly, the debates in Paris 1938 certainly cover topics of economics, but the agenda is dominated by discussions on the history and future of liberalism as well as on liberal political economy, also due to the interdisciplinary composition of the conference. The clashes between Mises and Röpke/Rüstow (the reason of Eucken’s absence is still to be explored in the ongoing processing of his archives) take place at four intersections: 1) concentration of industry as a result of endogenous market processes or as a result of interventions (Record of the Sessions 1938, pp. 24-29); 2) nationalism and the decline of liberalism (Record of the Sessions 1938, pp. 40-47); 3) liberalism’s narrow focus on the economic domain and the disregard of non-economic factors of liberty as the culprit for liberalism’s decline (pp. 55-66); 4) necessity to formulate a new liberalism, with a special regard to interventionism (Record of the Sessions 1938, pp. 75-80). The tone is polite, but the statements do not lack polemic components, especially in the exchange between Mises and Rüstow, a prime example being Rüstow’s pun about the evolution of mass sentiment in the 19th and 20th century: “If they have not listened to Moses and the prophets – Adam Smith and Ricardo – how will they believe Mr. von Mises?” (Record of the Sessions 1938, p. 66). The core difference can be summarized in a double-bifurcated question: first, whether every evil in the economic and social sphere is attributable to state intervention, and second, whether the answer to the problems of the age lies in dropping interventions (and thus going back to the image of liberalism in the 19th century) or in introducing new interventions (synonymously used here with the better-sounding term “reforms”) to heal the evils in the economic and social sphere (and thus proceeding to a new liberalism of the 20th century). The answer to this question is not as clear-cut at it might appear at first glance, an ambiguity brought to light if one considers Mises’ positioning vis-à-vis limited liability: to him, this institution is simply indispensable (Record of the Sessions 1938, p. 29), but it could equally be claimed that both the institution itself and the way it has been granted in earlier decades are results of preceding government interventions. Thus a “consequently” non-interventionist stance might also lead to the conclusion that such an intervention is harmful as “any other” intervention. This ambiguity notwithstanding, the principal answers to the question on the necessity of new interventions/reforms broadly justify the loose characterization and grouping of the attendants in “neoliberal”/more reformist and “paleoliberal”/less reformist ones, and it is very likely that the exchange in Paris is a seminal experience for both sides in once again confirming their attitude towards each other, leading to the quotations on each other at the beginning of this section.
A note referring to the conceptual discussion on “neoliberalism” in section 2 is in place here: in the concluding session of the CWIL dedicated to the plans of establishing a new International Center of Studies for the Renewal of Liberalism, Lippmann proposes to focus the Center’s agenda around the question “interventions, necessary or not?” and Mises immediately agrees: “Here is no doubt that the principal problem to study is that of the possibilities and limits of interventionism. We need to prepare that conference by elaborating a report on the ways in which economists have until now envisaged the question” (Record of the Sessions 1938, p. 80). This statement is intriguing: while paying due respect to the previous contributions to the theory of interventionism, certainly also including his seminal studies of the 1920s, the sentence by no means implies that everything has already been said or that subsequent conferences of the Center would be unable to innovate on the theory of interventionism. This is yet another instance that in the sense explicated in section 2, Mises is a neoliberal – while not as reformist as Röpke, Eucken and Rüstow and more willing to give credit to classical liberalism’s theoretical achievements, he is a key innovator himself and also one willing to explore further potential innovations in discourse with others.

An illustration of Mises’ willingness to engage in discourse with the “Ordo-interventionists” is provided by the first two decades of the MPS’s development, years in which the Society is heavily influenced by its German membership (Kolev/Goldschmidt/Hesse 2014). Until his sudden passing in 1950 Eucken participates very actively in building up the Society: he is the only economist working in Germany to attend the first meeting in 1947 and leaves a long-lasting impression on some of the young American scholars (Stigler 1988, p. 146; Friedman/Friedman 1998, p. 160). Röpke is seminal for organizing the initiation of the MPS and leaves a significant footprint during its formative decade, serves as its second president 1961-62 and eventually quits in the course of the “Hunold Affair” (Burgin 2012, pp. 133-146). The potential conflict with Mises surfaces already on the eve of the founding. In 1946, when informed of Hayek’s plan about the envisioned academic society and especially about the proposed invitees to the Mont Pèlerin, Mises pens a memorandum which concludes with a clear rejection of Hayek’s idea to create a broad platform for liberals (incidentally, the platform soon proves too narrow in the eyes of Karl Popper vis-à-vis his own plans to invite a broad anti-totalitarian collection of scholars): “The weak point in Professor Hayek’s plan is that it relies upon the cooperation of many men who are known for their endorsement of interventionism” (Mises 1946/2009, p. 3). In the letter accompanying the memorandum sent to Hayek, Mises is more specific: “Above all I am concerned about Röpke’s participation, who is an outright interventionist” (Mises to Hayek, 31.12.1946, in the German original: “ausgesprochener Interventionist”). The prediction for cloudy skies proves partially correct. At the 1947 meeting the famous “You are all a bunch of socialists!” scene happens at a session on taxation, and in a letter to Rüstow who is not able to attend, Röpke describes Mises as “isolated in an almost tragicomical way” during the meeting, especially because of his unwillingness to accept the “primacy of our framework problems” (Röpke to Rüstow, 24.4.1947). A case in point for debates regarding these “framework problems” is the second general MPS meeting in July 1949 in Seelisberg, where Mises clashes with Eucken and his Freiburg associate Leonhard Miksch (for Miksch’s contributions see Feld/Köhler 2015). The issue at stake is
competition policy, especially the question if a competitive order is a framework necessary for the market to preclude power concentration, or whether government interventions are the only source of market power, a clash colorfully portrayed in Miksch’s diary. When Mises accuses Miksch of “totalitarian lines of thought” because he seeks to solve problems of economic policy in general and of unemployment in particular on the level of the economic constitution/framework, Eucken and Mises enter a furious debate, depicted by Miksch as follows: “This led to a heated debate, in the course of which Mises exclaimed: ‘What Adam Smith! I am liberalism.’ If you ask me, his liberalism is a rather jaded Manchesterism that, its logical coherence notwithstanding, gives the impression of a crafty and biased ideology” (reproduced in Kolev/Goldschmidt/Hesse 2014, p. 21). The picture becomes more nuanced, however, when reading a few lines further in Miksch’s account of their interaction: “After dinner, he had calmed down and told me amicably that we needn’t quarrel. I told him that I agreed and that I was fully aware of the respect I owed a man by far my elder [20 years, SK], but that I must nevertheless draw attention to the fact that he had attacked me and not I him. As a matter of fact, views such as those from Mises can only be harmful and sap all action” (reproduced in Kolev/Goldschmidt/Hesse 2014, p. 35). In retrospect Röpke depicts the Seelisberg clash between Eucken and Mises as one to “remain symbolic of the factional dispute within the liberal camp which would often recur in the Mont Pèlerin Society” (Röpke 1960, p. 11).

A note on historiography is in place here, expanded later when discussing the problems of (self-) canonization. Today many acolytes of Mises indulge in repeating the “You are all a bunch of socialists!” scene, and while it is true that in these initial years of the MPS he is often isolated and frequently assumes the role of the dissident, Mises remains an active member and regularly visits the Society’s meetings as late as the Stresa meeting in 1965 (Hülsmann 2007, p. 1032). Regardless of how “unenlightened” Mises might have perceived “so many” members of the MPS, as jocularly noted in the aforementioned Homage by Röpke as president of the MPS upon Mises’ 80th birthday (Röpke 1961, p. 5), the statement that “the 1947 Mont Pèlerin Society meeting was enough to satisfy Mises’s curiosity about Europe and European scholars for quite some time” (Hülsmann 2007, p. 874) might contain a tendency of stressing too much his “knightian” nature, while at the same time underselling his perennial willingness to engage in debates.

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

With the foundation of the Federal Republic of Germany only a few weeks after the Seelisberg meeting, two key opposing shifts take place. On the one hand, the unexpected passing of Eucken while lecturing at the LSE in March 1950 (and of Miksch a few months later) deprive the incipient Freiburg School of two indispensable proponents in academia and the public arena, losses which will prove of seminal importance for its future evolution – and losses which already at the time are assessed as hardly compensable: Hayek writes to Ludwig Erhard how in his view Röpke’s presence in Germany can only be a partial substitute for Eucken (Hayek to Erhard, 30.6.1950). On the other hand, Ludwig Erhard, who as a political entrepreneur is related both to Eucken’s circle and to Röpke and Rüstow, becomes a shooting star due to his successful agenda of the Social Market Economy in igniting the “economic miracle”. With him as a promotional
vehicle, ordoliberalism (for the coinage of the term in 1950 with reference to the ORDO Yearbook (founded 1948) see Moeller 1950, p. 224) gains in prestige in its varieties (the Freiburg School, the “sociological liberalism” of Röpke and Rüstow, as well as the Cologne strand around Alfred Müller-Armack), even to be classified by Michel Foucault as being at the heart of the German “radically economic state”, a term he coins to portray an essential trait of the Federal Republic (Foucault 1979/2008, p. 86). In the context of this rising renown, the Walter Eucken Institut is founded 1954 in Freiburg by Eucken’s family, friends, colleagues and associates – with Erhard, Röpke and Hayek among its founding members.

At the same time, Mises has only mixed feelings about the “economic miracle”, and his attitude towards Erhard’s policies seems adequately summarized as having identified yet another German interventionist. The accounts in the two biographies coincide on this point. When first requested in 1948 on his opinion of Erhard, Mises replies that he does not know him, other than he directs the Economic Advisory Board in Frankfurt – a commission which Mises depicts as “moderately interventionist” – and allows for the commission’s opposition to the German political parties’ ideas and to the British administration to be possibly attributable to “Erhard’s uncompromising attitude and the persuasiveness of his exposition of the principles of true liberalism” (Hülsmann 2007, p. 875). Knowledge of the commission’s composition enables an easy guess as to who the “moderate interventionists” are: the Economic Advisory Board is dominated by Eucken, Miksch and the group around them (Nicholls 1994, pp. 185-205; Klinckowstroem 2000, pp. 99-100; Glossner 2010, pp. 43-46). However, allowing for the possibility of Erhard to become a proponent of “true liberalism” proves short-lived: Mises is soon disappointed to realize that Erhard’s intellectual background is based on the theories of Eucken, Röpke and Müller-Armack (Hülsmann 2007, p. 878). When the MPS convenes once again in Seelisberg in 1953, Erhard has just triumphantly won the federal elections as a key figure in Adenauer’s cabinet and many members are excited to have him among them at the meeting – while Mises declines meeting this “compromising pseudo-liberal” (Hennecke 2005, p. 192). At this point a curious person emerges on the scene: Volkmar Muthesius. He is presented as Mises’ “closest German ally” and is suspected by Röpke of having advised Mises to avoid meeting Erhard (Hülsmann 2007, p. 880). It is in correspondence with Muthesius in 1955 that Mises coins the terms “Ordo-interventionism”/“Ordo-interventionists” (Hülsmann 2007, p. 880/p. 1007). The journal Monatsblätter für freibietliche Wirtschaftspolitik he establishes in 1955 succeeds already in its very first year to produce what has recently been called the “Muthesius controversy” (Nientiedt/Köhler 2015) – a rather unpleasant and heated affair when accounts are voiced in the journal which see a proximity of elements of ordoliberalism to Nazi economics, the details on which will soon be published (see for a nutshell version Hülsmann 2007, pp. 1007-1008, fn. 36). Equally important for this phase, the Monatsblätter have been depicted as an organ “to fight an honorable rear-guard action” (Hülsmann 2007, p. 1007) – a characterization which, if discounted for its martial rhetoric, indeed captures the spirit of the journal which reads as being one where “underdogs” fight the undeserved “heroes” of the day. A perennial target of Muthesius’ team is Erhard’s compromising nature, the pseudo-successes of the Social Market Economy and the harmful character of anti-trust legislation – permanently opposing the Act against Restraints of Competition of 1958, which the ordoliberals celebrate as a milestone success after a decade of controversy.
especially with the Federation of German Industry and despite the nature of compromise for some sections of the final version after multiple lines of conflict in the political arena (Nicholls 1994, pp. 329-337). Among Mises’ contributions to the *Monatsblätter*, some are of particular interest here. “The Truth about Interventionism” (Mises 1957a) contains passages well-known from his 1920s essays and reads like a version streamlined for German usage of Mises (1958/2007), with an identical quotation as the one at the beginning of section 3.3, but with a curious spelling difference: here “German ORDO-Liberalism” (Mises 1957a, p. 603) is spelled in capital letters, the official spelling of the *ORDO Yearbook*, the organ of Muthesius’ opponents. Another curiosity in the *Monatsblätter* is a pre-publication of Mises’ contribution to a festschrift for Ludwig Erhard’s 60th birthday which reads like an angry rebuke of the egalitarianism equally prevalent in Western countries and in world politics, not omitting a biting reference to Prussian economist Adolf Wagner and the way to National Socialism paved by his kind (Mises 1957b, 92). Two other *Monatsblätter* pieces directly relate to the final scene, Mises’ honorary doctorate in Freiburg 1964.

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

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

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

When Hayek moves from Chicago to Freiburg in the spring of 1962, he not only honors Eucken’s (and Miksch’s) heritage in his inaugural lecture (Hayek 1962/1969, p. 1-2) and becomes for many years the director (and later the life-long honorary president) of the Walter Eucken Institut. In a parallel effort with a similarly speedy timing, in December 1963 he initiates a correspondence with the dean of his Faculty of Law and State Science – a faculty which bears this name since 1896 (common, even though not universally used in all German universities), but one which has a history of a specific chair in “Cameral-Wissenschaft” since 1768 (Universitätsarchiv Freiburg 1994, p. 5), one of the oldest traditions in any German-language university (Streissler 1990, pp. 31-32). The core of Hayek’s efforts (of which he writes to have coordinated with his “closer colleagues”) is immediately directed at convincing the dean (initially law professor Konrad Hesse, at the end of the procedure law professor Fritz Rittner) of awarding Mises an honorary doctorate, extensively delineating his merits already in the first letter (Hayek to Hesse, 22.12.1963; this and all related documents are retrieved from Universitätsarchiv Freiburg, Bestand B0110, Akte 51). The three principal achievements listed are: 1) the 1912 habilitation, “in many respects still appearing modern”, to have for the first time integrated a theory of money and credit into “the general economic theory of prices and markets”; 2) the 1920 article on socialist calculation and the ensuing Gemeinwirtschaft to have initiated “an international discussion lasting for many years”, even receiving the recognition by one of his main opponents of having deserved “a statue in the marble halls of the future socialist planning board”; 3) of 1940 Human Action to have presented, after numerous and highly controversial previous studies, “an extensively designed and comprehensive system of the theory of human action in society, which combines the main results of his life-time efforts”, and that while the basic methodological tenets of this book might be controversial, praxeology is to be “acknowledged as the culmination of a long and influential tradition” and to be granted the special merit of having “worked out in the clearest form the pure logic of choice [in the German original: reine Logik des Wirtschaftens]” – the latter being an interesting statement in itself when connecting it to the recently identified archival materials on Hayek of the same period showing previously unknown works of his on this very domain of the “logic of choice”/“economic calculus” (Caldwell 2016, pp. 163-175). Two more intriguing passages are contained in this same letter. First, while praising Mises’ consequent pursuit of logic and his intellectual courage, Hayek inserts the statement: “Also those among the younger ‘neoliberal’ school who are not quite willing to follow him, can say that it was him whose critique awakened them from their ‘dogmatic slumber’ which had caused serious blindness vis-à-vis important problems”. Second, given the fact that “several of his students who have expanded upon his impulses have long been distinguished with honorary doctorates by prestigious universities” and given Mises’ regained great international prestige “after a long time of relative neglect in the German-language area”, Hayek considers an honor by a German university to be a “particularly appropriate gesture”.

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

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

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

In a hand-written reply of March 10, Mises expresses his gratitude to be granted an honorary doctorate “in economic state science” (again, this of all possible formulations), feeling especially flattered to be honored by this institution “since I well know what I owe to teachings who took their beginning at the University of Freiburg”. In the unlikely event of expecting a reference to the ordoliberals (or, perhaps more likely, to Max Weber who had his first position in Freiburg between 1894 and 1896), such expectations are disappointed: the only explicit name referred to is that “also my first teacher of political economy, Eugen von Philippovich, taught there long” – still, “also” allows for speculations who else might be of importance to Mises. When in Freiburg, he delivers a talk, a minor but interesting detail being that the talk is not delivered at the university, but at the Walter Eucken Institut, with the title “Ownership of the Means of Production in the Market Economy” (Walter Eucken Institut 1964, p. 8). Unlike most other papers presented in this context, Mises’ talk is not published in ORDO Yearbook but, reminding of the battlefield in section 3.4, in two parts in Muthesius’ Monatsblätter (Mises 1964; Mises 1965). The pieces do not contain any reference to Freiburg or to ordoliberalism (other than general terms like “social reformers” or “the order of economy and society”, Mises 1964, p. 725), but with knowledge of the sections above and of the special event, they rather clearly read as an attack on core ordoliberal tenets, especially Mises’ claims that power in the market economy can only lie in the hands of the consumers, and that monopolies and cartels are always the result of exogenous interventions by national government or by a cartel of national governments.
1966 is the final scene in this account, as with Röpke’s passing on February 12 the interactions come to an end – an end similarly awkward as Müller’s intervention. On the one hand, given the ceremonial occasion, Mises pens the obituary quoted at the very beginning of the paper, with high praise for Röpke and Eucken (Mises 1966, p. 200). Similar tones are expressed in correspondence when crediting Röpke with “a decisive contribution” to the “awakening of the liberal spirit” in earlier decades (Mises to Röpke, 12.3.1956), or by referring to their “identical goals” when looking back on the last fifty years (Mises to Röpke, 27.10.1961) – a stance very much shared by Eucken’s widow, Edith Eucken-Erdsiek, when writing to Mises about the “identical goal” which “in the ultimate foundations” unites Mises with her late husband and herself (Eucken-Erdsiek to Mises, 26.2.1951, in the German original: “ein in den letzten Grundlagen gleichen Wollen”). On the other hand, in the same year he publishes a passage in the 3rd edition of Human Action that “the most recent variety of interventionism, the German ‘soziale Marktwirtschaft’” is nothing but the usual stance of “interventionist doctrinaires” (Mises 1949/1966, p. 723) – thus uniting at the very end the two main terms that have been our constant companion in the account of the preceding four decades.
3.6 The problem of (self-)canonization: knights against the tides?

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

More important here, since the “Austrian revival” in the 1970s an impressive body of literature has been produced both on the further development of Austrian Economics and on the history of the Austrian School. An extensive overview would be misplaced and hardly possible here (see instead the expositions in Boettke/Coyne 2015). Rather, a specific strand in this literature requires examination, one which in an interesting way is paralleled by the German literature on ordoliberalism since the 1950s. This approach is best captured by the term “canonization”: a technical term in historiography (Goodwin 1999, pp. 22-23), it is not used in a normative way here, but rather to depict a particular approach towards schools of thought and towards individual thinkers, typical examples being Smith, Marx or Keynes. Historians with the (explicit or implicit) intention to “canonize” produce history which emphasizes the originality of a certain thinker and his uniquely innovative take on specific scientific problems – an effort which frequently leads to the usage of a particular rhetoric, and often entails the (explicit or implicit) diminution of other thinkers, so that the uniqueness of the thinker portrayed can shine even brighter.

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

Very similar accounts on ordoliberalism are easily at hand. They concern the content of the ordoliberal research program, the principal proponents of ordoliberalism as heroes of the Social Market Economy, but also as undisputable members of the resistance against National Socialism – equally valid for exiles like Röpke and Rüstow and for “half-exiles” (Johnson 1989, p. 40) like Eucken. This is problematic in several ways. First of all, the originality of a research program is only identifiable when compared to earlier and contemporaneous programs – but when exploring the ORDO Yearbook of the last seven decades, systematic comparative treatises vis-à-vis classical liberalism or other programs broadly corresponding to the motto of “laissez-faire within rules” (Kolev 2015, pp. 438-439) only appear after Viktor Vanberg begins his long-term project in the late 1980s to revitalize ordoliberalism by connecting it to Constitutional Political Economy (Vanberg 1988). Second, even though the merits of Eucken, Röpke, Rüstow and Müller-Armack for the Social Market Economy are beyond any doubt, this fact does not “canonize” them as saints exempt of any ethical charges. Recent aggressive reactions to a publication of Quinn Slobodian on Röpke’s involvement with the South African apartheid (Slobodian 2014) or to a line in Frankfurter Allgemeine Zeitung stating that the late Röpke became a “reactionary” (Horn 2015) are audible signs that followers of ordoliberalism are not always willing to engage in debates with a scholarly rhetoric when their heroes are challenged. The resistance against National Socialism is a parallel case: while it is undeniable that Röpke, Rüstow and Eucken are active opponents to the regime in various ways, the same is not equally clear about Müller-Armack or Miksch – and while it is untenable to depict all as collaborators of National Socialism (Haselbach 1991; Ptak 2004), it certainly is an oversimplifying “canonization” to deny any collaboration by some of them (see the nuanced accounts in Goldschmidt 2005; Dathe 2015). A symmetrical part to the diminution of the ordoliberals by the strands of Austrian literature above is the astounding neglect of Mises’ work and heritage in the seven decades of the ORDO Yearbook’s existence.

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

4. A history of wasted energy? Mining problems towards the substantive core

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

In retrospect, however, the examination is not futile. The five decades of interaction are a rather intriguing example for discourse in the domain of political economy and shed light on some seminal issues often encountered when discussing this domain. As in the cases of the “Methodenstreit” and the Socialist Calculation Debates, the protagonists frequently show little willingness to “mine deeply” to reach the core of the arguments at stake, implicitly leaving such “mining” for later generations of historians. A similar pattern surfaces when looking at the debates here by adding yet other four decades of distance since the end of the interactions. In the following, four conjectures are presented as to the reasons for the perennial failure to attain the depth required to engage in fruitful debate, conjectures which also contain aspects of the substantive core of the debates at stake as seen in this paper:

1) Problem of abstractness:

As usual in economic theorizing, theoretical elements can be developed on different levels of abstractness. Lack of clarity as to which level of abstractness the debates take place on can be highly confounding, especially when discussing economic policy recommendations. When exploring the debates here, the ambiguity as to the level of abstractness is a constant companion. Two examples: on a very abstract level, both camps’ economic theory aims at a better understanding of economic and social order, while their economic policy aims at preserving the embattled civilization of the time (Dekker 2016). And their understandings of “order” – which of course must not include the Prussian connotations which Mises continuously charges on the ordoliberals – are not necessarily conflicting, as visible in Hayek’s social philosophy as an in-between here (Kolev 2010). On a very concrete level, when advising an actual government on how to conduct its economic policy, the differences between the two camps are also smaller than they usually appear – Richard Ebeling’s portrayal of the “daylight Mises” in Vienna of the 1920s as an “economic policy advocate in an interventionist world” (Ebeling 2016, pp. 98-107) comes close to the compromises Röpke has to make regarding business cycle policy in the Brauns-Kommission of
the early 1930s and to the ones Eucken has to make in the Economic Advisory Board to organize majorities for Erhard’s policies in the late 1940s. A key to misunderstand may thus lie in the fact that after leaving Austria in 1934, Mises is able to detach himself from politics and to consistently present a non-compromising attitude, while after 1945 Eucken and Röpke gravitate around practical economic policy which necessarily requires proposals where consent is potentially achievable. The diverging attitude towards Erhard’s achievements is a case in point: while Röpke is never in full accord with Erhard’s policies and controversially debates these with him, he sides with him both in public and vis-à-vis Chancellor Adenauer (Nicholls 1994, pp. 273-275), while Mises can much more easily afford characterizations like “compromising pseudo-liberal” discussed in section 3.4. Another way to pinpoint this confusion is that often it remains rather unclear if statements like “power in the market economy only lies in the hands of the consumer” are, in Weberian terms, to be understood as using “market economy” meaning an “ideal type” or, rather, the “real type” of the time to be tackled by practical economy policy.

2) **Problem of transition:**

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

One of Max Weber’s warnings on key obstacles for the development of the social sciences is the usage of terms which lack sufficient conceptual clarity (Weber 1922/1962, pp. 25-26). Deplorably, this is very much what is observable in the relationships studied here. Terms like “doctrinaire” or “dogmatic” are certainly not analytically helpful for understanding the person described in such terms. The lowlight in this respect, however, is attributable to the terms “intervention”, “interventionist” and “interventionism”. As delineated above, both camps agree that price interventions are nonsensical and self-defeating – and both camps struggle with mixed success to delineate what precisely is the positive task of government, leaving behind a lack of clarity with regrettable consequences for the posterity of the research programs. Mises’ disciples move on to “purify” him of his own interventionist aberrations and discard government activity whatsoever, despite numerous explicit pleas in Mises’ writings not to be linked to anarchism. In the opposing camp, later ordoliberal generations tend to authoritatively declare policies which seem agreeable to one’s own normative standpoint as acceptable “Ordnungspolitik” even in cases which are controversial, or to wage theology-like battles based on “What Eucken would say” conjectures for today’s economic policy issues. An additional lack of conceptual clarity comes in from the reading of economic history which significantly differs between Mises and the ordoliberals, especially concerning the 19th century (Ebeling 2003, pp. 235-237). These divergent views have severe consequences for the diametrically opposed usage of the term “capitalism”, an opposition leading to additional heat, as clearly discernible in Mises’ anti-capitalistic accusations penned in his contributions to the Monatsblätter discussed in section 3.4.

4) **Problem of endogeneity:**

In the debates on interventionism, business cycles and competition, the reader might have experienced a déjà vu: the issue whether markets have endogenous imperfections which justify interventions is constantly recurring – on the micro level, primarily regarding the policy relevance of market power, and on the macro level, primarily regarding the policy relevance of secondary depression phenomena. Mises’ recurring interventionism accusations are based on his diagnosis that neither power nor secondary depression are relevant, and correspond to his general view that all malfunctions of the market are caused by exogenous forces, that is by government interventions. Eucken and Röpke oppose this reading, as they see such an idealizing diagnosis as actually weakening the defense of the market economy – especially, relating to points 1) and 2) in this enumeration, regarding the “status quo” of their time in Central Europe. Eucken’s plea for a competitive order to preclude market power is not only based on his aversion to this kind of power – rather, he is convinced that even if market power might be short-lived on open markets, it is capable to quickly capture the state and to entangle state and market power, the worst imaginable scenario in his view, as the state falls prey to the special interests of powerful players and stops having its own independent will, which he particularly attests to be the fate of the Weimar Republic (Eucken 1932, pp. 302-309). Röpke’s point concerning the secondary depression is similar: he regards the political order at the brink of falling prey to the mass sentiment of depression, a moment when a weak democracy like the Weimar Republic is likely to collapse and succumb to totalitarianisms promising easy solutions (Röpke
At this stage, pointing the finger to the state as an exogenous player is not legitimate any more in their view: rather, the state and the market transform themselves into what Eucken calls the “economic state”, a highly entangled entity (very much in the sense of Richard Wagner, see Wagner 2014) where interventions and stability become endogenous phenomena of political economy. The ordoliberal research program is an inquiry for ways to disentangle this entity, which, while certainly being a huge challenge of perhaps never-ending efforts, might still be more promising than Mises’ “only solution” of the state dropping all exogenous interventions amid the Great Depression (Mises 1931, pp. 33-34).

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

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

In the interpretation of this paper, history of economics is both valuable in itself as well as instrumental for the further development of economics. At times of multiple economic crises, among others of the field of economics itself, it can provide ways out of some of the impasses we have moved into, also reaching out for new inquiries in fields like political economy on what “Old Chicagoan” Henry Simons called the “division of labor” between the market and the state. One “usage” of history of economics, however, is likely to entail fatal consequences, fatal both for history and for the historicized paradigms: putting history “in the service of ideology” (Caldwell 2008, p. 143). This paper aims at disentangling the objects of its study from such expositions which, as depicted especially in section 3.6, abound in the literature on the Austrian and the ordoliberal economists. Embedding the analysis of the substantive issues
into a rich picture of the interpersonal relationships has also been an attempt to show the authors as “normal” human beings who, along with being insightful scholarly personalities, have their own vanities, conceits, ideologies and blinders – character traits which can gain additional dynamics when reinforced in a setting with so many layers of interaction as the ones accumulating during the four decades. Thinkers of the type studied here are important enough not to need representations as knights, heroes or magicians – just as they do not need to be represented as misunderstood martyrs of the profession, a reading often encountered in the literature on Mises both incorrect (for a concise clarification see Boettke 2016) and dangerous for posterity regarding the founding of sects or cults around such martyrs.

Let us, in lieu of a summary, conclude with a story about the protagonists. There are at least two stories about Mises and Röpke: one of them both caricatured in Henry Hazlitt’s utopia “The Great Idea”, the other about their garden walk (Hennecke 2005, pp. 1-3). The latter fits better here, even though it is anecdotal oral history. Röpke depicts a walk with Mises in the early 1930s in a settlement of workers gardens in Rotterdam. At one point Mises exclaims: “What an irrational way to produce vegetables!”, while Röpke rejoins “But it may well be a highly rational way to produce happiness”. The account of the four decades presented in this paper is very much of this kind: an exchange of mutual misunderstandings, puns, sarcasms and ridicules. It is clear that in the respective search for a better understanding of economic and social order, the other camp plays an important role – a productive or a destructive one, but hardly an irrelevant one. Still, the “mutual gains from trade” could have been much more significant.

While Mises presents a more elaborate theory of market process dynamics, the ordoliberals focus on elaborating the statics which markets require in terms of a framework of prerequisites and preconditions. In the same vein, Mises’ theory of the market process is a better description of times of steady economic development with open markets, while the ordoliberals focus on a political economy applicable to moments of transition where issues of power and stability are of utmost relevance. However, these potential gains from trade are not effectively explored by the protagonists, as their debates get bogged down in a rhetorical quagmire of the “interventionist”/“statist” and “dogmatic”/“doctrinaire” charges – until today a key set of labels for debates among liberal political economists, attributed both internally and externally. If today’s neoliberals are willing to learn from earlier neoliberals, it is not only substantive lessons provided by a textual perspective, but also procedural lessons provided by the sociological prism – and avoiding quagmires by sticking to the Weberian plea for conceptual clarity appears as an indispensable starting point, followed by developing a sensitivity for the multiple communicative problems in previous generations. In this particular sense, “neo” and “classical” even appear complementary.
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