The Viennese Students of Civilisation: the Meaning and Context of Austrian Economics Reconsidered

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Erwin Dekker’s recent monograph is based on a PhD thesis completed in the research cluster for culture and economics at Erasmus University of Rotterdam. Dekker approaches Austrian Economics as a part of a transdisciplinary discourse on the contemporary crisis of bourgeois civilisation, a key figure of Viennese culture since the early twentieth century that became a dominant perspective with the demise of the Habsburg Empire. He labels the major thinkers of Austrian Economics as “Viennese students of civilisation” who sought to shed light on the causes and consequences of this demise. How does all of this relate to the status of Austrian Economics as a distinct strand of economic theorizing? According to Dekker, this is explained by the culturally-sensitive analytical perspective of the Austrians, who treated markets as cultural phenomena. From the Austrian point of view, the analysis of economic matters addresses the cultural fabric of modern civilisation.

Dekker outlines the various interpersonal networks and “circles”, the Kreise, which exchanged ideas among leading intellectuals in pre-war as well as interwar Vienna. With often overlapping active contributors, these networks were separate from the more rigid and departmentalised intellectual structures of academic life at the universities. Particularly networks would be focussed upon physics, psychology, philosophy, literature -- and economic affairs, among others. Perhaps the most prominent of these networks was the Wiener Kreis, which related to the philosophy of science. Otto Neurath, one of its major contributors, had close personal relations with the Austro-Marxists. More distinctly, the Mises Kreis focussed on economic issues, named after its convener Ludwig von Mises, and which was an essentially private continuation of Böhm-Bawerk’s original seminar. Other circles that addressed issues broadly related to the theory and philosophy of economics were the Geist Kreis involving Hayek, Karl Menger’s and Morgenstern’s Mathematical Colloquium, and the Spann Kreis led by then influential post-historicist Othmar Spann. By dissecting the contributors to and debates of these particular intellectual networks, he makes an original contribution to the history of economic ideas.

Dekker also outlines his own view of the Viennese origins of the Austrian School of Economics and its approach to culture and civilisation as characteristic factors of economic life. Carl Menger’s arguments concerning economic action formed the point of departure, since Menger not only took into account the psychological motivation of human action, he also considered wider cultural constraints shaping human behaviour. This introductory sketch is followed by a discussion of Wieser’s and Schumpeter’s arguments on the role of entrepreneurial leadership as a means of breaking free from customary routines. Dekker emphasises that both Wieser and Schumpeter stand out in their insistence on the differentiation between the routine behaviour of the masses and the disruptive leadership of the select few.
Mises and Hayek, however, shifted their attention to the role of the market mechanism as a means of human interaction. Hayek’s understanding of cultural evolution deals with markets as civic achievements that transcend the limitations of subjective knowledge.

This leads to a comprehensive discussion of the Austrian perspective on markets as cultural devices and civilising forces, in connection with which Dekker introduces the work of another contemporary social theorist and temporary Viennese resident, Karl Polanyi. His ideas would soon become anathema to Viennese liberals, and it is true that Vienna provided an intellectual home for both liberal theorists of the market economy and their not-so liberal counterparts from all parts of the political spectrum. Both Mises and Hayek rejected socialist formulations of “social engineering”, a science-based political construction and implementation of social institutions. However, Austrian Economics would be confronted by a form of romanticist nationalism that heralded the advent of fascism. Between these extreme positions, sharing only the lowest common denominator of staunch anti-liberalism, Hayek insisted on the unintended civilising processes provided by market competition – a variation of long-standing liberal belief in the civilising advantages of commerce. Hayek, however, also acknowledged that individuals may experience these civilising frameworks as constraints forced upon them by impersonal and anonymous forces. The culture of freedom, with its focus on individual responsibility under uncertainty, thus may impede subjective well-being. Beyond its civilising effects, it becomes a disciplining force.

Dekker relates this perspective not only to Popper’s arguments, but also to contemporary Freudian discussions of modern civilisation and its psychological discontents. According to Dekker, this coincidence of civilisation and discipline becomes a leitmotif for the liberal discourse of “Viennese students of civilisation” in formulating a “self-sustaining liberalism for an advanced civilisation” subject to the politically-framed dangers of cultural decomposition (p. 88). It follows that “The defence of markets is the defence of civilisation itself for Hayek and Mises” (p. 89). Entrepreneurship plays a major role here, something shared by Hayek and Schumpeter – and in doing so echoing the contemporary portrayal of entrepreneurs in the contemporary Viennese arts. This defence of market civilisation highlights Dekker’s point that the Austrians treat markets as cultural constructions, not natural phenomena.

Dekker then addresses the question of policy advice, arguing that the Austrian School dealt with this in terms of “therapeutic nihilism” (p. 109). By acknowledging the cultural character of the market system Viennese scholars were very modest about the impact of their approach on policy. This perspective diverges both from contemporary efforts at technocratic engineering, and the current self-aggrandisement of economic expertise. However, there is also a pessimism concerning the possibilities of cultural improvement that can be detected in the intellectual atmosphere of the declining Habsburg Empire. Dekker maintains that this kind of nihilism only emerged after World War I,
whereas before the war Menger and the younger Wieser still believed in the role of economists in promoting social improvement. After the collapse of the empire, the dominant attitude among Viennese scholars was fatalistic – with Schumpeter and Mises as prime examples.

Hayek transformed this Viennese fatalism into a staunch defence of liberal civilisation against any kind of social engineering. He underlined the problems of scientism, the false assumption that economic and other cultural phenomena can be subjected to science-based engineering in the same way as natural phenomena. Hayek’s belief in the cultural evolution of economic affairs motivated his insistence on an appropriate intellectual defence of liberal society. Here, Dekker introduces Popper as a key ally of Hayek, whose research on the open society paralleled Hayek’s explorations. Interwar Viennese fatalism would give way to the deliberate promotion of the case for liberalism before, during and after World War II, following the migration of the Viennese tradition and the foundation of the Mont Pélerin Society. Mathematical economics would however soon become dominant. The rival Viennese legacy Morgenstern’s Mathematical Colloquium would marginalise the non-formalist methodology of Austrian economics.

Dekker provides an insightful account of Viennese intellectual culture and its role in shaping Austrian Economics during its formative decades. His focus upon local academic networks is a very productive and original approach to this field, and references to contemporary Viennese literature add analytical value to this. It is, however, regrettable that these references are scattered through the text and usually confined to brief footnotes. A thicker description of intellectual relations and discourses would have been of great benefit, together with more extensive use of both primary and secondary sources.

It is unfortunate that no effort is made to clarify the relationship to the German Historical School. The Austrian view of markets as cultures has much in common with contemporary Schmollerian positions. The contemporary role of Marxism as an intellectual as well as political force is also largely under-represented, although its local impact was strong enough to provoke major responses from Böhm-Bawerk and Mises, among others. Would it not be relevant to treat the Austrian concern with the crisis of bourgeois civilisation as a reaction to the public diffusion of socialist ideas? Here Dekker’s portrayal of the first generations of the Austrian School as a set of rather policy-averse “students of civilisation” is relevant. But this rather neglects the fact that Menger, Böhm-Bawerk, Wieser and Schumpeter all held government posts or were advisers to government.

More extensive exploration of the historical and cultural context would be desirable. Did the structure and conduct of the Wiener Kreise differ from other intellectual networks across Europe, for example, Keynes and the Bloomsbury Group? What was distinctive about Vienna as a location of intellectual endeavour in comparison with Berlin, London, or Paris? Dekker does mention Musil’s *Mann ohne Eigenschaften*, introduced as the “Viennese novel par excellence” (p. 96). But this is touched on only in passing, when
cultural representations such as this might have deserved more detailed scrutiny.

Finally, Dekker’s exposition remains fuzzy when dealing with particular theorists. Schumpeter is said to have moved away from the Austrian School during the interwar years, but this ignores the fact that Schumpeter already articulated his Walrasian leanings from 1908 onwards. Dekker confines Wieser’s concern with leadership exclusively to discussions of the political realm, whereas it is a key element in his view of entrepreneurship and economic change – stimulating Schumpeter’s reasoning on the same topics. Also rather irritating are the small formal errors and typos throughout the text – footnote 10 on page 57 contains a quote misspelling three German words in a row.

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The umbrella term “political economy” seems to sell well, and globally. Two excellent collections by Routledge reviewed here take political economy for a “playing field” (as Cunha and Suprinyak called it, p. 28) in order to contribute to political, economic and intellectual history from the sixteenth to the twentieth century. The Rössner collection looks at the evolution of modern political economy as a modern economic discourse and addresses first of all the intellectual foundations of modern economic growth and European industrialisation. The aim of the Cunha/Suprinyak collection is to “offer a reflection on the specific character of the economic thought produced in Latin America,” discussing the processes of how economic ideas were appropriated, emulated, adapted and diffused. Both collections discuss repeatedly and also adequately the methodological issues regarding the adaption of the economic ideas into the explanation of history.

The collections impress the readers with their wide geographic scope. Rössner correctly points out that the developments in political economy