Remembrance and Appreciation Roundtable Professor Ludwig M. Lachmann (1906–1990)

Scholar, Teacher, and Austrian School Critic of Late Classical Formalism in Economics

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ABSTRACT. Ludwig M. Lachmann was born in Berlin in 1906 and died in Johannesburg in 1990. For more than forty years, until his retirement in 1972, Lachmann established himself as a prominent South African economist and for a time served as head of the economics department at the University of Witwatersrand. From 1974 to 1987, he worked with Professor Israel Kirzner in New York City to give new shape and life to the older Austrian school of economics. Lachmann influenced a small army of modern Austrians to discard the elaborate formalisms of orthodox economics for a "radical subjectivism" that

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had its roots in the teachings of the founder of the Austrian school, Carl Menger. Here a small platoon of scholars offer their thoughts about Lachmann, his contributions to economic reasoning, and his eccentric but engaging character. First hand reports explain what their mentor taught and what his students took away. Lavoie makes the case that Lachmann's "radical subjectivism" took a rhetorical turn toward the end of Lachmann's career in New York City. In addition, Kirzner reports on his long and most productive relationship with Lachmann and provides additional insights about the seminal role of the Austrian Economics Seminar at New York University from 1985 to 1987 in giving shape to the modern Austrian revival. This article is the written version of a "Remembrance and Appreciation Session" held on June 28, 1999 at the History of Economics Society meeting at the University of North Carolina in Greensboro. It is one of an ongoing series that appears in the July issues of this journal.

I

Introduction

I.A. Moss on Lachmann's Vision

WHEN LUDWIG LACHMANN RETIRED from the University of Witwatersrand in 1972, he was 66 years old, in good health, and stubbornly refusing to be hung out on the clothesline to dry. In South Africa he was a highly regarded economist and his opinions on the leading issues of the day were solicited by high ranking officials, as Professor Torr makes clear in his section below (see Section II. A). But no one would suspect that this polite and in some ways humorous gentleman filled with old world charm, dignified manners, and eccentric beliefs would succeed in the last decades of his life in reshaping the modern Austrian school, especially among the young New York City faculty. By some accounts, Lachmann presided over a veritable revolution in Austrian economic thinking and gave the older Austrian school a new direction. The Lachmann I knew in the late 1970s was a "radical subjectivist" out to realign Austrian economics and wean its proponents from the older neoclassical economic styles of reasoning. By pursuing this singular mission, Lachmann insisted that he was steering the wandering ship of Austrian economics to its proper moorings. Those moorings were found in the writings of the nineteenth century founder of the Austrian School, Carl Menger.

With the strong endorsement of Israel Kirzner, Fritz Machlup, and others, Lachmann left his home in Johannesburg to travel to New York City and accept an appointment as Visiting Research Professor at New York University in 1975. He was in residence for at least four months each academic year for more than 12 consecutive years until 1987, when he retired a second time to his family home in Johannesburg. Lachmann passed away in December of 1990.

At New York University, Lachmann worked with the distinguished Austrian school economist Israel Kirzner. Together they built up the Austrian Economics Program at New York University, rivaled only by George Mason University in Fairfax, Virginia.[1] At the weekly seminars the graduates enjoyed the enlightening exchanges between these distinguished scholars. Professor Kirzner writes of his warm and sturdy relationship with Lachmann (Section IV. B. below). And Professor Koppl explains how quite surprisingly, one by one, many of NYU's brightest students and professors with an interest in the Austrian school fell under the spell of the relentless Lachmann.

Lachmann envisioned a thoroughly subjectivist Austrian economics. As I understood his teachings, he wished to put stringent requirements on any proposed economic explanation. To make an explanation understandable in terms of human action, the proponent of that explanation had a duty to take into consideration what "the passing of time" might mean in a world where novelty is possible. That meant recognizing that new knowledge comes with the passing of time. New knowledge often demonstrates to the economic actors that their expectations about the future had been wrong and in need of revision. At any moment in time, some actors' plans are incompatible with others' and they come to understand this with each passing hour. Economizing behavior must take the form of plan revision. These insights made the general equilibrium model a tragically poor description of what the market system is all about. Because economics is about human action and because human action takes place always and without exception in historical time, Lachmann questioned the relevance of orthodox (or neoclassical) economics. Lachmann challenged his students to tell him what scientific reason there was for believing that the forces toward the reconciliation of plans were strong enough to overcome the forces making for the divergence of plans. Absent such a demonstration, general equilibrium economics didn't have much explanatory power. Lachmann asked modern Austrians to rebel against the equilibrium models and logical formalisms of contemporary economic reasoning. He pointed to the older Austrian School as the source of an alternative economics—one that would take "subjectivism" seriously.

I.B. Austrian Economics in New York City during the 1950s and 1960s

New York City was the adopted and beloved home of Ludwig von Mises (Mises 1978). During the 1950s and 1960s, Mises's evening seminars at the New York University business school in Trinity Place attracted students and visitors, some of whom went on to themselves become Professors of Economics. His two most prominent students were Professors Israel Kirzner and Murray N. Rothbard. Each man spent his career in economics trying to extend and expand on Mises's teachings. Most interestingly, Mises identified the economics he presented at his seminars as part of "modern economics." Unlike Lachmann, Mises did not call for a radical rejection of orthodox economics. Although he was highly critical of the pretensions of econometrics and its associated styles of reasoning about measurements in economics, he saw these developments as a wayward part of modern economics and not the whole show. As Eugen von Boehm-Bawerk and Friedrich von Wieser before him, Mises saw himself as part of a broader scientific tradition, despite the fact the political tide was against his free market teachings and reacted quite negatively to the manner in which he phrased his arguments.[2] As for his teaching, his job was simply to communicate to his students the basic insights and policy applications of modern economics. The battle lines, as Mises presented them, were drawn between the students of modern economics and the politicians, union leaders, and polemicists hawking always for easy money and credit and special privileges from government. Mises never denied that the roots of his own economics were in the Austrian school tradition of Menger, but it was the theories of particular individuals that Mises lectured about, not broadly defined schools of thought.

Those of us with a serious interest in Mises's teachings and the broader traditions that it spawned had heard about the South African economist Ludwig Lachmann. We knew that Lachmann had graduated from the University of Berlin in 1930 and we knew that Lachmann had spent several years teaching economics in Germany, but left Germany for England in 1933. In London, he studied with Friedrich A. Hayek who held the prestigious Tooke chair at the London School of Economics and was on the lookout for allies in his battle against the fashionable but wrongheaded production and capital theories such as found in the writings of John Maynard Keynes (Keynes 1971). Lachmann was one of the few students that took Hayek's side during these capital theoretic debates and remained loyal to Hayek throughout the 1930s when most of Hayek's other students shifted sides and joined the Keynesian school (Lachmann 1977). Although in later years Lachmann would turn against the mechanistic and formalistic elements in Hayek's thinking about capital goods, especially as presented in Hayek's 1941 book, Lachmann did share with Hayek an emphasis on the role institutions such as the pricing system play in promoting the discovery and utilization of knowledge (Hayek 1941; 1937; 1945). Indeed, Lachmann went beyond Hayek when he emphasized the overriding importance of changing individual expectations to the development of the market process (Lachmann 1976).

New York City Austrians also knew that Lachmann had written several interesting papers and a book on capital theory that tried to extend Austrian economics in new directions (Lachman 1977). I remember Lachmann as the one writer who prompted Mises to qualify his trade cycle theory in light of the role expectations play in informing human decision makers (Lachmann 1943; Mises 1943).

Professor Israel Kirzner of New York University maintained a longstanding and professional correspondence with Lachmann dating back to 1961 which is described below (see Section IV. B). Murray N. Rothbard was an avid proponent of the basic Misesian framework of analysis—praxeology—and wrote a major work setting down Mises's economics in a more contemporary format with some improvements of his own (Rothbard 1962). I knew Rothbard well during the 1960s and can remember conversations in which he mentioned Lachmann and his works and urged me to look at them for some ideas about how

Austrian economics might still inspire additional scientific work. Rothbard did not consider himself a "radical subjectivist" in Lachmann's sense and actively opposed Lachmann's innovations in a way that led to something of a schism within New York City Austrian circles, with the students of Rothbard taking one position and the students of Lachmann taking the another (see Vaughn 1994).

Lachmann's contributions in opposition to Keynesian doctrine received favorable mention in Gottfried Haberler's *Prosperity and Depression* published in 1941 (Haberler 1941, p. 359 n). Kenneth Boulding, whose early scientific writings contributed to Austrian capital theory, also knew and appreciated Lachmann's work. In fact, Boulding coined the phrase "Lachmann's Law" to refer to Lachmann's famous claim that "as soon as we permit time to elapse we must permit knowledge to change, and knowledge cannot be regarded as a function of anything else" (Lachmann 1977, p. 92). In short, Lachmann was not by any stretch of the imagination an unknown or forgotten Austrian economist on the eve of his arrival in New York City—quite the opposite. However, his ideas were scattered in many places and interest in his teachings remained selective and unconnected to any central core set of beliefs. All this was soon to change.

I.C. Moss on the Austrian School Revival (1974–1987)

The evidence offered here is consistent with Professor Donald Lavoie's verdict below (Section IV.A) that prior to 1974, Lachmann was a mere voice in the wilderness sequestered thousands of miles away from the New York City scene. His only genuine disciple in South Africa seems to have been Professor Peter Lewin, who did not remain in South Africa to carry on Lachmann's teachings. Instead, Lewin enrolled at the University of Chicago in 1972, the same year that Lachmann retired from the University of Witswatersrand. (In recent years, Lewin has emerged as one important expositor of Lachmann's ideas and he offers a short overview of Lachmann's contributions below [see Section II.B].) Still, and this is the point that I want to emphasize here, at the time of his retirement from the University of Witwatersrand, Lachmann's teachings were not likely to spawn anything resembling a renaissance in Austrian school circles.

A veritable Austrian school renaissance did however take place starting in 1974 and Lachmann was a leader in that development. The single most important catalyst in this revival of Austrian economics was the Conference on Austrian Economics held in South Royalton, Vermont in June of 1974 (see Vaughn 1994). The Institute for Humane Studies of Menlo Park, California, supplied the funding, and the conference director, Professor Edwin G. Dolan, took care of the local arrangements. Later the edited version of the conference proceedings appeared under the title *The Foundations of Modern Austrian Economics* (Dolan 1976). In the preface to this book, Dolan explained that the conference "held at Royalton College in South Royalton Vermont . . . attracted some fifty participants from all regions of the United States and three continents abroad. [They] came to hear Israel M. Kirzner, Ludwig M. Lachmann, and Murray N. Rothbard survey the fundamentals of modern Austrian economics and thereby challenge the prevailing Keynesian—neoclassical orthodoxy, which has dominated economic science since World War II" (Dolan 1976, p. vii).

I was one of those participants. What I took away from that conference was a renewed commitment to bring the basic ideas of the Austrian school into the mainstream of academic discussion. My view was not very radical and not the view that would prevail but I worked with enthusiasm for a few years to try to make things happen.[3] As it turned out, of the three leading Austrian theorists in South Royalton, it would be Lachmann that would steer the modern Austrian school in the most novel directions. This development required a presence in New York City and direct contact with the small army of students who would carry on his teachings.

The year was 1975 and Lachmann accepted a position as Visiting Research Professor at New York University. Central headquarters for the battles ahead had now been moved from Johannesburg to New York City. At last a new revitalized Lachmann had emerged. The funding arrangements provided that Lachmann would spend his winters in New York City at a number of excellent hotels and his wife, Mrs. Margot Lachmann, would accompany him. At the end of the semester the Lachmanns would return to their home in Johannesburg, South Africa to await a return the next academic year. His wonderful dozen or so years of activity at New York University inspired a generation of students to come to terms with Lachmann's unique brand of Austrian school subjectivism—"radical subjectivism" as it was called.

In this essay several of Lachmann's most prominent students tell the story of radical subjectivism in their own words and with their own emphases. Professors Stephan Boehm, Don Lavoie, and Roger Koppl each had to grapple with Lachmann's stubborn challenges to traditional standard equilibrium economics. Here they share insights about Lachmann's essential message (see sections III.B., IV.A. and III.A and II.B., below).

In 1986, on the occasion of his 80th birthday, Lachmann was presented with a large and substantive volume of essays edited by his colleague Professor Kirzner (Kirzner 1986). It was the custom in Europe for a great professor to be presented with a *Festschrift* filled with writings by his students and admirers. This was Lachmann's first. Many prominent economists contributed to that volume and all were influenced in one way or another by Lachmann's teachings. In Kirzner's words, it was Lachmann's presence in New York City that made possible "the creation and growth of the Austrian Economics Program at New York University" (Kirzner 1986, p. viii). I would add that it was his presence and continued flow of publications that called attention to what before were only scattered contributions and insights. The New York University venue helped him get his point across to a new generation of Austrian writers, many of whom took up his essential ideas and developed them further (see O'Driscoll and Rizzo 1985). That relationship with New York University would persist until 1987 when Lachmann had grown too tired for yet another "Atlantic crossing." By this time, he had extended subjectivism to include the application of rhetoric and interpretive understanding to the analysis of economic events. Lavoie's contribution helps explain this development (see Section IV. A below).

The contrast between Lachmann's quiet, limited, and more subdued influence in South Africa and his dramatic post-retirement battles against settled ways of thinking in Austrian circles comes across vividly on the pages that follow. We begin Section II with his legacy in South Africa and then move on to his influential New York City period in Section III. In Section IV, both Professors Lavoie and Kirzner share their interesting assessments of this remarkable man, his character, and his approach to economics. Let us start with the South African period.

II

Influence in South Africa (1949–1975)

II.A. Torr on the Overall Impact of Lachmann's Teachings

WHEN LUDWIG M. LACHMANN ARRIVED in South Africa in 1949 to take up the position of Head of the Department of Economics at the University of the Witwatersrand, he was 43 years old. He lectured at Wits for the next 23 years. After his retirement there, he took up a visiting professorship at New York University in 1975 until 1987. He died in 1990.

He thus spent most of the second half of his life in South Africa (41 years), with most of the first half being spent in Germany and England (43 years). The following few pages are concerned with the South African half of the story.

Aubrey Dickman, later to become a senior economist at Anglo American (and president of the Economic Society of South Africa, 1982–83) was one of about 45 students in the class of 1949. He remembers the first lecture well. The students did not know what to make of the new professor from Europe. And then, of course, as anybody who has ever met Lachmann knows, there was the accent. Some of the students in the class started sniggering, and Lachmann stopped lecturing.

He gave the class a severe glance. And started lecturing again. Whereupon all sniggering stopped and Aubrey remembers the sound of scratching pens. For the professor had informed the class that at the next lecture, somebody would be nominated to summarise the previous lecture. The first person to be so nominated was Derek Keys, later to become the minister of finance. A similar fate once befell Aubrey, and he remembers being gently chided by Lachmann that he was the only person whose summary was longer than the original lecture.

The South African economist who knew Lachmann best was Professor Karl Mittermaier. From the 1970s onwards they met once a week, these regular Thursday meetings interrupted only by Lachmann's visits to New York. A marvellous biographical sketch of Lachmann appears in Mittermaier (1992). One of the delightful anecdotes told by Karl (which does not appear in this sketch) concerns a teatime appointment that Lachmann and Karl were to have with a colleague from another department. The appointment was scheduled for four o'clock. By ten past four the third party had not arrived and Lachmann announced that he would go and see if he was in his office, downstairs in another building. When Karl asked him why he didn't just use the phone, Lachmann retorted: "You young people with your newfangled ideas." One wonders what he would have thought of mobile phones.

I remember phoning him in the eighties. I had been trying to phone him for over a week without success. One day, quite by chance, somebody told me that his phone number had changed. On phoning the new number I got through to him straight away and apologized for having taken so long to contact him. He thereupon told me that it was probably because his number had changed. He asked if I had pen and paper handy, and proceeded, with infinite patience, to read out his new number, which he said I must write down, because it had changed.

In South Africa, after you have majored in Economics and obtained an undergraduate degree, you can proceed to what is called honours in Economics. An honours degree is usually one year full-time or two years part-time and after honours you proceed to a masters' degree. It is common knowledge that Lachmann had few honours students at Wits.

He would meet with his honours students once a week for two hours. During these sessions, somebody would be called upon to read from a book—some of those present recall Alfred Marshall and James Meade. After two hours, Lachmann would look up and say something like "It's difficult, you know." He himself once conceded that Meade was tedious. The lecturing staff was expected to attend these bible readings, but I gather that some eventually rebelled. Once when Lachmann was on leave, those continuing in his absence decided that two hours of Leijonhufvud could be more appealing than two hours of Meade. Upon his return, Lachmann was surprised, but elected to go along with the switch. Since the correct place to start reading a book is at the beginning, the honours students of that year must surely be the only students in the world who have read Leijonhufvud's reinterpretation of Keynes aloud twice.

One of the Wits lecturers in the sixties and seventies was Mike Truu, later to become Head of the Department of Economics at Rhodes University and President of the Economic Society of South Africa (1986–87). He remembers being in Lachmann's office on the day of his return from sabbatical. The Department of Economics had assembled to welcome Lachmann back, having not seen him for nearly a year. He entered the office, strode across the room, and before greeting them declared: "You have changed the curtains. There was no need to change the curtains."

At the end of two years, Lachmann would decide whether or not those who had persevered with the bible-reading were ready to sit for the examinations. Stories of how students were expected to prepare for examinations and how they were expected to obtain references for essays are the stuff that legends are made of. Upon being asked by a student for guidance on what to learn for the examinations, Lachmann was heard to remark that he should concentrate on statics, dynamics, and South African economics.

Mike Truu remembers a student knocking on the door one day while he and Lachmann were drinking tea. This was in the early 1970s—the years of the first oil crisis. The student had studied Economics a year or two previously. With examinations immanent, he respectfully wished to know if he would be examined on the same work on which he had been examined prior to the oil crisis.

Lachmann replied that it was only proper that examination papers should be based on the state of economic science and concluded with the remark: "One cannot stop the progress of science." The student, who looked quite pleased with this information, said: "Well thanks for trying anyway, professor" and turned on his heel, leaving Lachmann to continue drinking tea as if there had been no interruption.

If you had to prepare a paper on a selected topic, you were not thereby assured of a list of readings. Dickman recalls having to write a paper on modern industrial development. He approached Lachmann with a view to obtaining a couple of references. "Aubrey," he was told, "You must read everything, including Marshall. And all the footnotes." Such was the manner in which Aubrey was introduced to the footnotes in Marshall. Lachmann never prescribed or recommended his own work.

As a student, Aubrey was the proud owner of a small Renault, and he recalls giving Lachmann a lift home. He attempted economic banter, only to be told: "Aubrey, don't talk economics and change gears at the same time." Lachmann himself, of course, never learned to drive.

Lachmann's home in Parkview became a meeting place for Thursday evening meetings of economists within and without the university. Amongst those who attended were Martin van der Berg, later to become the Economic Advisor to the Prime Minister, Fred du Plessis (later to head Sanlam, a large financial concern, and to become president of the Economic Society of South Africa in 1978–79) and Gerhard de Kock (later to become the Governor of the Reserve Bank and president of the Economic Society in 1980–81). Aubrey Dickman himself attended such meetings from about 1955 onwards. He pointed out that luminaries would use the Thursday evening get-togethers to test their ideas in the presence of Lachmann. While even his most charitable friends would concede that Lachmann's direct influence on economic policy of the day was negligible, his opinion on economic events was nevertheless sought by academic and non-academic economists alike. His ability to analyse events of the day (and interpret events of days gone by) was remarkable. He did not, however, view economics as consisting of timeless truths and Dickman recalls how he was always prepared to give a hearing to all sides of an argument. Of particular importance in Lachmann's mind was the institutional setting in which the market process took place, and he was also interested in developing a theory of institutions (Lachmann 1970: 4). In the Jubilee issue of the *South African Journal of Economics*, the late H. M. Robertson (1983: 208) put in writing what South African economists had known all along, namely that "(t)he Journal's most distinguished theorist *de pur sang* is L. M. Lachmann. . . ."

In the time when Lachmann's association with Wits was coming to an end, Mike Truu recalls Lachmann saying: "Retirement. What's retirement? Sitting on the stoep and waiting to die!" (In South Africa a *stoep* is a raised veranda on which you sit and watch the world go by.) After leaving Wits, Lachmann did anything but sit on that stoep. At the age of 69 he was offered a visiting professorship at New York University, and from 1975 onwards he spent three or four months a year in New York, until, as he once explained to me in his inimitable fashion, he had become too old to consider crossing the Atlantic twice a year.

Towards the end of the seventies, I was a young lecturer at Rhodes University, beginning to venture down the publication trail. In 1979 I sent copies of my first conference paper to some ten economists. In a fit of youthful enthusiasm I included Lachmann in my list. I had never met him and never really expected him to reply.

He was about the only one who did. I wonder how many times I read his polite reply—full of insightful and helpful comments. A letter from Lachmann was a colourful affair. His typewriter had a black and a red ribbon, and when he wrote by hand (which he often did in between the typing) he had pens, pencils and crayons in a wide variety of colours at his disposal. Nor did he feel confined to use regular A4 writing paper. Margins did not exist for him. He filled up the page from the left hand side to the right. Our technicolour correspondence lasted, on and off, for about ten years. Since I usually didn't know what on earth to say, my letters would often include articles that I thought would interest him. His comments would invariably amaze me, for he would place such articles in a new perspective. He was by far the biggest influence in my academic life. He was 73 years old when I first met him and had already retired from Wits. The year that Lachmann arrived in South Africa (1949) was the year in which I was born.

I can remember my first meeting as if it were yesterday. I had never heard anybody speak like him before, and I am not merely referring to his accent. I had been attempting to study the economics of Keynes for many a year, but I had yet to hear it analysed in such an understandable fashion. I would get in a question here and there, and then sit back in amazement as I started to become aware of a very disciplined form of economic argument. Hours would fly by unnoticed.

On arrival at the Lachmann home, you were immediately offered tea or coffee. Then all forms of bodily sustenance were forgotten as you were immersed into the logic of economic reasoning. Once, however, after a particularly lengthy and absorbing conversation, Lachmann suddenly stood up and asked me if I wanted some more tea. When I said yes, he walked over to the by now ice cold pot and proceeded to fill my cup. Not to disappoint him, I accepted milk and sugar as well.

Robertson (1983: 208) comments on Lachmann's ability to place an author's work in perspective. The reviews of Joan Robinson (Lachmann 1958) and Sir John Hicks (Lachmann 1973) are particularly memorable. Hicks, of course, returned the compliment after "Capital, Expectations and the Market Process" came out in 1977 (Hicks 1978).

In the 1980s a Thursday night discussion group was again active. Lachmann labelled the meetings as Austrian, although you did not have to be a card-carrying member of the Austrian party to be invited. They started at 8:15 and the first fifteen minutes would center around tea, coffee, and biscuits and appointing a speaker for the next meeting.

At 8:30 Lachmann would invite the speaker to deliver a talk. If you were the presenter, you would have a small chess-size table in front of you, about the height of your knees, on which you could place your notes and books. You would speak for about an hour and there would be discussion for about an hour. At nine o'clock Karl Mittermaier would arrive, whether or not he was presenting a paper.

I recall that Lachmann often used the phrase: "Now what right do we have to say that. . . ." He always sought to establish the conditions under which a certain event took place, which meant, among other things, that one should identify the institutional setting in which economic events unfolded. Like Carl Menger and Max Weber, Lachmann distinguished between "the *external* institutions which constitute, as it were, the outer framework of society, the legal order and the *internal* institutions which gradually evolve as a result of market processes and other forms of spontaneous individual action" (Lachmann 1970: 81). A decade before the fall of the Berlin Wall, Lachmann wrote:

> Few economists will deny that the market operates within a framework of legal and other institutions, that its modus operandi may be helped or hindered by the varying modes of this framework, and that the outcome of market processes will not be unaffected by changes in it. . . .our world is far more complex than was that of the classical economists and . . . there is evidently a good case for having another look at the relationship between the market economy of our days and its institutional basis (Lachmann 1994: 249–50).

Lachmann influenced many a South African economist. He may not have affected the way we cared to label ourselves, and he may not have had a direct influence on the way economic policy was conducted, but it is through his writings and teachings that we have been influenced. And his memory lives on. In 1950 he delivered his inaugural lecture entitled "Economics as a social science" at the University of the Witwatersrand. Over forty years later, the Ludwig Lachmann Memorial Lecture, sponsored by the University of the Witwatersrand and the Free Market Foundation of Southern Africa was instituted. The inaugural lecture was presented by Israel Kirzner in 1991.

II.B. Lewin on My Teacher and His Legacy

I am one of the very few academics who dates his association with Ludwig Lachmann to his teaching years at the University of the Witwatersrand. I was a student of Lachmann from 1966 to 1971. I first encountered him as a second year undergraduate, having decided to major in economics. Lachmann taught all of the basic courses for second and third year economics. He was my teacher, as far as I can remember, for employment theory (which was essentially the economics of John Maynard Keynes), the economics of imperfect competition (popular at the time), international economics, monetary economics, welfare economics, growth theory, and of course capital theory. This gives some idea of his breadth of knowledge. In looking back it strikes me how expertly Lachmann was able to sympathetically represent theories with which he essentially had no sympathy. Right at the end of the course, once he had constructed a lucid and complete account of the theory, he would consider himself at liberty to deliver his own devastating critique.

Later, once I had obtained my BA, I was fortunate to be admitted to his Thursday evening honors seminar where faculty, students, and interested lay people met at his home for an in depth discussion of important texts. The seminar was an informal, but very serious, discussion of basic economic works. Someone would be selected to read the text out loud. The reading would be interrupted from time to time, usually by Lachmann, to discuss particular points. Periodically one of these points was selected for special examination and a student would be chosen to produce a paper on it. In retrospect, it was probably from the seminar sessions that I learnt most of my economics.

By the time I first arrived in Lachmann's classes he had been teaching for about seventeen years and he continued for about another ten or so. So a quarter century's worth of South Africa's economics students passed through his classes and some of these ascended to prominent positions. He was widely known and respected in South Africa, at the time probably its most illustrious economist in company with professors William Hutt and J. D. Graaf. Yet unfortunately, though all of his students are likely to remember him, I would be surprised if any but a very small minority of them remember much of what he taught them. This is in part a result of his teaching style and in part a result of the environment in which he was teaching.

To the average South African student Lachmann would have seemed a formidable figure, intimidating and highly inaccessible. This impression was created primarily by his way of lecturing. His lectures inevitably followed a set form. He would sit in front of the class and deliver his lecture in perfectly punctuated prose, (for the most part) without notes. He delighted in citing journal references by year and month from memory. Only very occasionally would he rise to use the board. His manner of articulation was very eccentric. He spoke with a deep, guttural German accent and lingered on particular words for emphasis. He also used an unusual intonation for emphasis; he would frequently interrupt his sentences with something like "eh eh" followed by short pregnant silences and quick intakes of breath. When students first heard him their immediate inclination was to laugh.

They soon found out, however, that he was deadly serious. He would tolerate no disruptions. He always began right on time and finished just before the sound of the final bell. Each lecture, though apparently spontaneous, was perfectly crafted. Each sentence was connected to the previous one and the succeeding one in such a way that a logical progression was created from beginning to end. If one were able to follow every nuance, one would find his remarks replete with subtle references and allusions as well as numerous, but frequently missed, examples of dry humor.

It is probably true that most of his students were ill prepared for his classes. The material he chose and the level at which he presented it was beyond them. They were, as a rule, too immature and unsophisticated to comprehend the full meaning of much of his discourse. His concerns were remote from theirs. Many of them were preoccupied with the always threatening and frustrating South African political dilemmas. Most of his students were part of the white, politically liberal establishment (which in an U.S. or U.K. context would today be at the center of the political spectrum). If Lachmann had any political opinions they never showed in his economics classes. He left it to the students to draw whatever political implications they could, and most did not see any.

It is clear to me though, that Lachmann thought his subject matter was vital and compelling. For him the important issues in the world were captured in an understanding of rival schools of thought. He frequently employed metaphors of combat to describe his mission to advance the cause of Austrian economics. He was intensely concerned about resisting the dangers posed by what he called "classical formalism" to the integrity of economics and this concern permeated all of his courses. For him a course was more than the teaching of concepts and techniques. He was concerned to convey the historical context of the subject and alternative ways of looking at things.

Most of his students came to his courses to learn about economics, which they were required to take and which they understood to mean a body of received doctrine much like a course on physics. There was something profoundly unsettling about finding 'mere opinion' where one expected to find formulas for truth. When they succeeded in his courses it was usually by taking careful notes and memorizing the key ideas without understanding, or caring to understand, their full significance. There were notable exceptions, students whose sophistication and interest were sufficient for them to relate to the material. They were the select few who seemed able actually to communicate with Professor Lachmann.

Ironically, it was probably only after he retired and became a visiting professor at New York University, with periodic visits to George Mason University, that his influence through his teaching was at its greatest and where his legacy is to be most clearly seen. In 1974 at a conference in South Royalton, Vermont, at which Lachmann was a key speaker, the revival of the Austrian school of economics began. At last, after decades in the wilderness, Lachmann found himself among kindred spirits, people who shared his life-long interest in the cause of Austrian economics, and who were eager to receive and to understand his message. He spent the next decade teaching, writing, and debating with them. Today a generation of students exists, perhaps a few dozen in number, including some who have passed on their approach to their students, who are the beneficiaries of that period in Lachmann's life. Scholars who have been inspired by Lachmann's particular brand of Austrian economics, market process economics, are in university departments across America and in other countries. His influence as a teacher was greatest in the last decade of his life. It must have taken an extraordinary amount of conviction and faith in his particular viewpoint not to give up in the face of such stubborn indifference.

II.B.1. As a Capital Theorist

Lachmann's first and, in some ways only, notable contribution to economics *per se* is to the theory of capital, and it permeated all of his subsequent contributions.

Inspired by both Schumpeter and Hayek's work, Lachmann argued that Böhm-Bawerk's attempt to provide an aggregate measure of the capital stock was misguided, because the assumptions one had to make in the process obscured its very nature and the way the market process worked. In place of the idea of a capital stock he proposed the concept of a capital structure composed of a bewildering variety of productive elements. This bewildering variety, though not reducible to any single measure in terms of value or in terms of units of labor time, was nevertheless not a random or arbitrary collection. Rather it was an ordered structure, ordered in terms of the purposes, which the individual items served.

The impossibility of aggregation is a result of the fact that the value of any capital item was a matter of speculation, a matter of individual, subjective expectation on the part of its owner. Capital owners formed capital combinations in order to earn profits. Capital combinations are part of production plans. Plans may succeed or fail. It is only in the most unlikely situation of perfect plan equilibrium, where all plans are consistent with one another that all plans can succeed. As Lachmann was to emphasize again and again, if different plans were based on different expectations, as must be the case between competitors, for example, then at most one of the plans can succeed. Thus, individual capital valuations are always inconsistent to some extent and cannot be used as the basis for deriving an aggregate measure of capital. Nevertheless out of the market process there does emerge an order to the capital stock which is traceable to these individual plans. The existence of any capital item can only be understood in terms of the purposes for which it was constructed, irrespective of whether the original plan of which it was a part was successful or not. Unsuccessful plans lead to the revision of plans and the employment of capital items (and labor) for purposes other than those for which they were originally intended. But if we understand the plan and its revision we will understand the role played by capital. An opera house turned into a movie theater is a perfectly intelligible state of affairs arising out of the market process.

Thus, Böhm-Bawerk's story in which capital was a form of congealed time was seriously misleading. Nevertheless Lachmann felt that Böhm-Bawerk was on to something when he described the uniqueness of capitalistic economic progress in terms of the productivity of roundabout production methods. So Lachmann attempted to reinterpret Böhm-Bawerk's assertion of the superior productivity of roundabout methods in terms of the increasing complexity of modern economies. Whereas Böhm-Bawerk's treatment of the role of technological change was rather ambiguous, Lachmann placed this role at the center of any explanation of economic development. According to Lachmann, an outstanding feature of a capitalist economy is the fact that it is confronted, one may almost say bombarded, with change. The capitalistic era is the era of rapid and accelerating change. This change is not accidental, however; it is the result of the superior ability of market economies to deal with change. Market economies precipitate and benefit from unexpected change. The benefit arises out of the experimental nature of the market process. The competitive process is an experimental one at many different levels including the level of technology. Therefore, technological change is not an autonomous, external force, but is intrinsic to the market process and to economic development. The increasing complexity that results, in which economic agents learn by a process of implicit experimentation, is analogous to Böhm-Bawerk's vision of production becoming more and more roundabout as the economy develops.

This vision of increasing complexity in a changing world, in which the capital structure was in a process of unconscious but ceaseless mutation, was first presented by Lachmann in a series of articles between 1938 and 1948. By the time he moved to Johannesburg around 1949 the attention of the economics community was moving away from interest in capital theory. He refined his argument and published it in his first book, *Capital and its Structure* in 1956, by which time capital theory was quite passé. It must have been a considerable disappointment to him to have the book roundly ignored. So it is not perhaps surprising that he turned his efforts to an examination of the most fundamental foundations of economic science, to a radical reexamination of the way in which economic theory was developing. The rest of his professional life was, for the most part, taken up with this project.

II.B.2 As a Radical Subjectivist

Keynes had suggested that the "dark forces of time and ignorance" rendered the market unreliable if left to itself and that the government should provide a firm and active backdrop to private investment activity. Lachmann was led by his own work on capital to emphatically condemn Keynes's policy recommendations. It was not the size of investment spending, but the nature of the capital combinations it created that mattered in the long run for employment. In this regard Keynes's policies were simpleminded. Nevertheless, with regard to the influence of the nature of time and uncertainty on economic events, Lachmann was much less inclined to dismiss Keynes.

From Hayek he had learned about the importance of subjectivism, the importance of the fact that economic value was in the final analysis a matter of individual appraisal. He was very fond of quoting Hayek's remark that "every important advance in economic theory during the last hundred years was a further step in the consistent application of subjectivism" (Hayek 1955, p. 31; see Lachmann 1969, p.155). Yet he felt that among economists in general, and even among Austrian economists, the lessons of subjectivism were being lost. Having recognized the implications of the subjectivity of value, economists for the most part had chosen to ignore the subjectivity of expectations. It was this that he thought was valuable in Keynes.

Though Hayek examined expectations at length, he tended to take it for granted that the market process was characterized by some sort of equilibrating tendency in which expectations and the plans to which they gave rise were somehow rendered more and more consistent. Lachmann's consideration of the nature of expectations led him to deny this. Expectations are bound to differ and differences in expectations preclude the emergence of equilibrium. The reason why expectations differ across individuals is because the future is unknown and unknowable. To know the future we would have to know the actions of individuals in the future. But all action is based on knowledge and individuals' future actions will be based on their future knowledge. Therefore to have knowledge of the future we would have to have knowledge of future knowledge, which is a contradiction in terms. In fact, according to Lachmann, the nature of our experience of time is such that the pattern of knowledge is continually changing. It is inconceivable that our knowledge should be left unchanged with the elapse of time. Time and knowledge belong together. I have called this Lachmann's axiom

His work on knowledge and expectations was very similar to that of his friend and colleague (also a former Hayek student) George Shackle. It is clear that Lachmann's work predated Shackle's, though their contributions moved very closely together over a long period. Lachmann's views were summarized concisely in a seminal article he wrote for the *Journal of Economic Literature* published in 1976 entitled, "From Mises to Shackle: An Essay on Austrian Economics and the Kaleidic Society" (Lachmann 1976). The kaleidic society (Shackle's term) is one which is characterized by incessant and rapid change. And it is one in which there is no necessary tendency toward equilibrium, toward a consistency of production plans.

> In a kaleidic society the equilibrating forces, operating slowly, especially where much of the capital equipment is durable and specific, are always overtaken by unexpected change before they have done their work. . . .What emerges from our reflections is an image of the market as a partic-

> ular kind of process, a continuous process without beginning or end, propelled by the interaction between the forces of equilibrium and the forces of change (Lachmann 1976: 61).

By denying the existence of overriding equilibrating forces, Lachmann did not endear himself to his colleagues. Equilibrium is the centerpiece of much economic reasoning. Lachmann seemed to be pulling the rug out from under the economics discipline. To the mainstream of economic thought he was considered largely irrelevant while to some of his Austrian colleagues he seemed a dangerous radical. (The latter were concerned that his radical subjectivism was subversive of the viability of the free market. As I have explained, it was not until his arrival on the scene in America and his participation in the revival of Austrian economics that he began to attract a significant and impressive following.)

In the last years he began to investigate the compatibility of his approach to the principles of hermeneutics. There is a large and diverse literature on the application of hermeneutics to the social sciences and a group of Lachmann's followers have seen in his work a reflection of its main implications. Personally, I seriously doubt, however, that this will prove to be an enduring aspect of his work. In this and many other respects, the adherents to his general position are still debating among themselves and with those who feel his position is too extreme.

II.B.3. As a Defender of the Market Economy

In my continuing reexamination of Lachmann's work (for example, Lewin 1994, 1996, 1997) I have wondered about its implications and what its enduring features will be. It seems to me that although he was uncompromising in his pursuit of the implications of subjectivism, his work is in no way inimical to the defense of free markets. Lachmann himself, though philosophically less committed than his colleagues Mises, Hayek, or Kirzner was, nevertheless, a defender of free markets for practical reasons. He fully accepted Mises's argument that the market process could not be centrally planned and he was vehemently against inflationary policies. The radical ignorance, which the unknowability of the future implies, applies as much to policy makers as to any one else, in fact more so. And in his work on institutions, which was the subject of his second book, *The Legacy of Max Weber*, published in 1971, he explained how the market as an institution functions with other institutions, like the legal framework, to cope with unexpected change. At the same time, I think it is important to note Lachmann's keen insight that the benefits of a market economy depend on its ability to generate as well as cope with change. Far from the market being threatened by the presence of unpredictable change and the absence of equilibrating tendencies, it thrives on it. Change is rapid and accelerates in a way that Lachmann could never have foreseen when he began his long walk along the slippery slopes of radical subjectivism. Lachmann's theoretical approach is quite at home in this "information age."

In his analysis of the implications of subjectivism, Lachmann uncompromisingly articulated what he saw to be the differences between his vision of a progressive society and that of the vast majority doing generally accepted economics. In the process he may have appeared more radical than necessary. For example, he was fond of claiming that "prediction is impossible" when what he really meant was that *accurate* prediction of everything was impossible. Surely it is impossible to deny that prediction is not only possible but is necessary for our survival. In numerous everyday actions and decisions we make successful predictions. His articulations in terms of uncompromising absolutes sometimes gave the impression that his ideas led to a sort of theoretical nihilism. I think that this impression is wrong. His theories could certainly have used a fuller fleshing out by way of applications and examples. But, even though this will have to be left to others, Lachmann has clearly pointed the way.

In the final analysis, if I were asked what I thought what was his most valuable legacy I would have to answer, "his principle of *subjective individualism*." By reminding us that individuals are different and have different tastes and expectations, he has reminded us not only to respect those differences in our everyday lives, but also to respect them in our scientific investigations. For it is only by acknowledging and referring to these differences that we will be able to understand how the market process really works. Recent developments in the mainstream of economics emphasizing the importance of technological change, product innovation, the nature of business organizations, and similar phenomena, suggest that there is much work to be done in extending the remarkable vision of Ludwig M. Lachmann.

III

The New York City Period (1975–1987)

III.A. Koppl on the New York University Seminar

I REMEMBER MY FIRST ENCOUNTER with Ludwig Lachmann in 1981. A young post-doctoral fellow named Roger Garrison was presenting a paper to the Austrian Economics Colloquium at New York University. As a graduate student on an "Austrian Economics Fellowship," I was a participant in the colloquium. Roger entered the seminar room early and wrote the following on the blackboard: "When it comes to the future, one word says it all: you never know—Yogi Berra." When Lachmann entered the room he stopped and read Garrison's quote. Turning to the person next to him Lachmann exclaimed, "I am not familiar with the works of Professor Berra." This remark was the first of a long string of strange and wonderful things I would hear come from the mouth of Professor Lachmann.

Strange and wonderful. Lachmann was a Visiting Professor at NYU from 1975 to 1987. In those days, most graduate students had been steeped as undergraduates in what Lachmann called "late classical formalism." This is the term he used for those economists who had "adopted an arid formalism as their style of thought, an approach which requires them to treat the manifestations of the human mind in household and market as purely formal entities, on par with material resources" (1971, p. 181).

For students steeped in late classical formalism, myself included, Lachmann's message of radical subjectivism was strange stuff indeed. Many of our professors were relatively naive positivists; they believed that science is prediction based on the statistical manipulation of theory-free "facts." The alternative to positivism was a Popperian philosophy of science and, typically, a naive version of it. We had been taught to state a problem in the language of mathematics and to solve it in the same language. In our philosophy classes we had learned that mathematics is a branch of logic and that good logic is the modern stuff. Symbolic logic was in; Aristotle was out. The spirit of positivism was particularly strong in economics departments. The philosophy we were taught was already rather stale, but that didn't stop our undergraduate professors from teaching it as gospel. Students with such a background had little or no prior exposure to the type of thought Lachmann represented.

Lachmann based his radical subjectivism on a Continental philosophical tradition about which we knew very little.[4] Max Weber[5] was a name we associated with the sociology department. We could hardly imagine what difference it could make to scientific economics. Alfred Schutz[6] was perfectly unknown. Logical positivism and Popper[7] both began in Vienna but had both become Anglo-American philosophy. To us, Continental philosophy was French Existentialism. It was smoking unfiltered cigarettes, drinking your coffee black, and thinking (proudly) how bored you were. When I was an undergraduate, William Barrett's *Irrational Man* (1958) was quite popular. Continental philosophy, it seemed, had nothing to do with scientific economics. Even those who had learned something of Bergson[8] and Husserl[9] could not have imagined that they mattered for economics. So when Lachmann spoke about ideal types, radical subjectivism, and the unknowability of the future it was strange, very strange. (Later Don Lavoie [1986] was to show us how much of this strange Continental stuff was in Mises too.)

Strange and wonderful. We all found it strange. Only some of us, however, found it wonderful. For some, Lachmann was the enemy within. I was often told in a hiss, "He's *really* a Keynesian, you know." And it is true that Lachmann had some kind words to say about Keynes, especially Chapter 12 of the *General Theory*. Also, Lachmann was constantly praising George Shackle, a close follower of Keynes. But the most important accusation, of course, was nihilism. In the concept of subjective expectations, Lachmann had a wrecking ball. And it was swinging. To many students and younger scholars at NYU, this was intolerable. Lachmann was wrong. The problem was just how to prove it.

Lachmann seemed to be a nihilist. He doubted that market forces unambiguously tended toward equilibrium. This seemed to spell the end of economic theory. He doubted equilibration because it seemed to require predictability of the human mind. To Lachmann, the truly nihilistic idea was predictability of the human mind. Everything depends on expectations; that is, the free human mind. Why should our separate thoughts tend to converge on eqilibrium?

To me and to other young people at NYU, Lachmann was the great enchanter. It is a sure sign of his influence on us that we competed for the honor of best Lachmann imitation. I am proud to say, incidentally, that I could once boast of that honor. For others, however, he was the Keynesian nihilist, the enemy within. He evoked strong reactions. A friend of mine, one of Lachmann's doubters, tells a story. He went to Lachmann's office at NYU one day to discuss Keynes's theory of investment. In Keynes, he noted, investment is explained by animal spirits. "Now I've got him," thought my friend. "Yes," replied Lachmann, "a brilliant subjectivist insight!" My friend was nonplussed. That sort of remark can get you labeled a "Keynesian nihilist." Another Lachmann doubter was inspired, perhaps I should say "goaded," to write a lengthy methodological essay defending equilibration against the nihilistic onslaught of Shackle and Lachmann. His detractors and admirers among the graduate students at NYU would argue endlessly over his work. Lachmann's scandalous remarks at the NYU colloquium inspired some of us; they goaded others to vigorous counter-argument. They made all of us better economists.

This was Lachmann's influence in New York. All of us in the Austrian group, students, post-doctoral fellows, visitors, and professors, were obliged to consider with utmost seriousness his scandalous, nihilistic ideas. He made us think about time and ignorance. He also made us think about institutions and their role as "nodal points" and "guideposts" in economy and society. Over the years, I watched as one after another of his former detractors became an admirer. While a graduate student at NYU, Don Lavoie spoke forthrightly against Lachmann's ideas. Shortly after accepting a teaching position at George Mason University, Don began to change his mind. In the end he went bag and baggage over to Lachmann's camp. He edited a book of Lachmann's unpublished essays and became an advocate of "hermeneutics" in economics (Lavoie, 1990). Lavoie went on to produce doctoral students who admire Lachmann. At one time, Gerald O'Driscoll was vigorous in expressing his disagreement with Lachmann. Mario Rizzo was no less disposed to doubt Lachmann's radical subjectivism. But things changed, and in 1985 these two wrote a classic in modern Austrian economics, *The Economics of Time and Ignorance*. It was dedicated "with deep admiration" to Ludwig Lachmann. Even Professor Kirzner, I think, has moved somewhat in the direction of Lachmann. Vaughn's history of *Austrian Economics in America* is largely a history of Lachmann's growing influence. She too "ultimately side[s] with the Lachmannians" (1994, p. 9). Subjective time, our ignorance of the future, the role of institutions, and, especially, the subjectivism of expectations are vital themes touching the core of economic theory. Lachmann got us all to think about them seriously. One had to end up a better economist.

Some of the students and younger scholars from those days still remain unpersuaded of the value of Lachmann's work. They are mistaken. I think they may underestimate the importance of the "subjectivism of active minds." Lachmann distinguished three levels of subjectivism: the subjectivism of wants, the subjectivism of ends and means, and the subjectivism of active minds. Only the last one gives full scope to the creative, interpreting mind. Lachmann explained, "The mental activity of ordering and formulating ends, allocating means to them, making and revising plans, determining when action has been successful, all these are its forms of expression" (1990, p. 37). Lachmann was right; the subjectivism of active minds matters.

Economics is about the unintended consequences of human action. Each action generating a spontaneous order is oriented to the future. The future to which action is oriented is often rather far off. But as Lachmann never tired of reminding us, "The future is unknowable, but not unimaginable." How, then, is it possible to orient oneself *successfully* to a distant future when no central direction pre-coordinates our plans? How is it possible to coordinate our actions when each of us is directed in his or her course by the spontaneous activity of a free human mind? We can hide from the problem by accepting an artificial picture of human action, or we can face the problem squarely. If we face the problem squarely, we must embrace the subjectivism of active minds. Personally, this lesson is the most important thing I learned from Lachmann.

For me it was a great gift. Even as a first-year graduate student, Lachmann brought me into the conversation as an equal. He treated all his students that way. He was not interested in lecturing to us about his past scholarly results. He wanted us to focus our minds on unsolved problems. There were difficult problems to be faced, he seemed to say. What should we do? It was exhilarating and liberating. I will always be personally grateful to him for this gift.

III.B. Boehm on Lachmann's Vision

An attempt to portray with a few brushes Ludwig Lachmann's characteristic profile as an economist is an assignment facilitated by his penchant for strong likes and dislikes: there was nothing lukewarm or ambiguous about his thoughts on the desirable direction economics should take. As is to be expected, however, it took Lachmann several detours to reach the position that he came to occupy as a distinguished and widely respected elder statesman of the profession.

III.B.1. As an Exponent of Gesamte Staatswissenschaft

Lachmann had been reared in the traditions of the *Gesamte Staatswissenschaft*—a unique Germanic blend of theoretical, historical, and political perspectives—which accounts for a good deal of his far-flung contributions, ranging from his intense interest in methodological issues to his persistent concern with the relations between the economic, political, and legal order, and the role of institutions in a market society. It is only fitting that one of his first published articles appeared in the *Zeitschrift fur die Gesamte Staatswissenschaft* (in 1933) and that almost fifty years later, in 1982, when the journal had become better known as the *Journal of Theoretical and Institutional Economics*, he returned to the scene of his youth to publish "The Salvage of Ideas: Problems of the Revival of Austrian Economic Thought" (Lachmann 1994, pp. 164–183).

When Lachmann took up his studies of law and economics at the University of Berlin in 1923, theoretical economics as taught in German universities was at a low ebb. It was a time when the ramifications of the *Methodenstreit* still made themselves keenly felt, and its afterglow roughly coincided with the neo-Kantian project to ground the ontological, epistemological, and methodological separation of the natural from the cultural sciences. It would be tempting to think that this was also a period when Weber's towering influence in the methodology of the social sciences began to assert itself and to pierce through the quagmire in which the endless debates between naturalism and historism, or between the natural and the cultural sciences, had become caught —were it not for the simple fact that this was, mainly thanks to the indefatigable efforts by Talcott Parsons, a post-World War II phenomenon. Lachmann, who had of course been introduced to the thought of Max Weber by Werner Sombart, his teacher in Berlin, remained a lifelong student of Weber (Lachmann 1970).

III.B.2. As an Exponent of Austrian Economics

Whenever Ludwig Lachmann is mentioned among economists, he is invariably linked to the Austrian tradition—and rightly so. With the possible exception of Ludwig von Mises, there is arguably no other economist who during the 1940s and 1950s thought of himself so self-consciously as an Austrian, an Austrian hailing from Prussia, from Berlin to boot. (I like to think of Ludwig Lachmann as a Prussian Austrian, a label that, given the somewhat strained relations between Austria and Prussia, raises numerous contradictory associations.) As vividly recalled by Lachmann, those were the proverbial "years in the wilderness." With a twinkle in his eyes he used to explain to invariably baffled listeners: "When I came up to the London School of Economics in the early 1930s, everybody was a Hayekian; at the end of the decade there were only two of us left: Hayek and myself." When the Austrian resurgence took off in the 1970s, Lachmann was, along with Israel Kirzner, the central figure. His role as a catalyst for the young and uninitiated searching for the Holy Grail of economics is hard to overestimate. What attracted students and junior faculty members to Lachmann in the first place was, I suppose, his *radicalism*—I am using the word in the original sense of "going to the roots"—his inclination to put almost everything up for grabs intellectually. Radicalism coupled with unfailing kindness, impeccable manners, openness for new ideas, and enthusiasm for scholarly debate proved to be an irresistible combination.

And yet, by the end of the 1970s it had transpired that Lachmann's iconoclasm went ill with more moderate versions of Austrianism. Thus, he had come, somewhat paradoxically, full circle: the young man who had embraced Austrian theory because he found the teachings of the historical school on which he had been nurtured too confining was in his old age criticized by modern American Austrians for being too much of an "historicalist." Lest it be concluded that Lachmann felt intellectually isolated even among his Austrian colleagues and friends or, worse, that he suffered from his maverick status, I should point out at once that nothing could be further from the truth.

III.B.3. As a Maverick Economist

Schumpeter is reported to have enjoyed perplexing people, *épater le bourgeois*. Likewise, Ludwig Lachmann relished *épater l'Autrichien*, stunning Austrian audiences by solemnly proclaiming, for example, that Keynes was a subjectivist or even "the master subjectivist," or that Keynes "promoted the cause of the hermeneutic mode of thought in economic theory"; or by calmly suggesting, without further ado, that Hayek was a "positivist"—the Austrian *bête noire*.

At the root of such seemingly extreme pronouncements was Lachmann's relentless pursuit of *radical subjectivism,* or subjectivism with a capital *S*—a constant source of irritation and despair even among his most sympathetic critics. For Lachmann, Subjectivism first of all portended a methodological commitment—simply stated, a research program in the social sciences striving to illuminate social phenomena by appealing to their meanings to individual actors. He held up the methodological writings of Weber and Schutz as a model for economists to adopt. Lachmann's frequent references to the Weberian notion of *Verstehen* notwithstanding, one should bear in mind that both Weber and Schutz did not at all dispense with the necessity for empirical testing.

Ludwig Lachmann's pronounced methodological views bore distinctly on his understanding of the history of economics. His ideal of economics is closely intertwined with his reading of the history of economic thought. He strongly felt that Subjectivism offered the only antidote to what he denounced as *late classical formalism*, a style of thought he attributed to the neoclassical mainstream and to modern classicism both in its Chicago and Anglo-Italian guise (Lachmann 1973, 1986). It is not altogether clear, however, what Lachmann meant by "formalism." Sometimes he equated formalism with "determinism," both in the old sense of a flat denial of voluntarism ("spontaneous action" and the associated notion of unpredictability) as encapsulated in the standard utility maximization model—or, more grandiosely, in the neo-Walrasian general equilibrium model—and in the more encompassing sense that the future of the world is wholly determined by its present configuration; sometimes he meant the arbitrary suppression of heterogeneous forms to some common denominator.

Lachmann viewed the history of economic analysis from the 1870s as epitomized by a continuous struggle between subjectivist and formalist modes of thought. As he emphatically insisted, "the cutting edge of subjectivism," though germane to the emergence of catallactics, had been blunted in various ways in the development of modern economics, specifically owing to, *inter alios*, Pareto's mechanistic outlook.

For instance, the reconciliation of subjective wants with objective circumstances by consigning ends (wants) and means (resources), along with technology, to the "data" of neoclassical general equilibrium models seemed patently absurd to Lachmann because it rests on a conflation of ends and means. Further striking examples of the emasculation of subjectivism, according to Lachmann, are the assumption of "given tastes" as frozen in indifference curves, thus thwarting the whole issue of how plans are made and revised; and the attempt to forge a functional link between expectations as dependent variables and a so-called "business situation." For Lachmann, there was no way in which the diversity of imagined ends and the precarious nature of means in the pursuit of the former, the divergence of interpretation and expectations, and the heterogeneity of capital could be seduced to lie down on the Procrustean bed of what he held to be nineteenth-century bowdlerized mechanics. The habit of treating technical knowledge (that is, knowledge about the use of resources) on a par with resources such as buildings and personal computers highlighted, according to Lachmann, only the starkest of the vices of formalism by which economic phenomena with nothing in common are pressed into the same conceptual forms and then treated as identical.

Lachmann's reading of the history of subjectivist economics draws attention to a gradual shift away from a "subjectivism of wants" towards a "subjectivism of expectations," the "highest stage" of subjectivism, coming into its own once one realizes that in a non-stationary environment actors have to ponder not only the adequacy of the means at their disposal, but also whether the chosen ends in the light of altered circumstances are still worth pursuing, or whether ends previously not envisaged now become worthwhile.

The extension of the scope of subjectivism has come to be referred to as "dynamic" subjectivism (O'Driscoll and Rizzo 1985). As is well known, Lachmann yielded to no one in his unshackled admiration for the author of *Epistemics and Economics* (Shackle 1972). Indeed, he went out of his way to credit George Shackle, whom he had known quite closely since the days when they were both research students of Hayek's, with having "almost single-handedly" explored the topic of expectations in a subjectivist vein from the late 1930s onwards. It is a measure of Lachmann's modesty that he did not make much of his own significant contributions in this area—in particular, his 1943 *Economica* article on "The Role of Expectations in Economics as a Social Science" (as reprinted in Lachmann 1977; see also Lachmann 1956, ch.2). While Shackle imbibed the "news from Sweden" as relayed to him by Brinley Thomas in a lecture course at the London School of Economics in 1935, it appears that Lachmann took the cue from Paul Rosenstein-Rodan, a Viennese economist whom he had first met in England. Lachmann's judgement that it had been one of the historic failures of Austrian economics in the 1930s not to have grasped "the golden opportunity" to enlarge its subjectivist base raised more than one eyebrow among his Austrian colleagues (Lachmann 1976). Was this perhaps another instance meant to "perplex the Austrians"?

Towards the end of his career Ludwig Lachmann became increasingly disenchanted with equilibrium economics. Even the notion that market processes might at least potentially, barring exogenous change, converge toward, let alone terminate in, a state of long-run general equilibrium had to be discarded. For Lachmann, the market does not "run its course" according to the pulls of overpowering equilibrating forces. Against both neoclassical and neo-Ricardian views of the market as a passive mechanistic device for the realization of predetermined outcomes he set his own portrayal of the market as an essentially indeterminate process, without beginning or end, propelled by unexpected change and the divergence of expectations and interpretations.

It is hardly surprising that Lachmann's image of the market as an arena for the expression of expectational ingenuity whereby anybody is invited to pit his expectations against others (and to gain or lose from doing so) has drawn heavy fire both from without and within Austrian economics. Sir John Hicks, for instance, felt that Lachmann's economics of thoughts about things had been pushed to the point where people no longer *did* anything. The focus on expectations has been singled out as the "wild card" in Lachmann's scheme. But, most importantly, Lachmann's rejection of the plausibility of *systematic* processes generating market coordination is potentially most devastating for Austrian theory itself because it pulls the rug out from under a basically benign view of the market order. On a "kaleidic" view of society everything and anything seems possible.

In recent years the charge of nihilism has frequently been held against Ludwig Lachmann, not least by his Austrian colleagues. Be that as it may, it is a bit frustrating to note that he found few allies among Austrians in his more "constructive" efforts. In his final book he suggested a line of research which is certainly worth pursuing. In *The Market as an Economic Process* (1986) Lachmann devised the outlines of a theory of markets based on the "proximity of agents" and their range of actions; the storability of commodities; and the mobility and specificity of capital goods. To this end he distinguished between intra-market, inter-market, and macroeconomic processes; fixed price and flexprice markets; merchants' and salesmen's markets; and between three types of entrepreneurs: arbitrageurs, speculators, and innovators. It does not come as a surprise, then, that Lachmann's work has found favour with noted Post Keynesian economists such as Jan Kregel.

IV

Two Final Assessments

IV.A. Lavoie on the Persuasive Essayist

THE ESSAY AIMED AT PERSUASION was the genre of choice for Ludwig Lachmann. Even when he was lecturing, he was really composing a written essay on his feet. He would approach the podium and take on a demeanor of sheer delight at the opportunity to speak to others about his ideas, and then, with a gleam in his eye, he would craft these amazing sentences. The sentences were sometimes Germanic in length but they eventually proved, by the time they ended, to be grammatically correct and beautifully formed English. This German-born economist mastered the English language like no other member of the Austrian school ever did. For Lachmann style was not a matter of mere ornamentation. In his last years he came to refer to the "inadequacy of the neoclassical style" and I think he understood the profound loss economics suffered when it devalued good writing skills in favor of other kinds of skills. Lachmann's written essays typically have the feel of a live lecture. That is, he wrote as if he were aiming to capture the attention of a specific audience, to find common ground with them, and to move them to think differently about something. He was after orientation, orienting himself within a perspective his audience would recognize, and then orienting the audience to some question of importance which he thought they had underemphasized.

Lachmann understood the dialogical nature of science. I had the good fortune to take courses under him at New York University, where he took genuine delight in talking with others about the great books he had studied. I think he preferred the relatively short lecture because he was eager to "mix it up" with his audience and didn't want to hold forth for long periods of time constructing a complex argument. A student in his seminar might make a bold comment about something and Lachmann would smile and begin in his gravelly voice with a long "Wellllllllllll . . ." which climbed up several octaves, and then launch extemporaneously into a brilliant refutation of the comment, complete with page number citations to journal articles. The refutation would typically be good-humored, and yet devastating in its underlying substance, but somehow the student rarely felt defeated. Lachmann's challenges were not trying to win debating points, but took the form of pointed questions. He wouldn't say "You're wrong," he would ask, "If what you say is right then how can we deal with this issue?" And it was always "we." Scholarly dialogue, he understood, is a process of coming to an understanding together of subject matter. He brought his interlocutors with him in his questioning. He was deeply interested in how and why others thought differently from himself, and in his most gentle way would ask the kind of questions that gave us pause.

His essays were always building on the systematic theoretical contributions of others, but he wasn't really offering research reports or literature surveys. He was never merely placing "results" into the academic record but was rather actively trying to get others to see things the way he thought we should. Persuasion, not just reportage, was his aim. He never attempted to construct the larger and more ambitious "treatise" as the writers he admired most such as Carl Menger, Ludwig Mises, and George Shackle did, but he had profound respect for the integrated and systematic works of such economists. Recall the passages in the opening paragraph of his extended review of Mises's *Human Action*:

> It is a magnum opus in every sense of the word. Its majestic sweep embraces almost the whole field of economics and touches, at some point or other, on almost every social issue of our time. Not merely the formal-logical apparatus of economic theory, but the social structure of modern industrial society, its achievements, its weaknesses, and most of all, its ideologies come under the relentless scrutiny of one who again and again confounds the smallminded within the precincts of our science and outside it. Perhaps his most outstanding merit is an intellectual courage which in these days of the cult of the "politically possible" has become all too rare (1977 [1951]: 94).

These were the virtues of scholarship to which Lachmann dedicated his life. He sought not merely precision and accuracy in economics, but majesty. He wanted economics to reach for an overall perspective on the nature of modern industrial society, he wanted us to face head-on and respond courageously to the challenges of our time. The works he built upon as well as the ones he criticized in his own writing were sweeping and breathtakingly bold. Though his style was far gentler than the aggressive prose of Mises or Keynes, this should not mislead us about the strength of his convictions. Above all he had no patience for small-mindedness.

But the medium he made his own was never the large and systematic book. The "books" he wrote were really collections of essays, each of which could stand on its own. He would begin from the vast systematic perspective laid out by a massive work such as Weber's

Economy and Society, or Hayek's *The Pure Theory of Capital*, but then he would carefully focus in on a very specific problem, such as the ideal type (as in *The Legacy of Max Weber*, 1971), or the nature of capital regrouping (as in *Capital and Its Structure*, 1956), and flesh it out in all its nuances. If the scale of his works was small, their substance never was.

One of my own favorites of his essays is one entitled "Finance Capitalism?" (1994 [1944]: 107–123), a book review of the work *Das Finanzkapital* by the Marxian theorist Rudolf Hilferding. It focuses in on a very specific theoretical claim, that financial institutions have taken control over business decision-making. Lachmann offers a more sympathetic reading of Hilferding's thesis than one might expect of a follower of Mises, but he contextualizes it, placing it in a larger view that tries to identify the circumstances in which the management of a firm relinquishes decision-making to its financial investors. He finds that there are phases in the life of a business firm in which more control goes to the financial interests, but that there are also phases where the control reverts back to the industrial firm's management. He situates this thesis within a larger perspective about the need for a closer cooperation between theorists and historians. And he situates this perspective, in turn, in a still larger philosophical perspective. The essay ends with the suggestion that there is a need for both economic theorists and historians to think more deeply about the nature of time, concluding with this provocative observation:

> The greatest obstacle to closer co-operation between theorists and historians seems to lie in the fact that theorists find it difficult to produce models with time-dimensions, while historians cannot apply models which have no time-dimensions to the explanation of real processes which have. Moreover, one does not have to be a Bergsonian to feel some doubt whether the purely chronological concept of 'time' which historians seem bound to employ is necessarily the last word in the refinement of method which a social science is able to attain (1994: 123).

It is this penchant for enlarging our perspective on what we are doing which makes Lachmann's essays so fascinating. He gets into the concrete details of theoretical debates, but never leaves us with minutia. He finds a way to broaden our thinking, to see the larger issues lurking within the seemingly narrow arguments.

He was certainly a man of strong convictions. He was more "school-conscious" than any of the more famous Austrian economists. He was always asking strategic questions about how to improve the standing of the school within the economics profession. This is obvious enough in his writing, but was even more striking in private. In his letters, or in his office where he generously spent many hours with students, he would get downright conspiratorial. "Between these four walls . . .," he would say as we sat in his office, we need to identify who our natural allies are, we need to seize the issues that would permit our school to prosper. Whom can we persuade? How can we advance our perspective? Where are the weaknesses of our position? In an age when economists seemed to think their scientific stature demanded that they renounce all partisanship and stand above all "schools," Lachmann understood that the objectivity of these scientists was an illusion, and that their school-lessness was a sham. It was so refreshing to see a man who would honestly tell you his beliefs and invite you to question them together with him.

Just as his lectures seemed like already crafted essays, his written essays have some of the flavor of his class discussions. He brought this dialogical, constantly questioning mode into the apparently static medium of the written page. There is a playfulness there, a joy in the open-ended exploration of ideas which was always so attractive about his courses. Though a partisan who took pride in the distinctiveness of the Austrian school, he was never willing to let his fellow Austrians off easy. If some of the American Austrians had a tendency to find blame in our opponents for failing to see the obvious wisdom of our position, Lachmann would instead insist that we examine our own arguments to find out why we hadn't been as persuasive as we wanted to be. His aim was to honestly listen to the critics and learn from them.

His essays were always thoroughly situated in the intellectual context of their moment, and yet were striving to take a longer term perspective. He was always "taking stock" of where we were currently, asking where our arguments had so far failed to convince. The perspective he was striving for was often that of the future historian of thought, looking back at the present. He would start an essay with a line like "The Austrian Theory of Industrial Fluctuation has lately been under a cloud" (1977 [1940]: 267), and then he would proceed to try to explain what had gone wrong. When the history of this decade comes to be written, he would ask, what will we find to have been the key turning points?

There is something in this style of his that is of larger significance than it may appear. Economics has had few essayists of the quality of Ludwig Lachmann in the latter half of the twentieth century. It has been under the illusion that it has become an objective Science which can dispense with the flourish of rhetoric and the messiness of controversy, and that its journals can become display cases for proven results. Lachmann knew better. He knew that in the end there is nothing more to science than our efforts to understand and persuade one another. And he understood that the controversies in which we are engaged are both profoundly important to our society and also enormously fun. If we could shake off the pretenses of objectivity and expose our hidden agendas, if we could honestly engage with one another over our differences, we'd not only do more good for our fellow men and women, but we'd have a better time.

IV.B. Kirzner on the Gallant Warrior

About two weeks after the death of Ludwig Lachmann, I wrote a letter to his widow, Margot, including the following sentences: " . . .I came to recognize again and again Ludwig's utter personal and intellectual integrity. Above all else—above Ludwig's superb published scholarly contributions, above the brilliance of his oral discussions, above his lifelong commitment to the furtherance of subjectivism in social science—I will never be able to forget the shining integrity of this extraordinary human being." Several months later I concluded a brief published obituary on Lachmann with the sentences: "We have lost a delightful, encyclopedic, colleague, who told us the truth with white hot passion discreetly clothed in the most elegant old-world courtesy. How we shall miss this stern but beloved teacher, this warm, but ever-honest friend!"

Those expressions of admiration were not mere dutiful platitudes inspired by the passing of a respected colleague. They were carefully considered assessments, drawing on almost three decades of contact—and in my present retrospective judgment, those assessments accurately and precisely express my affectionate recollections of Ludwig

Lachmann. The objective of the following pages is certainly not to qualify any of the above expressions of admiration and affection. Rather I will attempt to share with the reader some of the background which provided the basis for those considered judgments.

In what follows I will first provide some details concerning my contacts with Ludwig. I will then attempt to identify what I learned about his character and personality from those contacts, although the reader will discover that Lachmann's character and personality were somewhat more complex than might be concluded from a superficial reading of the comments contributed by several of his devoted disciples and admirers. I hope that what I will say here will confirm that it is precisely these complexities which render my above judgments concerning Lachmann (and the comments of his disciples) to be more profoundly accurate and to inspire even more wonder and admiration.

I have referred to Lachmann as a colleague. But this characterization must certainly be qualified. Ludwig indeed *treated me* as a colleague (and I am afraid that I took advantage of this a little more freely than I should have done), but I was of course thoroughly aware that he was not only a quarter of a century my senior, but also that he reflected an academic and cultural milieu to which I, as an American-trained post-World War II academic, had had, and could have had, no access. It was Ludwig who initiated contact with me by writing, from Johannesburg, South Africa, very early in 1961, complimenting me warmly on my 1960 *The Economic Point of View* (which he was then reviewing for the *South African Journal of Economics*) and expressing pleasure at the discovery of someone with whom he could discuss "praxeology." At that time I already knew Lachmann's name very well both for his contribution to the 1956 Mises Festschrift (*On Freedom and Free Enterprise*, edited by Mary Sennholz and published by the Foundation for Economic Education), and for his 1956 book *Capital and its Structure* (which I had read with much excitement as a graduate student under Ludwig von Mises). Of course I, a young, lonely "Austrian" assistant professor (at a time when this Austrian label was seen not simply as evidence of unfashionability, but of positive oddity) eagerly and promptly responded to Ludwig's letter. And this began a correspondence which, with certain gaps, continued for almost three decades, in fact until three months before Ludwig's death.

I have in my possession a folder containing well over a hundred of Ludwig's letters (as well as somewhat incomplete copies of my own side of the correspondence) during these years. (This folder does not include all the correspondence for several years during the eighties, although I believe that those missing letters do exist somewhere among my papers.) These letters of Ludwig deal primarily with issues of economic theory, but they also reveal a good deal about Ludwig not only as a scholar, but as a human being. (A review of this correspondence also confirms my recollection that I was, shamefully, a most unreliable correspondent, often permitting months to pass before responding to one of Ludwig's letters. Ludwig, on the other hand, would almost invariably reply to my letters within a very short time—mostly (but not invariably!) calmly ignoring the boorish tardiness of my replies. In one letter dated February 18, '68, responding to my letter of January 31 [in reply to Ludwig's letter to me dated *October* 31st! '67], Ludwig began: "If all men were to be treated as equals, I should not be writing this letter this morning. I should wait a few months. But I am not an egalitarian. . . ." In another letter several months later, he wrote, "I am by no means insensitive to your repeated hints that in correspondence between men of learning indecent haste in answering is quite improper, and that the true scholar lets his thought mature like old wine before he comments on a point made by his friend . . .[10] But weak as I am, I feel unable to restrain my impatience today and want to say . . . how much I liked your paper in *Il Politico*.")

In 1974 Lachmann came to the United States (together with Mrs. Margot Lachmann) in order to participate in the (now-famous-among-Austrians) conference held in South Royalton, Vermont. Lachmann was enormously inspired by finding so many young minds eager to learn about subjectivist ideas in economics. This visit was my first opportunity to meet Ludwig and Margot personally. I well remember meeting them at the airport and escorting them to the old Algonquin Hotel in Manhattan. And I also particularly remember my trip to South Royalton from New York with Ludwig. We met at La Guardia Airport in order to fly to Boston and then continue with a second flight to Lebanon, New Hampshire (near South Royalton). However a severe storm left us stranded in Boston; regular flights into Lebanon were not available. In order to get us to the conference, its organizers were compelled to arrange for a very small, two passenger plane to pick us up and fly us to Lebanon. I myself found the flight, in the gusty aftermath of the storm, a little intimidating; I had never been in so small an aircraft. I stole a glance at Ludwig. He had the look of a soldier going into action, gritting his teeth and grimly determined to do his duty at whatever cost. Certainly all who participated in the South Royalton meeting will recall Ludwig as the courtly, elegant old-world scholar, whose words were always diplomatically chosen to convey his radical message in the most polite, but most unmistakable terms. It was soon after this South Royalton conference that, largely through the creative efforts of George Pearson (of the Koch Foundation, Wichita, Kansas), arrangements were made with the Moorman Foundation (Quincy, Illinois) to fund regular visits by Ludwig to New York University. It was during these dozen years or so of regular visits, participation in our weekly Austrian Economics Colloquium, lectures to graduate students, and extensive office discussions with both colleagues and students, that Ludwig Lachmann exercised his most profound influence in the revival of interest in Austrian Economics which has occurred during the past quarter century. If Ludwig had, as a "praxeologist" been isolated for decades in South Africa, now, at the conclusion of his career, he was in the center of the excitement being generated by the rebirth of interest in Austrian Economics—an excitement and a rebirth to which he was himself a prime contributor.

Certain aspects of Ludwig's character and scholarly objectives remain prominently in my recollection, and leap out of his letters as I leaf through them. These aspects contribute to a more complete and complex portrait of Ludwig Lachmann. They do not in the slightest diminish one's admiration and wonder at the dedication, intellect, and personal integrity of this extraordinarily gifted scholar. But they do require one to question some of the less nuanced images of Ludwig Lachmann which seem to emerge from the more laudatory characterizations of the man (this writer's characterizations not excepted). Some of the qualities that have been identified in Lachmann include: modesty, amiability, kindness, open-mindedness, and intellectual tolerance. These descriptions of Lachmann are in themselves not at all inaccurate, but they may, inaccurately, convey an image of a meek, gentle, venerable sage. In fact, one cannot properly appreciate Ludwig's intellectual integrity without taking note of certain apparent paradoxical features in his character and personality.

Ludwig was certainly a modest man. In his second letter to me (February 20, 1961), responding to some words of admiration which I had expressed concerning his own work, he wrote: "Alas, I have done little for Praxeology." Never, in all his correspondence, or during his presence at New York University, did he refer to his own prolific and important contributions with any kind of self-satisfied arrogance. And yet—he did not always conceal his utter contempt for scholars whom the profession held in the highest esteem. Referring to the late eminent economist Fritz Machlup, he wrote (September 2, 1968): "He is a second-rater who was once a pupil of Mises, but it was in vain." (This characterization must surely strike one as thoroughly surprising; it also turns out to have been an almost dramatically unfair one—it was Machlup who, several years later, was largely responsible for persuading the New York University Department of Economics to accept Lachmann as a Visiting Professor, on the grounds that he, Machlup, recognized Lachmann as a world-renowned capital theorist.) Nor did even Friedrich Hayek, Ludwig's mentor during the thirties, escape Ludwig's caustic criticism: Lachmann referred (November 8, 1968) to Hayek as "being guilty of some backsliding" (in regard to the "praxeological method"), as having "moved far away from his early moorings." Ludwig wrote (February 18, 1969) that he "once admired Hayek's *Economics and Knowledge* [Hayek's famous 1937 AER paper—IMK]. I no longer do." (I should, in fairness to Ludwig, also report that, in a letter dated September 7, 1970, Ludwig wrote that he had spent "a whole day with Hayek. We managed to iron out most of our differences and parted as old friends.") In a brief Johannesburg obituary (January 14th 1991, *Financial Mail*) a former student, Merton Dagut, described an episode that occurred during one of Ludwig's lectures at the University of the Witwatersrand. There was a "rhetorical silence" after Ludwig had declared "There has been no book in reply to Hayek's *The Road to Serfdom*." A student politely asked "What about Laski's *Road to Reaction?*" The question drew a sharp retort. 'That is not a book and I am not to be interrupted.'"[11] Modest though Ludwig certainly was, he could nonetheless, when he chose to do so, demonstrate a very healthy streak of self-confidence!

Certainly Ludwig was an amiable man. But he by no means always failed to take offense when he felt he was being treated badly. Thus (in his letter to me of January 26, 1971) he expressed considerable annoyance at the "rather off-hand and peremptory manner" in which he had been invited to contribute a paper to the Mises-Festschrift (being planned in honor of Mises's forthcoming 90th birthday). Ludwig added a reference to "good manners [being] at a discount in an age of decadence." When an overzealous editor took too many liberties with one of Ludwig's manuscripts, he wrote: "a more disgraceful instance of vandalism you never saw." When some New York University administrator was (either through incompetence or laziness) responsible for a delay in the completion of the visa arrangements for Ludwig, he wrote (November 6, 1975): "All this is hardly the way a Visiting Professor should be treated. For the moment, however, I refrain from commenting on academic arrangements which leave such an incumbent exposed to such clerical effrontery and incompetence."

Open-mindedness and intellectual honesty are qualities often and rightly associated with Ludwig Lachmann. Reference is often made to his contacts with and influence on scholars outside the (narrowly defined) Austrian School. Yet a complete picture of Ludwig Lachmann must place these qualities of his in their proper context. Lachmann was both an intellectual warrior and an intellectual diplomat. Nothing that he wrote or said was presented without a strategic or tactical purpose in Ludwig's life-long campaign for radical subjectivism in economics. His overall intellectual objective—an objective which he pursued with utter dedication and unswerving devotion virtually until his death—was to promote the subjectivist approach to economic and social science. With regard to *this* objective, i.e. the promotion of scientific truth in economics as he saw it, it is perhaps misleading to emphasize his open-mindedness. Ludwig was open-minded in being prepared to recognize, welcome, and encourage any evidence of subjectivist thinking he might encounter *anywhere*. It was this that led him to establish intellectual links with scholars far beyond the boundaries of the narrowly defined Austrian tradition. (In fact it seems, from his letters to me of the seventies, and of course from his 1976 *Journal of Economic Literature* article, "From Mises to Shackle," that he accepted the Austrian "label" for himself only through his belief that this label could be interpreted as at least pointing towards Shackleian or Lachmannian subjectivism. Up until that time he seldom referred to his ideas as Austrian, rather as "praxeological" [a label which, no doubt, he thought that I, as a Misesian, would find congenial].) Ludwig frequently used military metaphors, both in correspondence and in conversation. In his letter to me of June 4, 1963 (after having read my just-published *Market Theory and the Price System*) he wrote: "Now where do we go from here? What, in your view, should be our strategy and tactics? You have shown yourself a master, both of the strategic offensive . . . and of the tactics of controversy. You have shown you have a genius for finding the enemy's weak spots. . . ." Referring in the same letter to short journal notes, he wrote: "here the enemy cannot prevent us from deploying our forces." After reading my 1973 *Competition and Entrepreneurship* he wrote: "you have now laid out the Grand Strategy for our offensive against the neoclassical citadel. . . ." In an August 3, 1975 letter he wrote: "In my view there are 3 stages: in the first we mainly gather our forces, in the second we take stock of our position, and in the third we go out into the world and attack the citadels of our opponents." He was, I believe, genuinely distressed when in 1969 I finally realized and attempted to articulate openly and bluntly the serious doctrinal disagreements (concerning what I recognized as the general equilibrating tendencies of competitive-entrepreneurial market processes) which separated the two of us. It was not simply that he was disappointed in me. (I suspect that he had seen the presence of these differences a long time before I had seen them.) It was that, as he wrote (February 18, 1969): "If we two start quarrelling what becomes of praxeology?" (When he arrived in New York in 1974, one of his first remarks to me was to the effect that *we* must not quarrel . . .) Intellectual alliances with alien streams of thought were important for Ludwig, not because such alliances might contribute directly to his own thinking, but because they could, in his overall strategic calculations, contribute to Ludwig's overriding intellectual objective, the redirection of economic thinking at large along subjectivist lines. In regard to *this* objective, open-mindedness was simply irrelevant; while Ludwig may have accepted new ideas on many topics and at many stages in his career, *nothing* could change his fundamental position. (I write this not as any kind of criticism of

Lachmann with his wife, Mrs. Margot Lachmann, circa 1988.

Ludwig, but simply in order that his open-mindedness and intellectual integrity not be misunderstood.)

One feature of Ludwig's character ought to teach us both an intellectual and a moral lesson. This feature has been called by Peter Boettke and Sullivan (see their chapter in Roger Koppl and Gary Mongiovi, editors, *Subjectivism and Economic Analysis, Essays in memory of Ludwig M. Lachmann,* [London and New York: Routledge, 1998]) the "principle of charitable interpretation." If a writer can *possibly* be interpreted in a way which "makes sense," we are, Lachmann held, obliged to adopt that interpretation (even if less charitable interpretations seem somewhat more plausible). Ludwig himself surely deserves no less of us. I believe that his many letters to me are to be interpreted as indefatigable efforts on the part of a dedicated scholar and intellectual to influence the next generation of scholars through a long course of instruction which, he hoped, would eventually “straighten out my thinking.” Ludwig’s enthusiasm in this endeavor and in all his intellectual endeavors was remarkable. He poured into it his extraordinary range of reading and thinking. The circumstance that (even, at the time of Ludwig’s passing, two decades after I had first realized in full the doctrinal disagreements which separated us) I remained unconvinced by his eloquence and persuasiveness has not in the slightest degree prevented me from appreciating “the shining integrity of this extraordinary human being.” I shall indeed continue to miss “this stern but beloved teacher, this warm, but ever-honest friend.”

Notes

1. George Mason University under the leadership of Karen Vaughn, Don Lavoie, and Richard Wagner, also promoted research into Austrian economics. George Mason invited Lachmann down to their campus to give lectures and presentations and several George Mason University students spent some time in New York City attending both Professors Kirzner and Lachmann’s seminar on Austrian Economics. My impression is that there was a great deal of cross-fertilization of ideas during the period 1975–1987 (see Vaughn 1994). At the University of Virginia in Charlottesville I offered a graduate course, Economics 812, entitled “The Contribution of the Austrian School: History and Critical Reevaluation” during the Spring of 1975 but the course was offered only once and did not survive my departure to New England.

2. Mises’s writings often demonstrated an apodictic quality that turned other professional economists off. Consider his opening sentence from his 1943 *Economica* article. Mises wrote: “In the thirty-one years which have passed since the first edition of my *Theory of Money and Credit* was published no tenable argument has been raised against the validity of what is commonly called the ‘Austrian’ theory of the credit cycle” (Mises 1943, p. 251). As I explain below, Mises did not model the logical sequence of events that occurs after the injection of bank credit in a way that took into consideration the passing of historical time and the evolution of new knowledge.

3. When I returned from the South Royalton Conference I started three projects. First, I instituted a graduate economics course (Economics 812) in the James Wilson Department of Economics at the University of Virginia entitled “The Contribution of the Austrian School: History and Critical Reevaluation.” This course was given during the Spring Semester of 1975. This may have been among the first graduate seminars offered in the United States entirely devoted to the work of the modern Austrians. Second, I was appointed to serve as the overall series editor and consultant on the first Austrian-school book series entitled “Studies in Economic Theory.” The series was subsidized

by the Institute for Humane Studies in Menlo Park, California but the books bore the imprimatur of Sheed and Ward (later Sheed, Andrews and McMeel, Inc., of Kansas City). The books soared out of my office in Charlottesville with amazing speed and accuracy. (I did, however, have the privilege of working with Ms. Virginia Thatcher, an experienced copyeditor and indexer). The books on which I worked zealously were edited with an eye toward their broader influence on the economics profession and included:

a) I. M. Kirzner, *The Economic Point of View*. Second edition. (1976).
b) L. S. Moss, ed., *The Economics of Ludwig von Mises: Toward a Critical Reappraisal* (1976).
c) E. G. Dolan, ed., *The Foundations of Modern Austrian Economics* (1976).
d) F. A. Fetter, *Capital, Interest, and Rent: Essays in the Theory of Distribution* M. N. Rothbard, ed. (1977).
e) G. P. O'Driscoll, Jr., *Economics and a Coordination Problem: The Contributions of Friedrich A. Hayek* (1977).
f) L. M. Lachmann, *Capital, Expectations, and the Market Process: Essays on the Theory of the Market Economy* (1977).

They are veritable monuments of the early modern Austrian Renaissance. Each book is self-contained and speaks for itself. Finally, in March of 1974, I contacted the president-elect of the Southern Economics Association (Leland Yeager) about organizing a symposium on the economic thought of Ludwig von Mises for the November 1974 meeting of that Association in Atlanta, Georgia. At this symposium and one other that I organized in Charlottesville between 1974 to 1976, I worked zealously to "broaden the base of the Austrian school" to include James Buchanan , Leland Yeager, Fritz Machlup and others. My philosophy was that Austrian school criticisms and perspectives were important and deserved a place in modern economic analysis. Unlike Ludwig Lachmann, I did not agree that "radical subjectivism" had to dismiss, avoid, or disparage other styles of reasoning in economics in order to gain adherents. I did not agree with some modern Austrians that warring "Kuhnian paradigms" were at work making communication impossible. My eclectic views on social science in general and economics in particular were not welcomed by Lachmann who on one occasion and in response to my paper "The Emergence of Interest in a Pure Exchange Economy: Notes on a Theorem Attributed to Ludwig von Mises" (in L. Spadaro, ed., *New Directions in Austrian Economics*, Kansas City: Sheed Andrews and McMeel, Inc. 1978, pp. 157–166) compared my efforts to the work of the famous economist D. H. Robertson. According to Lachmann, Robertson tried to reconcile Keynesian ideas with Hayekian definitions. As a result, he ended "despised by both sides in the debate" (oral comments of Ludwig M. Lachmann at the Conference "New Directions in Austrian Economics" held at Windsor Castle, England, September 1976). Another time at a private meeting at the Gramercy Park Hotel in New York City where Professor Lachmann was residing while teaching at New York University, in answer to his question "Are you a radical subjectivist?" I admitted that I was not. He seemed somewhat disappointed. As a historian of economics, however, I have remained fascinated with Lachmann's vision and how much he accomplished in spreading his ideas about Austrian economics in the last years of his life.

4. Karen Vaughn (1994) makes essentially the point I'm making here, but in the context of the South Royalton conference that marked the "Austrian revival" in America.

5. Max Weber (1864–1920) was a German economist and sociologist who pioneered the method of "ideal types" in social science. His leading works are *The Protestant Ethic and the Spirit of Capitalism* and *Economy and Society* (*Wirtschaft und Gesselschaft*).

6. Alfred Schutz (1899–1959) was an Austrian social sociologist and philosopher who migrated to the United States as a refugee scholar. His principal work is *The Phenomenology of the Social World*. Schutz is famous for using Edmund Husserl's "phenomenolgical psychology" to rehabilitate Max Weber's method of ideal types. Less widely appreciated is the fact that this rehabilitation was part of an effort to shore up the methodological foundations of the Austrian school of economic theory (Prendergast 1986).

7. Sir Karl Popper (1902–1994) was a Viennese philosopher who migrated to England as a refugee scholar. Popper, who coined the phrase "critical rationalism," is sometimes credited with killing the "logical positivism" of the "Vienna Circle." His main works include *The Logic of Scientific Discovery* (*Logik Der Forschung*), *The Poverty of Historicism*, and *The Open Society and its Enemies*.

8. Jones (1969) contains the following biographical note on Bergson. "Henri Bergson was born in France in 1859 and lived and taught there all his life. When, after the fall of France in 1940, the Vichy government introduced anti-Semitic measures based on the Nazi model, it was proposed, because of Bergson's international reputation, that he be exempted from them. He refused to be treated differently, resigned his various honors, and, although at that time an enfeebled old man who had to be supported while standing in line, registered with the other Jews. He died a few days later, in January, 1941" (p. 264). Bergson exalted intuition over intellect and developed a philosophy of subjective time based on "duration." His principal works are *An Introduction to Metaphysics* and *Creative Evolution*.

9. Edmund Husserl (1859–1938) was a philosopher whose teaching career was spent in Germany. In Vienna, he studied under the philosopher Franz Brentano (1838–1917) from whom he learned the important concept of the "intentionality of consciousness." Husserl's "phenomenological psychology" attempted to be a close record, based on a kind of disciplined introspection, of the empirical structure of human consciousness. His "transcendental phenomenology" attempted to go beyond description and to ground all knowledge on such (rehabilitated) Cartesian meditations. Husserl's writings spawned the phenomenological movement. Existentialism is an offshoot of

Husserlian phenomenology. Husserl's chief works include *Ideas: General Introduction to Pure Phenomenology*, *Cartesian Meditations: An Introduction to Phenomenology*, and *The Phenomenology of Internal Time-Consciousness*.

10. This passage is a fairly good example of Ludwig's sarcastic but genuinely delightful sense of humor. An even better example is the following (November 7, 1965): "In an age in which Goldwater could be described as a 'right-wing extremist', Galbraith as a great economist . . .one's sense of mirth becomes naturally blunted. One is no longer surprised at anything at all. I should thus have been no more surprised at learning that Pope Paul and Mr. Arthur Goldberg had left their respective religious affiliations in order to start a new religion devoted to the spiritual underpinning of the U.N. (of which the latter may be very much in need) than I, was the other day at being invited by Tintner to review *Modern Capital Theory* by Donald Dewey for, believe it or not, *Econometrica!*"

11. I am not sure if this is a slip of the pen, and the reference by the student was in fact to the book of this title by Finer, or whether the error was indeed the student's (and that in fact it was this very error which provoked Lachmann to say that "That is not a book.").

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