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Austrian Economics in the 1970s
as Seen by the First Ten Issues of
The Austrian Economics Newsletter

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I. Introduction: *The Austrian Economics Newsletter*

In the days in which there was no Internet, www, e-mail, or even PC, it was so difficult to communicate the ideas and to get to know each others that had same ideas. In economics, published journals and formal conferences played the very significant role of communicating and exchanging ideas in the pre-internet period. However, this means that, for those who had not chance to publish their works because of their unorthodoxy, the world was too large.

The communication device is so vital for the creation and the development of “unorthodox” school in economics. This is the case for the Austrian School of economics. In the 1970s, Austrian economics resurged in the English-speaking world, especially in America. For this

significant event, the *Austrian Economics Newsletter*¹ (hereafter, *AEN*) played the important role of the communication, diffusion, and development of the Austrian ideas among modern Austrian economists.

The *AEN* began its publication in the fall of 1977, as an independent project sponsored by the Center for Libertarian Studies. It was planned to be published three times per year. The purpose of the *AEN* is to function as a research and communications device for work in Austrian economics. In the first issue of *AEN* published in 1977, Gary Short, the first editor² of the *AEN*, writes as follows:

For a number of years there have been only a few scholars actively written in the Austrian tradition. However, there has recently been quite a resurgence of scholarly interest in Austrian economic. Much of this interest has been stimulated by those who studied in von Mises' advanced seminar at New York University.

Evidence of this resurgence is abundant as the following indicates;

- This summer over twenty-five scholars spent three months doing research in the Austrian tradition at the Institute for Humane Studies (Menlo Park, CA) with grants provided by the Liberty Fund. Most of the participants were graduate students or recent Ph.Ds.
- In the last four years there have been twelve major conferences on Austrian economics and additional conferences are being scheduled for the future.
- The Austrian Economics Seminar is now in its third year of monthly meeting at NYU. The express purpose of this seminar is to encourage scholars interested in the Austrian approach to present working papers for comments and criticism. This academic environment has proved helpful in stimulating young scholars to integrate their independent research results with that of their colleagues.
- An impressive series of lectures by Austrian economists was held at the University of Chicago this past year, a program to be expanded by the Cato Institute to other universities.
- At present there are Austrians doing graduate work at a number of major universities including UCLA, Harvard, Virginia, Chicago, and of course NYU.
- In recent years several new Austrian works have been published. The newly established *Studies in Economic Theory* series promises to republish all of the Austrian works now out-of-print, and will provide a valuable outlet for publishing new contributions by contemporary Austrian theorists.

¹ We can access to the *AEN* at Mises Institute's website, www.mises.org. After the number 1 of volume 4 of the *AEN*, however, no issues contain the volume number. Only the publication season and the year appear on each issue.

² The editorial staffs of each issue of the *AEN* are shown in the table of Appendix A.

With this resurgence, the future offers great opportunities for Austrians. Several insights, long of interest to Austrians, are at present being discussed by the economic profession. For example, Sir John Hicks' recent work has focused on the unique role of time in economics. Alex Leijonhufvud has incorporated Austrian ideas on the importance of relative price changes in his analysis of inflation. G.L.S. Shackle's writings on time, uncertainty and knowledge have generated much work on radical subjectivism and market process. In addition the work of James Buchanan on subjective cost poses a major challenge to the current emphasis on the measurement of costs. Finally, with F.A. Hayek's recent Nobel Prize, Austrian ideas are again being noticed.

Unfortunately many individuals concerned with Austrian economics are not aware of the rapid growth of interest in these ideas. Many of these individuals have been working in isolation with little knowledge of the resurgence. Because those involved in this field are so widely scattered and because there exists at present no formal means to keep them informed of Austrian activities, the *Austrian Economics Newsletter* should be of value. Thus the *Newsletter* will be directed first and primarily at those individuals engaged in on-going work in Austrian Economics.

To those who are interested in the question of how the resurgence of the Austrian School of economics happened, the *AEN* is, without doubt, one of the most important historical documents and the records of the activities and thoughts of "Austrian" economists in America after the mid-1970s. In this essay, through looking the *AEN*, I will present what were happening during the 1970s with regards to Austrian economics³.

II. Who Was Involved in the Austrian Revival?

Had the revival of the Austrian school been by the "spontaneous force" or by the "rational planning"? As we will see below, we can say that "the Austrian revival"⁴ was the result of

³The *AEN* is still being published every year. However, in this essay, I will confine my review to the first ten issues of the *AEN*; from Vol. 1, No. 1 in 1977 through Vol. 4, No. 1 in 1982. The reasons for this limitation of our attention are as follows. The first reason is very simple. It is because we want to know about the state of Austrian economics in the 1970s. Second, the first ten issues were published by the Center for Libertarian Studies. After vol. 4, No. 1 issue, the *AEN* has been published by the Ludwig von Mises Institute. Third, the format, and by implication, the function of the *AEN* changed after the Vol. 4, No. 1. Its beginning role of "communication device" among the Austrian economists seems have become very small because of the development and diffusion of PC, the internet and e-mail during the last two decades.

⁴ According to Karen Vaughn's memory, "the term 'Austrian Revival' was first used by Vivian Walsh at a meeting of the Atlantic Economic Association in 1977 during a session on Carl Menger" to refer to "the increasing interest in Menger and his followers by the economics profession in general, and not the growing body of work in the field by those who were sympathetic to the Austrian tradition." (Vaughn, K. *Austrian Economics in America: The Migration of a Tradition*, Cambridge and New York: Cambridge University Press, 1994, p. 103, note 15.) However, Richard Ebeling, in his interview with Hayek in 1975, already

human action. But can it also be said to be “the result of human design? The title of this section “Who revived the Austrian school of economics?” suggests this central question to be addressed when we try to understand how everything happened for the revival of Austrian economics⁵.

In order to answer this problem, what we should do is, of course, to detect those who were involved in the process of the Austrian revival. The *AEN* is very helpful for this matter because we can believe that those who contributed their article to the *AEN* and those who were mentioned in these articles can be said to have something to do with the Austrian revival through their actions. For example, “Scholars Engaged in Writing & Research” (Vol. 1, No. 1) introduced activities of Richard Ebeling, John Egger, Roger Garrison, Henry Hazlitt, Naomi Moldofski, David Ramsey Steel, Lawrence H. White, and Albert Zlabinger.

Other than them the very active scholars for the Austrian revival were Israel Kirzner, Murray Rothbard, Ludwig Lachmann, Dominic T. Armentano, Richard Fink, Don C. Lavoie, Jack High, Friedrich A. Hayek, Gary Short, John Kunze, Walter Block, Joseph T. Salerno, Mario Rizzo, Gerald O’Driscoll, Jr., Stephan C. Littlechild, Duncan W. Reekie, Susan G. Cole, Robert Bradley, Jr., Matthew Krogdahl, Tyler Cowen, Thomas C. Taylor Jr., Leland B. Yeager, Walter E. Grinder, Frank Arnold, Mark Brady, Mark Manasco, Stephan B. Boehm, Karen I. Vaughn, James. A. Dorn, and Barry Brownstein.

Among these scholars, we should add some words to the presence of Friedrich A. Hayek in the resurgent interest in the Austrian ideas here. It is usually admitted that the presences of Israel Kirzner, Murray Rothbard and Ludwig Lachmann are the very important and essential for the revival of Austrian economics. But what about be Hayek’s role? Did he play a significant role for the resurgence and the development of interest in Austrian economics? The answer is, of course, very affirmative. As Gary Short writes in the first issue of the *AEN*, “with F.A. Hayek’s recent Nobel Prize, Austrian ideas are again being noticed.”⁶ However we can know from reading the articles in the *AEN* that Hayek was directly involved in the process of the Austrian revival in the 1970’s. This was evidenced by his presence at almost every conferences

had used the term “Austrian revival”. See note ** below.

⁵ In his recent account of the revival of Austrian economics, Joseph Salerno points out not only the necessity of design but also the significance of correct design for the economic truth. Salerno, J. “The Rebirth of Austrian Economics—In Light of Austrian Economics,” *Quarterly Journal of Austrian Economics*, Vol. 5, No. 4, 2002, pp. 105-22.

⁶ *The Austrian Economics Newsletter*, Vol. 1, No. 1, Autumn 1977, p. 1. Karen Vaughn says about Hayek as follows; “increasingly visible at Austrian gatherings, serving as an eminent presence, was the intriguing figure of Friedrich Hayek, a man presumed to have lost interest in economics but whose post-revival noneconomics publications nevertheless had an important impact on how the Austrian paradigm came to be conceptualized.” Karen Vaughn, *Austrian Economics in America*, 1994, p. 120.

and symposiums on Austrian economics held in the 1970s⁷.

Hayek was a distinguished guest at the South Royalton Conference in the June of 1974. At the Hartford Symposium on Austrian Economics in 1975, Hayek was one of the commentators on the paper presented⁸. Hayek participated in the “Economic Coordination Conference” and “Carl Menger Conference” both of which were held at the Claremont in 1977. And Hayek was a guest lecturer at the instructional seminar on Austrian economics at the Mills College in 1977. Hayek also spoke on *The Denationalization of Money*⁹ at the May meeting of the Austrian Economics Seminar in 1977. And Hayek was one of the commentators at “the Symposium on Theory and Method in the Social Sciences” held in 1978. We can easily imagine that the younger generation in reviving Austrian school was much more influenced and encouraged by meeting with and listening to Hayek at the conferences and seminars than by just readings of his works.

III. Exchanges of Ideas: Conferences, Symposium and Sessions on Austrian Economics

As Karen Vaughn points out, “It would be difficult to overestimate the importance of conferences on Austrian economics in the early days of the revival.”¹⁰ This is because “without some means of bringing otherwise isolated scholars together into an intellectual community, very little conversation could have taken place and little progress made.”¹¹ From both of the reports of the past conferences and symposiums, and the announcements of the future ones appeared in the *AEN*, we can get to know about the formal interaction and the focus of attention among the new Austrian economists. Even if now famous South Royalton conference might be the most symbolic event for the Austrian revival, it was not only an important one.

As Richard M. Ebeling explains in “His Sponsorship of Austrian Economics” (Vol. 1, No. 2, p. 12), there were the three major conferences on Austrian economics, all of which were sponsored by the Institute for Humane Studies¹². The first conference was “Austrian Economics Conference” held in South Royalton, Vermont in June 1974¹³. The enthusiasm

⁷ We will review the conferences and symposiums on Austrian economics held in the 1970s in the next section.

⁸ On the last day of the Hartford symposium, Richard Ebeling interviewed Hayek and Kirzner. In that interview, responding to Ebeling’s question “do you feel that this Austrian revival is a sound one?” Hayek says that “Yes, it’s certainly sound; it’s very promising---maybe very important.” And he continues, “You ask me why---I mean --- you never know why the truth is ultimately recognized, but to me it seems that’s what happened.” Ebeling, R. “The Second Austrian Conference”, *Libertarian Forum*, Vol. VII, No. 7, July 1975, p. 7.

¹⁰ Karen Vaughn, *Austrian Economics in America*, 1994, p. 114, note 3.

¹¹ Karen Vaughn, *Austrian Economics in America*, 1994, p. 114, note 3.

¹² See note ** below.

¹³ According to Peter Boettke, “Goerge Pearson, who had graduated from Grove City College and was then working with Institute for Humane Studies, initiated the idea to bring together the three leading active

of young students and professors who attended that first conference led to the second conference; “Austrian Economics Symposium” held in Hartford in June 1975¹⁴¹⁵. The third conference was “Austrian Economics Symposium” held at Windsor Castle, England, in the August of 1976¹⁶. As contrasted to the second Hartford symposium, the Windsor Conferences

scholars in Austrian economics – Israel Kirzner, Ludwig Lachmann, and Murray Rothbard – to present a series of lectures to young faculty and graduate students who had expressed an interest in Austrian economics to the Institute.” Boettke, P. “The Story of A Movement: A review essay of Karen Vaughn, *Austrian Economics in America*”, *The Freeman*, May 1995.

Participants in the South Royalton Conference are as follows; Martin Andrews, Domnick Armentano, Walter Block, John Blundell, Arthur Carol, Elizabeth Clayton, Richard M. Ebeling, Edward C. Facey, Roger W. Garrison, John Gibbens, Bowman N. Hall, Henry Hazlitt, Ronald Heiner, David Henderson, Jack High, Randall Holcombe, Donald L. Hooks, W. H. Hutt, Robert T. Jerome, Jr., M. Bruce Johnson, Davis E. Keeler, Israel M. Kirzner, Ludwig M. Lachmann, Don Lavoie, Anthony T. Lee, John R. Lemon, John Metcalf, Laurence S. Moss, Gary North, Gerald P. O’Driscoll, Jr., Svetozar Pejovich, Mark Peterson, William H. Peterson, Mario J. Rizzo, Murray N. Rothbard, Murray Sabrin, Joseph Salerno, Alfred J. Schmidt, Milton M. Shapiro, Mike Sharp, Sudha Shenoy, William Stewart, George W. Trivoli, Karen I. Vaughn, Harry Watson, Maury Wolff, and Henry Young. As we know, Milton Friedman, who then resided in Vermont, attended the opening-night dinner, and, when asked comments about William Hutt’s and Rothbard’s talks on Mises, he said “there was no such things as Austrian economics, only good economics and bad economics.”

On this conference, see, for example, Ebeling, R.M. “Austrian Economics on the Rise”, *Libertarian Forum*, Vol. VI, No. 10, October 1974, pp. 3-6. Karen Vaughn describes lively the atmosphere of the conference in her “The rebirth of Austrian economics: 1974-99”, *Economic Affairs*, Vol. 20, # 1, 2000, pp. 40-43.

The proceedings of the South Royalton conference are Dolan, E. G. ed. *The Foundations of Modern Austrian Economics*, Kansas City: Sheed and Ward, 1976.

¹⁴ On this second Hartford symposium, see Ebeling, R.M. “The Second Austrian Conference”, *Libertarian Forum*, Vol. VII, No. 7, July 1975, pp. 4-8. The proceedings of the Hartford symposium were not published. The Papers presented were as follows: John Blundell, “Carl Menger and the Founding of the Austrian School of Economics”; Gerald P. O’Driscoll, Jr., “Hayek and Keynes: A Retrospective Assessment”; John B. Egger, “Information and Unemployment in the Trade Cycle”; Roger W. Garrison, “Reflections on Misesian Time Preference”; Joseph T. Salerno, “The International Adjustment Process: An Austrian View”; John Hagel, III, “From Laissez Fair to Zwangswirtschaft: The Dynamics of Intervention”; Walter E. Grinder, “The Austrian Theory of the Business Cycle: Reflections on Socio-Economic Effects”; Dominic T. Armentano, “Competition and Monopoly Theory: Some Austrian Perspectives”; Gary K. North, “Three Critiques of Bureaucracy: Mises, Weber and the Counter Culture”; J. Huston McCulloch, “The Austrian Theory of the Marginal Use”; Sudha R. Shenoy, “The English Disease: An Austrian Analysis”; Mario J. Rizzo, “The Optimum Degree of Competition”; Arthur Carol, “On the Axiomatic Bases of Austrian Economics”; William F. Campbell, “Adam Smith and the Subjective Theory of Value”; Edwin G. Dolan, “A Deontological Theory of the Origin and Valuation of Property Rights”

According to Lavoie, Walter Block, in his letter to the director of the conference Dominic Armentano presented at the January meeting of the Austrian Economics Seminar in 1977, criticized of the Hartford symposium “arguing that it suffered from trying to combine three kinds of conferences into one: (1) an introductory conference for those as yet unfamiliar with Austrian economics, (2) an advanced seminar for those with a solid understanding of major Austrian economists, and (3) a confrontation conference for debate with non-Austrians.” Lavoie, D. “Austrian Economics Seminar, Part II: 1976-77”, *Austrian Economics Newsletter*, Vol. 1, No. 3, 1978, p. 6.

¹⁵ Also in 1975, from August 24 to 28, at Hillsdale College, a special regional meeting of the Mont Pelerin Society was held, where papers presented to evaluate the contributions and significance of Hayek’s work in economics and social sciences. The papers presented at the meeting were published in Fritz Machlup ed., *Essays on Hayek*, New York: New York University Press, 1976.

¹⁶ The symposium proceedings are Spadaro, L.M. ed., *New Directions in Austrian Economics*, Kansas City: Sheed and Ward, 1978. To each paper presented at the Windsor Castle symposium, there were two written comments. However, these comments are not included in the proceeding book edited by Spadaro. Among the papers presented Gerald O’Driscoll’s “Spontaneous Order and the Coordination of Economic

was focused on the advancement of Austrian economics. And for this reason, participation was very restricted to the small number of qualified scholars.

Jack High's "Claremont, California Hosts Two Conferences" (Vol. 1, No. 1, pp. 6-7) reports two conferences held in Claremont, California in 1977. One was on "Carl Menger"¹⁷ which was held in May, and the other was "Economic Coordination Conference", which was held in June. "The NYU Conference—Austrian Perspectives on Contemporary Economic Theory" (Vol. 1, No. 2.) by Gary G. Short and Eugenie D. Short is the very detailed report of "the most successful" conference named "Issues in Economic Theory: An Evaluation of Current Austrian Perspectives" held at New York University on January 7-8, 1978¹⁸. Mario J. Rizzo of New York University directed the conference. Among the attendants which counted approximately one hundred and fifty economists "were the editors of three leading economic journals: *Economic Inquiry*, *Journal of Economic Literature*, and *Southern Economic Journal*." Those who presented papers included Harold Demsetz, Sir John Hicks, and Harvey Leibenstein¹⁹.

John Kunze reported in detail "Methodology Conference Held at University of Delaware" (Vol. 1, No 2) from November 20 through 23, 1977. The majority of the papers considered either the Austrian contribution to the methodology of economics, the debate on the growth of knowledge literature or both²⁰. "Since the Austrian method importantly and unfashionably

Activities" was published in *Journal of Libertarian Studies*, Vol. 1, No. 2 in 1977 before the publication of the proceedings. And Murray Rothbard's "Austrian Definitions of the Supply of Money", Mario Rizzo's "Praxeology and Econometrics: A Critique of Positive Economics", Ludwig Lachmann's "An Austrian Stock-Taking: Unsettled Questions and Tentative Answers", and Louis Spadaro's "Toward A Program of Research and Development for Austrian Economics" were presented at the second academic years of the new Austrian Economics Seminar at the New York University and further discussed. We will see on the new Austrian Economics Seminar in the next section.

¹⁷ The papers presented at the conference included Gerald D'Driscoll's "Was Carl Menger a Neoclassical Economist?", Lawrence Moss's "Carl Menger and William Stanley Jevons: A Comparison of their Theories of Exchange", and Susan Cole's "Time and Uncertainty in The Economics of Carl Menger." Albert H. Zlabinger presented abridged English translation of Carl Menger's "Geld" at the conference.

¹⁸ The proceedings of the conference was published as Rizzo, Mario J. ed., *Time, Uncertainty, and Disequilibrium: Exploration of Austrian Themes*, Lexington, Mass. : Lexington Books, 1979. The review of this volume by Frank Arnold appeared *Austrian Economics Newsletter*, Vol. 2, No. 3, 1980, pp. 8-9.

¹⁹ According to Rizzo's "Preface" to the proceedings (p. ix), G.S.L. Shackle was also invited to present a paper, but he could not attend due to personal reasons. However, his paper "Imagination, Formalism, and Choice" was included in the proceedings. About this Rizzo explained "No conference on Austrian economics would be complete without his participation in some form." Stephan Littlechild's paper "Comment: Radical Subjectivism or Radical Subversion?" was also published in the volume because, also according to Rizzo, "it clearly presents one Austrian perspective on Shackle's work."

²⁰ The papers presented at the conference are follows; Samuel Bostaph, "On the Origin on Methodological Differences among Economists and the Resolution of Resulting Conflicts over Method", Robert Bradley, Jr., "Positivism and Praxeology: An Essay on the Philosophy of Economics", Mario J. Rizzo, "Equilibrium and Optimality: A Methodological Investigation", David M. Levy, "'False' Theorems or 'Mistaken' Choice in the Study of Human Action", Randy E. Barnett, "Toward a Theory of Legal Naturalism", Frederic B. Jennings, Jr., "The 'Rand-Polanyi Synthesis' and

departs from mathematical expression and statistical evaluation of economic theory, much scholarly activity has gone into examining and popularizing such a position.” With this sentence Robert Bradley, Jr. starts his description on “Symposium on Theory and Method in the Social Sciences Held in Milwaukee” (Vol. 2, No. 1) in the November of 1978, which was devoted in part to the Austrian methodology²¹.

In the 1970s, without doubt, the inflation and concomitant unemployment had been the most significant and urgent problem to be explained and solved. Tyler Cowen’s “The Rutgers Conference on Inflation” (Vol. 2, No. 2) described in detail the conference on inflation through Austrian perspectives, which was held at Rutgers University in April 1979.

In the *AEN* reports on sessions of major economic societies’ meetings, which concerned with Austrian economics also appeared. From “Two Meetings Stress Entrepreneurship” (Vol. 1, No. 3, p. 14), we can know that there were sessions on entrepreneurship in the 1978 annual meeting of American Economic Association and in the 1978 meeting of Southern Economic Association. Susan G. Cole’s “Atlantic Economic Association Highlights Carl Menger” (Vol. 2, No. 1) is not a conference report. However, through summarizing the papers in the special issue of *Atlantic Economic Journal* on “Carl Menger and Austrian School”²², Cole could indirectly report the a session on them at the 1977 meeting of Atlantic Economic Society. “The A.E.A. Session” (Vol. 3, No. 3) by Mark Manasco is a review article of the session of the 1980 meetings of the American Economic Association devoted to “Recent Development in Economic Theory: Austrian Economics.”²³ In light of these reports we might be able to say that in the late 1970s the presence of Austrian economists had been recognized in the economics professions.

its Methodological Relevance to Economic Theory”, Craig Bolton, “Methodological Individualism: An Appreciation and Clarification”, Gary Short, “On the Application of the Growth of Knowledge Theories to the Social Sciences”, John T. Sanders, “Incommensurability and Demarcation”, David Osterfeld, “Group Theory and the Economic Approach to Politics: A Methodological Critique”.

²¹ The conference discussed the following seven previously published essays of seminal reputation: Ludwig von Mises “The Science of Human Action”; Alfred Schutz “Common-Sense and Scientific Interpretation of Human Action”; J.W.N. Watkins “Ideal Types and Historical Explanation”; F.A. Hayek “The Theory of Complex Phenomena” and “Cosmos and Taxis”; Robert A. Nisbet “Developmentalism: A Critical Analysis”; W.H. Werkmeister “Social Science and the Problem of Value”. Commentators were Samuel Bostaph, Israel Kirzner, Maurice Natanson, Roger Garrison, and F. A. Hayek.

²² *Atlantic Economic Journal*, Vol. VI, No. 3, September 1978. The contributors to this issue are Richard E. Wagner, Samuel Bostaph, Laurence S. Moss, Israel M. Kirzner, Harvey Nelson Gram, Vivian Charles Walsh, Ludwig Lachmann, and Karen I. Vaughn.

²³ The meetings were held in Denver, Colorado from September 4-7. At the session on Austrian economics, the following three papers were presented: “What is Austrian Economics?” by Mario Rizzo and Gerald O’Driscoll, “Intertemporal Coordination in Macro-economic Theory” by Roger Garrison, and “micro-foundations of the Moderate Quantity Theory” by J. Huston McCulloch. According to Karen Vaughn, “It is undoubtedly true that some of the discussion generated at that session led O’Driscoll and Rizzo to revise and expand their paper into book form.” The result is their *The Economics of Time and Ignorance*, Oxford: Basic Blackwell, which was published in 1985.

From such reports as “Subjectivism Conference Held in Birmingham, England” (Vol. 1, No. 3, p. 3.), “Menger Society Holds Conference on Hayek” (Vol. 2, No. 1.), John Blundell’s “London Conference Held by Carl Menger Society” (Vol. 2, No. 2.), and “Methodological Individualism Colloquium Held at Sheffield University” (Vol. 2, No. 2.), we should realize that the resurgence of Austrian economics in the 1970s was not confined only to the United States. The Austrian economics revived in the English-speaking world. And as Lavoie writes, with these many conferences, a number of young enthusiasts of modern (sometimes radical) subjectivism were discovered. The Austrian revival means nothing other than the revival of Austrian subjectivism in economics.

IV. Succession of the Tradition: The “New” Austrian Economics Seminar

Among articles in the *AEN* the most interesting and probably the most important are Don Lavoie’s four successive reports about “Austrian Economics Seminar”, which was formed in September 1975 six years after Ludwig von Mises’s final seminar at New York University in 1969: “Austrian Economics Seminar, Part I: 1975-76” (Vol. 1, No. 2), “Austrian Economics Seminar, Part II: 1976-77” (Vol. 1, No. 3), “Austrian Economics Seminar, Part II: 1977-78” (Vol. 2, No. 1), “Austrian Economics Seminar, Part IV: 1978-79” (Vol. 2, No. 2)²⁴.

Lavoie’s articles serve not just as records of the monthly meeting at New York University. They are also brilliant survey of the each paper presented and intense discussion among the participants at the seminars. What is more, through reading them, we can know what the most debated problems among Austrian economists were during the second half of the 1970s.

In his first report, “Austrian Economics Seminar, Part I: 1975-76”, Lavoie explains how the Austrian economics seminar was restarted²⁵. The new Austrian Economics Seminar, he writes,

²⁴ See Appendix C

²⁵ To say that the Austrian economics seminar was “restarted” is certainly not correct because the characteristic of the new seminar seems completely different from the former seminar conducted by Mises. According to Karen Vaughn, at his New York University seminar, Mises “was more the professor instructing the faithful students who treated him with corresponding reverence”. Vaughn, K. *Austrian Economics in America*, pp. 66-7. Vaughn also notes on the Mises’s NYU seminar as follows;

“During most of the years of the NYU seminar, Austrian economics seemed to stand for opposition to Keynesian economics and interventionist policy coupled with a steadfast belief in the superiority of free markets for economic prosperity and individual freedom. There were the issues that increasingly occupied Mises’ thought during the interwar period in Austria and Switzerland, and these were the issues that were central to Mises’ life in America. They were also the issues that brought students to study with him at New York University. Nor surprisingly, Mises’ New York University seminar became more a focal point for conservative and libertarian thought during the 1950s and 1960s that a training ground for contemporary economists.” Vaughn, K. *Austrian Economic in America*, p. 67.

“Mises’ New York University seminar served less as a locus for active scholarly debate about economic theory than as a forum for Mises to impart his wisdom to a respectful audience. Few engaged Mises in serious challenges to his economics.” Vaughn, K. *Austrian Economic in America*, p. 93.

“was the result of the efforts of Professor Walter Block who circulated a letter to some prominent exponents of the modern Austrian school living in the New York City area (Professor Grinder, Kirzner, Lachmann, Rothbard and Spadaro) suggesting the formation of a monthly seminar and outlining a possible format.” The Austrian Economics Seminar was planned “as an advanced seminar extending the frontier of Austrian economics, and as a vehicle for the criticism and improvement of new Austrian contributions.”

As Lavoie writes, we can easily imagine that “it has been the actual two-hour discussions among the leading luminaries of Austrian economics that have proved invaluable.” In the new Austrian Economics Seminar, “For the first time, two of the most prominent American students of Mises—Murray Rothbard and Israel Kirzner—engaged in controversial discussions with such perceptive Austrian economists as Ludwig Lachmann, Walter Grinder and others”. Through these controversial discussions, “The many points of contention among the different participants were brought into sharper focus and the various strands and tendencies of Austrian economics were more clearly identified.” As Lavoie points out, “It was in the AES that the Austrian spectrum was revealed and the line of disagreement drawn.” In fact, there emerged two extreme poles of thought in the Austrian Economics Seminar²⁶.

The one pole is “nihilistic” extreme, which was occupied by “Lachmannia”. Lachmannia insists to “discard equilibrium analysis simply because we are never in equilibrium, stressing the diversity of expectation and seeing the market as including both equilibrating and disequilibrating forces.” The other pole is “Ricardianism”. This extreme, Lavoie writes, “seems to ignore disequilibrating elements, stressing the market process whereby plans are made more convergent with each other.” According to Lavoie, “much of the argumentative history of the AES can be analyzed as a gradual recognition of these two poles of thought, and the clarification or resolution of points of dispute between.”

On December 17, 1975, the first meeting of the new Austrian Economics Seminar was held at New York University to discuss Joseph Salerno’s “The Modern Monetary Theory of the Balance of Payments: A Subjectivist Critique”. Since then there had been held Austrian Economics Seminar once a month. Those who presented their paper at the first academic

In contrast, the “new” Austrian Economics Seminar became the place in which economics of the Austrian school, that is, that of Ludwig von Mises was critically discussed and some improvements and advancements were tried to make. For a slightly different evaluation of the Mises’s NYU seminar, see Greaves, B.B. “Mises’s New York University Seminar (1948-1969)”, *Libertarian Review*, Vol. 10, No. 9, September 1981, pp. 23-25.

²⁶ However, in his second report on the Austrian Economics Seminar, Lavoie notes that “while the modern Austrian school can be usefully analyzed with the theoretical tool of this ‘nihilist-Ricardian’ spectrum, it is also true that this framework, like any such theoretical tool, must to some extent simplify its subject-matter.”

year of the Austrian Economics Seminar include Lawrence White²⁷ who was then only an undergraduate at Harvard, Murray Sabrin, and Walter Grinder. Now famous paper for Austrian economists “On Austrian Methodology” by Robert Nozick was also presented at the fifth meeting in April 1976²⁸. The first year of the Austrian Economics Seminar ended with Don Lavoie’s paper “Shackle: A Critical Sampling” in the May of 1976²⁹.

The second academic year of the new Austrian Economics Seminar began in October 1976 with the controversy between Rothbard and Kirzner over the problem of empirically defining the money supply. It ended with Hayek speaking about the idea of competitive currencies in his *The Denationalization of Money* in May 1977. During this second year’s seminar, Lavoie writes, “the controversial nature of the often pioneering insights emerges on an individual level, issue by issue, and moment and moment.” The dozen or so participants in the Austrian Economics Seminar recognized the wide diversity, if not serious conflicts.

The Austrian Economics Seminar in the third academic year, in contrast to the former two years seminars highlighted the diversity among Austrian economists, illustrated the distinctive characters of Austrian economics. The third year seminar started with Richard Ebeling’s “Some Reflections on the ‘New’ Monetary Theory of Clower and Leijonhufvud” in September 1977. In subsequent four seminars, Austrian monetary theory broadly described was the topic of the discussions. The last seminar of the third academics year discussed Israel Kirzner’s “Entrepreneurship, Entitlement and Economic Justice.” Lavoie concludes his report on the third year seminars by re-confirming that “In general, by its insistence on radical subjectivism, and its focus on the market process rather than the final equilibrium state (and on the consequent importance of time in economics), the Austrian school brings attention to many facets of economic phenomena which are often missed in contemporary theory.”

The discussions of the forth-academic year of the Austrian Economics Seminar from September 1978 through May 1979 centered on the Austrian critiques of neoclassical equilibrium economics. According to Lavoie, both Lawrence White’s “Entrepreneurial Price Adjustment” in the December seminar and Jack High’s “Disequilibrium Economics: Survey and Analysis” in the March seminar “leave the impression that the analysis of equilibrating processes offers a promising intellectual entrepreneurial opportunity for Austrian economists.” Israel Kirzner’s “Alertness, Luck, and Entrepreneurial Profit” in the November seminar can be understand as exploiting this opportunity. However, while Kirzner proposes

²⁷ White’s stimulating paper “Entrepreneurship, Imagination, and the Question of Equilibration” is published in S.C. Littlechild ed. *Austrian Economics*, Volume III, Edward Elgar, 1990, pp. 87-104.

²⁸ Nozick, R. “On Austrian Methodology”, *Synthese* 36, 1977, pp. 353-392.

²⁹ Lavoie’s “Shackle: A Critical Sampling” was published in *Journal of Libertarian Studies*, Vol. 2, No. 2, 1978, pp. 125-134.

“going beyond” general equilibrium theory with the theory of entrepreneurial equilibrating process, Ludwig Lachmann, at the last seminar in May 1979 of this academic year, suggests that Austrians should “reject” it with radical subjectivism. Lavoie closes his forth and final report on the 1978-79 Austrian Economics Seminar by saying that “This academic year of the AES included some of the best contributions to Austrian scholarship in contemporary economics and bodes well for the influence of the Austrian challenge to neoclassical theory in the 1980’s.”

Austrian economics reject the positivism that the correctness of economic analysis should be demonstrated by the empirical test. Instead, the method of Austrian economics is deduction that spins out the meaning of economic concepts by the formation of mental experiment. In order for this method to be effective, strongly critical discussion is indispensable. Since, as Lavoie points out, “The assumptions of such experiments are often either implicit or not yet clear and must be brought out by critical discussion, by specifying alternative assumptions and deducing their various implications.”

Without the newly formed Austrian Economics Seminar, even if there were many valuable conferences and symposium on Austrian economics explained in the former section, it might be doubtful that the Austrian School could become as it is now. For this reason, it is no exaggeration to say the Austrian Economics Seminar is as important as the Mises’s private seminar in his Vienna period³⁰.

V. Institutional Supports for the Austrian Revival

At one time at the Austrian Economics Seminar, according to Lavoie’s report, Murray Rothbard “emphasized that the Austrians’ greatest needs are institutional: we require a journal, a Society of Austrian Economists, and a favorable graduate department.”³¹ Salerno points out that “Since human beings are not disembodied minds who instantly and costlessly absorb new knowledge, every scientific movement, if it is to flourish and advance, requires an institutional framework.”³² This was evidenced, for example, in the fact that it was the Volker Fund that “made it possible for Mises, Hayek, Rothbard, and dozens of others to develop and advance libertarian views and in the midst of an ideological climate implacably hostile to their ideas.”³³: The Volker Fund underwrote Mises’s seminar at New York University,

³⁰ For Mises’s Vienna seminar, see Boehm, S.B. “The Private Seminar of Ludwig von Mises”, manuscript, 1984.

³¹ Lavoie, D. “Austrian Economics Seminar, Part II: 1976-77”, *Austrian Economics Newsletter*, Vol. 1, No. 3, pp. 6-7.

³² Salerno, J.T. “The Rebirth of Austrian Economics—In Light of Austrian Economics”, *Quarterly Journal of Austrian Economics*, Vol. 5, No. 4, 2002, p. 105.

³³ Justin Raimondo *An Enemy of the State: The Life of Murray N. Rothbard*, New York: Prometheus Books, p. 151. However, as Raimondo writes, “In early 1962, the organizational foundations of the tiny libertarian movement—such as they were—were shattered by the sudden and near-total collapse of the Volker Fund.” Ibid.

provided Hayek's salary at the Committee on Social Thought at the University of Chicago³⁴, and gave Rothbard grants in writing *Man, Economy, and State*³⁵. We should not ignore the institutional foundation that played the very important roles for the revival of Austrian economics.

First of all, the *AEN* was sponsored by the Center for Libertarian Studies in New York³⁶. According to the Center's publication *Journal of Libertarian Studies*³⁷, "The Center for Libertarian Studies is dedicated to continuing the long and rich tradition of libertarian ideas, ideals, and thinkers."³⁸ The Center for Libertarian Studies also published a series of *Occasional Papers* under the editorship of Richard M. Ebeling, which include Lawrence White's *The Methodology of the Austrian School* (March, 1977), Murray Rothbard's *Toward a Reconstruction of Utility and Welfare Economics* (September, 1977), Ludwig von Mises's *The Clash of Group Interests* (Fall, 1977), and Richard Ebeling's *Austrian Economics: An Annotated Bibliography* (Spring, 1978)³⁹.

Richard Ebeling's article "IHS Sponsorship of Austrian Economics" (Vol. 1, No.2) emphasizes the significance of the Institute for Humane Studies⁴⁰ of Menlo Park, California, for the revival of the Austrian School. The HIS sponsored the South Royalton Conference, Hartford Symposium, and Windsor Castle Symposium on Austrian economics. The HIS also sponsored the Methodology symposium in 1977 and the NYU conference in 1978.

What is more, the IHS hosted a series of instructional seminars which are intended provide intensive and extensive introduction of Austrian economics for graduate students and young professors who have had little formal exposure to Austrian ideas. We can easily imagine that, through these instructional seminars, possible young "Austrian" students and scholars were discovered, who would convey the Austrian tradition to the next generation.

³⁴ Vaughn, K. *Austrian Economics in America*, 1994, p. 66.

³⁵ Salerno, J. "The Rebirth of Austrian Economics—In Light of Austrian Economics", *Quarterly Journal of Austrian Economic*, Vol. 5, No. 4, 2002, p. 112.

³⁶ www.libertarianstudies.org

³⁷ It was started to publish under the editorship of Murray Rothbard in 1977. At that time in which there are no such journals as *Review of Austrian Economics* or *Quarterly Journal of Austrian Economics*, *Journal of Libertarian Studies* provided only a place in which papers on "Austrian Economics" could be published. In fact, some of those papers presented at the Austrian Economics Seminar were published later in this *Journal*.

³⁸ The Center for Libertarian Studies began to publish *Journal of Libertarian Studies*

³⁹ "Recent and Upcoming Publications", *Austrian Economics Newsletter*, Vol. 1, No. 1, p. 7.

⁴⁰ The Institute for Humane Studies was founded in Menlo Park, California in 1961 by F. A. Harper, a former economics professor at Cornell University. According to Salerno, the HIS "had succeeded the defunct Volker Fund as the main institutional promoter of hard-core Austrian economic theory and libertarian political economy." Salerno "The Rebirth of Austrian Economics", p. 112. The IHS moved in 1985 to Fairfax, Virginia, and associated with George Mason University. For more history and activities of the IHS, go to www.theihs.org

The significant role the IHS played for the Austrian revival is not confined to its sponsorship for the many conferences and seminars. “Studies In Economic Theory” (Vol. 1, No.1) by Richard Ebeling reads that “Under the sponsorship of the Institute for Humane Studies, Sheed Andrews and McMeel has begun a new book series entitled ‘Studies in Economic Theory’”. The series includes such volumes as Murray Rothbard’s *America’s Great Depression*, Israel Kirzner’s *The Economic Point of View*, and Ludwig von Mises’s *Ultimate Foundation of Economic Science*. The series also includes the proceedings of the South Royalton conference⁴¹, the Windsor Castle symposium⁴², and the Southern Economics Association’s symposium on the Economics of Ludwig von Mises⁴³.

The very short column “Cato Institute Promotes Austrian Economics in Printing and Lectures” (Vol. 1, No. 1) teaches us the importance of another institution for the revival of Austrian Economics. The article reads that the Cato Institute⁴⁴ “is becoming actively involved in promoting Austrian economics” by expanding and improving the “Studies in Economic Theory” series and expanding the Austrian lecture series at the University of Chicago.

Without these great institutional supports from the Center for Libertarian Studies, the Institute for Humane Studies, and the Cato Institute, the revival of the Austrian school might be only the short-lived incident⁴⁵.

VII. Alternative Teachings: The Austrian Economics Program at Universities

The most impressive evidence of the Austrian revival is the establishment of the Austrian economics program at universities. Don Lavoie’s “Austrian Economics at New York University” (Vol.1, No. 1) explains that Israel Kirzner has carried on the Austrian tradition cultivated in the Ludwig von Mises’s seminar by establishing the formal Austrian program at New York University. The educational value of this program, Lavoie says, much increased with Ludwig Lachmann as a visiting professor and Mario Rizzo as a post-doctoral fellow. The presence of Jack High in 1976 also benefited the NYU program. “Austrian Economics Program at New York University” (Vol. 1, No. 3) noted that the program was further strengthened by the addition of Gerald P. O’Driscoll in fall 1978. In 1979, according to “NYU Update” (Vol. 2, No. 2), Stephan C. Littlechild joined the program as a visiting professor.

⁴¹ Edwin G. Dolan ed. *The Foundations of Modern Austrian Economics*, Kansas City: Sheed and Ward, 1976.

⁴² Luis M. Spadaro ed. *New Directions in Austrian Economics*, Kansas City: Sheed and Ward, 1978.

⁴³ Lawrence Moss ed. *The Economics of Ludwig von Mises: Toward a Critical Reappraisal*, Kansas City: Sheed and Ward, 1976.

⁴⁴ The Cato Institute was founded in 1977 by Edward H. Crane and Charles G. Koch in San Francisco. For its history and activities, go to www.cato.org

⁴⁵ For the detail of how the institutional framework influenced, or “biased”, the process of the modern revival of Austrian economics, see Salerno, J. “The Rebirth of Austrian Economics—In Light of Austrian Economics,” *Quarterly Journal of Austrian Economics*, Vol. 5, no. 4, 2002, pp. 105-22.

In “Program in Austrian Economics” (Vol. 4, No. 1) published in Spring 1983, the writer says that “It is safe to say that at no other university today can one find a more illustrious collection of Austrian scholars in residence than at New York University.” The faculty at that time included Israel Kirzner, Mario Rizzo, Lawrence H. White, Fritz Machlup, Richard Langlois, and Ludwig Lachmann⁴⁶.

“Austrian Economics at Rutgers University” (Vol. 1, No. 3) announces that in fall 1978 “Rutgers University at Newark, New Jersey, has initiated a very promising undergraduate program in Austrian economics”⁴⁷. The faculty includes Richard Fink, Joseph Salerno, and Walter Block. The undergraduate program in Austrian economics, “Briefs” (Vol. 3, No. 1) reads, was also established at George Mason University for the 1980-81 year with Richard Fink and Karen Vaughn as the faculties⁴⁸.

According to “Notes” (Vol. 1, No.2), the Department of Economics at the University of Colorado sponsored the lecture series “The Austrian School of Economics: An Alternative to the Neoclassical and Marxist Paradigms” held in October 1977 and March 1978. Lecturer included Ludwig Lachmann, Israel Kirzner, Steven Swiff, Richard Wagner, and Gerald O’Driscoll.

VIII. Intellectual Developments: Interviews and Essays

Among the first ten issues of the *AEN*, the three issues include the interviews with Ludwig Lachmann (Vol. 1, No. 3)⁴⁹, Fritz Machlup (Vol. 3, No. 1)⁵⁰, and G.L.S. Shackle (Vol. 4, No. 1)⁵¹. The interviewers asked them about their personal background and career in their early days as an economist, their views on Austrian economics, and their opinion about current economic problems.

What might be very interesting of the Lachmann interview is his answer to the question “What type of problems do you think Austrians will have to tackle and what are the important issues

⁴⁶ According to the article, they all, except of Machlup, “regularly attend the weekly colloquium: the heart of N.Y.U.’s program in Austrian economics.” Machlup passed away on January 30, 1983.

⁴⁷ Out of the program “the Center for the Study of Market Processes” was born in 1978. As we see below, the program was relocated to George Mason University in 1980. See Edward Cline “The Center for the Study of Market Processes at George Mason University: An Alternative Approach”, *Institute Scholar*, Vol. 4, No3, 1985, pp. 1-2.

⁴⁸ Other than them, Jack High and Don Lavoie also are the full-time faculty members.

⁴⁹ Lachmann was then shortly before his return to South Africa and near the end of his three year appointment as visiting professor of economics at New York University. The interview was conducted by Richard M. Ebeling and Gary G. Short on November 18th, 1977. Richard Ebeling again interviewed Lachmann when he visited at New York University in early 1980. The interview was published as “Austrian Economics: An Interview with Ludwig Lachmann” in *Institute Scholar*, Vol. 2, No. 2, February 1982, pp. 6-9.

⁵⁰ Machlup was then Professor of economics at Princeton University and New York University. The interviewers were Joseph T. Salerno and Richard M. Ebeling.

⁵¹ The interview was conducted by Richard M. Ebeling in the fall of 1981.

that could enable the Austrians to gain the initiative in the field of ideas?” Lachmann replied as follows;

“I would agree with a view Hicks has expressed in his paper, ‘Some Questions of Time in Economics’ in the Georgescu-Roegen essays⁵². The most important problems are problems of market structure and certain problems of the effect of technical progress on the capital structure and on the economic structure as a whole. I suppose it doesn’t need any great emphasis that if Austrians stress the market process as the central economic process they should take some interest in the way in which the market functions in various parts of the system and in particular in the way in which different markets function. We have learned for instance that there is a difference between asset and commodity markets and that in some markets expectations are more important than in others. All this I think should be developed further, including, of course, the problem of the forward markets, which as it were, has been thrown at us by certain prominent neoclassical figures.

The other is the problem Hicks has been trying to deal with, questions of technical progress in an economy in which most capital goods are durable and where the effects of technical progress only begin to show themselves gradually and only at first in some sectors of the system but not in others. Now this might lead to some revision of the Austrian trade cycle theory, the subject on which I have become somewhat skeptical. It still seems to me that Wicksell’s insistence that the trade cycle has something to do with the uneven rate of technical progress in different parts of the system was fundamentally a sound one. And I hope that Austrian economists somehow will find a way to incorporate such views in the Austrian trade cycle theory. As it stands, of course, there is no reference whatever to technical progress. But it is surely clear that in the real world it does matter.

Another problem Austrians should tackle is a critical examination of certain concepts that are used by other economists. The other day listening to Professor Tobin one learned that he thought that there was a good deal of excess capacity at the moment in the American economy. Now, how exactly would one go about measuring that? It seems to me that economists taking some interest in capital problems should take an interest in such the moment in the American economy.”⁵³

Machlup, who wrote his doctoral dissertation under Mises and was one of the regular members of Mises’s private seminar in Vienna, was interviewed about an *a priori* deductive methodology of Mises in economics, the characteristics of Austrian economics, and the cause

⁵² Hicks, J. R. “Some Questions of Time in Economics” in Anthony M. Tang, Fred M. Westfield, James S. Worley eds., *Evolution, Welfare, and Time in Economics: Essays in Honor of Nicholas Georgescu-Roegen*, Lexington, Mass. : Lexington Books, 1976, pp. **-**.

⁵³ “An Interview with Ludwig Lachmann”, *Austrian Economics Newsletter*, Vol. 1, No3, 1978, p. 11.

of “stagflation”. As for the first point, Machlup gently criticized Mises’s position;

“Well, deductive is fine, *a priori* is something else. Needless to say, you can deduce things from statements whether they are *a priori* or *a posteriori*. Now, Mises gave us his views on his *a priori* ideas and they were criticized by Kaufmann, Schutz and others, but you see it isn’t really necessary to criticize these terms, because you could always construe, even in an entirely empirical science, you could construe an abstract, internally consistent system of propositions. You may call any model *a priori* because you can “build” the model, according to your own specifications. A model can never be shown to be *a posteriori*; the builder can be influenced by what he has experienced but these experiences cannot contradict or falsify the model. A model can serve all sorts of purposes; you can say you understand the world better if you have a model, and the model will be *a priori* in that sense. It may contradict practically every experience that you have and yet it may be helpful in explaining observed phenomena. So one does not have to take the aprioristic position of Mises so seriously as he himself has done.”⁵⁴

Machlup, in his interview, points out six distinguish characters of Austrian economics in the 1920s; methodological individualism, methodological subjectivism, marginalism, individual tastes and preferences, opportunity costs, and the time structure of consumption and production. In his reply to the question “To what extent do you think these points still distinguish the Austrians from other economists today”, Machlup says as follows;

“I would say methodological individualism and subjectivism are the most important of the whole lot. Marginalism is internationally accepted. No one is an Austrian just because he is a marginalist. That people act according to their tastes and preferences and that these are basic to utility and to demand is clear. Hence, this would not be enough to make you an Austrian. Opportunity cost is so widely accepted, even in benefit-and-costs analysis. The time structure of production is not so widely accepted, and may be a mark of Austrian economics. But the one thing that really distinguishes the Austrians now is their methodological position: individualism and subjectivism. Here you can actually see differences, let’s say, from the Chicago school, which does not sufficiently stress this approach, or, at least, they do not know the extent to which they are subjectivists and methodological individualist.”⁵⁵

The interview with Shackle, who was introduced as “An often controversial figure within Austrian economics”⁵⁶, would have left somewhat mysterious impression to the reader⁵⁷.

⁵⁴ “An Interview with Professor Fritz Machlup”, *Austrian Economics Newsletter*, Vol. 3, No. 1, 1980, p. 9.

⁵⁵ “An Interview with Professor Fritz Machlup”, *Austrian Economics Newsletter*, Vol. 3, No. 1, 1980, pp. 10-11.

⁵⁶ “An Interview with G.L.S. Shackle”, *Austrian Economics Newsletter*, Vol. 4, No. 1, 1983, p. 1.

And the interviewer, Richard Ebeling, didn't ask any questions specifically concerning with "Austrian economics." However, what attracts our attention is Shackle's comment on equilibrating tendency of Kirznerian entrepreneurial market process that is characterized with increasing of the "confident" entrepreneurs.

"Yes, well, I think that I would say that they may have confidence, but it will have to survive some terrible shocks. I mean, there will always be shocks and things that really upset all calculations. I can't really quite believe in the idea of steady improvement, you know. After all, some of these men, they're very clever entrepreneurs, are not all working together, they're trying to undermine each other's positions, they're working against each other and trying to outdo each other."⁵⁸

Shackle's reply and, in a sense, the whole interview with him were followed up by his note "Professor Kirzner on Entrepreneurship" (Vol. 4, No. 1), which is attached to the interview. While being not sure that what Kirzner calls alertness is the heart of the matter, Shackle insists that "The true entrepreneur, Professor Kirzner is saying in effect, is the man whose thoughts can encounter knowledge that nobody knew existed."⁵⁹

Including Shackle's note, ten essays or notes, though some of which are very short, are published in the first ten issues of the *AEN*. In his "On the Theory of Costs" (Vol. 1, No. 1)⁶⁰ Richard M. Ebeling surveys the development of the subjectivist notion of costs from Friedrich von Wieser through "L.S.E. Cost Theory" to Shackle and Brian Loasby. Lawrence H. White corrects Ebeling's misunderstanding of Shackle's notion of opportunity cost in "Comments

⁵⁷ For example, see the following exchanges of pressing questions and nihilistic answers between the interviewer and Shackle on page seven;

SHACKLE: Those economists who are going to give advice, or who are going to be advisors either to government or to business, should have their training based in economic history, and they only need as much theory as you find up to the second year textbook.

INTERVIEWER: How would you respond to the rebuttal that, aren't you, in a sense, suggesting that economics become historicism. General theory may exist, at a very simple or fundamental level, e.g., the concept of marginal utility, but, beyond that, all we ever have is the historical record and what was historically relevant in the past may not be for our period.

SHACKLE: No, it may not. And it won't be. Well, it's a very nihilistic position and I realize that.

INTERVIEWER: In a sense, what you're suggesting is that a very large proportion of what has been built up in over two hundred years in economics as a discipline needs to be set aside, that it throws into question the very notion of what most economist view as what is required of economics to be a science?

SHACKLE: I've been saying for almost forty years that economics isn't a science, and we ought not call it a science.

⁵⁸ "An Interview with G.L.S. Shackle", *Austrian Economics Newsletter*, Vol. 4, No. 1, 1983, p. 6.

⁵⁹ G.L.S. Shackle "Professor Kirzner on Entrepreneurship," *Austrian Economics Newsletter*, Vol. 4, No. 1, 1983, p. 8.

⁶⁰ This article is reprinted in Stephen C Littlechild (ed.), *Austrian Economics Volume I*, Aldershot: Edward Elgar, 1990, pp. 253-4.

on Shackle's Notion of Opportunity Costs" (Vol. 1, No. 2)⁶¹. With the Austrian subjective theory of costs David Ramsey Steele criticizes Oskar Lange's theory of "Simulated-Market" socialism in "Lange's Theory of Socialism After Forty Years" (Vol. 1, No. 3)⁶². It must be one of the earliest Austrian re-examinations of economic calculation debate after the World War II. As Mises recognized, accounting is the major facet of monetary calculation and market process. Depending on his dissertation, Thomas C. Taylor, in his "Accounting and Austrian Economics" (Vol. 3, No. 1), endeavors to reconcile Austrian economics with accounting. "Of all the interwar school of thought, the Stockholm School was the one closest to the Austrians in approach and interest. The Swedes, like the Austrians, were concerned with the microeconomic underpinnings of macroeconomic phenomena, i.e., the individual human plans whose interactions generated the aggregate results. And, again similar to the Austrians, they wished to move beyond the traditional 'comparative static' method and study dynamic process, i.e., 'period analysis' and the 'cumulative process'". From these perspectives, Ebeling, R.M. writes "The Stockholm School of Economics: An Annotated Bibliography" (Vol. 3, No. 2) to stimulate the study of the works of the Swedes as the Austrians' "intellectual cousins". Ebeling did not only the excellent survey of the development of Stockholm economics, he but also made an informative comparison between Austrian and Swede economics in terms of analytical notions of periods, process and production. In his "A Note on Leijonhufvud's 'The Wicksell Connection'" (Vol. 3, No. 2), Tyler Cowen introduced Alex Leijonhufvud's thesis that the theory of interest rate mechanism whose origins are in Wicksell's savings-investment approach is the center of confusion in modern Keynesian and Monetarist macro economics⁶³.

Along with the view of a market as process, the central tenet of Austrian economists is that a market economy is essentially monetary economy. Joseph Salerno's "Monetary Approach to the Balance of Payments: New and Old" (Vol. 1, No. 2) explains in the same vein the fundamental insight that "the balance of payments is, in its essence, a monetary phenomenon", the mechanism operating smoothly and automatically equilibrating the balance of payments, and policy implications.

As we saw above in Lavoie's reports on the new Austrian Economics Seminar, there seemed exist two contrasting attitudes toward the equilibrating tendency of market process in the

⁶¹ White's note was also reprinted in Stephen C Littlechild (ed.), *Austrian Economics* Volume I, Aldershot: Edward Elgar, 1990, p. 255.

⁶² As said in the second section above, David Ramsey Steele was introduced in "Scholars Engaged in Writing & Research" (Vol. 1, No. 1) as "putting the final touches on his book, *The Impossibility of Communism*, which considers Mises' economic calculation argument in the context the Marxian idea of socialism."

⁶³ Alex Leijonhufvud "The Wicksell Connection: Variations on a Theme", chapter * of *Information and Coordination: Essays in Macroeconomic Theory*, New York: Oxford University Press, 1981. When Cowen writes his article, the book had not yet published.

Austrian school: one is that of “Lachmannia”, which is very skeptical about the equilibration, the other is that of “Ricardianism” or “Kirznerian”, which insists that tendency. With his paper “Spontaneous Order and the Coordination of Economic Activities”⁶⁴ presented at the Windsor Castle Symposium on Austrian economics in 1976, Gerald O’Driscoll brought these contrasting views about equilibrating force of market process into the open controversy. Lawrence H. White’s “The Austrian School and Spontaneous Order: Comment on O’Driscoll” (Vol. 2, No. 1), in which he comments on “a controversy sparked by Professor Lachmann’s thought which has arisen in Austrian circle over the question of general equilibration”, leads to the debate between White and Ludwig Lachmann on that question; “On the Recent Controversy Concerning Equilibration” (Vol. 2, No. 2)⁶⁵.

IX. Evaluation and Criticism: Book Reviews

In the first ten issues of the AEN, twenty-three books were reviewed⁶⁶, which can be classified roughly into three groups; those by such Austrian economists as Mises, Hayek, Frank Fetter, Kirzner, Lachmann, O’Driscoll, and Littlechild, those by such fellow travelers of Austrian economics as William H. Hutt, Duncan Reekie, James Buchanan, Brian Loasby, and Shackle, and those by others including John Hicks, Malte Faber, and Hans-Georg Graf. The proceeding of the 1978 NYU conference, which was edited by Mario Rizzo, was also reviewed.

These book reviews are of interesting in the following two related senses. First, because the reviewers are Austrian economists or fellow travelers⁶⁷, we can know how they evaluated the works by “colleagues” or “friends” in the period of the Austrian revival. However, it seems that some reviewers used their opportunity to review the book assigned only for criticism of their opponents. White, for examples in his review of Lachmann’s *Capital and Its Structure*, seemed only continue his criticism of Lachmann’s denial of spontaneous order.

Second, two of the twenty-three books reviewed, Gerald O’Driscoll’s *Economics as a Coordination Problem* and William H. Hutt’s *The Keynesian Episode*, had two different reviews. While it itself might be thought as healthy state of Austrian economics on the one

⁶⁴ See note ** above.

⁶⁵ Reacting to Lachmann’s comment that “Without an auctioneer, what happens in each market as well as the movement of relative prices depends on the actual sequence of events, the temporal order of market process” and “the market process assumes different forms in different markets”, White declared that “It is now clear that he is not prepared to make any such general affirmation [of spontaneous order]”. Then Lachmann rejoined that “by pretending to see ‘spontaneous order’ everywhere, we are playing right into the hands of our opponents who merely have to point to obvious instances of malcoordination to win debating points.”

⁶⁶ See Appendix B “Book Reviews” The number 3 of the volume 2 of the AEN is “Special Book Review Issue”, in which eight book reviews appeared.

⁶⁷ For example, Brian Loasby’s *Choice, Complexity and Ignorance* and Lachmann’s *Capital and Its Structure* were reviewed by Lawrence White, and Israel Kirzner’s *Perception, Opportunity, and Profit* was reviewed by Jack High.

hand, it can be understood as suggesting that there existed divergent opinions among the Austrian circle.

X. Austrian Economics in the 1970s

So far we have reviewed the first ten issues of the *Austrian Economics Newsletter*. The *AENs* tell us how the Austrian revival took place and what was its infrastructure and personalities. We can also know the ideas and problems that came to characterize the resurgence in Austrian economics in the 1970s. They are concerned with dynamics, process, expectation, time, entrepreneurship, (Knightian) uncertainty, knowledge, discovery, learning, equilibration and disequilibration, spontaneous order, subjectivism, Austrian methodology and praxeology, criticism of general equilibrium, price system as a conveyor of information, monetary policy, and so on.

Then what can we say about Austrian economics in the 1970s? What is the essence of the Austrian revival? What is Austrian economics on earth? The suggestive answer to these questions, especially in terms of Austrian economics in the revival period, seems to be given by Israel Kirzner. He says, at one interview, “Austrian economics is an *evolving tradition*.”⁶⁸ Tradition means a statement, belief, or custom that has been handed down from generation to generation. In principle it might be kept by an individual in his or her practice. However, practice and handing down of tradition is certainly done most effectively by a group of people who share it. The Austrian revival in the 1970s means the emergence of the network of people who consciously committed to a tradition in economics called “Austrian economics”. Although what characterizes the Austrian tradition the most is subjectivism, it is impossible or unnecessary to describe a tradition in an unambiguous way.

This indeterminateness produces a possibility for change, growth, development, and evolution of the tradition of Austrian economics. Austrian economists in the Austrian revival in the 1970s can be seen to try strengthening inner consistency of Austrian theory, developing it further or to the new direction, and applying it to the new field of researches.

Without doubt, the *Austrian Economics Newsletter* is one of the most important historical documents of the Austrian revival and Austrian economics in the 1970s.

⁶⁸ *A Conversation with Israel Kirzner*, Videotape, The Liberty Fund, 2000. Italics added.

Appendix A:

The Editorial Staffs of the *Austrian Economics Newsletter*; Vol. 1, No. 1-Vo.4, No.1

	Editor	Managing Editor	Editorial Board	Staff
Vol. 1, No. 1 (1977) Vol. 1, No. 2 (1978) Vol. 1, No. 3 (1978)	Gary Short	John Kunze	Walter Block Richard M. Ebeling Richard Fink Don C. Lavoie Joseph T. Salerno	
Vol. 2, No. 1 (1979) Vol. 2, No. 2 (1979) Vol. 2, No. 3 (1980)	Don C. Lavoie	John Kunze	Walter Block Richard M. Ebeling Richard Fink Gerald P. O'Driscoll Mario J. Rizzo Joseph Salerno Gary Short	
Vol. 3, No. 1 (1980)	Don C. Lavoie	Tyler Cowen	Walter Block Richard M. Ebeling Richard Fink John Kunze Gerald P. O'Driscoll Mario J. Rizzo Joseph Salerno Gary Short	Josh Zissman (Staff Coordinator) Thomas Ballou Kathy Curtis Daniel Klein Randall Kroszner John McNeil Chris Sciabara
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Salerno, Joseph T. “Monetary Approach to the Balance of Payments: New and Old”, Vol.
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White, Lawrence H. “Comments on Shackle’s Notion of Opportunity Costs”, Vol. 1, No.
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White, Lawrence H. “On the Recent Controversy Concerning Equilibration”, Vol. 2, No.
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Gerald P. O’Driscoll, *Economics as a Coordination Problem*, 1977, reviewed by Jeffrey
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reviewed by Richard M. Ebeling, Vol. 1, No. 3.
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Ludwig M. Lachmann, *Capital and Its Structure*, 1978, reviewed by Lawrence H. White,

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- Malte Faber, *Introduction to Modern Austrian Capital Theory*, 1979, reviewed by Roger W. Garrison, Vol. 2, No. 3.
- Ludwig M. Lachmann, *Capital, Expectations, and the Market Process*, 1977, reviewed by John B. Egger, Vol. 2, No. 3.
- W. Duncan Reekie, *Industry, Prices and Markets*, 1979, reviewed by Stephan C. Littlechild, Vol. 2, No. 3.
- Frank Fetter, *Capital, Interest, and Rent*, 1977, reviewed by Israel M. Kirzner, Vol. 2, No. 3.
- James M. Buchanan, *Cost and Choice*, 1979, and James M. Buchanan and G.F. Thirlby eds., *LSE Essays on Cost*, 1973, reviewed by Mark Brady, Vol. 2, No. 3.
- G.L.S. Shackle, *Imagination and the Nature of Choice*, 1979, reviewed by James Buchanan, Vol. 3, No. 1.
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- William H. Hutt, *The Keynesian Episode*, reviewed by Leland B. Yeager, Vol. 3, No. 3.
- Hans-Georg Graf, “Muster-Voraussagen” und “Erklärungen des Prinzips” bei F.A. von Hayek: *Eine Methodologische Analyse*, 1978, reviewed by Stephan B. Boehm, Vol. 3, No. 3.
- F.A. Hayek, *A Tiger by the Tail*, 1979, reviewed by Robert L. Bradley, Jr, Vol. 3, No. 3.
- F.A. Hayek, *Unemployment and Monetary Policy*, 1979, reviewed by J.A. Dorn, Vol. 3, No. 3.
- Richard Grathoff ed., *The Theory of Social Action: The Correspondence of Alfred Schutz and Talcott Parsons*, 1978, reviewed by Ludwig M. Lachmann, Vol. 3, No.3.

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- “Oskar Morgenstern (1902-1977)” Vol.1, No. 1
- “B.R. Shenoy 1905-1978” Vol. 1, No. 3
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Appendix C:

The “New” Austrian Economics Seminar 1975-1979

Austrian Economics Seminar: 1975-76

The 1st meeting for the AES, December 17, 1975

Joseph T. Salerno “The Modern Monetary Theory of the Balance of Payments: A Subjectivist Critique”

The 2nd meeting for the AES, January 14, 1976

Discussion began with the Dallas AEA session on the economics of F. A. Hayek.

Murray Sabrin “A Theoretical and Empirical Analysis of the Spatial Diffusion of Inflation”

The 3rd meeting, February 17, 1976

Walter Grinder “An Investigation into the Problem of Misinvestment and Capital Distortion Concerning Subsidization of Research and Development”

The 4th meeting, March 9, 1976

Lawrence White “Entrepreneurship, Imagination, and the Question of Equilibration”

The 5th meeting, April 6, 1976

Robert Nozick “On Austrian Methodology”

The 6th meeting, May 11, 1976

Don Lavoie “Shackle: A Critical Sampling”

Austrian Economics Seminar: 1976-77

The 7th meeting, October **, 1976

Murray N. Rothbard “Austrian Definitions of the Supply of Money”

Comments: Israel M. Kirzner

The 8th meeting, November **, 1976

Mario Rizzo “Praxeology and Econometrics: A Critique of Positive Economics”

The 9th meeting, December **, 1976

Ludwig Lachmann “An Austrian Stock-Taking: Unsettled Questions and Tentative Answers”

The 10th meeting, January **, 1977

Harry Johnson “Revolution and Counter Revolution in Economics” (This paper was covered without the author’s presence.)

Louis Spadaro “Toward A Program of Research and Development for Austrian Economics”

Walter Block’s Two Letters

The 11th meeting, February **, 1977

Richard M. Ebeling “A Critique of Hick’s ‘The Hayek Story’”

The 12th meeting, March **, 1977

Walter Block “The Cluster of Errors” and “Austrian Monopoly Theory—Once Again”

The 13th meeting for the AES, April **, 1977

Jack High presented his idea of dissertation at UCLA

The 14th meeting, May 10, 1977

F. A. Hayek *The Denationalization of Money*.

Austrian Economics Seminar: 1977-78

The 15th meeting, September **, 1977

Richard M. Ebeling “Some Reflections on the ‘New’ Monetary Theory of Clower and Leijonhufvud”

The 16th meeting, October **, 1977

Roger Garrison “The Neoclassical-Austrian Paradox: A Study of the History of the Wicksellian Idea”

The 17th meeting, November **, 1977

Walter Block “Fractional Reserve Banking Reconsidered” and “The DMVP-MVP Controversy: A Note”

The 18th meeting, December **, 1977

Eugenie Short “An Analysis of the Productive Nature of Money”

The 19th meeting, January **, 1978

Jeffrey Rogers Hummel “Problems with Austrian Business Cycle Theory”

The 20th meeting, February **, 1978

John Kunze “Methods of Understanding Simple and Complex Phenomena”

The 21st meeting, March **, 1978

Frank Arnold “Some Discussion of Selected Aspects of the Pure Time-Preference Theory of Interest”

The 22nd meeting, April **, 1978

J. Stuart Wood “Divergent Expectations as a Cause of Non-Equilibrium Changes of Stock Prices”

The 23rd meeting, May **, 1978

Israel Kirzner “Entrepreneurship, Entitlement and Economic Justice”

Austrian Economics Seminar: 1978-79

The 24th meeting, September **, 1978

Brian Summers “The Division of Knowledge” and “The Limit of Knowledge”

The 25th meeting October **, 1978

Gerald O’Driscoll “The Time Preference Theory of Interest Rate Determination”

The 26th meeting, November **, 1978

Israel Kirzner “Alertness, Luck, and Entrepreneurial Profit”

The 27th meeting, December **, 1978

Lawrence White “Entrepreneurial Price Adjustment”

The 28th meeting, January **, 1979

Mario Rizzo “Knight’s Theory of Uncertainty: A Reconsideration”

The 29th meeting, February **, 1979

Leland Yeager "Pareto Optimality in Policy Espousal"

The 30th meeting, March **, 1979

Jack High "Disequilibrium Economics: Survey and Analysis"

The 31st meeting, April **, 1979

James M. Buchanan

The 32nd meeting, May **, 1979

Ludwig Lachmann "Equilibrium and the Market Process"