

# DISMISSAL, EXPULSION, AND EMIGRATION OF GERMAN-SPEAKING ECONOMISTS AFTER 1933

BY  
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## I. INTRODUCTION

The dismissal of academicians from German universities under the Restoration of Civil Service Act (*Gesetz zur Wiederherstellung des Berufsbeamtentums*), promulgated by the National Socialists on April 7, 1933, and the expulsion of academicians from Germany, Austria, and other European countries interrupted or destroyed promising developments in economics, as well as in physics or other areas. According to this new “law,” which was passed by the Nazis in a short cut immediately after coming to power, “disagreeable” persons could be dislocated from the public service predominantly for racist (section 3) or political (section 4) reasons.

This caused a negative turning point for the long-run development of sciences at German-speaking universities. German and Austrian economics fell behind internationally; after 1945 it had to undergo a laborious catching-up process without being able to compensate for the loss of qualified personnel in the following decades. In contrast, the economists who had been driven out of Germany, Austria, and other countries not only enriched the growths of their specialized areas in their host countries, but also made decisive contributions to the international standard of research. This holds in particular for the United States, which was the direct or indirect destination for some two-thirds of German-speaking emigré economists.

This enormous shift, due not least to emigration from fascist and Stalinist European countries to the United States, can be measured fairly precisely. Whereas the Soviet Union lost twenty-four of its thirty-six most outstanding economists and the successor states of the Danube monarchy lost thirty-six out of fifty, the United States gained a total of 161 through immigration. This figure accounts for about thirty percent of those economists born in the United States (see Frey and Pommerehne 1988, p. 103, who base their calculations on Blaug and Sturgis’s 1983 *Who’s Who in Economics*). In contrast, the percentage of leading economists worldwide from the German-speaking countries decreased from fifteen percent among the dead to three percent among the living.

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The analysis of the Nazi-induced intellectual emigration from Germany and Austria and their long-run consequences were at the center of a research project launched under the auspices of the German Research Foundation. It led to various publications, most notably a volume (Hagemann 1997) comprising twenty-two essays, including eight autobiographical reflections by emigré economists themselves (Heinz W. Arndt, Fanny Ginor, Jürgen Kuczynski, Richard A. Musgrave, Hans W. Singer, Henry W. Spiegel, Wolfgang F. Stolper, and Paul Streeten), and very recently to a two-volume handbook providing information on the career and scientific contributions of 328 dislocated economists (Hagemann and Krohn 1999). In the following I will first summarize the results and discuss how differently universities and other research institutions were affected by this loss of intellectual capacity. Furthermore, some of the methodological problems involved in the defining of the totality of the relevant group will be addressed (section 2). Subsequently, the dispersion to hosting countries will be analyzed and central places and institutions of refuge will be identified (section 3). Next, some significant contributions by emigré scholars to the development of economics will be highlighted (section 4) before, finally, the impact of emigration in the German language area is reflected (section 5).

## II. DISMISSAL AND EXPULSION

The group of dislocated economists comprises 328 scholars. Whereas 253 had acquired academic degrees, there is a so-called “second generation,” i.e., another group of seventy-five economists who were young students or pupils who emigrated with their parents and later made an academic career as economists, such as, for example, Otto Eckstein or Frank Hahn.

They did not contribute to the transfer of scientific methods or approaches and were socialized in the hosting countries, particularly at Anglo-Saxon universities, but can be regarded as part of the long-term brain drain. One hundred and forty-eight members of the first generation were dismissed from the universities, whereas fifty-seven came from other research institutions, twenty-eight from the public administration and twenty had just finished their studies, such as Richard A. Musgrave who emigrated to the United States shortly after receiving the diploma degree from the University of Heidelberg in May 1933. With about twenty percent, the share of the Austrian economists is considerably higher than the relative size of the population of ten percent, whereas the second generation comprises exclusively emigrés, only 221 out of the 253 dismissed economists emigrated. This is a share of eighty-seven percent. Of those thirty-two scholars who did not emigrate almost one half died in the Holocaust, concentration camps, or Gestapo prison such as Carl Grünberg, Rudolf Hilferding, Robert Liefmann, Robert Remak, and Cläre Tisch.

It is not surprising that the decision to emigrate depended on age: the largest group of emigrated economists was between twenty-four and thirty-three years old, whereas only about sixty percent of the economists older than fifty years who were dismissed from their jobs left their country. The importance of the age variable is also reflected in the group of twenty-two women economists, of whom only two had received their Ph.D. degree before 1918 in Imperial Germany. Only the new republics, which

were constituted in Germany and Austria after the end of World War I opened up academic career prospects for women just as they enlarged those of Jews and Socialists.

The dismissal of economists affected the German and Austrian universities by a considerably different extent. By the winter semester of 1934/35 about fourteen percent of the faculty at German universities had been dismissed for either racial or political reasons. With twenty-four percent, the share in economics was far above the average, but the dispersion was great. While at many universities which hardly had changed their recruitment policies during the years of the Weimar Republic nobody (e.g., in Munich or Tübingen) or only one member (as in Göttingen, Marburg, or Liefmann in Freiburg) was dismissed from the economic faculties, the Universities of Heidelberg and Frankfurt, as well as the Institute of World Economics in Kiel can be clearly identified as the centers that had to suffer the greatest losses in economics and the social sciences. Among the traditional universities, Heidelberg had built up a pronouncedly liberal intellectual climate and gained a high reputation in the conservative-reactionary late phase of the *Kaiserreich*. Thanks to Emil Lederer and Alfred Weber, who became the director of the newly founded Institute of Social and State Sciences in 1924, this was reinforced during the Weimar Republic when Heidelberg attracted many of the best students. Whereas Heidelberg lost seven of its eleven faculty members after the Nazis' rise to power, Frankfurt lost thirteen out of thirty-three. The university, which had been founded by Jewish merchants shortly before the outbreak of the war, only had started its lecturing in 1919 when the enormous structural consequences of the war had caused immense tasks and problems for the modern social sciences. Within a few years Frankfurt had accumulated the largest faculty and had become a center in the social sciences.

When research on business cycles became a dominant theme among German and Austrian economists in the interwar period, Bernhard Harms, the founding director of the Kiel Institute of World Economics since 1914, hired Adolf Löwe (since 1939 spelled Adolph Lowe) to build up a new department of statistical international economics and research on international trade cycles. Within a very short time Lowe managed to bring together a group of extremely talented young economists, including Gerhard Colm, Hans Neisser, Fritz (later Frank) Burchardt, and Alfred Kähler. For a period of time Wassily Leontief (1927–28 and 1930–31) and Jacob Marschak (1928–30) were also core members of this scientific community. The research of this group was soon widely recognized and appreciated (see Hagemann 1997, pp. 293 ff.). The Rockefeller Foundation supported the work on business-cycle analysis with \$10,000. All this came to an abrupt end in April 1933 when Nazi hordes invaded the Institute and Colm, Neisser, and other researchers were violently expelled from their working places. When Gunnar and Alva Myrdal visited the institute in summer 1933 on behalf of the Rockefeller Foundation they wrote a detailed report in which they came to the following overall conclusion:

As a summing up then of our impressions of Kiel we have there as important items in the problems: 1. A somewhat unimportant rump faculty 2. rather great difficulties in renewing the faculty as there exists a scarcity in acceptable nazi economists 3. A high group of young people being in danger of losing their jobs and possibly their whole scientific future. This is how things look just now. At least for the nearest future we firmly believe that free research is endangered by political bias on the following

points: 1. The selection of problems 2. The selection of facts and results to be published 3. The selections of leaders responsible for research 4. The selection of assistant and research workers. This point about the Nachwuchs we consider to be the most devastating element in the situation as its effects reach far into the future (letter from Gunnar and Alva Myrdal, Stockholm, to Dr. John Van Sickle in Paris, July 20, 1933, pp. 5–6; Rockefeller Foundation Archives, Box 20, Folder 181).

This evaluation of the state of economic research gave a clear analysis not only of the situation in Kiel but in Nazi Germany in general.<sup>1</sup>

The situation in Austria, where the University of Vienna had almost monopolized academic education, was in several respects different from that in Germany. With the exception of one scholar who received his doctorate degree from the University of Innsbruck, all other emigrated economists received their Ph.D. degree from the University of Vienna (see Table 1). But Hitler's occupation of Austria in March 1938 did not cause dramatic changes in the development of economics insofar as it was institutionalized at the Vienna University where economics at that time was still taught at the Faculty of Law, which even in the years of the Republic was not inclined to offer academic career prospects to Jews, social democrats, and/or other "suspicious" persons. So when the three chairs in economics became vacant between 1919 and 1926 neither Joseph A. Schumpeter nor Ludwig von Mises, who may have been considered as "natural" candidates, got an offer. Instead the chairs were given to Othmar Spann, Count Ferdinand Degenfeld-Schonburg, and Hans Mayer, all of whom are not remembered today for having made important contributions to economics (see Craver 1986).

The signals thus set for the young generation of outstanding economists interested in modern economic theory, had the effect that the process of emigration already took place to a significant extent long before the *Anschluss* in 1938, when, e.g., Oskar Morgenstern and many younger economists/students like Kurt W. Rothschild, Josef Steindl, or Paul Streeten emigrated. Many Austrian economists (like Mises who became Professor of International Economics at the Institut Universitaire des Hautes Etudes Internationales in Geneva, Switzerland in 1934) had already left during the crisis years from 1933 through 1938, with the menace of Nazi rule across the border and the authoritarian regime which consolidated in the civil war situation of February 1934.

When more systematic empirical research on business cycles became a major issue, the German Institute for Business-Cycle Research, today's *Deutsches Institut für Wirtschaftsforschung* (DIW) was founded in Berlin in 1925, and shortly afterwards, at the initiative of Mises, the Austrian Institute for Research on Business Cycles, today's *Österreichisches Institut für Wirtschaftsforschung* (WIFO), was founded in Vienna. In 1927, Friedrich August Hayek became the first Austrian Institute director. After his move in 1931 to the London School of Economics, Hayek was succeeded by Oskar Morgenstern, who stayed in that position until the Vienna Institute lost its independence and became a branch office of the Berlin Institute after the *Anschluss* in March 1938. The Vienna Institute, far more than the University, suffered severe losses—among the outstanding economists who emigrated were Alexander

<sup>1</sup> For a most recent analysis of the development of German economics in the Nazi period see the detailed study by Janssen 1998.

**Table 1.** Universities where the emigré economists received their Ph.D. degree

	Before 1918	1918–1933/38
Berlin (Univ.)	7	13
Berlin (Bus. Sch., Agric.Univ.)	–	6
Bonn	1	3
Breslau	2	4
Cologne	–	4
Erlangen	1	1
Frankfurt	1	15
Freiburg	6	6
Giessen	–	1
Göttingen	3	2
Hamburg	–	2
Heidelberg	3	15
Innsbruck	–	1
Jena	–	3
Kiel	2	7
Leipzig	3	–
Marburg	1	1
Munich	7	4
Prague	3	3
Tübingen	–	3
Vienna	13	37
Wuerzburg	2	2
Other	7	3
Made their Ph.D. in exile		16
No Ph.D. or after 1945		7
Total	62 + 159 = 221	

Gerschenkron and Abraham Wald. The Vienna Institute also had been financially supported by the Rockefeller Foundation. However, whereas in Germany the research work of institutes like those in Berlin, Heidelberg, and Kiel, and around Arthur Spiethoff at the University of Bonn, were promoted, the Austrians used, to a far greater extent, the possibility of two-year fellowships. Since 1924, Hayek, Morgenstern, and Gottfried Haberler spent two year periods at leading American universities and established intensive contacts that were helpful to their later careers. Fritz Machlup and Gerhard Tintner also were among the younger economists who, as former Rockefeller Foundation fellows, were appointed professors at the State University of New York in Buffalo in 1935 and at the University of Iowa in 1937, respectively, during this crisis period.

The issues of first versus second generation and the differences in the time axis between Germany and Austria have already indicated some of the methodological problems involved in the decision process of whom to include and whom to exclude. For many good reasons emphasis is on the German *language*, not German scholars. For example, the *Verein für Socialpolitik*, founded in 1872–73 and refounded in 1948,

is the premier learned society for German-speaking economists. Besides the great majority of economists who are from Germany, the *Verein* also comprises the economists from Austria and the German-speaking part of Switzerland. Until December 1936, when the members finally decided to dissolve the *Verein* in order to avoid having to bow to the Nazis or being taken over by Nazi economists, three important meetings had taken place in Vienna: 1894, 1909 (when the famous *Werturteilsstreit*, i.e., the controversy about normative judgements in the social sciences, escalated), and 1926. And it was in Zurich in Switzerland, at the 1928 conference which focused on business-cycle theory, where it became clear that a new generation of theoretically oriented young economists had entered the stage and were dominating the discussions.

Heidelberg, Germany's oldest university, being founded in 1388, is the third oldest German-speaking university, next to Vienna and Charles University in Prague. The latter is the oldest German-speaking university and was founded in 1356 when the King of Bohemia was also the Emperor of the German Reich. Until the end of WWI it was an important institution for German culture, where in economics, for example, Alfred Weber was appointed professor in 1904, following Friedrich von Wieser. Franz Kafka, the great writer from Prague, is only one out of many outstanding examples which could be cited to demonstrate that German was the *lingua franca* particularly among the Jewish intelligentsia in Central and Eastern Europe. This does not only hold for those regions which belonged to Austria-Hungary until the end of the war, but also, as the example of Zvi Griliches cited by Scherer (2000) shows, in the Baltic republics and elsewhere. All this ended in the concentration camps of the Holocaust. So, when there is emphasis on the German language, where do we draw the dividing line? A decisive criterion was whether the scholars were affiliated with a German or Austrian academic institution or not. Due to the Danube Monarchy many scientists are included who came from regions that today belong to Hungary, Romania, or the Czech Republic, where many undoubtedly Austrian or German economists themselves were born, such as Lederer and Schumpeter.

After the Nazis' rise to power many economists first emigrated to Switzerland, where several of them, including Fanny Ginor and Arthur Schweitzer, started or finished their Ph.D. theses in the German language, particularly with Edgar Salin at the University of Basel. But despite still being in the German language area only very few took final refuge in Switzerland, because her closeness to Germany did not provide the feeling of a safe haven. Another factor was the well-known restrictive policies of the Swiss authorities which, e.g., denied entrance in 1933 to George Garvy (later to become Vice President of the Federal Reserve Bank of New York), who at that time still had his birth name Georg Bronstein and was wrongly suspected to be a relative of Trotsky.

There were several other problems of whom to include and whom to exclude. Very often the dismissal, expulsion, and emigration implied a turning-point in individual careers, from academics to journalism or bureaucracy—or vice versa—or a shift of interest away from or towards economics. A key factor for inclusion was contributions to economics that are "worth mentioning." Whereas the great majority of the emigrés undoubtedly are academic economists, some bureaucrats, economic journalists (like Gustav Stolper, the founder of the Austrian and German *Volkswirt*), and even bankers such as Hungarian-born Viennese Karl Schlesinger with his important contributions to monetary theory and policy and to the development of



general equilibrium theory, are included. The same holds for some emigré scholars who are predominantly sociologists, political scientists, or historians but who made some noticeable contributions to economics, such as Amitai Etzioni, Karl Polanyi, or Karl August Wittfogel.

A more delicate issue is the notion of "internal" emigration. Alfred Weber, whose conflict with the Nazis started when he protested against the raising of the Swastika flag at the University of Heidelberg in March 1933, undoubtedly belongs in this category. He took an early retirement and was responsible for the process of denazification after the war being executed with far greater consequence in Heidelberg than at many other German universities. In other cases it is more difficult to judge, and some borderline cases inevitably exist. So we took the dismissal from the academic position as a key criterion. But this does not fully do justice to everybody, particularly not to a few of the most promising younger scholars, who were neither professors when the Nazis came to power nor lost their employment but stayed in Germany, where in another political environment they undoubtedly would have become professors. This holds for August Lösch, a brilliant economist who applied general equilibrium theory to the space dimension, who was a *Privatdozent* at the University of Bonn and a researcher at the Kiel Institute of World Economics, who died from scarlet fever at the end of the war before he could be appointed professor, and Hans Peter, a very able mathematical economist and theorist of the circular flow, who became professor at the University of Tübingen only shortly after WWII.

On the other hand, there were some renegades like Heinrich von Stackelberg, cited by Scherer and dealt with in the Introduction to the *Handbook* (Hagemann and Krohn 1999, p. XV). Stackelberg turned from an early supporter to a later critic of the Nazi regime. But he never was dismissed, and it is debatable whether the acceptance of a guest professorship in Fascist Spain in 1943 can be interpreted as "emigration." Another case is Jens Jessen, who made an early career as a Nazi economist. He was appointed professor at the University of Kiel in 1933 and Director of the Institute of World Economics, succeeding Bernhard Harms, who was forced to resign. In the wake of the attempted assassination of Hitler on July 20, 1944, Jessen was executed in Berlin.

But there still remain some prominent cases that can be decided one way or the other. By including Erich Schneider and Schumpeter we followed the standard reference work *International Biographical Dictionary of Central European Emigres 1933–1945*, sponsored by the Research Foundation for Jewish Immigration in New York and the Institut für Zeitgeschichte in Munich (Röder and Strauss 1980–83). However, both cases are debatable. Schneider accepted the first professorship offered to him in 1936 by the University of Aarhus in Denmark and he stayed in that position when Nazi Germany invaded the country in 1940. But he also stayed after the liberation, until he moved to Kiel in 1946 where he later became the Director of the Institute of World Economics. But why include Schumpeter, who went from Bonn to Harvard in 1932 before the Nazis came to power, and not Wassily Leontief who moved from Kiel to Harvard in the year before? There are some arguments (how strong they are is debatable) that Schumpeter, who was disappointed because he did not receive the offer from the University of Berlin he was longing for, always felt in exile and might, under different political circumstances, have gone back to Germany or Austria, whereas in the case of Leontief, who accepted an offer he found most attractive, there is no evidence of this kind.

Leontief, however, indicates the fact that economics in the Weimar Republic benefitted from the emigration of a greater group of emigrés from the Soviet Union, predominantly Mensheviks with a good mathematical training. These emigrés concentrated around the statistician and mathematical economist Ladislaus von Bortkiewicz, who himself was born in St. Petersburg but had made his academic career in Germany, at the University of Berlin, and around Emil Lederer in Heidelberg. Other prominent Russian economists were Wladimir Woytinsky, who became a chief economist with the trade unions, and Jacob Marschak, who was the first to arrive in January 1919 and made his Ph.D. in 1924 and his Habilitation in 1930 at the University of Heidelberg, where the young Richard Musgrave was a student in his seminar. The Russian group also included Paul Baran, Georg Bronstein (Garvy), Boris Brutzkus, Naum Jasny, Nathan Leites, and Mark Mitnitzky (Millard). Furthermore, the Russian case demonstrates that emigration was not an important issue for only Nazi Germany, although it happened there on a far greater scale than in Fascist Italy. Nevertheless, it led to a loss of scientific potential in Italy as well, as is demonstrated by the two most prominent cases of Piero Sraffa, who moved to Cambridge early in the mid 1920s, and Franco Modigliani, who emigrated to the United States in 1939 where he made his Ph.D. with the two emigré scholars, Marschak and Lowe.

### III. COUNTRIES OF REFUGE OF THE EMIGRATED ECONOMISTS

Less than seven weeks after the passing of the Restoration of Civil Service Act by the Nazis on May 24, 1933, the Academic Assistance Council was founded in the United Kingdom on the initiative of Sir William Beveridge, then Director of the London School of Economics, “to help University teachers and investigators of whatever country who, on grounds of religion, political opinion or race, are unable to carry on their work in their own country.” The AAC, since 1936 the Society for the Protection of Science and Learning, was financed by solidaric self-taxation of the academicians. In the U.S. the Emergency Committee in Aid of Displaced German/Foreign Scholars, the Rockefeller Foundation, and the “University in Exile,”—the later Graduate Faculty, which was founded at the New School for Social Research in New York on the initiative of Alvin Johnson (see the detailed study by Krohn 1993 and the contribution by Gary Mongiovi to this symposium) were the major supporters of the emigrated economists. No wonder that the United States and Great Britain were the main countries where the emigrated scholars finally took refuge, as is shown in the following synopsis.

France, which played a considerable role for the overall intellectual emigration from Germany, strikingly was only of minor significance for the emigration of economists. In fact France was less important than Turkey, where a group of emigrated professors of law and economics (including Wilhelm Röpke, Alexander Rüstow, and, most influential, Fritz Neumark in public finance) were eminent in the modernization process of Turkish universities, which started with the reopening of Istanbul University in summer 1933, and, as experts and consultants to the government in Ankara, in the modernization process of the Turkish economy and society. However, despite all the hospitality of the Turks, the cultural differences and language



**Table 2.** Final countries of refuge of the emigrated economists

United States	131
Great Britain	35
Switzerland, France, Netherlands	12
Palestine	8
Latin America	7
Turkey	6
Australia, New Zealand	3
Other Countries	19
Total	221

problems—Neumark was the only one able to teach without an interpreter and the last to come back to Germany in 1951<sup>2</sup>—were responsible for the fact that all emigré scholars returned to Germany after WWII, whereas very few returned from either the U.S. or the U.K. That about sixty percent of the emigré economists ended up in the United States, at a greater distance from the turbulences in Europe and with a more open and flexible labor market, is neither surprising nor does it significantly differ from the findings in other disciplines.

However, one point is worth mentioning. Of the 131 emigrated economists who ended up in the U.S., about one half each emigrated directly into the United States, or came on a more or less roundabout route from other countries where they first took refuge, and often from Great Britain, which was, at least temporarily, a hosting country for more than hundred emigrated economists of whom only one third finally stayed.

One reason was the episode after the defeat of France in May 1940 when tens of thousands of emigrés were put into internment prison as “enemy aliens” on the Isle of Man, and from there several of them were transferred to the Dominions like Canada and Australia. Among those who were shifted to the Isle of Man were prominent economists, including the likes of Sraffa (for whom already an initiative was on the way to bring him over to the United States before he was released), Frank Burchardt, who became the Director of the Oxford University Institute of Statistics from 1948 until his death in 1958, and also many younger economists who later became well-known development economists, including Heinz W. Arndt, Hans Singer, and Paul Streeten. One of the fiercest critics of this internment policy of the British government, which finally was given up early the following year, was Keynes, who actively stood up for the release of the “prisoners,” in particular, Sraffa, Singer, and the brilliant young economist Erwin Rothbart (1913–44) who, as a research assistant in statistics, had done many of the calculations for his classic paper, “How to Pay for the War” and who later died as a voluntary in the British army in the Netherlands. Keynes also advocated for Eduard Rosenbaum,

<sup>2</sup> See also his informative recollection of the Turkish period (Neumark 1980).

librarian at the London School of Economics, formerly at the Chamber of Commerce in Hamburg. Keynes regarded the whole affair as “the most disgraceful and humiliating thing which has happened for a long time,” and he concluded his letter to F. C. Scott of July 23, 1940, with the statement: “If there are any Nazi sympathisers at large in this country, look for them in the War Office and our secret service, not in the internment camps” (Keynes 1978, p. 191).

Among the economists who moved from the U.K to the U.S. at the beginning of the war were Marschak and Lowe. The former had already been, with a travel grant from the Rockefeller Foundation, in the U.S. when the war began and he did not return to England, whereas the latter was naturalized the day after the outbreak of the war and accepted a renewed offer from the New School and moved to New York in the summer 1940. Since spring 1933, Marschak and Lowe had been regularly consulted on the qualification of emigré scholars by the Academic Assistance Council and by the Rockefeller Foundation, where they were appraised as “A-1, both scientifically and from the point of view of character” (John Van Sickle, Paris, to the headquarter in New York, May 10, 1933; Rockefeller Archive Center, Record Group 1.1, 200/109/539). The Rockefeller Foundation also gave strong financial support for the Oxford Institute of Statistics (OIS), which was established in October 1935, with Marschak as the founding director. The OIS was the host for the famous meeting of the Econometric Society which was opened on September 26, 1936 with a symposium on Keynes’s *General Theory* and interpretations given by Harrod, Hicks, and Meade. In the late 1930s and early 1940s emigré economists from central Europe dominated the research staff of the OIS. A good indicator for that is the well-known study, *The Economics of Full Employment* (Burchardt et al., 1944), which intended to identify the strategic factors of a policy of permanent full employment in industrial nations. With Germany’s Burchardt, Kurt Mandelbaum (later Martin), and Ernst F. Schumacher, the Hungarian Thomas Balogh, and the Polish economist Michal Kalecki, no less than five of the six authors came from continental Europe.

#### IV. SOME IMPORTANT CONTRIBUTIONS OF EMIGRÉ ECONOMISTS

It is generally recognized that the post-1945 development of economics is characterized by American leadership. All available data, from the Nobel prize awards since 1969 to the list of eminent economists based on the Social Science Citation Index, confirm American dominance in research and publication output. However, it has to be emphasized that “(t)he triumphant rise of American economics after 1940 was enormously accelerated by importation of scholars from Hitlerian Europe” (Samuelson 1988, p. 319). Whereas in Europe much was destroyed by fascism and in the eastern part by Stalinism, the United States, on the other hand, greatly benefited from intellectual migration. Many American universities had to rely on European immigrants, who not only made outstanding graduate programs possible but also were instrumental for innovative developments in economics. In the postwar years these were often transferred back to Germany, Austria, and other European countries

with some delay and were then often considered as “American” influences. Among the more significant contributions by emigré economists are the following:

(1) The development of modern public finance by Richard Musgrave whose works are characterized by a fruitful combination of the Anglo-Saxon and German traditions of public finance. The former had developed as part of standard economics and shared the rigor of its analysis. The German tradition of *Finanzwissenschaft* had a broader perspective, including institutional, historical, sociological, and legal aspects. Musgrave's division of the public sector into the three branches of allocation, distribution and stabilization—reflecting a tendency for classification, a more positive view of the public sector, and allowance for distribution as a fiscal concern—indicate German influences in the emigrant's baggage. This came to be combined with the more market-oriented Anglo-Saxon traditions in which Public Finance had not the high standing as in continental Europe, but where, with the outbreak of the Keynesian revolution, macro concerns penetrated into the mainstream of fiscal thinking. It also has to be emphasized that public finance had experienced a renaissance and a modernization push during the years of the Weimar Republic, and that there is a direct line from the works of Wicksell (1896) and Lindahl (1919) to the modern theory of public goods. In general Musgrave's work is an outstanding example of a fertile crossing of traditions, and is not untypical for the group of emigré economists at the borderline between the first and the second generation—old enough to have acquired academic degrees in Germany and Austria but young enough to continue the studies in the UK or the U.S. and to be open to the integration and development of new ideas. No wonder Musgrave is among those emigrés who, despite all the unpleasant consequences of expulsion and emigration, regard themselves as *Emigrationsgewinner*, i.e., “emigration profiteer.”<sup>3</sup>

(2) The work of the Cowles Commission since 1943, when Marschak moved from the New School to the University of Chicago to become the new research director, was of decisive importance for the process of mathematization of economics and the triumphant advance of econometrics. Although the Econometric Society had already been founded in 1930 with the Yale economist Irving Fisher as its first president, with Ragnar Frisch in Norway and Jan Tinbergen in the Netherlands (they later shared the first Nobel prize in 1969), the most outstanding representatives remained in their home countries, which were occupied by Nazi Germany in 1940. Nevertheless, many European-born economists were enthusiastic participants in the econometric revolution and active in the U.S. during the war years and after. Foremost among them were the Dutchman Tjalling Koopmans and the Norwegian Trygve Haavelmo who had studied with Frisch. Haavelmo's early works from the years 1943–44 on the modeling of a system of simultaneous equations and the probability approach in econometrics laid the foundations for the two pillars which should become the trademark of the Cowles Commission. Besides many eminent American economists like Kenneth Arrow, Lawrence Klein, Harry Markowitz, Herbert Simon (whose father had been professor in Darmstadt, Germany, before World War I when the family migrated to the U.S.), and later James Tobin, there were also some other eminent European scholars, like Modigliani and the French-born Gerard Debreu, involved in

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<sup>3</sup> See Musgrave 1996 and 1997 for a more detailed analysis.

the pioneering work of the Cowles Commission which led to the institutionalization of a new field of research.

(3) Another challenging new area was game theory, for which the basis was shaped by the joint work of Oskar Morgenstern and John von Neumann, culminating in their *Theory of Games and Economic Behavior* (1944). The Budapest-born mathematician had studied in Berlin, Göttingen (with Hilbert), and Zurich (with Weyl and Polya) since 1921, and had become Privatdozent in Berlin in 1927. From there he went to Hamburg in 1929 and permanently moved to Princeton (where he had been active since he first was invited in 1930) only after the Nazis' rise to power. Although von Neumann and Morgenstern had developed a mutual interest in their works, and the former presented his famous paper on the general economic equilibrium of an expanding economy in the mathematical colloquium of Karl Menger at the University of Vienna in 1936 (when Morgenstern could not be present), the long-sought-after cooperation between the two could only occur in an intensive form at the Institute for Advanced Study in Princeton in the years 1939–43.<sup>4</sup>

(4) Development economics, which evolved predominantly in Great Britain and in the United States at the United Nations and its ancillary organizations after the war, is among those areas where the contributions made by German-speaking emigrated economists are most significant. This can easily be seen by a simple comparison of standard reference volumes. Whereas only ten (Gerschenkron, Haberler, Hahn, Hayek, Hirschman, Machlup, Marschak, Mises, Morgenstern, and Musgrave) out of the hundred economists listed in Blaug's *Great Economists since Keynes* were in Germany and Austria before 1933–38, the share of German-speaking economists among the pioneers in development economics, listed in Meier and Seers (1984) and Martin (1991), is about thirty percent. Besides Gerschenkron and Hirschman, Mandelbaum, Rosenstein-Rodan, and Singer also have to be mentioned. Detailed studies show that in particular the Universities of London and Oxford, where Rosenstein-Rodan and Mandelbaum settled, became institutional centers for the development of development economics (see Esslinger 1999). This had a strong impact on several of the most outstanding younger emigrés who studied at these institutions and later got a name in this field, among them Heinz W. Arndt, Warner Max Corden, Gerard O. Gutmann, Alexandre Kafka, John H. Mars, and Paul Streeten.

(5) From 1945 to 1969 Mises conducted a seminar at New York University which largely kept the character of the "private seminar" he had run in Vienna from 1920 to 1934. Through his students, which included Israel Kirzner and Murray N. Rothbard, Mises's influence grew, so that the ideas of Austrian economics in the United States have come to form a significant part of the heterodox approach in economics, which maintains a critical distance from the more mathematical focus of the neoclassical mainstream. Apart from Mises and the economists of the New School, who exerted their greatest impact during the period of Roosevelt's New Deal and in the first years after the war, "however, those immigrants who tried to maintain their distinctly European scholarly identity appear to have been less influential on the development of the profession in America" (Craver and Leijonhufvud 1987, p. 175).

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<sup>4</sup> For a more detailed analysis of their cooperation and the genesis of game theory see Leonard (1995).

## V. THE IMPACT OF EMIGRATION IN THE GERMAN LANGUAGE AREA

The political events in Germany in the watershed year 1933, and thereafter, played a decisive role in the long-term loss of quality and the international reputation of German economics. This impact can be illustrated well by two topics: the evolution of scholarly journals and business-cycle theory as a sub-area of economics where intellectual migration has been most important. Due to the political developments and the consequences for the universities, German-language journals lost not only most of the emigré economists as authors, but also many foreign economists, who stopped writing in the German language and publishing in German or Austrian journals. The great increase in the number of articles written by emigré economists in the leading American and English journals corresponds to the dwindling importance of foreign and emigré economists in German-language journals. What happened to these journals can best be shown by the case of the *Archiv für Sozialwissenschaft und Sozialpolitik*, which became the most eminent scholarly journal in the social sciences after the three new editors Werner Sombart, Max Weber, and Edgar Jaffe, took over responsibility in 1904. For more than two decades Emil Lederer played a key role in the editorship of the *Archiv*. Having been secretary to the editors since 1911, he became managing editor in 1918, and from 1922 onwards editor with the two new associate editors, Joseph Schumpeter and Max's younger brother Alfred Weber.

In the first third of the twentieth century the *Archiv* reached a quality and reputation which was never regained by any other German journal after 1933. The list of many outstanding contributions still cited in the modern literature includes Max Weber's classic study on "The Protestant ethic and the 'spirit' of capitalism" (1905); Ladislaus von Bortkiewicz's two famous articles on "Value and prices in the Marxian system" (1906–07); Ludwig von Mises's paper that launched the socialist calculation debate (1920), Nikolai Kondratieff's article on "The long waves in economic life" (1926), which made his statistical investigations known to the Western world; and Wassily Leontief's Ph.D. thesis on "The economy as a circular flow," which he had written at the Institute of World Economics in Kiel and submitted to the University of Berlin with Sombart and Bortkiewicz as the two referees. In this work, which was translated into English only in 1991 and which "sounds the first note of the overture to his *Ring of Input-Output*" analysis (Samuelson 1991, p. 177), Leontief described the way the economic system moves towards equilibrium over a period of time.

Although many papers were published in the *Archiv* by authors who were critics of the capitalist system, such as Eduard Heimann, Karl Polanyi, Jacob Marschak—who, for example, wrote a long two-part study in which he gave an early analysis of the character of Italian fascists, revealing their despotic opportunism (Marschak 1924)—or Lederer himself, or by members of the Frankfurt Institute for Social Research, like Herbert Marcuse, Otto Kirchheimer, Felix Weil, or Karl August Wittfogel, the characteristic openness of the editorial policy can be seen from the treatment of members of the Austrian school. Starting in 1911 with the publication of two articles on the demand for labor by Richard Schüller, a former student of Karl Menger, the *Archiv* in Lederer's period always was a forum for the ideas of the economists from

Vienna, to whom it was more open than most other German journals. The young Hayek published a paper on the problem of interest theory in 1927, and Mises published not less than ten papers in the period 1913–1929. Lederer, as the key editor, fully shared Max Weber's view that scientific statements can and should claim validity among scientists with diverging *Weltanschauungen*. These principles had been formulated by Max Weber in a famous paper on the "objectivity" of judgments in the social sciences published in the *Archiv* at the beginning of Weber's period as a co-editor (Weber 1904). However, Lederer perceived more clearly than Weber that the sciences, and in particular the social sciences, depend on the basic conditions of freedom and democracy. Since the destruction of the latter would endanger the (social) sciences, the scientists themselves have to defend the values of a free society, a position Lederer advocated even more vehemently after immigrating to the United States in 1933.

After the Nazis' rise to power the *Archiv* was the only one of the learned journals in economics which had to terminate publication. Most other scholarly journals had to substitute editors to survive, with Arthur Spiethoff, who stayed as the editor of *Schmollers Jahrbuch*, as a notable exception. Less than a year later, in February 1934, the first issue of *Social Research* came out in the United States. For many good reasons this new journal, which was published by the Graduate Faculty of the New School for Social Research in New York, can be regarded as the legitimate successor of the *Archiv*. *Social Research* served as an adjunct of the General Seminar of the Graduate Faculty in which the interdisciplinary atmosphere of Heidelberg's *Institut für Sozial- und Staatswissenschaften* and the group at the Kiel Institute of World Economics was kept alive and continued. It also reflected the collective spirit of the continental European scholars who had to adjust to a new environment. The General Seminar and the journal served as a forum for a cross-fertilization of cultures which gave an impetus for the genesis of many new ideas. To a large extent, attention was focused on the analysis and solution of the major political, social, and economic problems of the 1930s from a more international perspective. Lederer, the former co-director of the Heidelberg Institute and the managing editor of the *Archiv*, became the founding Dean of the Graduate Faculty and also the editor of *Social Research*, and himself contributed the opening article to the first issue. With Gerhard Colm, Mark Mitnitzky, Hans Neisser, and the sociologists Albert Salomon and Hans Speier we find authors in the first volume of *Social Research* who formerly had contributed to the last two volumes of the *Archiv*. Contrary to today where it is mainly a forum for the social sciences, in the 1930s the themes of the journal were largely determined by the economists.

With the *Archiv* coming to an end in 1933, the Vienna-based *Zeitschrift für Nationalökonomie* was the most important scholarly journal in the German language area until 1938 when Oskar Morgenstern, who had been managing editor since 1930 (until 1934 with Paul Rosenstein-Rodan) emigrated after the *Anschluss* and the quality of the journal deteriorated significantly. During the 1930s the journal published important contributions to capital theory, business-cycle theory, and general equilibrium theory. The list of leading international economists who were among the authors includes Aftalion, Fanno, Frisch, Knight, Lange, Marget, Myrdal, Ohlin, Tinbergen, Wald, Zeuthen, and many others. A particularly interesting case is Hicks's article, "Gleichgewicht und Konjunktur" (1933) in which the author, who was a young Lecturer at the London School of Economics when Hayek arrived in



1931, grappled with the latter's *Prices and Production* and Hayek's concept of intertemporal equilibrium. Here we find Hicks already arguing against Hayek's emphasis on monetary disorders as the decisive cause of cyclical fluctuations. It was not until 1980 that Hicks's article was retranslated into English against the background of modern equilibrium theories of the business cycle inspired by Lucas.

At the end of the Weimar Republic business-cycle theory was not only one of the most intensively and controversially discussed subjects but there can also be hardly any doubt that the state of the theoretical debate in the German language area was among the highest and most promising in the world. This holds in particular for the contributions of the younger economists, like Adolph Lowe (born 1893), Friedrich August Hayek (1899), Wilhelm Röpke (1899), Friedrich August Lutz (1901), and Oskar Morgenstern (1902), who only recently had entered the stage. All of them left Germany and Austria in the 1930s. With Joseph A. Schumpeter and Gottfried Haberler becoming professors at Harvard University in 1932 and 1936 respectively, only the elderly Werner Sombart and Arthur Spiethoff, who both had become famous with their work on business-cycle theory and on the long-run development of the capitalist system at the beginning of the century, but hardly anybody of the young generation of outstanding economists, remained in Germany or Austria. Business-cycle theory is one of those areas where the intellectual migration that was induced by the Nazis, and the deep turning-point which the political events of the watershed year 1933 also marked for the economics profession, is most clearly visible. The high international level of the analysis of long-run and short-run dynamics of capitalist development in the German-language area basically came to an end. The great synthesizing works of the late 1930s, like Haberler's *Prosperity and Depression* (1937) and Schumpeter's *Business Cycles* (1939) can be regarded as symbols for the end of a great era.

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