

Between academia and economic policy: The rise and decline of post-Keynesian economics in Austria

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Introduction

- Topic: History of PKE in Austria in the 20th and 21st century
 - Main developments, actors and institutional & political environment that enabled or stifled the development of Austrian PKE
 - Core themes of Austrian PKE
- Based on
 - Literature research
 - First-hand experience
 - Informal conversations
 - Ten semi-structured interviews with Austrian economists (different age cohorts and degrees of closeness to PKE)

Who is PK? Who is Austrian?

- This paper includes
 - *Explicit* Post-Keynesians: self-declaration as PK
 - *Implicit* Post-Keynesians: agreeing with substantial number of PK propositions
 - Centrality of demand in short & long run, role of fundamental uncertainty, endogenous money & financial instability, etc.
- Also features *PKE-friendly* scholars: not PK themselves but crucial for PK development
- „*Austrians*“: established links to Austrian post-Keynesian networks or scholars

The Postwar Era: Keynesianism enters Austria

- Keynesian comes to Austria instead via socialist refugees working in economic policy institutions (because no place at universities due to conservatism, nepotism, antisemitism):
 - **Chamber of Labour:** *Stefan Wirlander*: returned in 1945, leading role in establishing Keynesianism, established e.g. the **department of economics in CoL**, important for Keynesian policy-making
 - **WIFO** (largest economics research institute): *Kurt Rothschild* (1947-1966), *Joseph Steindl* (entire career), *Kazimierz Laski* (1968-1971)

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 - *Kurt Rothschild*: 1966-1984 in Linz (pluralist, close to PK, internationally known)
 - *Ewald Novotny*: 1973-1981 (policy-oriented Keynesian, PK-friendly, assistant to KR)
 - *Kazimierz Laski*: 1971-1991 (PK, close to Michal Kalecki)

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- Foundation of journal *Wirtschaft and Gesellschaft* in 1975
 - E.g. *Nicholas Kaldor and Joan Robinson* published there, continues to be an open platform for heterodox economics today

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 - *Novotny* moves to Vienna in 1982 and is professor at WU until 2008
 - Several PKs work at his institute (incl. e.g. *Markus Marterbauer, Elisabeth Springler, Engelbert Stockhammer, Ozlem Onaran*)
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- Lively heterodox economics community and interactions
 - Creation of successful heterodox stream within economics & business curriculum: Classes on Marxist, PKE, evolutionary, feminist, etc.

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- PKE thus established in Linz, Vienna, Graz

Decline of PK in economics

- By 2000s, PK and heterodox econ declines strongly at **WU**
 - Change in employment relations (UG2002): strict fixed term contract models
-> many heterodox econs had to leave when contracts expired
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- Similar changes at **WIFO**
 - Political power shifts
 - Less Keynesian directors over time
 - Retirements & departures to other institutions

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 - 2) towards outside of academia (**Chamber of Labour, Momentum Institut, wiiw**), also with help of PKs like *Marterbauer*
 - 3) towards other countries: UK (**universities in London, Leeds**), Germany (**Duisburg-Essen**)
 - Also from 2000s: increasing number of PhDs abroad

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- Establishment of new student-led initiatives
 - **Roter Börsenkrach & Strv WU**: self-organised courses
 - **Vienna Society for Pluralism in Economics**
 - **Wirtschaftspolitische Akademie**
- Creation of new conferences (**YEC, Momentum Kongress**)
- Maintaining and strenghtening of strong international networks (**IMK/FMM, EAEPE**)
- **Heterodox Economics Newsletter** run by Jakob Kapeller

Core Topics of Austrian PKE

- Income Distribution
- Wealth Distribution
- Finance and Financialisation
- Ecological Economics

CT1: Income distribution

- Functional Income distribution: Wage-Led/Profit-Led debate
 - Determinants of Wage Share (Marterbauer and Walterskirchen, 2003; Stockhammer, 2017)
 - Empirical estimation of wage-led/profit-led debate (Onaran and Galanis, 2014; Dammerer et al., 2024)
 - Various extensions like wealth & personal inequality (Ederer and Rehm, 2021; Stockhammer and Wildauer, 2015; Carvalho and Rezai, 2015)

CT2: Wealth distribution

- Pioneering work on wealth inequality within HFCS (Peter Mooslechner)
- Correcting wealth distribution data (Ferschli et al., 2018; Heck et al., 2020)
- Discussion of power: Rehm and Schnetzer (2015, 2016)
- Wealth concentration/inequality dynamics (Ederer and Rehm 2020, 2021; Muckenhuber et al., 2022)
- Cause of financial crisis (Stockhammer 2015, Goda et al., 2016)

CT3: Finance and financialisation

- Analysts of international financial system and finance (Schulmeister 1988, 2000, 2008, 2009, 2018; Weber and Schmitz, 2011; Weber 2015)
- Social and macroeconomic impact of different housing systems and the decline in social housing in particular (Springler, 2006, 2014, 2018; Arestis et al., 2010)
- Shareholder value orientation & business investment (Stockhammer, 2004; Cetkovic and Stockhammer, 2010)
- Minsky models (Stockhammer and Nikolaidi (2017), Stockhammer et al. (2019))

CT4: Ecological Economics

- Contributions to integrating post-Keynesian macroeconomic models with insights from ecological economics (Huwe and Rehm, 2022; Rezai and Stigl, 2016; Strunk et al. 2022)
- Particular focus on Stock-Flow Consistent models: Naqvi (2015), Dunz and Naqvi (2016), Naqvi and Stockhammer (2018) Dunz et al. (2021)

Conclusion

- Keynesianism arrives in Austria via socialist refugees after WWII at economic policy institutes (WIFO, Chamber of labour)
- PKE established itself at JKU in 70s, then later in Vienna
- By 2010, econ departments were clear of PKE, PKE prevails elsewhere: triple migration, help of heterodox PK-friendly econs
- Austrian PKE: strong connection to economic policy
- Important themes: income and wealth distribution, finance and financialisation, ecological economics

Thank you!

Appendix

Migration and Internationalisation

- Wave of internationalisation from 2000s: PhDs abroad (New School, UMass Amherst) plus scholars working abroad after 2010
- Increased direction towards English-speaking world also in Austria
- Internationalisation clearly reflected in the number of publications by scholars with Austrian affiliation

	CJE		JPKE		ROPE	
	affiliation	Incl. expats	affiliation	Incl. expats	affiliation	Incl. expats
1975-1990	5		0		1	
1991-2000	3		2		4	
2001-2010	11		3		9	
2011-2023	19	36	5	11	10	17

The emergence of Austro-Keynesianism

- Austro-Keynesianism emerges as an economic policy paradigm in 1970s, informed by work of **Chamber of Labour** and **WIFO**
- Goals: Full employment, economic growth
- Policies: active demand management by the state (maintain spending in recessions), productivity-oriented income policies (social partnership), hard currency, nationalised industries
- PK tradition?
 - Has elements: full employment focus, income policies, addressing uncertainty, institutional change (Kalecki)
 - But also other interpretations (postwar Keynesianism, endorsing liberal order)