Economists and economics: history matters

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History matters – two “story lines”:

- **Economists’ biographies**
  - individual
  - epochal

- **Economics**
  - internal to the field / the sciences
  - external to academia
• Economists´ biographies: three individuals

• From “social policy” to the “economics” of social policy?
  • 1872: “Social policy” in the Verein für Socialpolitik
  • Around the turn of the century
  • Weimar years: “crisis of social policy”?
  • Post WWII: sociology and-vs. economics

• Conclusions
Economists and economics: history matters

**Elisabeth Gnauck-Kühne (1850-1917)**

- 1871: Unification of Germany: "Kaiserreich"

**Elisabeth Flitner (1894-1988)**

**Elisabeth Liefmann-Keil (1908-1975)**

- 1914-1918: WWI
- 1939-1945: WWII

**Timeline:**
- 1850
- 1900
- 1914-1918: WWI
- 1933: Hitler
- 1949: Two German states: BRD and DDR
- 1989: German reunification
- 2000
Three individuals – three generations

Elisabeth Gnauck-Kühne (1850-1917)

• Special permit allowed her to attend seminars at Berlin’s university. Activist in the women’s movement.

Elisabeth Flitner (1894-1988)

• Part of the first generations of “regular” women students, finished her degree in the Weimar years with a dissertation.

Elisabeth Liefmann-Keil (1908-1975)

• Studied in the interwar years, advancing her academic career was severely restricted by the National Socialists. After WWII: first female full professor in Germany, advisor to the federal government.
Three economists working on / in social policy

- “Nationalökonomie” and “social policy”
- Economics and social policy in view of “social work”
- An “economic theory” of social policy
• Economists´ biographies: three individuals

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Verein für Socialpolitik

- Founded in 1872 – just a year after the German Empire was established

- Gustav von Schmoller (1838-1917) is co-founder and leading figure

- „Socialpolitik“: reform – will prevent revolution (Kathedersozialisten)
Gustav Schmoller’s address at the inaugural meeting of the Verein für Socialpolitik 1872

Schmoller characterizes the current state of affairs:

- The “principle of unlimited economic freedom” had been pursued “with ultimate consistency” („Princip unbedingter volkswirtschaftlichen Freiheit“ ist „bis zur letzten Konsequenz verfolgt“).

- “Increasing inequality of income and wealth” („Steigende Ungleichheit des Einkommens und Vermögens“).

Schmoller (1920 [1872], 89 und 92-93)
“Social policy” in the *Verein für Socialpolitik*

- Social reform: the “German” answer to (British) liberalism – based on a shared sense of justice

- Social policy overcomes the ills of the capitalist system by integrating the working class into (a middle-class) society, paternalism:
  - workers´ protection
  - workers´ education

- agent: imperial state, its impartial bureaucracy
“Social policy” in the Verein für Socialpolitik

- **explicit position**
  - politically: supporting the monarchy („Kaisertreue“)
  - policy: the (paternalistic) authorities design, regulate, intervene in economic affairs.

- The Verein perceives its central task in shaping public opinion. Members from academia, the private and public sectors, journalists, politicians.

- Influence on authorities responsible for universities, esp. in view of professorships.
“Social policy” in the Verein für Socialpolitik

- Social policy is an encompassing endeavor: the issues pervade all of “Nationalökonomie”

- Historical-ethical economics: empirical and institutional focus

- Broad research agenda

- Offered women a role in research – especially in survey studies / gathering observations
in the following decades:

- “Nationalökonomie” established / extended at German universities

- “Nationalökonomie” becomes attractive beyond Germany – especially for US and Japanese students

- “Verein für Socialpolitik” as model for e.g. the American Economic Association, founded in 1885 (20 of the first 26 AEA presidents had spend time studying at German Universities)
Elisabeth Gnauck-Kühne (1850-1917)

The situation of female workers in Berlin’s stationary industries. A social study.


Field study, taking the contributions of Beatrice Potter Webb to Charles Booth’s *Life and Labour of the People / Life and Labour of the People in London* in the 1880s as a lead.

- Participation and observation
- Systematic survey study + information collected by (mutual) health insurance cooperatives
- evaluation and recommendation (strengthen self-help, institute factory inspection etc.)
Elisabeth Flitner (1894-1988)

The concern of neediness in aid to soldiers’ families.


Her work reflects the (original) research program of the Verein für Socialpolitik:

- field study, based on her own experiences as volunteer in three cities, printed reports, results of a survey done by an organization of cities, interviews.
- educational effects.
- “neediness” defined as a “social minimum” with the aim to preserve the social position of the recipient families.
Elisabeth Liefmann-Keil (1908-1975)

**An economic theory of social policy.**

*Ökonomische Theorie der Sozialpolitik* (1961)

- microeconomic analysis
- “so-called” redistribution
- public choice theory: legislation / measure as the result of the democratic process

Ordoliberalism informs Liefmann-Keil’s approach: institutional analysis
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Around the turn to the 20th century

• Specialization within economics

• “Theory”

• Value judgements
Cracks

1905 “Mannheimer Tagung”: syndicates / cartels

1909 “Wiener Tagung”: productivity

1912-1914 Disputing “value judgements”
The “value judgement dispute” – who is the winner?

Schmoller still dominates the „Verein für Socialpolitik“.

However:
• large number of critics
• several lines of critique

The younger members of the Verein now take openly “Schmoller-critical” positions
• theoretical research (instead of historical-ethical and institutional)
• liberal policy positions (opposed to monarchal and conservative)
• Esp. after 1918: socialdemocratic economists succeed within academia
Struggling with value judgements

Otto von Zwiedineck-Südenhorst (1911) *Sozialpolitik.*

- a “neutral” definition of social policy: “policy safeguarding the enduring attainment of the society’s purpose” (die auf Sicherung fortdauernder Erreichung der Gesellschaftszwecke gerichtete Politik, p. 38)

- social policy is a *sociological phenomenon*
Struggling with value judgements

Ludwig Heyde (1920)

An outline of social policy.

*Abriß der Sozialpolitik*. Leipzig.

Social policy is presented as a sub-discipline of economics – an analysis of the institutions of social policy measures
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Weimar years: “crisis of social policy”?

- After the elections of 1919: what is left to be done?
- Warnings: misuse of social policy as instrument of class struggle

- other pressing issues dominate the public debate (inflation, reparations…)
- business cycle analysis and (stabilization) policy – “production policy” as social policy?

- Degree program: “Diplom Volkswirt”
Weimar years: “crisis of social policy”?

- Repudiation of historical-ethical economics

- Instruments of social policy are discussed: “technical” approach instead of advocating social reform
Weimar years: “crisis of social policy”?  
But:

Eduard Heimann (1929)  
**Social theory of capitalism: theory of social policy.**  
*Soziale Theorie des Kapitalismus: Theorie der Sozialpolitik.*  
Tübingen: Mohr.
By the mid-1950s: disciplines of sociology and economics are very clearly separated

Hans Achinger (1958)
Social policy. From the workers’ question to the welfare state.
_Sozialpolitik als Gesellschaftspolitik. Von der Arbeiterfrage zum Wohlfahrtsstaat._

Elisabeth Liefmann-Keil (1961)
Economic theory of social policy.
_Ökonomische Theorie der Sozialpolitik._
Conclusions

History matters!

- **Economists’ biographies**
- **Economics**
Conclusions

- **Economists** are part of (the) history
- **Economics** is embedded in history

- meaning of “theory” – economics vs. sociology
- “disappearance” of social policy from economics: curricula, teaching and denomination of chairs at German universities post-WWII – apparent or real?
- does the term disappear and (some of) the subject(s) stay? Reappear with the “empirical” turn?
- social reform and social policy vs welfare economics – comparative perspectives