BOOK REVIEW

THE ALTERNATIVE AUSTRIAN ECONOMICS: A BRIEF HISTORY

JOHN E. KING
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Ironically, in the heyday of the Austrian School of economics, Europe looked to Vienna as a role model for socialist experiments. Whereas protagonists and ideas of the Austrian School influenced economic science, international monetary order, global trade, and US presidential primaries and continue to do so in the 21st century, the intellectual and social-scientific background of “Red Vienna” (1919–34) largely fell into oblivion internationally.

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Recent efforts re-introduce the political economists of Austro-
marxism and their ideas to larger English-speaking audiences.\(^2\) John E. King’s *The Alternative Austrian Economics: A Brief History* is another overall highly commendable contribution to that end. Anyone interested in the history of economic thought can benefit from King’s lucid reconstructions of economic theory, often embedded in the political and cultural context of interwar Vienna, and from the numerous references he provides for further study. Readers of the *Quarterly Journal of Austrian Economics (QJAE)* may particularly welcome the opportunity to learn more about the discourse in which eminent economists of the Austrian School developed their ideas and theories.

Once the stage is set by two introductory chapters, King dedicates chapter 3 to Rudolf Hilferding, chapters 4 and 6 to the theoretical and practical key figure of Austromarxism, Otto Bauer, chapter 5 to the early socialist calculation debates,\(^3\) and chapter 7 to “other voices.” Chapters 8–10 address the theories of “alternative” Austrian economists after the Second World War up until the present. For the greater part, the chapters read more like separate papers—albeit interrelated—than like a cohesive narrative. The collections of extremely brief profiles in chapters 7 and 10 reinforce this somewhat patchy structure which in turn facilitates the use as a handy reference work though; it also correctly dispels any expectations of a homogeneous Austromarxist school of thought. One of the few non-controversial characteristics of Austromarxism is a strong propensity to undogmatically go beyond Marx or sometimes even against Marx in light of new evidence or arguments. Otto Neurath and some others even explicitly acknowledged the fruitfulness of Carl Menger’s version of marginal utility theory, if only for limited purposes.

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\(^2\) See e.g. Blum and Smaldone (2016, 2017), Scott (2021), Uebel (2004), as well as the not so recent Bottomore and Goode (1978).

\(^3\) Drawing on Chaloupek (1990), King laudably unearths early episodes in the socialist calculation debates which have received little attention in the English-speaking scientific community (see also Backhaus, Chaloupek, and Frambach 2019). King underlines that the debates were initiated by the Austromarxist Otto Neurath, who prompted Mises to develop his famous calculation argument (see also Linsbichler 2021a, 2021b, 2022). Yet, other economists including Enrico Barone and Albert Schäffle published on problems of economic calculation under socialism before and thus could have been mentioned in this context.
THE HETEROGENEITY OF AUSTROMARXISM

While orthodox Marxism played a minor role, the Austrian left debated a wide variety of theoretical and practical positions. Even Austromarxists’ main philosophical approaches differed from standard historical materialism, with either Lenin’s epistemological arch-enemy Ernst Mach or Neo-Kantian Max Adler being referenced as most eminent modernizer of the philosophical underpinnings of social science. Reflecting the theoretical diversity of Austromarxism, the Austrian interwar Social Democratic Workers’ Party was an amalgamation of different positions regarding long-term strategy for the working class and regarding economic policies, as King aptly describes. Somewhat simplifying, two stances can be distinguished. One wing, led by Bauer, pronounced the inevitable dictatorship of the proletariat—if only in campaign rhetoric and not necessarily in scientific exchange and consensus-oriented practice, as documented, for instance, in Bauer’s opposition to Neurath’s plans for full socialization. The other wing, led by the mayor of Vienna, Karl Seitz, and Karl Renner, explicitly advocated reformism. Instead of public ownership of the means of production, Renner championed “the penetration of the private economy down to its elementary cells by the state; not the nationalization of a few factories, but the control of the whole private sector of the economy by willed and conscious regulation and direction, hence precisely what Marx’s system logically and practically excluded.”4 With socialism boiled down to regulation and subsidies, Renner was a more than acceptable coalition partner for the Austrian conservative parties before and after the Second World War. He served as the first chancellor of Austria’s First Republic from 1918 to 1920. From 1945 to 1950 and despite having supported Austria’s “Anschluss” to Germany in 1938, as did most Austromarxists, Renner became the first to hold the office of State President of the Second Republic.

The Austrian left of the interwar period was quite diverse on social issues, as well as on religion. On the one hand, Vienna’s Austromarxist-led social service offices paid its beneficiaries routine home visits to propagate and ultimately enforce, not only hygiene, but also moral standards not so different from those of

4 Karl Renner, “Problems of Marxism” (as cited in King 2019, 112).
Catholic conservatives, including a condemnation of sex for any purpose other than procreation. On the other hand, movements like the Monistenbund and the Freidenker [“free thinkers”] had close connections to Austro-Marxism and advocated atheism, or at least secession from the church.\(^5\) Rudolf Goldscheid, for instance, was not only the driving force of two said movements but developed a distinct materialist conception of history, in which class conflict is not between capital and labor but between capital and the state. King (2019, 74–76) discusses Goldscheid’s proposal for state capitalism and considers implementation of an adapted version in the 21st century. Instead of taxation, public revenue would consist mainly of dividends from state-held, non-voting shares in all companies. In such applications of Austromarxist theories and policies to contemporary problems, King showcases his intimate familiarity with the reconstructed ideas and their lasting relevance. Likewise, King discusses whether Hilferding would have been surprised by the financial crisis of 2007–08, given that Hilferding identified a lack of actual competition between financial institutions as a major problem of the “capitalist” economic order (ibid., pp. 30–39).

**AUSTROMARXISM AND THE AUSTRIAN SCHOOL**

Inflation is another topic that has become increasingly vital in 2022 and which held center stage in Hilferding’s and Bauer’s work. Bauer’s policy conclusions are surprisingly similar to what economists of the Austrian School advocated at the time. In 1931, he explained to union representatives that he was convinced “that the worst thing that could happen to the working people was depreciation of the currency,”\(^6\) he defended balanced public finances even after the Great Depression, and advocated free trade as a means to create more jobs.

Further unexpected parallels and, of course, well-known antagonisms could be uncovered. Yet, despite playfully hinting at the Austrian School of economics in the title and introduction

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\(^5\) In 1933, the corporate state liquidated both organizations which the leader of the paramilitary Heimwehr, Ernst Rüdiger Starhemberg, blamed to be “culture desecrating” (quoted from Stadler 1981, p. 460).

\(^6\) Otto Bauer, “Das Budgetsanierungsgesetz” (as cited in King 2019, p. 81).
of his book, King hardly explores the relationship between the “alternative” Austromarxists and the renowned Austrian School. Understandably, such a comparison is not King’s main objective and admittedly he at least lays groundwork for future research in that direction. There are several examples of Austromarxist notions that King depicts without alluding to potential common theoretical ground with representatives the Austrian School, including the following: Hilferding’s argument that economic crises are a result of a disruption of the capitalist price mechanism or of periodic distortions of the price structure will have a familiar ring to readers of QJAE (ibid., p. 32). Similarly, Bauer’s criticism of Rosa Luxemburg’s underconsumption theory and subsequent refinements of Bauer’s model by Michael Schneider and others resemble Hayek’s exposition of longer, ‘more roundabout’ production processes (potentially) preventing underconsumption crises (ibid., pp. 91–95). Otto Leichter’s emphasis on intermediate products in the capital structure and his insistence that separate parts of big corporations are hardly subject to market forces are echoed in Austrians’ recognition of diseconomies of scale in free markets due to possible “computational chaos stemming from absence of price feedback” (Long 2008) in individual departments of big corporations.

King does hint at Austromarxists’ and Austrian School economists’ common commitments to democracy, Viennese Late Enlightenment, and a peaceful exchange of ideas and arguments. Bauer pointedly summarized Austromarxists’ rejection of violence and the conviction that ideas matter in the motto: ‘not battering heads, winning heads!’ King also indicates the two groups’ largely shared opposition to racism, militarism, and authoritarianism of National Socialist or Bolshevist varieties.

Apart from the Austrian School and the Austromarxists, there was at least one additional group of Viennese economists who defended a conglomerate of political, philosophical, and economic positions. Incidentally, this conservative and often antisemitic camp was most influential at the University of Vienna, with Othmar Spann and Ferdinand Degenfeld-Schonburg holding two

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7 Curiously, King (2019, p. 24) even names Eugen Böhm-Bawerk as a neoclassical economist.

8 Obviously, there was disagreement whether socialism or capitalism is more conducive to racist, militarist, and authoritarian sentiments in society.
of the three Chairs. Yet, it is the least remembered today. Given their minimal contributions to progress in economic theory, this modern neglect is quite deserved. Accordingly, these conservative essentialist scholars do not appear as economic theorists in King’s book, but as vividly described forces that dominate the cultural and academic milieu of interwar Austria at the expense of Austromarxists and Austrian School economists. For instance, King (ibid., p. 116) convincingly frames the Austrian Institute of Business Cycle Research as a liberal secession from the antisemitic, conservative forces. The Institute, founded by Mises and Hayek, was not monopolized by its Austrian School heads Hayek and Oskar Morgenstern. On the contrary, it attracted economists and mathematicians with various methodological and political backgrounds, many of whom were to become world famous, including Alexander Gerschenkron, Gottfried Haberler, Adolf Kozlik, Gertrude Lovasy, Fritz Machlup, Karl Menger, Max Mitic, Kurt Rothschild, Erich Schiff, Ilse Schüller-Mintz, Josef Steindl, Richard Strigl, Gerhard Tintner, and Abraham Wald. Today, the renamed Austrian Institute of Economic Research (WIFO) is Austria’s largest non-university research center, but has abandoned the legacy of its Austrian School founders almost entirely.

POSTWAR ALTERNATIVE AUSTRIAN ECONOMICS

Unfortunately, chapters 8–10 on postwar alternative Austrian economists only indirectly connect to previous parts of the book. In the quite dense and more technical chapters 8 and 9, King displays his expertise in post-Keynesian economics and puts the spotlight on two creative Austrian thinkers: the idiosyncratic post-Keynesian Josef Steindl (1912–93) and the eclectic with strong Keynesian and social democratic sympathies Kurt Rothschild (1914–2010). Neither economist refers much to Austromarxist authors. Besides, Steindl and Rothschild embody “alternatives” to mainstream neoclassical economics rather than to the Austrian School of their

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9 Ehs (2011) refers to Spann, Degenfeld-Schonburg, and Austrian School economist Hans Mayer as “the other Austrians.” Much more widespread is the different use of the designation “the other Austrian economists” as coined by Uebel and signifying Otto Neurath, Wilhelm Neurath, Josef Popper-Lynkeus, and others (see e.g. Uebel 2004, Nemeth 2013, Linsbichler and Vianna Franco 2022).
time. In fact, both Steindl and Rothschild had Austrian School economists as their main academic teachers. Steindl recalls Strigl as “a kind man and good teacher who taught me everything I soon came to disbelieve. He taught me, however, what economics is about, which is perhaps more than some students are learning today.”

Rothschild’s memories of Hans Mayer are less fond, but Hayek helped secure a job for Rothschild at the Austrian Institute for Business Cycle Research in 1947, a job he kept for almost two decades (see King 2019, 135–36). King also touches upon some central themes in Rothschild’s economic theorizing that conform to Austrian economists’ outlook: modesty regarding the predictive power of economic theory; a demand to integrate purely economic analysis with institutional, sociological, legal, and psychological considerations; a strong separation between the sphere of the natural sciences and the allegedly more complex sphere of the social sciences; and a view of the market and society as dynamic processes of interacting interests.

In any case, for decades after the Second World War, the Keynesian “alternatives” presented in chapters 8–10 were held in much higher esteem than the internationally dispersed Austrian School of economics was in the country of its origin. This attitude is illustrated by the popularity of an anecdote according to which the Austrian social democratic chancellor from 1970 to 1983, Bruno Kreisky, explained the economic success of Austria to John Kenneth Galbraith: “We pay great heed to export. We even exported our economists.”

THE SCIENTIFIC PLURALISM OF HETERODOX ECONOMISTS

King treats Austromarxism and its heirs with overt sympathy but never apologetically. By and large, he reconstructs and presents the economic theories and political proposals of his protagonists without attaching much personal commentary or highlighting his own positions. One exception is King’s outspoken endorsement of

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10 Josef Steindl, “Reflections on the present state of economics” (as cited in King 2019, p. 115).

11 Sometimes, King deploys his protagonists to propound his own positions, as in the case of Steindl and Rothschild, who share King’s rejection of the (so-called)
pluralism, which he shares with the eclectic Rothschild. However, as in the case of other heterodox economists, it is not always entirely clear to what extent King endorses scientific pluralism as a principled epistemological position. As any non-ideological scientist, he advocates and practices eclecticism, i.e., he keeps an open mind for useful or true elements from various different theories and research programs. Moreover, as a heterodox economist, the institutional setup of the discipline of economics compels him to a strategic pluralism against the perceived excessive dogmatism of the mainstream orthodoxy. Yet, strategic pluralism is mainly a rhetoric of the heterodoxy in the struggle for disciplinary power and dominance (see Sent 2006). The philosophically crucial question about scientific pluralism is how post-Keynesians (or Austrians for that matter) would act and ought to act if they became the influential mainstream orthodoxy. To what extent is it epistemologically and institutionally desirable to keep at least some alternative research programs and theories alive, engage in discussions with them, and allocate funding to them, even though they are believed to be false and fruitless? Heterodox economists, including Austrian economists who advocate pluralism, are called upon to be specific whether they invoke “pluralism” merely as a tool to promote their own research program. By contrast, principled scientific pluralism is more than a label that sounds nice and hip in an era of inclusivity. It involves actual appreciation and encouragement of a plurality of theories, methods, concepts, models, and research programs.\footnote{Scientific pluralism does not imply that we should give up the search for consistent and encompassing economic theories, as King (2019, 145) seems to suggest.}

Regardless of whether their scientific pluralism is strategic or principled, Austrian economists and King’s “alternative Austrian economists” could develop partial alliances in their pleas for interdisciplinary problem solving and in their heterodox strivings against the perceived intolerance of the mainstream. Since such alliances depend on mutual awareness, many regular readers of QJAE may embrace the insights of King’s superb introduction.
REFERENCES


