

LUDWIG LACHMANN AND HIS CONTRIBUTIONS TO ECONOMIC SCIENCE

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Ludwig M. Lachmann died on December 17, 1990 at the age of 84. A brilliant scholar and teacher, Lachmann inspired an entire generation of Austrian economists. In the mid-1970s, Lachmann breathed life into an intellectual movement that was all too confident of its answers to its critics. The sense of Humean skepticism that Lachmann brought to the American Austrian revival was necessary for the intellectual growth of the school. Israel Kirzner, the major architect of the Austrian revival, exercised keen intellectual entrepreneurship in bringing Lachmann from University of Witwatersrand in Johannesburg, South Africa to New York University as a Visiting Professor of Economics, beginning in 1975. The Austrian movement was never the same.

Lachmann studied with Werner Sombart at the University of Berlin, receiving his Ph.D. in 1930. During his student days, he was introduced to subjectivist economics, particularly the work of Carl Menger, during a visit to the University of Zurich in the summer of 1926 by Manuel Saitzew. On his return to Berlin, Lachmann embarked on a study of monetary and capital

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theory. His tutor in economic studies was Emil Kauder, who shared Lachmann's interest in the Austrian school. Around this time, Lachmann also stumbled across methodological essays Ludwig von Mises was publishing in the German journals in the late 1920s. Because Mises's writing interested Lachmann, he read more of Mises, which, as he put it, "is how I became an Austrian" (Lachmann 1978).

In 1933, Lachmann became Hayek's research assistant at the London School of Economics, where he continued his research on monetary and capital theory. He was appointed a lecturer at the University of London in 1941, moved to the University of Hull in 1943, and finally, in 1948, moved to the University of Witwatersrand, where he remained throughout his career. Beginning in 1975 and continuing through 1988, Lachmann would spend each Spring term at New York University and would teach a graduate seminar in economic theory and actively participate in the Austrian Economics Colloquium at NYU.

Lachmann wrote three books in his career. *Capital and Its Structure* (1956) dealt with issues in capital theory, emphasizing the issues of heterogeneity, specificity, and complementarity of capital goods. *The Legacy of Max Weber* (1971) was a methodological tract exploring the notion of human plans (their formation, implementation, and revision) and demonstrates the connection between the research programs of Max Weber and Ludwig von Mises. *The Market as an Economic Process* (1986) represented Lachmann's attempted reconstruction of economics on a radical subjectivist foundation. Lachmann's career-long interest in pursuing the subjectivist paradigm grew even deeper in the 1970s and 1980s under the influence of his friend G. L. S. Shackle, specifically, Shackle's *Epistemics and Economics* (1972). To complete the subjectivist revolution, Lachmann argued, economists must extend subjectivism beyond the mere subjectivism of values and to the subjectivism of expectations.

In addition to his books, Lachmann wrote a short monograph, *Macroeconomic Thinking and the Market Economy* (1973), which was a critique of the aggregate economics of the Cambridge School of Economics as represented in the works of Keynes, Sraffa, and Joan Robinson. Aggregate economics, Lachmann argued, obscures our understanding of the market process. His important articles on capital theory, methodology and the theory of the market process published from the 1940s to mid-1970s were collected and edited by Walter Grinder and published as *Capital, Expectations and the Market Process* (1977). This volume of essays, along with Grinder's excellent introduction, brought Lachmann's unique brand of Austrian economics to the forefront of the American revival in Austrian economics. Finally, on the occasion of his 80th birthday, Lachmann was honored with a volume of essays by various scholars dealing with aspects of Lachmann's work edited by Israel Kirzner, *Subjectivism, Intelligibility and Economic Understanding* (1986).

The present collection of papers continues the appreciation and critical assessment of Lachmann's contributions to economic science. Three of the

papers in this symposium were originally presented at the 1992 American Economic Association Meetings. A fourth paper was added to round out the treatment. The papers and comments reflect Lachmann's two main professional interests: methodology and capital theory. The papers by David Prychitko and Roger Koppl explore aspects of Lachmann's methodology. Prychitko critically examines Lachmann's employment of hermeneutics as the philosophical basis for economic understanding. Koppl explores Lachmann's subjectivist perspective by a way of a comparative examination of the thought of two of the major influences on Lachmann: Alfred Schutz and G.L.S. Shackle. Warren Samuels comments and offers some reflections on the implications for the ontological claims of economics if radical subjectivism and philosophical hermeneutics are taken seriously.

The papers by Peter Lewin and Gary Mongiovi explore Lachmann's methodological plea by way of an examination of his technical economics in capital theory. Lewin provides an overview and highlights the common themes that run throughout Lachmann's work, from methodology to capital theory. Mongiovi's paper compares Lachmann's contribution with that of the Cambridge School of Neo-Ricardians. Lachmann shared many of the same criticisms of neoclassical economics that some members of the Cambridge School offered. As Mongiovi points out, Lachmann thought Keynes had made a crucial point regarding expectations and uncertainty, and Lachmann shared many of Joan Robinson's misgivings about standard economic methodology. Sraffa, however, represented a real problem for Lachmann, as he interpreted Sraffa's program as a return to classical economics purged of subjectivism. Mongiovi's paper confronts this interpretation head on and offers an alternative account of the relationship between the issues of expectations and uncertainty and the classical surplus theory. Steve Horwitz comments on the papers by Lewin and Mongiovi, and attempts to highlight how important the subjectivist perspective is for understanding the origin and function of market institutions, such as working capital markets and the allocation of scarce capital resources within the structure of production.

Each paper raises critical questions concerning Lachmann's contributions. We hope this is a fitting tribute to a scholar whose ability to consistently question received wisdom, including that of his own analytical tradition, inspired and continues to inspire the modern resurgence of interest in the Austrian school of economics. Ludwig Lachmann was an insightful scholar, a wonderful teacher, and a good man.

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