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Publisher: Routledge

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## The European Journal of the History of Economic Thought

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/rejh20>

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Available online: 02 Dec 2011

To cite this article: Harald Hagemann (2011): European émigrés and the 'Americanization' of economics, *The European Journal of the History of Economic Thought*, 18:5, 643-671

To link to this article: <http://dx.doi.org/10.1080/09672567.2011.629056>

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# European émigrés and the ‘Americanization’ of economics

*Harald Hagemann*

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The triumphant rise of American economics after 1940 was enormously accelerated by importation of scholars from Hitlerian Europe. (Samuelson 1988: 319)

## 1. The ‘Americanization’ of economics after 1945

The development of economics as an academic discipline since 1945 was marked by an increasing *internationalization* that was simultaneously in large part a process of *Americanization* (see Coats 1997). In his diagnosis of the state of economics in Europe in the late 1980s, Richard Portes came to the conclusion: ‘It is perfectly reasonable to ask whether there is now any economics outside and independent of the United States. All the data confirm American leadership’ (1987: 1330). Portes’s analysis of the dominance of American economics, as indicated by the high percentage of American Nobel prize winners, the location of the leading scholarly journals and the origin of most of the innovative and influential ideas after World War II, soon provoked a lively and controversial debate on the independence of European economic thought as well as about the similarities and differences between American and European economics. The first response to Portes came from Serge-Christophe Kolm (1988), who heavily criticized American economics for its over-specialization and narrowness, giving undue emphasis to abstract theory, mathematization and econometric methods and thereby ignoring economics as a social science with links to philosophy, ethics, history, and so forth. The debate on the ‘Americanization’ of economics culminated in the *Kyklos* Symposium, provocatively posing the question ‘Is There a European Economics?’ (see Frey and Frey 1995). It also gave rise to comparative studies on the

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development of economics in Western European countries since 1945, initiated and stimulated by Bob Coats's enduring efforts to analyse the process of production and spread of economics at an international level.<sup>1</sup>

The increasing globalization of the economy after World War II was accompanied by a growing internationalization of economics. This was to a greater extent a convergence process associated with the creation of commonly recognized analytical and methodological standards. As emphasized by Peacock (1995: 267–71), this process has generated a 'professional "Gleichschaltung"', harmonizing economics into a universal science characterized by the growing importance of pure mathematical economics as well as by a widespread use of modern statistical and econometric techniques in applied research. As deplored by Kolm, this development separated economics from the humanities and social sciences.

The triumphant ascent of American economics after World War II does not only reflect the leading political and economic role of the United States and the pragmatic and technological orientation of Americans, but is also the consequence of a national style of economic research characterized by a high degree of specialization and greater emphasis on technique in applied work. The genesis of highly developed graduate education programmes at research-oriented universities played a decisive role in this process. Harry Johnson (1973, 1977) was the first to suggest that these features of American economics, whereby graduate students gained command of the necessary mathematical and econometric tools, were the decisive reason for the growing significance of American economics. With the rise of America's international leadership these features of American economics have established themselves as the decisive characteristics of modern economics, increasingly influencing the development of economics on an international level.

The strengthening and extension of the graduate education system at American universities in the first two decades after World War II would hardly have been possible without scientists who had fled the totalitarian dictatorships of Europe. This also holds for economics, where the enormous shift due to emigration from fascist and Stalinist countries contributed significantly to America's predominance. Frey and Pommerhne (1988) have shown, basing their calculations on Blaug and Sturgis's (1983) *Who's Who in Economics*, that this shift can be measured fairly precisely. Whereas the Soviet Union lost 24 of its 36 most outstanding economists and the successor states of the Austro-Hungarian Empire lost 36 of 50, the USA gained a total of 161 through immigration, which accounts for about 30% of those economists born in the USA. In contrast, the

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1 See, for example, the contributions in Coats (2000).

percentage of leading economists worldwide from the German-speaking countries decreased from 15% to 3%.

F.M. Scherer has evaluated the impact of emigrant economists from German-speaking countries on economics in America using the Social Sciences Citation Index for the five-year period 1966 to 1970. He came to the result that 'the citations received by the German-speaking émigré scholars were roughly equivalent to the adjusted citation output of the first-ranked Harvard and second-ranked MIT plus the 19<sup>th</sup>-ranked University of Illinois department' (Scherer 2000: 622). The substantial contributions made by émigré scholars are even stronger if Russians, Italians and other European economists who moved to the USA during the period of totalitarian regimes were to be included. Among many other fellow economists the list includes Simon Kuznets, among the first who came from the Soviet Union to the USA in 1922, as well as Evsey Domar and Gregory Grossman, who both came to the USA via Manchuria. Franco Modigliani arrived in the USA in 1939, together with Leonid Hurwicz and Tibor Scitovsky from Hungary, Zvi Griliches from Lithuania and Tjalling Koopmans from the Netherlands. Some went back to their home countries after 1945, like Oskar Lange, who renounced his US citizenship and returned to Poland, or Trygve Haavelmo, who returned to Norway in 1947.

Starting with Joseph A. Schumpeter in 1948, the following scholars also became Presidents of the American Economic Association (AEA): Simon Kuznets (in 1954), Gottfried Haberler (in 1963), Fritz Machlup (in 1966), William J. Fellner (in 1969), Wassily Leontief (in 1970), Franco Modigliani (in 1976), Jacob Marschak and Tjalling Koopmans (in 1978), and Zvi Griliches (in 1993). After the AEA instituted the new award of Distinguished Fellow in 1965, the percentage of émigré scholars selected as Fellows was very high for the first two decades. Besides Marschak (in 1967) and Koopmans (in 1971), the list includes also Ludwig von Mises and Alexander Gerschenkron (in 1969), Nicholas Georgescu-Roegen (in 1971), Scitovsky (in 1973), Oskar Morgenstern (in 1976), Hurwicz (in 1977), Richard A. Musgrave (1978), Domar and Albert O. Hirschman (in 1984) and Paul Rosenstein-Rodan (in 1985).

In the following I will first survey the emigration of German-speaking economists after 1933 in Section 2. In Section 3 I will discuss Jacob Marschak in greater detail. He is a particularly interesting case of a two-fold emigration: first from the Soviet Union in 1919 and then from Nazi-Germany in 1933, whose long and winding road carried him from Minister of Labour in a revolutionary government in Russia in 1917/18 to President elect of the American Economic Association in 1977. Some other important contributions by émigré economists are discussed in the concluding Section 4.

## 2. The emigration of German-speaking economists after 1933

Shortly after their seizure of power, the National Socialist government promulgated a new law on 7 April 1933, the Re-establishment of the Civil Service Act (*Gesetz zur Wiederherstellung des Berufsbeamtentums*). This enabled them to dismiss civil servants either for racial (paragraph 3) or political reasons (paragraph 4). Within a short time, almost 3000 scholars were removed from their academic positions, of whom around 2000 emigrated. Whereas about 85% of the scholars were dismissed for their 'non-Aryan' descent, 15% were dismissed for political reasons.<sup>2</sup> Many were dismissed by the Nazis not only for being Jewish but also for political reasons. Jewish scholars were especially well-represented in the critical social sciences and were often active in socialist or liberal political parties. In economics and the social sciences the percentage of scholars expelled by the Nazis was above average, as was the percentage of scholars who emigrated. It should be pointed out, as has also been noticed by Tribe (2001), that many economists during the Weimar Republic had been employed at public-sector (or even private) agencies and research institutes. Including subsequent developments in Austria up to 1938/39, in all 253 economists were dismissed, of whom 221 emigrated. Nine of the scholars who remained in Germany and Austria were killed in prison or concentration camps. This fate affected also some émigré scholars: such as Rudolf Hilferding who was caught in Vichy France in Marseille and died in a Gestapo prison in Paris in February 1941; and the mathematical economist Robert Remak, who was arrested in an SS-raid in Amsterdam in the Fall of 1942 and deported to Auschwitz, where he was killed.

Table 1 comprises the group of 328 'dislocated' economists.<sup>3</sup> Besides the 253 economists who had already acquired academic degrees at German-language universities, it also includes 75 members of the 'second generation'; that is, emigrated children who later became economists in their host countries. Among this list of prominent economists we find the

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2 Whereas almost 60% of the political refugees returned to either Germany or Austria after 1945 and sometimes played important roles – for example, Willy Brandt and Bruno Kreisky – only 4% of all Jewish émigrés returned after the Holocaust. A major stepping stone in the compilation of biographical data for more or less prominent Nazi victims are the three volumes of the *Biographisches Handbuch der deutschsprachigen Emigration nach 1933* [*International Biographical Dictionary of Central European Émigrés 1933–1945*] edited by Werner Röder and Herbert Strauss (1980/83) on behalf of the Research Foundation for Jewish Immigration in New York and the Institut für Zeitgeschichte in Munich.

3 The data are compiled on the basis of the two volumes edited by Hagemann and Krohn (1999), which include biographical entries on these 328 scholars.

**Table 1 Dislocated economists**

	Total	Emigrated	Stayed
In Germany	196	169	27
In Austria	50	45	5
In Czech Republic	4	4	0
Working in other countries before emigration	(3)	3	0
Sub-total	253	221	32
‘Second generation’		75	Frank Hahn, Walter Eltis, Robert Aumann
Émigré/dismissed economists	328		

Nobel prize winner of 2005 Robert Aumann, who was born in Frankfurt in 1930 and emigrated with his parents to the USA in 1938; the same year that Otto Eckstein (born in Ulm in 1927), who later made an impressive career at Harvard and as a co-founder of Data Resources Inc., emigrated with his parents after the November pogroms; or Michael Bruno (born in Hamburg in 1932), later President of the International Economic Association who emigrated with his parents to Palestine in the year the Nazis came to power. Frank Hahn, born in 1925 in Berlin where his father was professor of chemistry at the university, first emigrated to Czechoslovakia in 1933 and then on to the UK in 1938. In the following year Walter Eltis, born in German-speaking Warnsdorf in 1933, also emigrated from Czechoslovakia to the UK, where for many colleagues and students he became an ‘incarnation of an Oxbridge professor’, and later Vice-President of (The European Society for the History of Economic Thought (ESHET)) from 2000 to 2004.

As recent debates on the brain-drain versus brain-gain effects of migration have shown, evaluating the impact of (e)migration is a difficult and complex task. This holds in particular for intellectual migration, due to the public good properties of knowledge. The loss for German and Austrian universities is not equal to the gain of the university system in the host countries. There are many important issues, involving acculturation, innovation and integration into the education system in the new home countries. What did the experience of immigration imply for the economists? How much did dismissal and emigration cause shifts in the main research areas, or in the methods used? Did the émigré scholars elaborate their earlier approaches, did they switch to different ones in the new home countries, or did they contribute to a fruitful merger of different national traditions? How much did adaptation to a new scientific and cultural environment also stimulate innovative contributions that had a stronger influence on the international development of economics after

1945, and the emergence and development of new sub-disciplines? The complexities of these questions require a diversity of methods and approaches. A variety of perspectives are opened up with regard to the main host countries and the development of various sub-disciplines, in particular those to that émigré economists made major contributions; there are also individual biographies that are of a more exemplary nature.

An initial review reveals that the dismissal of economists had an uneven impact upon German and Austrian universities. Whereas by the winter semester of 1934/35 about 14% of the faculty at German universities had been dismissed for racial and/or political reasons, in economics the share was 24% and so far above the average. However, in contrast to the Austrian Republic, where the University of Vienna had after World War I almost monopolized academic education, the dispersion was great. Whereas in general the Universities of Berlin, Frankfurt am Main and Breslau<sup>4</sup> were heavy losers from the dismissal of scholars by the Nazis, the picture in economics is slightly modified. Here Heidelberg, Frankfurt and the Institute of World Economics in Kiel suffered the greatest losses. From the time of Imperial Germany, Heidelberg in the state of Baden had a pronounced liberal intellectual tradition, and this was reinforced during the Weimar Republic, with Emil Lederer and Alfred Weber, Max's younger brother, as the key figures in economics and the social sciences. Heidelberg attracted many of the most brilliant young minds. It was here that Jacob Marschak, the young Richard A. Musgrave, and the sociologists Karl Mannheim and Norbert Elias started their academic careers. After the Nazis' rise to power, 7 of its 11 faculty members were dismissed. The new Goethe University in Frankfurt, which had become a centre in the social sciences after World War I, lost 13 out of 33 faculty members.<sup>5</sup> With the newly founded department of statistical international economics and research on business cycles, the Kiel Institute of World Economics had become a highly regarded research centre in the short period between 1926 and 1933 (see Hagemann 1997). Core members of this scientific community were Adolf Löwe (late Adolph Lowe), until his move to Frankfurt in 1931, Gerhard Colm, Hans Neisser, Fritz (later Frank)

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4 Breslau, today's Wrocław in Silesia, had a large and very respected Jewish community. It is also the native city of many émigré economists such as Heinz Wolfgang Arndt (1915 to 2002), Warner Max Corden (born 1927 as Cohn), Rudolf Meidner (1914 to 2005), the architect of the Swedish workers' investment funds, and Hans Neisser (1895 to 1975), as well as the Nobel prize winner in chemistry Fritz Haber and the historian Fritz Stern, whose *Einstein's German World* (Stern 1999) is very illuminating.

5 For greater details see the excellent collection edited by Bertram Schefold (2004).

Burchardt, and for a period of time Wassily Leontief (1927 to 1929 and 1930/31) and Jacob Marschak (1928 to 1930). After Nazi mobs invaded the Institute in April 1933 and violently expelled Colm, Neisser and other researchers from their offices, none of them remained in Nazi Germany by the summer of 1933.

In contrast to these more liberally-minded institutions, many conservative faculties did not alter their recruitment policies after 1918, with the consequence that they were barely affected by the dismissals resulting from Nazi policy in 1933.<sup>6</sup> On the other hand, this greater personal continuity after 1933 did sometimes have positive consequences, such as the maintenance of academic standards, in the best case even the creation of a centre of resistance to the Nazis. The leading example of this is Freiburg, where the fundamental ideas of Ordoliberalism were developed between 1938 and 1945 by Walter Eucken and others in opposition to National Socialism on the basis of Christian convictions (see Rieter and Schmolz 1993). The German conceptions of *Ordnungspolitik* and *Soziale Marktwirtschaft* (social market economy) are a response to the challenges of the Great Depression, National Socialism and central planning in Soviet-type socialism at a time when economic and political liberalism was in its deepest crisis. Since Freiburg was also in the state of Baden it came under the same ministry as Heidelberg; but there the faculty was much more exposed to the influences of Nazi policy, the vacuum caused by the many dismissals being filled by opportunists and party members, ruining academic standards until the post-war reorganization of the university.<sup>7</sup>

The situation and development in Austria was in several respects different from Germany. From the later nineteenth century the Danube Monarchy was economically backward, but produced a remarkable number of good economists (and other outstanding intellectuals). Of the 51 émigré economists who had achieved their doctorate at an Austrian university (with the exception of one scholar who got his doctorate at Innsbruck) all the others received their doctorate from the University of Vienna. At roughly one-quarter of all German-speaking émigré economists, the Austrian share is substantially higher relative to the local population, even if one takes account of the fact that many scholars came from areas that are today part of Hungary, Romania or the Czech Republic, where several undoubtedly German or Austrian economists, such as Emil Lederer or Joseph Schumpeter, were born.

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<sup>6</sup> For a detailed overview of the universities where émigré economists received their PhD degree, see Hagemann (2005: 409).

<sup>7</sup> See Brintzinger's (1996) comparative study of the economics faculties at Freiburg, Heidelberg and Tübingen in the period 1918 to 1945.

The chronological incidence of emigration from Austria substantially differs from that in Germany; it was more of a gradual process that had already begun in the late 1920s. Hitler's occupation of Austria in March 1938, the 'Anschluss' to Nazi Germany, did not bring about dramatic changes to the development of economics as institutionalized at the University of Vienna, where economics during the inter-war period was still taught in the conservative Faculty of Law. A good indicator of the limited career prospects for the most outstanding younger scholars is the new appointments made to the three chairs in economics, which all became vacant in the early 1920s. None of them was given to Joseph A. Schumpeter or Ludwig von Mises, who were well known internationally and were of an appropriate age for appointment. Instead the chairs were given to three figures without any international profile: Othmar Spann, a reactionary and anti-semitic supporter of the corporatist state who strongly opposed the methodological individualism of the Austrian School and instead favoured a holistic intuitive individualism (as a supporter of 'Austrofascism' after 1934, Spann was dismissed from his university position following the *Anschluss* of March 1938); Hans Mayer; and Count Ferdinand Degenfeld-Schonburg, who succeeded the economic historian and socialist Carl Grünberg after the latter's move to Frankfurt in 1924. Of these three professors only Mayer, who became the handpicked successor of Friedrich von Wieser in the chair formerly held by Carl Menger, retained the Austrian tradition of methodological individualism. Nevertheless, his contributions on value, price and utility theory and the imputation problem made no lasting impact.<sup>8</sup>

The signals to an aspiring young generation of economists with a keen interest in theoretical analysis were clear, particularly when they were either Jews and/or socialists: they had to look elsewhere for tenured academic appointments. Many of them, such as Gottfried Haberler, Oskar Morgenstern, Fritz Machlup or Gerhard Tintner, were able to develop intensive international contacts when they studied at leading American universities with a two-year fellowship from the Rockefeller Foundation, which provided financial support for research in economics, particularly business cycles studies, in the period 1924 to 1938.<sup>9</sup> Paul N. Rosenstein-Rodan, who was born in Cracow in 1902 and had a PhD in economics from the University of Vienna, became a research assistant of Mayer from 1926 to 1929, but had no hope of making a university career in Austria; he moved to London in 1930 where he became Special Lecturer at the University

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8 On these three professors and the development at the University of Vienna in the 1920s, see also Craver (1986a) and Milford and Rosner (1997).

9 For greater details, see Craver (1986b).

College in 1931. As is well known, Friedrich A. Hayek, who had become the Founding Director of the Austrian Institute for Research on Business Cycles in 1927, moved away from Vienna to become the Tooke Professor of Economic Science and Statistics at the London School of Economics in the same year, after he had delivered the famous *Prices and Production* lectures. With the menace of the Nazi regime in neighbouring Germany, the increasingly authoritarian regime and the civil war situation in Vienna in February 1934, several other leading economists left Austria. The group included Mises, who became Professor of International Economics at the Institut Universitaire des Hautes Etudes Internationales in Geneva, Switzerland in 1934; Machlup, who was appointed Professor of Economics at the State University of New York at Buffalo in 1935; and Tintner who, after a year at the Cowles Commission for Research in Economics at Colorado, started his career as Professor of Economics, Mathematics and Statistics at Iowa State University in Ames in 1937. After finishing his famous study *Prosperity and Depression* as an expert on behalf of the League of Nations in Geneva, Haberler was appointed Professor of Economics at Harvard University in September 1936, to which Schumpeter had already moved from Bonn exactly four years before.

When the *Anschluss* occurred in March 1938 the most important group of economists remaining were concentrated at the Austrian Institute, where Morgenstern (1902 to 1977) had succeeded Hayek as the director in 1931. Morgenstern had since January been on a lecture tour in the USA and did not return to Vienna; he was immediately dismissed as 'politically intolerable'. He had various offers from American universities and accepted the one from Princeton initiated by Frank A. Fetter, the leading representative of the Austrian School in the USA. He became a member of the Princeton Institute for Advanced Study. Among the members of the research staff of the Vienna Institute who were dismissed in 1938 we find such outstanding scholars as Alexander Gerschenkron (1904 to 1978) and Abraham Wald (1902 to 1950) who both emigrated to the USA in the same year, and the young Josef Steindl (1912 to 1993) who, with the support of Hayek and Haberler, got a position at Balliol College in Oxford. Bert (hold) Frank Hoselitz (1913 to 1995), Kurt W. Rothschild (1914 to 2010) and Paul Streeten (born as Paul Hornig in 1917) were among the younger scholars who later became excellent economists. Most of the remaining members of the former Mises seminar or of Hayek's friends, including Martha Stephanie Browne (Braun) (1898 to 1990), Ilse (Schüller-)Mintz (1904 to 1978) and Joseph Herbert Furth (Fürth) (1899 to 1995), also emigrated from Austria in 1938. Only Rothschild and Steindl returned permanently after the war from Britain to the Vienna Institute, where they became Senior Researchers in 1947 and 1950, respectively. Although both of them

were internationally recognized economists, Rothschild was only appointed Professor of Economics at the newly founded University of Linz in 1966, whereas the University of Vienna refused to recognize Steindl's *Habilitation* since his thesis had been written in English and not German, the official language. It was not until 1970 that the University of Vienna, at the initiative of Erich Streissler, the holder of the Menger chair since 1968, awarded Steindl an honorary professorship.

The age variable played a major role in the decision to emigrate. Whereas 23 out of 87 dismissed economists who were born before 1890 stayed in either Germany or Austria, 157 out of 166 who were born between 1890 and World War I emigrated. The dispersion among the host countries was great. As in other sciences, the USA<sup>10</sup> and Great Britain were the main countries where émigré scholars took final refuge. A total 131 of 221 first-generation émigrés (i.e. almost 60%), finally settled in the USA, and 35 in the United Kingdom. In the USA, decisive financial support in the difficult years after the Great Depression came from the Emergency Committee in Aid of Displaced German/Foreign Scholars and the Rockefeller Foundation. Through the tireless efforts of the social reformer Alvin Johnson, the newly founded 'University in Exile'<sup>11</sup>, the later Graduate Faculty of Political and Social Science at the New School for Social Research in New York, became the most important institutional cluster for émigré scholars in the USA. As the associate editor to Edwin Seligman in the edition of the *Encyclopaedia of the Social Sciences* Johnson had developed excellent contacts with Continental European scholars in the years before Hitler came to power. He reacted immediately to the dismissals of scholars by the Nazis and recruited Emil Lederer (1882 to 1939) as the Founding Dean of the new faculty, whose entire Mayflower generation of professors consisted of emigrated Germans plus the Italian political scientist Max Ascoli, a friend of Piero Sraffa who had been dismissed by the University of Cagliari in 1931. The New School then and later not only attracted great economists, such as Gerhard Colm, Adolph Lowe, Jacob Marschak, Franco Modigliani and Hans Neisser, but also other excellent social scientists as the gestalt psychologist Max Wertheimer, the phenomenologist Alfred Schütz, and the famous philosophers Hans Jonas and Hannah Arendt. The latter pair had

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10 During the 1930s more than 1000 refugee scholars came across the Atlantic, mainly but not exclusively from Germany and Austria; they had a broad impact on all academic disciplines. For a pathbreaking study of their impact and their experiences, particularly in the social sciences and the humanities, see Coser (1984). Lewis Coser (1913 to 2003), born Ludwig Coh(e)n in Berlin, combined his European background with the American perspective in an ideal way. Fermi (1972) and Heilbut (1984) deal with the entire range of disciplines.

11 For a detailed history of the University in Exile, see Krohn (1993).

met in Heidegger's seminar at Marburg in 1924 and were professors at the New School from 1953 to 1975 and from 1967, respectively, the year when the author of *The Origins of Totalitarianism* moved from the University of Chicago.

From 1934 the Graduate Faculty at the New School also published the new journal *Social Research*, which can be regarded as the genuine successor of the *Archiv für Sozialwissenschaft und Sozialpolitik*. This had been the most eminent journal in economics and the social sciences in the German language area for the three decades between 1904 and 1933 (see Hagemann 1991), edited during the years of the Weimar Republic by Lederer together with the assistance of Schumpeter and Alfred Weber. The journal was compelled to cease publication after the Nazis' rise to power. The New School also became a general centre for modern continental European culture. The composer Hans Eisler taught from 1935 to 1942, and in 1940 Erwin Piscator, another former associate of Bertolt Brecht and a refugee from Hitler's Nazi Germany as well as from Stalin's Soviet Union, founded the Dramatic (Theatre) Workshop in which a surprisingly high number of later famous actors, including Marlon Brando, Tony Curtis, Walter Mattau, Rod Steiger and Shelley Winters, got their basic training as students.

After the defeat of France in June 1940 many French scholars also emigrated to the USA, where the idea of founding a Free French University was soon mooted among the French exile community in New York. On 12 February 1942 the Ecole Libre des Hautes Etudes, the New School's 'Quartier Latin', officially opened its teaching activities at Hunter College in Manhattan. Among the faculty were the world's leading linguist Roman Jakobson, the young anthropologist Claude Lévi-Strauss, Gustav Cohen, a medievalist from the Sorbonne, the theologian Jacques Maritain, the art historian Henri Focillon (who became the Founding President of the Ecole Libre) and the philosopher Alexander Koyré, who was the direct representative of de Gaulle's France Libre, which gave financial support to the new French offspring at the New School.<sup>12</sup> Parallel to *Social Research* a new French-language journal in the social sciences, *Renaissance*, was published between 1942 and 1944, jointly edited by Koyré and the Belgian classicist Henri Grégoire. Having earlier been united against the policies of the Vichy government, with the approaching defeat of Nazi Germany tension grew within the French émigré community and between the Gaullist core and the German émigrés at the Graduate Faculty who predominantly shared a social-democratic orientation. In contrast to the

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<sup>12</sup> For a more detailed treatment of 'The Free French in New York', see chapter 8 of Rutkoff and Scott (1986).

latter, the French scholars always regarded themselves as temporary visitors in the USA, waiting to return to their home country after liberation, and also as an outpost of a matchless French culture. Their insistence on teaching in French ensured that they remained remote from American students and limited the impact of the Ecole Libre. Led by Lévi-Strauss, the great majority of the refugees returned to France at the end of the war.

After the war the newly founded Roosevelt University in Chicago became the academic home of many émigré economists from Europe and thereby a Midwest equivalent to the New School in New York. The Vienna-born Walter Albert Weisskopf (1904 to 1991) was the Founding Chairman of the Department of Economics from 1945 to 1965.<sup>13</sup> Abba Lerner had a temporary position at Roosevelt University as well as Albert Bela Halasi and Adolf Sturmthal. Rolf Alfred Weil, who came from Nazi Germany to the USA in 1936 and got his PhD from the University in Chicago in 1950, made a career there, first as Professor of Finance and Economics and finally as President of Roosevelt University from 1966 to 1988. After World War II many of the outstanding Jewish émigré scholars made careers at Ivy-League universities, but in the 1930s the University of Chicago had a 'monopoly advantage as a place that would hire some extraordinarily able Jews' (Samuelson 2002: 48). Samuelson himself had moved for graduate studies from Chicago to Harvard, which did not, however, offer him tenure in 1940 on account of their anti-Semitism and his brilliance. Among his more appreciated teachers were Schumpeter and Haberler, who were both appointed to full professorships at Harvard. But neither of them were either Jews or socialists. Such emigrés – if they did not remain at the New School – could land at places like Iowa State University, as did the brilliant econometrician Gerhard Tintner. The situation changed substantially after the war, as is for example indicated by Fritz Machlup, who moved from Buffalo to Johns Hopkins University in 1947, and from there to Princeton in 1960 to succeed Jacob Viner in the chair for international economics.

About one-half of the 131 émigré economists who ended up in the USA came directly, and the remaining half by more or less roundabout routes from other countries where they first had taken refuge. Most of the latter group came from Great Britain, which was, at least temporarily, a host country for more than 100 émigré economists.<sup>14</sup> On 24 May 1933, less than

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13 His brother was the famous physicist Victor Weisskopf who, from April 1943, cooperated with Oppenheimer, Fermi, *et al.* in Los Alamos on the construction of the atomic bomb. Victor's son Thomas Weisskopf later became one of America's leading radical economists.

14 For a full list of emigrated German-speaking economists to the UK and a more detailed analysis of the activities of these scholars in British exile from 1933 to 1945, see Hagemann (2007).

seven weeks after the passing of the Restoration of Civil Service Act by the Nazis, the Academic Assistance Council (AAC) was founded by a group of British academics on the initiative of the Director of the London School of Economics William Beveridge, to assist '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' (Cooper 1992: 7; see also Beveridge 1959). The AAC, renamed as the Society for the Protection of Science and Learning (SPSL) in 1936, was financed from voluntary and collective self-taxation of its members. Up to the outbreak of World War II the SPSL supported about 1000 academics, and was thereby one of the main reasons why Britain became the most important host country for exiled scholars after the USA. Ernst Rutherford (1933 to 1937), William Temple (1937 to 1944), the later Archbishop of Canterbury, and from 1944 Lord Beveridge, were Presidents of AAC/SPSL; from its foundation Keynes had played an active role.

The outbreak of the Second World War, and particularly the discrimination émigrés had to suffer after the defeat of France, resulted in British exile being for many refugees only temporary. The loss of many great scholars who in the years 1939/40 principally moved on to the USA reinforced the long-run shift of scientific power towards the USA. In May/June 1940 some 500 refugee scholars were among the 'enemy aliens' suddenly interned by the British government on the Isle of Man (excepting category C, the 'friendly' enemy aliens); part of this group were shifted forward to the Dominions, primarily Canada and Australia. This group included many younger émigré economists from Germany and Austria, such as Heinz Wolfgang Arndt (1915 to 2002), Frank Burchardt (1902 to 1958), who later became the Director of the Oxford Institute of Statistics, Erwin Rothbarth (1913 to 1944), who had become Keynes's research assistant of statistics in 1938 after outstanding graduation at the LSE, Hans Singer (1910 to 2006), Paul Streeten, and even prominent economists like Piero Sraffa who had already moved from fascist Italy to Cambridge in 1926. Paul Streeten, who had been born 1917 in Vienna as Paul Hornig, emigrated to Britain in 1938 after the Anschluss and was among those interned refugees who were transferred from the Isle of Man to Canada under very bad conditions in early July 1940. He later commented on the Isle of Man episode:

Internment was horrid: not so much for the discomfort, meagre and tasteless food rations, often disagreeable company, crowded but mainly for being out of action at a time when one wanted to be in the midst of things. Some authors have recently maintained that the internees were quite happy with their lot and regarded it as an enforced but welcome holiday. This is quite wrong. All of us hated and resented the enforced idleness. *And it was humiliating to have been rejected by the Austrians as a Jew, and*

*imprisoned by the English as an Austrian.* But Harold Nicolson and Richard Crossman, after a few months, helped to reverse this stupid action. (Streeten 1989: 83; emphasis added)

Palestine (Israel), Latin America, Switzerland, Australia and New Zealand became the final host countries for smaller groups of emigrated economists. France, which played a considerable role in the overall intellectual emigration from Germany after 1933, was even before the outbreak of World War II only of minor importance as a place of refuge for émigré economists. This differed remarkably from Turkey, where the old Ottoman university 'Darülfünun' (House of Knowledge) was abolished by Atatürk in July 1933 and the new university system of the Turkish Republic initiated with the reopening of Istanbul University in August 1933. The dismissal of a large number of German scholars by the Nazis in the preceding months offered a sudden and unexpected chance for the Turkish government to recruit a substantial number of first-class scholars and scientists to build up a modern university system for the young republic.

In 1933 four German economists were appointed professor at the University of Istanbul: Fritz Neumark (1900 to 1991), the prominent liberals Wilhelm Röpke (1899 to 1966) and Alexander Rüstow (1885 to 1963), and Gerhard Kessler (1883 to 1963) for social and labour market policy. The group also included the agricultural economists Fritz Baade and Hans Wilbrandt, and Alfred Isaac (1888 to 1956) who got the first chair for management studies in Turkey in 1937. While only very few of the American and British émigrés permanently returned to Germany and/or Austria after 1945, cultural differences and language problems were responsible for the fact that all émigré scholars returned from Turkey after World War II, despite all the hospitality of the Turks.<sup>15</sup> Röpke, who felt culturally alienated at the Bosphorus where he could not stand the noise and smell, left Istanbul for Geneva in Switzerland as soon as the fall of 1937. He was succeeded by Josef Dobretsberger (1903 to 1970), who had been dismissed from his professorship in Graz in March 1938, and thereafter from 1942 to 1946 by the Italian economist Umberto Ricci (1879 to 1946), a classical liberal and excellent theorist who as a fierce opponent to Mussolini had been dismissed from his chair at the University of Rome as early as 1929.

Neumark undoubtedly had the greatest impact in Turkey among the economists. He was the driving force in the foundation of the first scholarly journal in economics in Turkey, edited by the new Faculty of Economics at

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15 For the remigration of economists after 1945, see Hagemann (2010).

Istanbul University in 1939 and which had the explicit aim of catching up with international research. As a specialist in public finance Neumark also served the Turkish government during the introduction of an income tax, as well as in the major tax reform of 1950. Neumark, who was among the very few émigré professors able to teach in Turkish without the aid of an interpreter, was in 1952 the last economist to return to Germany, to the Goethe University in Frankfurt, from which he had been dismissed in 1933 on racial grounds. He was later twice elected Rector.<sup>16</sup>

### 3. Jacob Marschak

Jacob Marschak, who was born in Kiev, Russia, in 1898 and died in Los Angeles in 1977, had one of the most adventurous biographies of any twentieth-century economist. At the age of 19 he was Secretary of Labour in the Terek Republic, a revolutionary government in the Northern Caucasus. When he died Marschak was President elect of the AEA. Marschak's professional career extended across 58 years and three countries: Weimar Germany (1919 to 1933), the UK (1933 to 1938) and the USA. Economics in the Weimar Republic benefited from the emigration of a large group of émigrés from the Soviet Union, predominantly Mensheviks with a good mathematical training. These émigrés concentrated around the statistician and mathematical economist Ladislaus von Bortkiewicz in Berlin, and around Emil Lederer in Heidelberg. This group of prominent Russian economists included Wassily Leontief, Wladimir Woytinsky, Jacob Marschak, Paul Baran, Georg Bronstein (Garvy), Boris Brutzkus, Mark Mitnitzky among others.

Marschak was the first of the group of Russian economists. He had already been a student of Slutsky at the Institute of Commerce in Kiev in 1915/16, and studied with Bortkiewicz during summer semester 1919 before he moved on to Heidelberg. There he completed his PhD in 1922 with a thesis on the quantity equation (Marschak 1924) before working from 1922 to 1926 as an economic journalist. From 1926 to 1928 Marschak then worked as an economist in the research department of the German trade unions, and from 1928 to 1930 as a researcher at the Kiel Institute for World Economics in the Department for Business Cycles Research directed by Adolph Lowe (1893 to 1995), who became a life-long friend. Here

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<sup>16</sup> Neumark's great empathies for Turkey are well expressed in his autobiographical *Refuge at the Bosphorus. German scholars, politicians and artists in emigration 1933–1950* (Neumark 1980). For a detailed study of the role of refugees from Nazism in Turkey's modernization, see Reisman (2006).

Marschak wrote his *Elasticity of Demand* (Marschak 1931), which he submitted as a habilitation thesis to the University of Heidelberg, where he was appointed Privatdocent in February 1930. There Marschak very soon became a popular teacher. Musgrave reports that his own serious study of economics began with his move to the University of Heidelberg in the winter semester 1931/32 and participation in a seminar led by Marschak on Keynes's *Treatise on Money* and the integration of fiscal flows into national income accounts (see Musgrave 1997: 64). On 20 April 1933 Marschak was dismissed on racial grounds. He had already left Nazi Germany in March, and emigrated via Vienna, Spain and the Netherlands to Britain.

Wassily Leontief Jr (1905 to 1999) also was a researcher at the Kiel Institute of World Economics from May 1927 to April 1931, with an interruption for one year when he worked for the Chinese Ministry of Railroads in Nanjing during 1929/30. During his Kiel period Leontief, who in 1931 reviewed Marschak's *Elasticity of Demand*,<sup>17</sup> was primarily engaged in the derivation of statistical supply and demand curves. Leontief's proposed solution to the problem that the relevant data for the estimation of a supply (production) function were different from the data relevant for the estimation of a demand function (Leontief 1929) was fiercely criticized by Ragnar Frisch, launching a major debate on 'pitfalls' in the constructions of supply and demand curves. The Leontief-Frisch controversy ended up in the 1934 *Quarterly Journal of Economics*, and the controversy became so heated that the editors called upon Marschak to referee and mediate (see Marschak 1934).

Leontief moved in 1931 from Kiel to the National Bureau of Economic Research in New York and from there further to Harvard the following year, arriving at the same time as Schumpeter came from Bonn. When the renewal of Leontief's contract as Assistant Professor for a second term was pending Schumpeter strongly endorsed Leontief's case, referring to his 1929 article:

on the simultaneous derivation of logarithmically linear demand and supply functions, which won international attention. ... Everybody read, discussed, criticized, admired or damned it ... but no doubt is possible about ... the supreme force and brilliance of the author as displayed by it.<sup>18</sup>

Paul Samuelson had pointed out 'the fact that more refugees from Hitler were landed in U.S. professional chairs by Schumpeter than probably by any other single person' (Samuelson 2002: 54). On 19 April 1933, only 12

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17 See the 1931 *Archiv für Sozialwissenschaft und Sozialpolitik*, 66: 420–3.

18 Joseph A. Schumpeter, letter to the Harvard Dean, 18 November, 1935. See Schumpeter (2000: 280–1).

days after the Nazis had promulgated the Restoration of Civil Service Act, Schumpeter wrote to Wesley C. Mitchell (Schumpeter 2000: 246–8),<sup>19</sup> professor at Columbia University, Director of Research at the National Bureau of Economic Research from 1920 to 1945 and a co-founder of the New School for Social Research in 1919. Schumpeter gave his priority 'list of Hebrew colleagues in Germany' who should be supported. Schumpeter went on to comment in his usual style: 'The [nine] men listed may all of them be described as more than competent. I did on purpose not include any distinctly weak brothers' (246). In this list Gustav Stolper (1888 to 1947) was ranked first; he was a close friend of Schumpeter, father of Wolfgang F. Stolper who had been Schumpeter's student at Bonn and Harvard, and also the most outstanding economic journalist in Austria and Germany until 1933, founding the German equivalent of the *Economist* in 1926. Next came Marschak, Schumpeter commenting upon him as follows:

*Dr. Jacob Marschak*, Privat-docent at the University of Heidelberg. About 30. Probably the most gifted scientific economist of the exact quantitative type now in Germany. Wrote an excellent book on the *Elasticity of Demand* and about half a dozen excellent papers on various subjects in Econometrics. Speaks English well. Would be a very good acquisition for any University and highly deserving of some Fellowship, which would enable him to carry on his research. (247)

But Marschak's second emigration led him first to Oxford, where in the fall of 1933 he became Chichele Lecturer in Economics at All Souls, then Reader in Statistics and then founding Director of the Oxford Institute of Statistics (OIS) in 1935.<sup>20</sup> While in Oxford Marschak published his article 'Money and the Theory of Assets' (Marschak 1938), which was the first in a series on the theory of portfolio choice that influenced later work by Harry Markowitz and James Tobin. Dating back to his early Russian experiences with money substitutes during the revolutionary and hyperinflationary period in the Northern Caucasus, Marschak always had a keen interest in macroeconomics and monetary issues. He was therefore open to an independent and non-partisan reception of Keynes's *General Theory*. This is

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<sup>19</sup> A copy was sent by Schumpeter to the Rockefeller Foundation.

<sup>20</sup> The OIS also hosted the famous meeting of the Econometric Society where John Hicks, seeking to explain Keynes's *General Theory* to econometricians and mathematical economists, presented what became his paper 'Mr. Keynes and the Classics' (Hicks 1937), a paper that marked the beginning of the neoclassical synthesis. In the late 1930s and early 1940s émigré economists from Central Europe dominated the research work at the OIS as is well indicated by the famous study *The Economics of Full Employment*, edited by Burchardt *et al.* (1944), where the only British contributor, besides Kurt Mandelbaum (Martin), E.F. Schumacher, Thomas Balogh and Michal Kalecki, is G.D.N. Worswick.

reflected in his Chicago lectures *Income, Employment, and the Price Level* (Marschak 1951), as well as in the works of his two most outstanding PhD students, Franco Modigliani (New School) and Don Patinkin (Chicago), who both made substantial contributions to Keynesian economics.<sup>21</sup> Whereas Modigliani (1944) integrated the labour market into IS-LM analysis, thus constituting the Hicks–Modigliani fix-price equilibrium model, the neoclassical synthesis that dominated textbook macroeconomics for decades, it was Patinkin who not only directed his attention to the real balance effect on the demand for goods but also considered the possibility of integrating Keynes’s notion of involuntary unemployment within the Walrasian model of general equilibrium,<sup>22</sup> thereby laying the foundation for a disequilibrium interpretation of Keynes that influenced such diverse authors as Clower and Leijonhufvud, but also the work of Barro, Grossman and Malinvaud in the 1970s.

In Oxford Marschak also had some influence on Harrod, stimulating the development of post-Keynesian growth economics.<sup>23</sup> During the years of Marschak’s directorship, the OIS established itself as a leading international centre for empirical research in economics, advancing modern statistical and econometric techniques. Thus Harrod could write to Keynes on 6 July 1938: ‘We have a sort of minor Tinbergen here in the form of Marschak.’<sup>24</sup> Tinbergen was, together with Ragnar Frisch with whom he later shared the first Nobel Prize in Economics in 1969, the key driving force of the early econometric movement. Like Frisch, he had the highest regard for Marschak. Thus in an official letter of 30 October 1956 to the University of Heidelberg concerning the rehabilitation of scholars dismissed by the Nazis, Tinbergen confirmed ‘that a whole series of first-class studies in English proves that Marschak is one of the leading men in econometrics and has been already in 1933.’<sup>25</sup>

In December 1938 Marschak went to the USA with a one-year fellowship from the Rockefeller Foundation, an organization that had already provided substantial grants to establish the OIS, as they had also financially

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21 Patinkin (1922 to 1995) was born in Chicago as the son to Russian Jewish immigrants. In 1949 he became Professor and the Founding Dean of the Hebrew University in Jerusalem, where he stayed until the end of his life. In 1975 he became an honorary member of the AEA. Modigliani (1918 to 2003) emigrated from Italy in 1938 after the Mussolini government promulgated new racial laws. After a year at the Sorbonne in Paris he arrived in New York four days before the outbreak of World War II. He was elected President of the American Economic Association in 1976 and awarded the Nobel Prize in 1985.

22 See, in particular, chapters 13 and 14 of Patinkin (1965).

23 See most recently Sember (2010).

24 *The Collected Writings of J.M. Keynes*, Vol. XIV (1973). London: MacMillan, p. 298.

25 Jacob Marschak papers, UCLA, box 154.

supported the works of the research groups at Heidelberg and Kiel before the Nazis' rise to power (see Craver 1986b). Since that time Marschak and Lowe had been regularly consulted on the qualification of émigré scholars both by the AAC/SPSL and by the Rockefeller Foundation; they were both rated 'A-1, both scientifically and from the point of view of character'.<sup>26</sup> At the New School in New York, the Founding Dean and Marschak's former mentor Lederer had died some months before Marschak was appointed Professor of Economics with the beginning of the new academic year in September 1939. In this post Marschak succeeded Gerhard Colm, who had entered the Roosevelt administration in Washington and later became a key architect of the West German currency reform of 20 June 1948. When Marschak left for the University of Chicago as professor of economics and research director of the Cowles Commission in January 1943 he was succeeded by Abba Lerner, who developed his main ideas of functional finance during his New School years. In late summer 1940 Marschak's old friend Lowe moved from Manchester and became a colleague at the Graduate Faculty.

The most important activity during Marschak's years in New York was the seminar on econometrics and mathematical economics that he organized on behalf of the National Bureau of Economic Research. It did not only attract the most brilliant young American economists, such as Paul A. Samuelson and Kenneth J. Arrow (who later was instrumental in Marschak becoming President Elect of the AEA), but draw heavily on the rich intellectual resources from Europe that had crossed the Atlantic Ocean. Thus Tjalling C. Koopmans (1910 to 1985), a former student of Tinbergen, Trygve Haavelmo (1911 to 1999), a former student of Frisch, and Abraham Wald (1902 to 1950) belonged to the hard core of participants, as did Wassily Leontief, Hans Neisser (1895 to 1975) and Modigliani. Schumpeter had, like Keynes and the first President of the AEA Irving Fisher, played a leading role in the foundation of the Econometric Society and considered Walras as the greatest of all economists, although his own work contained little mathematics or of the new econometric or statistical methods. He frequently came down from Harvard to participate in Marschak's seminar, 'treating the whole matter with the benevolent condescension of a lord among well-meaning and deserving but necessarily limited peasants' (Arrow 1978: 71).

The work of the Cowles Commission at Chicago since 1943 was of decisive importance for the mathematization of economics and the triumphant advance of econometrics after World War II. This international

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26 John Van Sickle, Paris, to the headquarters in New York, 10 May 1933. Rockefeller Archive Center, Record Group 1.1, 200/109/539.

process appeared to many observers as the 'Americanization' of economics, but a closer look quickly reveals that many European-born economists played a substantial role in the econometric revolution. Marschak's New York seminar was a kind of prelude to the Chicago period 'that brought out his leadership qualities in full strength', as Koopmans (1978: IX), who joined Cowles as a researcher in 1944 and succeeded Marschak as the Director of Research from 1948 to 1954, wrote in his obituary. Koopmans, who shared the Nobel Prize with Kantorovich in 1975, also took over the Presidency of the AEA in 1978 after Marschak's sudden death.

Under Marschak's directorship the Cowles Commission soon became the world centre of the econometric revolution in economics.<sup>27</sup> Haavelmo's early works on the modelling of a system of simultaneous equations (1943) and the probability approach in econometrics (1944) laid the foundations for the two pillars which became the trademark of the Cowles Commission (and for which Haavelmo received the Nobel Prize in 1989). The three fundamental papers on the statistical estimation of systems of simultaneous equations by Haavelmo (1943), Mann and Wald (1943), and Marschak and Andrews (1944) had already been discussed at Marschak's New York seminar. Study was continued at Cowles in Chicago, where Marschak soon attracted a remarkable staff of younger researchers who quickly became persuaded that they were working at an important turning point of economic research. Many of them later received the Nobel Prize, such as the Americans Arrow (in 1972), Lawrence R. Klein (in 1980), Harry M. Markowitz (in 1990) and Herbert Simon (in 1978), but also the Italian-born Franco Modigliani (in 1985) and the French-born Gérard Debreu (in 1983). Most important in these decisive years were Koopmans and Haavelmo, whose home countries, the Netherlands and Norway, were under Nazi occupation. Haavelmo went back to his liberated home country in 1947 and was something of an exception. However, many promising younger European economists made research visits to the Cowles Commission, very often with financial support from the Rockefeller Foundation, and transferred modern developments in economics to Europe. One example is Wilhelm Krelle in Germany, who had long been Director of the collaborative research centre in econometrics and mathematical economics at the University of Bonn where Marschak spent a full year as a prize recipient of the Alexander von Humboldt Foundation in 1973/74. Modern economic ideas thereby took the opposite route across the Atlantic than the European émigrés had taken before.

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27 For greater details see the studies by Christ (1952, 1994), Hildreth (1986) and Malinvaud (1988).

Marschak, who became a US citizen in 1945, became more and more absorbed in managing and organizing research and fund-raising. He became Vice President (1944/45) and President (1946/47) of the Econometric Society and Vice President of the American Statistical Association (1947). When James Tobin succeeded Koopmans as the director of the Cowles Commission, which was now renamed the Cowles Foundation for Research in Economics, Marschak also moved from Chicago to Yale, moving on to Los Angeles in 1960. His movement to UCLA also indicated a certain shift in Marschak's research interests, who in his final decades focused on economic decision-making in the face of uncertainty (see Marschak 1974). This had already underpinned his early interests in monetary macroeconomics. His work now gained major inspiration from John von Neumann and Oskar Morgenstern's *Theory of Games and Economic Behavior* (1944) which he had intensively reviewed (Marschak 1946), and from their axiomatic justification of the expected utility hypothesis introduced in the second edition of their book (von Neumann and Morgenstern 1947). The leading expert summed up Marschak's work as follows: 'For my money Marschak's axioms on expected utility are the definitive ones, preferable to those of von Neumann and of Ramsey – no mean accomplishment' (Samuelson 1988: 323).

It cannot be overlooked that his second emigration in 1933, much more than his first in 1919, implied a clear shift in Marschak's work, having had experience both of the Bolsheviks *and* the Nazis. This is best reflected in the episode reported by Craver and Leijonhufvud:

[T]he immigrants who had lived through the interwar period in Europe – and some, like Marschak, had fled first Lenin and then Hitler – this hope of building a *wertfrei* social science, immune to propaganda of every kind, gave motivating force to the econometric movement.

One of us (A.L.) remembers standing with Jacob Marschak on the fringes of a UCLA anti-Vietnam demonstration, watching as the police tried none-too-gently to break it up. 'I, too, feel like them that this war is terrible', said Jascha, 'but you know, I still think it is important that we strive always to keep value judgments separate from our work'. We might not be able fully to achieve it, he added, but *Wertfreiheit* remains an ideal. (1987: 181–2)

#### **4. Further contributions by émigré economists**

The high years of econometrics –that is, the systematic application of mathematical and statistical methods to the study of economic relationships – can be associated with Marschak's tenure as research director at the Cowles Commission, involving a strong Continental European influence. It was during this period that Koopmans (1947) made his famous attack 'Measurement without Theory' on the empirical methods used by Mitchell,

Burns, *et al.* in business cycle research at the National Bureau of Economic Research. However, it was not until 1952 that the original Cowles motto 'Science is Measurement' was replaced by 'Theory and Measurement'.

The contribution to econometrics was by no means the only important one made by émigré economists. Probably the most influential single work was von Neumann and Morgenstern's *Theory of Games and Economic Behavior* (1944), which extended the use of mathematics in economic theory significantly and created the new area of game theory.<sup>28</sup> The cooperation between the Viennese economist and the Budapest-born mathematician John von Neumann (1902 to 1957), who taught at the Universities of Berlin and Hamburg after his habilitation in Berlin in 1927 but permanently left Germany after the Nazis' rise to power, had long been an aim for both authors, who had developed a mutual interest in each other's work.<sup>29</sup> However, Morgenstern was not able to attend the session in the mathematical colloquium of Karl Menger at the University of Vienna in 1936 where von Neumann presented his famous paper on the general equilibrium of an expanding economy. It was not until Morgenstern's arrival at Princeton that the joint project could be realized. The comparative advantages of the two authors, who both shared a strong interest in the analysis of the strategic interaction between economic agents, fitted together perfectly. Whereas the erection of the theory of games on a sound axiomatic foundation was mainly the work of von Neumann, Morgenstern built the bridge between the new mathematical models and the criticism of economic theory he had already clearly expressed in his earlier work. The Minimax theorem, fundamental for a zero-sum game between two players, had already been proved by von Neumann (1928). In the same year Morgenstern (1928) had discussed the Sherlock Holmes–Moriarty example in his Vienna habilitation thesis on economic prediction, which, however, was given its precise mathematical formulation only in 1944. Morgenstern's (1935) article on perfect foresight and economic equilibrium marks an important step forward in the analysis of interdependent decision-making which is at the basis of the 'Morgenstern paradox.'

The impact of emigration does not resemble a zero-sum game in which the gain of the hosting countries is equal to the loss of the countries of emigration. In general, the murders and crimes of the totalitarian regimes

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28 It was not until 1994 that the greater importance of game theory in modern economics was also reflected in the award of the Nobel Prize. Characteristically, the three recipients included the American John F. Nash (Princeton), John Harsanyi (Berkeley), a native Hungarian, and Reinhard Selten, a German from the University of Bonn.

29 For greater details see Leonard (2010).

and the damage to the universities and fields of research implied that Europe's loss exceeded America's gain. There is good reason to believe that America's rise to predominance after World War II would have come about in any case due to the strength of the US economy and America's home-grown talents, such as Samuelson, Arrow, Friedman, Tobin, Solow, *et al.* However, as also the data by Scherer (2000) show, the contribution made by European émigrés to America's predominance in economics was considerable. Many excellent graduate programmes introduced after the war in their first decades would not have been possible without the European immigrants. Thus we can agree with Paul Samuelson's statement quoted initially: that '[t]he triumphant rise of American economics after 1940 was *enormously accelerated* by importation of scholars from Hitlerian Europe' (Samuelson 1988: 319; emphasis added).

In some cases emigration even caused positive-sum games. This holds for *public finance* where, basically due to the work of Richard A. Musgrave (1910 to 2007), a fruitful merger between the Anglo-Saxon and the Continental European traditions took place. This is best reflected in Musgrave's treatise *The Theory of Public Finance* (1959), which became the standard textbook for more than two decades. Musgrave proposed to organize the public sector into the three branches of allocation, distribution and stabilization. Musgrave's multiple theory of budget determination has stimulated many debates. In his own retrospective view, Musgrave (1996, 1997) considered his modern theory of public finance as a fertile crossing of traditions. The three objectives reflect a normative perspective and a more positive view of the public sector, allowing for distribution as a fiscal concern, and also with its tendency for classification indicating German influences in the émigré's baggage. Due to its cameralist past, the Continental European tradition had a broader perspective that also comprised institutional, historical, sociological, and legal aspects. *Finanzwissenschaft* in Germany was part of the state sciences (*Staatswissenschaften*) and traditionally enjoyed a high standing among the branches of economics. This came to be combined with the more market-oriented Anglo-Saxon tradition, where public finance always had been integrated with theoretical economics – as, for example, in the analysis of the effects of taxation on individual and firm behaviour – and where with the Keynesian revolution macroeconomic concerns, such as the analysis of tax and expenditure effects on national income and employment, penetrated into the mainstream of fiscal thinking.

In the debate on 'Americanization' of economics and the role of European economics, Portes has emphasized that 'I speak deliberately of American rather than Anglo-American or Anglo-Saxon economics. Britain's historical leadership in the field lasted only until World War II' (Portes 1987: 1330). This also widely holds for the most important

contributions made by émigré economists. The exception is *development economics*, which, beginning with the path-breaking contribution by Rosenstein-Rodan (1943), evolved predominantly in Great Britain, with the Universities of London and Oxford as institutional centres,<sup>30</sup> and after the war at the United Nations and its ancillary organizations. It is a significant fact that the new field of development economics is a subject where the contributions made by émigrés from the German language area in the formative period are most significant. Among the pioneers we find, besides Rosenstein-Rodan and Gerschenkron, Albert O. Hirschman, Kurt Mandelbaum (1904 to 1995), Hans Singer (1910 to 2006), Paul Streeten and many others.<sup>31</sup>

There are several reasons for this phenomenon, such as the age variable and a successful crossing of traditions. Many pioneers of development economics were born between 1910 and 1917 and got their first academic training at German or Austrian universities and later studied for a PhD at Anglo-Saxon universities. In the German tradition, the long-run developmental problems of capitalist economies were a principal topic for such diverse authors as the members of the Historical School, Marx and Schumpeter. These ideas now came across the Keynesian revolution and the economic problems of backward areas. Thus, for example, H.W. Singer, who had started his PhD with Schumpeter at the University of Bonn in 1931 and finished it at the University of Cambridge in 1936, later tirelessly emphasized the influence of Schumpeter *and* Keynes on the development of a development economist. Another important aspect has been emphasized by Singer's friend Paul Streeten, who entitled his autobiographical paper 'Aerial Roots'; Streeten (1986) sought to point out that exile very often had the consequence of liberation from a former deep embeddedness in national traditions. Many émigrés became 'citizens of the world' and thereby carriers of the process of internationalization and of a convergence process that took place in many fields after the war.

Émigrés from Continental Europe did not only lay the roots of development economics, a new sub-discipline that has for a long time also been one of the most heterodox in economics where resistance against demands for a universal economics was greater, and the role of institutional or historical factors could not easily be neglected. So it was least responsible for debates on the 'Americanization of economics.'

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30 See Esslinger (1998) and Hagemann (2007: 340–8) for a more detailed analysis.

31 A closer analysis of the standard works by Meier and Seers (1984) and Martin (Mandelbaum) (1991) shows that the share of German-speaking economists among the pioneers in development economics is about 30%.

Earlier research on the Continental influence on economics in America has come to the conclusion that with few exceptions ‘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’ and that ‘[i]t was the individuals who took readily to the American scene, rather than those who thought of themselves as members of a University in Exile’ that made the key contributions for the creation of ‘a single international “mainstream” economics’ (Craver and Leijonhufvud 1987: 175). The exceptions were the economists at the New School, who – like Gerhard Colm – exerted their greatest impact during the period of Roosevelt’s New Deal and in the first years after the war, and Ludwig von Mises who conducted a seminar at New York University from 1945 to 1969 which injected the ideas of Austrian economics in the USA, in the long run evolving into a significant branch of heterodox economics that has maintained a critical distance from the more mathematically-oriented mainstream. Yet this may be regarded as a kind of ‘Viennization’ of American economics, although the Austrian émigrés surely would have missed the musical and cultural programme in places such as Auburn, Alabama.

On the whole, European totalitarian regimes during the inter-war period made a major contribution to the rapid reversal of Europe’s and America’s roles in economics as well as in the sciences. After World War II economics, like most other fields, has become a global area of research with English as the *lingua franca*, very different from what it had been during the 1920s and 1930s. Whereas the Keynesian revolution originated in Great Britain, most later developments such as the ‘monetarist counterrevolution’ were generated in the USA. The work of the Cowles Commission in the critical period 1943 to 1948 reflects the turning point very well. It also reveals the substantial contributions of European émigrés to the process of the ‘Americanization’ of economics. This development was enhanced by the Rockefeller Foundation, as Hesse (2010) has recently documented for Germany. In the period between 1945 and 1970 the Rockefeller Foundation financed longer research visits to the USA of 40 economists who all were, or became, university professors. Very often they were hosted at Ivy League universities by former émigrés, who thereby contributed to an international convergence process of economics.

### **Acknowledgements**

Presidential address, delivered to the 14th Annual Conference of The European Society for the History of Economic Thought (ESHET), University of Amsterdam, 27 March 2010. The author is grateful to Keith Tribe for helpful comments on an earlier version.

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### **Abstract**

The development of economics since 1945 was marked by an increasing internationalization that was simultaneously in large part a process of Americanization. This article focuses on the role refugee economists from Continental Europe played in the rise of American economics. It focuses on the emigration of German-speaking economists after 1933; and then deals with the special case of Jacob Marschak who emigrated twice, first from the Soviet Union in 1919 and then from Nazi Germany, and exerted a greater influence in Britain and in the USA. Finally important contributions by émigré economists to game theory, public finance and development economics are reflected.

### **Keywords**

Refugee scholars, Americanization of economics, Cowles Commission