THE VIENNESE CONNECTION: ALFRED SCHUTZ AND THE AUSTRIAN SCHOOL

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> [M]y scanty knowledge of economics is based on what I learned in Vienna some 25 years ago as economic theory and this was based on the particular brand of marginal theory developed by the Austrian school.
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> —Alfred Schutz, Letter to Adolph Loewe, 7 December 1955[1]

To what extent is it necessary to understand the intellectual climate in which ideas are formulated in order to understand the ideas themselves? This question, no doubt one of the most fundamental—and controversial—in the study of intellectual history, is no less relevant when it comes to the study of one of the founders of interpretive sociology, the Austrian-American philosopher and sociologist Alfred Schutz (1899–1959).[2] Schutz is widely recognized among sociologists and philosophers as having attempted a highly original and complex synthesis between the interpretive philosophy

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[1]In the Schutz papers, Beinecke Library, Yale University.

[2]Schutz's most important works are *The Phenomenology of the Social World* (1967) and the essays assembled in the *Collected Papers of Alfred Schutz*, Vol. I-IV (1962, 1964, 1966, 1996a). Schutz originally used the Austrian spelling *Schütz* but Anglicized the spelling. This was also done by many other German and Austrian immigrants to the U.S.,

of Max Weber, the phenomenology of Edmund Husserl and elements of the thought of Henri Bergson and William James, and he is indeed one of the most influential sociologists of the twentieth century. This alone should interest sociologists in what "sparked" Schutz's work. But even more so should the fact that his stated purpose in such a synthesis was to provide a unified foundation for an objective social science based in the actions of individual agents within the subjective common-sense-experienced reality of the everyday life-world. In that respect Schutz was truly remarkable among sociologists of his time.

This should, quite naturally, also raise some interest among those with an interest in the methodology of economics, and so should the fact that Schutz in his youth studied in Vienna and was associated with a number of the members of the third and fourth generations of the Austrian School of economists, in particular with Ludwig von Mises (1881–1973), Friedrich August von Hayek (1899–1992), and Fritz Machlup (1902–1983).[3]

However, until recent years Schutz has been relatively unknown outside the circles of phenomenologists, sociologists, and ethnomethodologists. It would seem natural for both sociologists and economists, notably those of a methodological individualist and subjectivist orientation, to consider whether Schutz was actually influenced by the Austrians, and if so, to what extent.

It might also raise the no less interesting questions of whether what Schutz had to say for sociology in any way may have influenced any of his Austrian contemporaries, or conceivably could be of any use for contemporary economists.

There would seem to be several good reasons for taking a closer look at the intellectual and personal connections between Schutz and the Austrians. There is some disagreement on the question of the *extent* of Schutz's personal and intellectual affiliation with the Austrian economists. One interpretation, which has been dominant, especially among sociologists, sees Schutz as only peripherally associated, while another, which has emerged in recent years, sees the connection as much closer.

The purpose of the present paper is to take a closer look at that question, and to offer evidence in support of the latter proposition. The primary focus will be upon contributing to the understanding of the historical setting in

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e.g., Steffy Browne (Braun); Walter Froelich (Frölich); Herbert Furth (Fürth); Erich Voegelin (Vögelin); and Adolph Lowe (Löwe).

[3]Carl Menger founded the Austrian School while the second generation of the school consisted of his collaborators, Friedrich von Wieser and Eugen von Böhm-Bawerk. The third generation consisted first and foremost of Ludwig von Mises and in some respects Joseph Schumpeter and Hans Mayer. With the fourth generation the territorial designation became an intellectual rather than a geographical designation; this generation was primarily the Austrian and American students of Mises, notably Friedrich August von Hayek, Murray N. Rothbard, and Israel Kirzner. For a short introduction to this "genealogy" of the school, see White (1984). See also Grassl and Smith (1986) and B. Smith (1990, 1994).

which Schutz became acquainted with the Austrians; as such it will deal less with the character of the theoretical affinities and influences themselves, which I have examined elsewhere (Kurrild-Klitgaard 2001). I shall approach the issue on the assumption that if we can establish that the personal relationship was closer than usually assumed, we may be better equipped to address the question of the intellectual nature of the relationship. In the following I shall accordingly try, first, to briefly introduce the two interpretations of Schutz's relationship with the Austrians, and second, to cast new and more detailed light upon some aspects of the relationship and to do so by drawing upon a large number of previously unknown or neglected materials,[4] which may seriously challenge the standard picture of Schutz's relation to the Austrians. Having done so, I shall offer some conjectures for why this redrawn picture of the personal relationship may enlighten our understanding of the intellectual relationship.

Two Stories of Schutz and the Austrian School

The usual picture of the relationship between Alfred Schutz and the Austrian economists seems to be that their only commonality was that they were Austrians, social scientists of more or less the same generation, and of the same social circles. As such the relationship has until recently received little attention among economists, and to the extent that the relationship is mentioned at all in the sociological literature on Schutz, the focus is typically more on what separates them, than on what unites them. It is continuously pointed out that Schutz did not share the methodological orthodoxy, classical liberalism, and individualism characteristic of most of the Austrian economists; rather Schutz is seen as an original thinker, who nonetheless managed to stay within the "sound mainstream" of sociology.[5]

Wagner's Story

This is, at least implicitly, the view of Schutz's foremost "intellectual biographer," the sociologist Helmut Wagner (1983). Wagner's premise is that a

[4]These include: (1) Schutz's private papers and correspondence (Beinecke Library, Yale University); (2) Schutz's unpublished recollections of Mises in an interview conducted by Bettina Bien Greaves on 20 November 1958 (Foundation for Economic Education); (3) Ilse Schutz's unpublished memoirs (Beinecke Library); (4) Wagner's original 2,600 page manuscript for his biography of Schutz (Beinecke Library); (5) Machlup's; (6) Mises's (Grove City College); (7) Hayek's and; (8) Voegelin's private papers and correspondence (Hoover Institution, Stanford University); as well as (9) Gottfried Haberler's and J. Herbert Furth's unpublished recollections in an interview with the present author on 26 June 1993 (author's collection).

[5]This interpretation is somewhat akin to one found among some contemporary Austrian economists. Here Schutz is seen as someone who, though personally and to some extent intellectually associated with the leading Austrians, was basically outside the school.

full understanding of Schutz's complex theoretical work presupposes an understanding of his personal and intellectual development and the sources which influenced him. He even stated that Schutz's "close friendships" were "closely interwoven with the story of his intellectual life. . . . It was . . . essentially within the spheres of his [co-students and] age peers that Schutz found the hints and challenges that he needed in order to find out where to look for what he was looking for" (Wagner 1983, pp. 10–11). Yet for whatever its other qualities Wagner's intellectual biography is one of the most consistently neglectful works among sociologists of the connection between Schutz and the Austrian economists, and accordingly of any possible influence.[6] For given his premises it is particularly difficult to understand the treatment of the Austrian School. Wagner does not deny that there was a personal connection between Schutz and the Austrians, and he does identify some aspects of the relationship.[7] Yet his voluminous and otherwise exhaustive biography contains only a little more than a handful of references to Mises and even less to Hayek (though some to Machlup), and when references are made, they are more often in the form of distancing Schutz from the Austrians than in considering their possible affinity.[8]

Some indeed view Schutz as having been influenced in a positivist and occasionally historicist direction by his close friend, Felix Kaufmann. Cf., e.g., Selgin (1990, pp. 20–27).

[6]Another example is Grathoff's (1978) prominent, 29 page essay on Schutz, which devotes a total of two sentences to the Austrian School—containing one minor and two major factual errors. Other illustrative examples—though without any factual errors—are the papers collected in the "Schutz Special Issue" of the scholarly journal *Human Studies* (1984, vol. 7, no. 2), which running more than 140 pages contains not a single reference to any of the Austrian economists (though some to Kaufmann). This is particularly surprising for Wagner's (1984) and Helling's (1984) contributions to that very volume, considering the subjects of their respective essays.

[7]Wagner does, e.g., note, that some of Schutz's teachers "not only fostered his future professional competence but accelerated his intellectual-avocational development" and here mentions Mises as a permanent influence (Wagner 1983, p. 11). He also notes that Schutz was "personally very close to von Mises" (p. 13). But apart from these two brief statements Wagner offers no examples of how this might have influenced Schutz's thinking. Rather—to the extent he mentions the connection at all—Wagner repeatedly focuses on perceived differences and neglects possible similarities.

[8]See, e.g., Wagner (1983, p. 13), where he, no doubt due to a lack of understanding of Mises's theorizing, distances Schutz's view of the unity of the social sciences from that of Mises's. Wagner also misses Mises's continuous stress of the importance of the *wertfreiheit* of the social sciences, when he writes that though Schutz "accepted marginal utility theory in principle" he, "in contrast to von Hayek and in agreement with many other students of von Mises . . . did not subscribe to the extreme economic liberalism of his teacher" (p. 12). Also, two things should be noted about the liberalism of the Austrian economists. First, while it is no doubt the case that many twentieth century Austrian economists were classical liberals, this can hardly be seen as a necessary characteristic of the school. Second, it is simultaneously true that while few of Mises's students—including Hayek—shared his particular brand of liberalism, they were all liberals of some form. Finally, Wagner in general stresses the differences between Mises and Schutz, rather than

Anticipating the evidence to be considered here one might say that Wagner was consistently downplaying the character and importance of Schutz's possible relationship with the Austrians. But in doing so he runs the risk of either missing or misrepresenting personal relationships that may have been important for Schutz's intellectual development. Wagner, in fact, neglects or misrepresents a large number of points that will be stressed here; his total assessment of Schutz's possible affinity with the Austrian economists is encapsulated in this short passage: "Schutz accepted marginal utility theory in principle. . . . What *kept* him within the Viennese school were its underlying interpretative assumptions: it explained an apparently mechanical and impersonal economic process in terms of subjective decisions and individual actions" (Wagner 1983, p. 12; italics added). Beyond this Wagner totally neglects the important *Methodenstreit*, which so completely formed the basis of the debate among Viennese social scientists of the 1920s and the background of Schutz's studies, or any treatment of how the Austrians in this respect differed from, e.g., the Historicists and the Positivists. Wagner also fails to mention that it was Mises who encouraged Schutz to pursue the study of Max Weber's thought, which sparked the course of further pursuit. Indeed, in his schematic representation of the major phases of Schutz's intellectual development, Wagner does not mention the connection to the Austrian economists at all. Among the important personal points missed are that Schutz's relationship with Machlup, Hayek, and Mises went back to his days as a student, and that it was Mises who got Schutz his first job. Wagner (p. 166), for example, erroneously reports that Schutz and Machlup first knew each other from 1924, and that while Schutz "spoke highly of Hayek" he "was not a personal friend of his" (p. 158).[9]

All this seems odd *a posteriori* when the facts to be presented are considered, but it seems particularly odd given Wagner's own stress of the intellectual importance of Schutz's personal relationships. Wagner's neglect of the Viennese connection could perhaps have been attributed to ignorance—had that been possible. But it is so much more inexcusable due to the fact that Wagner, during his many years of writing the intellectual biography, had access to more or less the same sources as those consulted here.[10] In my view,

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the similarities, in his references to the latter's views on economics; see Wagner (1983, pp. 12, 52, 168).

[9]Among the minor, yet highly indicative, omissions made by Wagner is that he did not include Schutz's review of Mises's 1933 book (Schutz 1996b) in his Schutz bibliography (Wagner 1983, pp. 339-45)—the only time Schutz publicly addressed economics and the Austrian School explicitly. Neither does he have any references to any of the works by Mises or Hayek. Wagner (1983, p. 52) also mistakenly reports that Mises stayed in Vienna until 1938 and incorrectly gives the title and year of Mises's *Grundprobleme der Nationalökonomie* (1981) as *Grundlagen der National Ökonomie* in 1934.

[10]Furthermore, among the more than two dozen friends and collaborators of Schutz's credited for having helped Wagner with personal information (Wagner 1983, p. ix), only

it can only be attributed to a preoccupation with what interested him the most, and a failure to understand the similarities between Schutz's project and that of, e.g., Mises and Hayek. This again was due to a lack of knowledge of the historical-intellectual setting and themes of the Austrian School.[11]

A New View

In recent years an emerging, "revisionist" interpretation of the relationship between Schutz and the Austrians has both challenged and weakened the standard interpretation. Here Schutz is seen as both personally and intellectually closer to the Austrians than claimed by others, and indeed as taking his cue from the Austrians, especially Mises, to such an extent that he perhaps may even be said to belong to the Austrian School, albeit on the fringes. Furthermore, such a perspective also opens up the door for the interesting question of how Schutz possibly could have influenced the Austrian economists.

Austrian economists and historians of thought have, of course, long been aware that Schutz in his youth had been associated with the Austrian economists.[12] Yet the interest among economists in the work of Schutz was probably initially sparked by the Austrian economists Murray Rothbard and Ludwig Lachmann, who pointed towards how Schutz's common-sense-realism and emphasis upon purposive human action had a fundamental affinity with elements of the Austrian program.[13] Subsequently, a number of Austrian economists have emphasized how Schutz's thinking is deeply indebted to some of the same sources and may be seen as fundamentally compatible with and even complementary to Austrian economics.[14] A similar turn has occurred among sociologists, who not only have rediscovered Schutz's historical affiliation with the Austrian School, but also have gone on to identify theoretical areas of commonality and difference between them, as well as how

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one—Machlup—belonged to the Austrian School. None of the Austrians alive when the book was written, who might have provided personal information, e.g., Hayek, Haberler, Furth, and Margit von Mises, are credited—despite the fact that Wagner actually consulted several of these and received information from them!

[11]The excuse could have been the vast amount of material used by Wagner and the need to cut the manuscript; the original draft was 2,600 pages.

[12]See, e.g., the memoirs and other writings by Mises (1978) and his wife (1984); as well as Hayek (1994); Machlup (1974, 1982); and Haberler (1974, 1981).

[13]Rothbard (1973, 1976) was among the first to draw attention to the intellectual and personal connection between Schutz and the Austrians. While retaining a favorable view of Schutz's possible affinity with the Austrians on some points, Rothbard (1989, 1990) also warned Austrian economists against the historicism and nihilism present in some phenomenological and hermeneutical thinking. Lachmann on several occasions pointed to the similarities between the Austrian economists and Schutz in, e.g., his *The Legacy of Max Weber* (1970). Cf. Lachmann (1982) and Caldwell (1992, pp. 140-42).

[14]See, e.g., O'Driscoll and Rizzo (1985); Boettke, Horwitz, and Prychitko (1986); Ebeling (1986, 1987a, 1987b, 1987c); O'Sullivan (1987); T. Alexander Smith (1988); Langlois and Koppl (1991); and Koppl (1997, 1998).

Schutz may be seen as having tried to build a bridge between sociology and economics.[15]

This first such revisionist interpretation of Schutz's relationship to the Austrian School was the detailed work of the sociologist Christopher Prendergast (1986). According to Prendergast, Schutz's aim was not to reform only sociology, but economics as well; Schutz saw his synthesis of Husserl and Weber as a means to answer the much more important question of what the proper foundations of a methodology of human action, applicable to *all* of the social sciences should be:

> In his reconstruction of the ideal type, Schutz promised to reconcile history, the most humanistic social science, with economics, the most nomothetic. Looking beyond Max Weber, who saw sociology as a generalizing auxiliary discipline to economics as well, provided that a common methodology and a common corpus of concepts united the three fields. No longer operating in isolation or competition, each discipline would become progressively more "objective," in the sense of utilizing the smallest number of concepts recognized as relevant to their respective subject matters. (Prendergast 1986, p. 1)

Prendergast's point is that Schutz's interests and works were sparked and shaped by the methodological debates which took place within the Austrian School in the 1920s. He sees Schutz as having been motivated by dissatisfaction with Mises's account of intersubjective understanding and with his proposed justification of the validity of the propositions of economic theory. Yet, according to Prendergast, this critique was not sparked by hostility; rather Schutz was "[c]ommitted to the school's overall methodological standpoint, but recognizing inadequately justified components . . . began to investigate alternative solutions" (p. 3). Schutz "never questioned the core elements of the Austrian tradition. His efforts were consciously oriented towards its preservation, although the rescue required that it be set upon different epistemological pilings" (p. 4).

The interesting point is that Prendergast's work in reality is very speculative and hypothetical, albeit qualified and insightful in its challenges. The time of publication could in a sense hardly have been worse considering that within a relatively short time the literature on the subject would blossom, partly due to new historical research and partly due to new interpretations by some Austrian economists of the roots of their own school.[16] Furthermore,

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[15]The frontrunners probably were Kauder (1965) and the prominent Schutz scholar, Maurice Natanson, who originally commissioned Rothbard's 1973 article and has argued that Mises and Schutz supplement each other, cf. Bradley (1979, p. 4). See also, Helling (1984, 1988); Prendergast (1986, 1993); Eberle (1988); as well as several writings by Srubar (e.g., 1993); and Esser (1993a, 1993b).

[16]See especially Craver (1986); Ebeling (1987c); Eberle (1988); and Helling (1988).

Prendergast relies heavily—although innovatively so—on the information supplied by Wagner's rather selective portrait and did not have access to, or utilize a number of, the sources which could have been consulted, and which might have supported the biographical aspects of his theory even better. The purpose here is to consult some of these sources in order to supplement the picture of the "Viennese connection" between Schutz and the Austrians.

The Personal Connection

Alfred Schutz had—just like many of the Austrian economists—attended a *gymnasium* with a strong emphasis on the Classics. In 1917, he graduated *summa cum laude* and after having been drafted and served a year and a half in the collapsing Austro-Hungarian Imperial Army he returned to Vienna in October 1918.

The Vienna in which the young Schutz found himself was one full of contradictions. On the one hand it was the depressed capital of a former world power, the mighty Austro-Hungarian empire, now almost decimated in prosperity, territory and importance, and plagued by hyperinflation. On the other hand, it was also a sparkling intellectual environment, about to enter into one of the most creative and fascinating periods of European intellectual history. It was a city dominated by art and academia, as well as coffeehouses where students daily could meet, discuss and drink with some of the intellectual giants of the century—where one could literally observe thinkers like Weber and Schumpeter shouting angrily at each other.[17]

But academically Vienna was, first and foremost, the home of a number of important intellectual circles, which in the aftermath of the *Methodenstreit* between the Austrian economists and the German historicists functioned as centers for important debates on methodology, philosophy of science, economics, and social policy, and usually were centered around one or a few prominent figures. No doubt, the best known of these was the logical positivist *Wiener Kreis*, the Vienna Circle, centered around the philosopher Moritz Schlick, and including, among others, Rudolph Carnap, Kurt Gödel, Karl Menger, and Otto Neurath. Other prominent circles were the groups centered around the economist Othmar Spann and the jurist Hans Kelsen, while others were the so-called *Sozialkatholiken*, centered around Ignaz Seipel, and the *Austro-Marxisten*, headed by Otto Bauer. Yet, according to many accounts, the most influential of circles was the group of Austrian economists, often known simply as the *Miseskreis*, centered around the *Privatseminar* founded and conducted by Ludwig von Mises.[18]

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[17]For the amusing account of this incident, see Somary (1986, pp. 120-21). On the coffeehouses, see also Hayek (1994, pp. 55-56).

[18]According to Voegelin, who was not only a regular of the *Miseskreis* but also participated in the circles organized by Spann and Kelsen, the well-known *Wiener Kreis* was in the 1920s considered as more a fringe group than as a leading philosophical group, cf.

The Background: Vienna ca. 1920

It was just around the time when these intellectual circles began to blossom that the young Schutz entered the University and came in contact with Mises—an event which probably changed the course of Schutz's intellectual life and affected the personal lives of both. Schutz had originally wanted to become either a physician or an orchestra conductor, but a partial impairment of his hearing made both careers impossible. Instead his mother suggested that he study law, which would open up a number of career possibilities; at that time the law-study in Austria (and Germany) was a very general and broad study of the social sciences with possibilities of specializing in either law proper, economics, or sociology. Furthermore, being a veteran from World War I, Schutz was able to enroll into an accelerated study program at the university in Vienna with a two and half year program rather than the standard four year-curriculum.[19]

Little is known about Schutz's years as a student. What is known, among other things, is that he, despite later working as a banker, never considered economics to be his "own" discipline. As a student he primarily studied philosophy of law under Hans Kelsen, and it was from that perspective that he came to the social sciences and developed an interest in economics, philosophy, methodology, and—especially—sociology. It was also via that route that Schutz eventually came in contact with Mises and the intellectuals of the *Miseskreis*.[20]

By the time Schutz and Mises met, the latter was close to 40, a bachelor living with his mother, and without having achieved a tenured teaching position. But he was also the author of several important works on economics, sociology, and politics and widely recognized, even among his many adversaries, as an outstanding intellect and perhaps one of the greatest minds of Austria in that century.[21] Mises had attended the university in Vienna and received the degree of Doctor of Law (Dr. jur.) in 1906. Having become familiar with the works of the early Austrian economists, Mises attended Eugen von Böhm-Bawerk's post-graduate seminar at the university from 1904 to 1914, which at that time was the center for the continuance of Austrian economics. In 1907 Mises began working at the Viennese Chamber of Commerce, an official advisory agency of the Austrian government, and he held this position—interrupted by military service from 1914-18—full-time until 1934, while teaching part-time and being involved in numerous activities and projects.[22]

Silverman (1980, p. 46n. 2) and Voegelin (1989, p. 1). The *Miseskreis*, on the other hand, was according to most accounts by far the most influential social science circle, cf. Hayek (1994, p. 69).

[19]On these early years of Schutz's life, see Wagner (1983, pp. 5-8).

[20]Interview with Alfred Schutz, 20 November 1958 (p. 1).

[21]Cf. Mises (1984, pp. 14, 30). Among the most important works published by Mises by 1920 were (1980, 1983, and 1990).

[22]For some general and more comprehensive treatments of Mises's career, see his own (1978), as well as his widow Margit von Mises's (1984). See also Rothbard (1988).

As with many of Mises's students, e.g., Hayek, Schutz actually never had Mises as a regular professor; they first met in 1920, in connection with one of Schutz's final exams.[23] In those years in Vienna the social sciences could only be studied as a part of the full-fledged Doctor of Law program (Dr. jur.), and the independent Doctor of Social Science program (Dr. rer. pol.) was not established until the year Schutz graduated, and while Hayek and other of Schutz's classmates after their graduation in 1921 went on to pursue their second doctorates, Schutz only got the first.[24] No dissertation was required in order to obtain the degree, but it was necessary to complete five tough comprehensive field examinations, which Schutz—despite his accelerated program—passed *summa cum laude*.

One of these was a special three hour examination in economics and international law, which were Schutz's majors; he had in 1919–20 concentrated his university studies on international law and had simultaneously been enrolled as a student at the Viennese Export Academy (later the the Institute for World Trade). Many years later, Schutz recalled how four candidates took the examination together before a governmental commission of economists who were appointed so that the students would not know their identity in advance.[25] While he and the other students who were to be examined were waiting outside the classroom, they looked down the staircase to spot the examiners as they were coming up—and when they saw Mises approaching, they all uttered an "Oh, oh!" Mises had taught at the Export Academy from 1918–19, and from his friends Schutz knew Mises by reputation—including one of being a very strict examiner.[26] That this was not an unfair characterization became evident during the examination when Mises asked a number of questions about capital goods theory and specifically about the works of John Bates Clark. Schutz had the impression that Mises recognized that he knew more about economics than the other students, and so Mises pursued his questioning of Schutz on various economic questions. One of the questions was whether he had actually read Clark's book, and Schutz answered "Truthfully, yes." Mises then asked Schutz if he had read it in the English original or in a German translation. Schutz replied, "I must answer truthfully, I read it in the English original." Schutz recalled that Mises replied to that, "It is good you answered as you did—because there is no German translation."[27]

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[23]Interview with Schutz (p. 1). Machlup seems to have been Mises's only "real" graduate student; Mises was his dissertation advisor and he was Mises's research assistant. Schutz was, as mentioned, a student of Kelsen, while Hayek was a student of Wieser, cf. Hayek (1994, p. 57).

[24]Interview with Schutz (p. 1). On Hayek's studies, see Hayek (1994, pp. 4, 64-65).

[25]Interview with Schutz (p. 1).

[26]Ibid., p. 2.

[27]Ibid., p. 2. Schutz further recalled, that he had told this story a number of times, and that Mises always thought it was a good one, although the last time Mises heard Schutz tell it he did not seem to like it.

The Privatseminar

The little "trap" which Mises set for Schutz did not prevent the two from becoming very closely associated. Shortly after the examination, later in the year 1920, Schutz heard from his close friend Fritz Machlup that Mises gave "a very interesting private seminar" and that Schutz could attend if he wanted.[28] Schutz personally suspected that Kelsen might have been the real connection behind the invitation;[29] he was, after all, Kelsen's student and therefore suspected that after the examination Mises must have asked his colleague and friend Kelsen about Schutz before admitting him to his *Privatseminar*.[30]

To be asked to participate in the seminar was arguably somewhat of an honor for a young Viennese academic, not least because Mises was a well-known personality and scholar. Furthermore, the seminar was rather exclusive, with participation being by invitation and for doctors only, at least in principle.[31] It was, in other words, the best and brightest graduates from the university, handpicked by Mises. However, Schutz was, as he later recalled, not particularly interested when he first got the offer to participate. Nevertheless, as suggested by Machlup, he attended a meeting, although initially without a great deal of enthusiasm. Yet as Schutz kept going to the seminars, he increasingly found all the discussions there "most interesting" and "very stimulating."[32] Schutz in fact, came to find it so fascinating an intellectual forum that he not only was an early participant but also continued to participate as one of the most regular participants until its termination in 1934.[33]

Mises had initiated the seminar earlier in 1920, probably relatively shortly before Schutz was invited to attend it, and was supposedly initially inspired by Böhm-Bawerk's private seminar and as an offspring of another seminar, oriented more narrowly to economics, which Mises had conducted

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[28]Ibid.

[29]Ibid., p. 5.

[30]Ibid. Kelsen and Mises were—despite philosophical differences—close friends; they had known each other since school, when they were about 10 years old, and they had worked together at the Department of Economic Warfare during the war. They later spent several years together in Geneva after both having escaped Austria.

[31]Cf. Machlup in a letter to Margit von Mises (1984, pp. 202-03) and Wagner (1983, p. 12). According to Schutz's own recollection, the *Privatseminar* had at that time an average attendance of 15–20 persons; see Interview with Alfred Schutz, 20 November 1958 (p. 3). The requirement of a doctorate may be at least part of the explanation for the relatively late date of initial participation of a number of Mises's best students, e.g., Machlup.

[32]Interview with Schutz (p. 2).

[33]Hayek, no doubt the most famous of the members of the *Privatseminar*, did not participate until after his return from the U.S. in May 1924 and only until his departure for London, cf. Hayek (1994, pp. 9–10, 65, 69). As such Schutz, Machlup and Haberler must have been among the earliest of the participants to get to know Mises; Hayek did not meet

at the university since 1918.[34] All accounts of the seminar stress the same features of its character, and Schutz's recollections support these. First of all, it was essentially a private, post-graduate, interdisciplinary social science seminar. Under the informal leadership of Mises as *primus inter pares*—as he later defined it himself—the seminar seems during the 1920s to have included a maximum of approximately 20 participants, with usually only about 12 participating at the same time, plus occasionally some additional visiting guests. Among those who participated as regulars over the years were—apart from Mises and Schutz—such later prominent economists, philosophers, sociologists, legal theorists, political scientists, and historians as Ludwig Bettelheim-Gabillon, Viktor Bloch, Martha Stephanie Braun (a.k.a. Steffy Browne), Friedrich Engel (von) Janosi, Walter Froelich, Gottfried (von) Haberler, Friedrich August von Hayek, Marianne (von) Herzfeld, Felix Kaufmann, Rudolf Klein, Helene Lieser(-Berger), Rudolf Loebl, Gertrud Lovasy, Fritz Machlup, Ilse Mintz(-Schüller), Oskar Morgenstern, Elly Offenheimer(-Spiro), Paul N. Rosenstein-Rodan, Karol Schlesinger, Fritz Schreier, Richard (von) Strigl, Erich Voegelin, and Robert Wälder. Others who participated more or less regularly included Karl Bode, J. Herbert (von) Furth, Fritz Kaufmann, Karl Menger, Ewald Schams, Erich Schiff, Alfred Stonier, Gerhard Tintner, and Emmanuel Winternitz.[35] The seminar also attracted, especially in the early 1930s, a very large number of prominent guests from abroad.[36] The interdisciplinary nature of the seminar was reflected by the composition of the participants, who, in Mises's own words, were united by a "burning interest" in the whole field of the sciences of human action, including problems of philosophy, epistemology, economic theory, and the various branches of historical research.

Mises until October 1921, when Hayek presented him with a letter of recommendation from Friedrich von Wieser (pp. 5-6, 57, 67-68).

[34]Prendergast (1986) sets the initiation of Mises's *Privatseminar* to 1922, while Margit von Mises and Fritz Kaufmann set the year to 1923 (Mises 1984, pp. 201-02). A number of very trustworthy sources do, however, point to 1920, e.g., Greaves (1993, p. 2), which also is in accordance with Schutz's recollections. On Mises's seminar at the university, see Mises (1984, p. 201); Haberler (1981, pp. 50–51); and Felix Kaufmann in a letter to Margit von Mises, quoted in Mises (1984, p. 202). On Böhm-Bawerk's seminar, see Hayek (1994, pp. 55–56).

[35]See, e.g., Engel-Janosi (1974, pp. 110–12); Mises (1984, pp. 201-02), Machlup in Mises (1984, pp. 202-03); Haberler (1981, p. 50); Rothbard (1988, pp. 49–50); Hayek (1992, p. 30; 1994, pp. 69, 70-71); and interview with J. Herbert Furth, 26 June 1993. There are slight discrepancies in the various accounts of who exactly participated in the *Privatseminar*, possibly due to a confusion of Mises's university seminar and his *Privatseminar*, and the present list is based upon a conjunction of the most authoritative of the sources. On Schutz's participation, see, e.g., Interview with Schutz; Mises (1978, p. 100); Machlup in M. Mises (1984, pp. 202-03); Haberler (1981, p. 50); Rothbard (1988, p. 49); and Hayek (1992, pp. 27, 31–32).

[36]On other guests from abroad, see, e.g., Haberler (1981, p. 50); Rothbard (1988, p. 50); B. Smith (1986, p. 28, n. 51); Hayek (1994, pp. 71–72).

Occasionally Mises would simply "improvise" a lecture on the basis of some current topic, but in general the subjects of the sessions were decided upon by the members one year in advance, and often the subjects were centered around a common theme for a whole year, e.g., methodology, economic policy, and monetary policy.[37] Particularly popular among the participants seems to have been—according to several accounts—the year devoted to methodology.[38]

All accounts agree, that the *Privatseminar* was informal in style, but nevertheless had traditions and rites of its own, always underlined by Mises's own never failing punctuality and systematism. The participants met regularly twice a month, every second Friday, at 7:00 p.m. in Mises's private office at the *Handelskammer*. The seminar would be conducted with Mises sitting at his desk and the participants around him, usually sharing from a large box of chocolate candies, which Mises, much to the delight of the participants, circulated.[39] The meeting began either with a lecture by Mises himself or with a paper presented by a participant. The "always lively" discussion usually lasted until 9:30 or 10:00 p.m.[40] Schutz would later fondly recall—as several other participants have done—how the sessions of the seminar were almost always followed by dinner at the Italian restaurant *Anchora Verde*.[41] The conversations of the seminar continued during dinner, albeit usually in somewhat lighter tones. At 11:30, those who were not yet exhausted would go on to the famous Viennese coffeehouse, the *Café Künstler*. Mises was, according to Haberler, always "among the hardy ones" and the last to leave, never before 1:00 a.m.[42]

No list seems to exist of the complete series of lectures at the *Privatseminar* and there is no record of Schutz's contributions to the gatherings. Schutz himself later recalled[43] that it was here that he first lectured on Weber's methodology, and his papers do contain outline sketches of five lectures, yet considering how long he participated Schutz may have given more lectures of which, alas, there are no traces. The five lectures were given to the seminar in

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[37]See Machlup in letter to Margit von Mises (1984, p. 203).

[38]Ibid.

[39]Ibid.

[40]See Haberler (1981, p. 51); Machlup in letter to Margit von Mises (1984, p. 203).

[41]See Interview with Schutz (p. 3). The name of the restaurant was Italian for the "Green Anchor," but, Schutz explained, this was a mistranslation into Italian of the name of the street where the restaurant was located, *Grünangerstrasse*. In English this means "Green Meadow Street," but the restaurant owner apparently thought that "*Grünanger*" meant "*Grüne Anker*," i.e., "Green Anchor."

[42]Cf. Engel-Janosi (1974, p. 112); Haberler (1981, p. 51); and Interview with Schutz, p. 3. Haberler also recalled, how Mises nonetheless the next morning would be at his office at 9:00 a.m. sharp "fresh as a daisy" and kept this habit of working late and rising early well into his eighties.

[43]Interview with Schutz (p. 3).

December 1928, March 1929, and June 1930. The first four, delivered in the winter of 1928–29, exist in the form of lecture outlines, which bear the designation "Mises Referat," and which have recently been published (Schutz 1996d). The lectures had the collective title of "Pragmatismus und Soziologie" and dealt with themes covering essential questions of sociological theory. The first dealt with Weber, the nature of human action and Max Scheler's *Erkenntnis und Arbeit*; while the second was on Leopold von Wiese's *Gebildelehre*; the third focused on the problem of intersubjective understanding in the light of Weber, Bergson, and Husserl; and the fourth applied the works of von Wiese, Scheler, Simmel; and others on the problem of a cultural ethos. Of the fifth lecture, given June 27, 1930, with the title "Verstehen und Handeln," there is no real outline preserved, only a set of guidelines for discussion, consisting of two short outline-texts and a fragment, which have also recently been published (Schutz 1996c). Wagner was able to establish that this lecture had brought a further extension of the considerations in the earlier lectures and was thus a conclusion. As such, it was essentially an outline of the central themes of what became Schutz's first and only completed book, *Der sinnhafte Aufbau der Sozialen Welt*, which was being drafted at that time and was published two years later.[44]

The Geistkreis

Schutz's personal and intellectual acquaintance with members of the Austrian School was not limited to Mises's biweekly *Privatseminar*. Rather his involvement in the intellectual life of interwar Vienna also extended to his participation in another quite famous Viennese circle, the so-called *Geistkreis*, i.e., the "Circle of Spirits."

The *Geistkreis* was founded in the autumn of 1921, the year after Mises had organized the *Privatseminar*. The founders were two of Schutz's classmates, Hayek and Furth, who at that time were not yet members of Mises's *Privatseminar*, and who were dissatisfied with the character of Othmar Spann's doctoral seminar and wanted to create an independent and broader alternative.[45] The *Geistkreis* also met once or twice a month, and its membership consisted of young academics with interests ranging all over the spectrum of the social sciences, and who were all distinguished by the originality of their work (and who often—but not exclusively—were Jewish). Its form was thus, as the *Privatseminar*, a social science seminar, whose members in lectures and lecture-series presented papers on, e.g., theoretical and methodological questions.[46]

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[44]On these manuscripts, see Wagner (1983, pp. 13, 34–35). See also Kauder (1965, pp. 122–23).

[45]Interview with J. Herbert Furth, 26 June 1993. On the *Geistkreis*, see, e.g., Engel-Janosi (1974, pp. 116–28); Voegelin (1989, pp. 4–6); and Hayek (1994, pp. 4–5, 58).

[46]Wagner (1983, pp. 12, 331 n.4) reports that while the members of the *Geistkreis* also lectured to each other, they were not allowed to lecture on subjects from their own

But in the *Geistkreis* there was no *primus inter pares* because the circle was organized while several of the participants were still students and was always held privately. Furthermore, the number of members was smaller (limited to 12), and membership was for males only.[47] The original idea had been to find at least one specialist in each subfield within the humanties and social sciences. As such, the topics of the lectures had a wider and more cultural breadth, e.g., legal theory, political theory, public policy, history, religion, and the arts, and the topics occasionally touched upon lighter tones. Schutz seems to have presented six papers to the circle, namely on "The Meaning of the Opera," "The Theory of Music," "Theory of Language," "Graphology," and "The Joke" (in two lectures).[48] All in all, the *Geistkreis* was a circle of intellectual, good friends, a place where they could present their ideas to their equals under relaxed circumstances. But while the focus and form of this circle was somewhat different from that of the *Privatseminar*, a significant overlap between the two circles both in terms of participants and subjects. Indeed, approximately half of the total number of members of the *Geistkreis* over the years were or eventually became more or less regular participants in the *Privatseminar*.[49]

Schutz, Mises, and the Friends of the Miseskreis

When trying to evaluate how the social environment intertwined with Schutz's intellectual development one should not underestimate the role which these circles played keeping a number of young, hopeful academics, essentially centered around Mises, together in a combined intellectual and social community of scholar-friends. And in this way the importance for Schutz of these two circles, and especially the *Privatseminar*, can hardly be overestimated; the seminar consisted (or came to consist) of a collection of people, who simultaneously were among Schutz's closest personal friends and, since he did not have a teaching position, the closest he came to having academic colleagues. This group was, in other words, the environment in

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field of specialization. This claim is, however, contradicted by two of the cofounders, Gottfried Haberler and J. Herbert Furth (interview with Furth).

[47]Interview with Furth, and Engel-Janosi (1974, p. 116). The reason for excluding women was supposedly not male chauvinism but a desire to avoid a particular woman of their social circle and the fear that male members would continue to suggest whatever girlfriends they had as members. The name of the circle was, according to Furth, given by the wife of a member as a humorous protest against women being excluded from participating. Cf. ibid. and Craver (1986, pp. 16–17).

[48]Interview with Furth, and Wagner (1983, p. 12). Cf. the supposedly complete list of presentations 1921–38 in Engel-Janosi (1974, pp. 125–28).

[49]These were—in addition to Hayek, Furth, and Schutz—Engel-Janosi, Froelich, Haberler, Kaufmann, Machlup, Menger, Morgenstern, Voegelin, Winternitz, and Wälder, cf. Interview with Furth, and Engel-Janosi (1974, pp. 117ff.); Craver (1986, pp. 16–17); and Hayek (1994, p. 58). In its 17 years of existence, the *Geistkreis* had a total of 25 members.

which Schutz initially formed his ideas, and the forum where he first tried them out.

Schutz knew, as indicated, some of these persons before entering the *Privatseminar* and the *Geistkreis*, but it was through these circles that they were kept together in a community. Machlup and Schutz seem to have been friends before 1920, but through these circles it came to be a very close personal and intellectual acquaintance, which spanned four decades. Schutz and Hayek were, as mentioned, in the same class at the university, which also was where the friendships with Furth and Voegelin were initially made. Haberler and Morgenstern, as young economists, were singled out by Schutz; a friendship and admiration that would last for years.[50] Of the noneconomists who influenced him, Schutz pointed to Felix Kaufmann, who as a philosopher was interested in methodology and the philosophy of law, and to Voegelin, who as a *Privatdozent* at the university also participated in the seminar.[51] But no doubt the central influence was Mises himself.

While Mises throughout these years generally remained on friendly terms with the participants of the *Privatseminar*, he was known as a very private man. Hayek and Machlup—both economists and classical liberals—are usually and rightfully singled out as Mises's particularly close associates, while Schutz, on the other hand, was neither an economist proper nor a vocal classical liberal, and hence not one of those to publicly carry the standard of the Austrian School. Yet a consideration of a number of facts revealed in, among other places, various private papers shows that Schutz probably was among those of his generation closest to Mises.

Schutz himself reported that he always considered Mises to be "a close friend," and it was Schutz's impression, that Mises liked him too.[52] The nature of their early friendship is possibly reflected in the fact that it usually was Schutz and Machlup who accompanied Mises home after the evening gatherings—after which the two young men would continue to talk for many hours, sometimes even until 3:00 or 4:00 a.m.[53] Mises's early appreciation of Schutz is also evident from the fact that Schutz—unlikely to obtain a teaching position—three weeks before he received his degree of Dr. jur. in December 1921, was offered his first job, and as in so many other instances, it was Mises who was the sponsor and middleman for his protégés. Mises was at that time first secretary (and later general secretary) of the Banking and Financial Department of the Chamber of Commerce, and a banker from Vienna had asked Mises if he knew somebody who could become secretary of an organization of smaller Austrian banks. Mises asked Schutz if he was interested, and when

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[50]Interview with Schutz (p. 1).

[51]Ibid.

[52]Ibid., pp. 3 and 6. Cf. Voegelin (1989, pp. 6-7).

[53]Interview with Schutz (p. 3). Cf. Machlup in letter to Margit von Mises (1984, pp. 202-03).

he answered affirmatively, Mises suggested him for the position. Schutz, despite his desire for an academic rather than a banking career, always remained grateful for this act.[54]

Schutz's appreciation of Mises did, however, extend far beyond personal gratitude to explicit, though not uncritical, admiration. Although Schutz had never had Mises as a regular professor, he had second-hand knowledge thereof via friends from the Export Academy and from the other participants in the *Privatseminar*, and it was very favorable. At the Export Academy Mises had taught an introductory course in economics, primarily to officers seeking to return to civilian life. Schutz himself had taken courses there, though without having Mises as a teacher. But his friends, who attended these courses without previously having been particularly interested in economics, suddenly became very enthuasiastic and this was due to the way Mises presented the subject.[55] Schutz's experience was also of Mises as an intellectual. According to Schutz Mises was always "brilliant and full of wit," when he spoke in German; he was "one of the best speakers" Schutz had ever known, and Schutz characterized Mises's repartee and conversation as "brilliant."[56]

Schutz, as so many others of Mises's associates, was of the impression that their mentor was poorly treated, because he did not receive the position and honors he deserved. First and foremost Mises was never made a full professor in Vienna (or for that matter in New York); he had always taught economics, but it was only part-time and simultaneous will his full-time work and writing projects. He was appointed *Privatdozent*, i.e., unsalaried part-time lecturer, at the university in 1913, and in 1918 he received the title of "Professor Extraordinary" without salary—a position he held until 1934.[57] The fact that Mises was not treated as he truly deserved, did, according to Schutz, hurt Mises very much,[58] and Schutz was very clear in what he himself thought of this:

> While "zeroes" like [Hans] Mayer, who never published anything and who didn't amount to anything were made professors, Mises never had that honor. Mises was the leading pupil of Böhm-Bawerk and was considered really the second man in the Austrian School, second that is to Schumpeter.[59]

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[54]Interview with Schutz (pp. 3-4) and Mises (1984, p. 60). It was thus accidental that Schutz entered the same branch of business as his stepfather (and uncle), Otto Schutz.

[55]Interview with Schutz (p. 5).

[56]Ibid.

[57]Ibid., p. 7. Mises was passed over no less than four times, and each time in favor of scholars commonly acknowledged as less competent. See Craver (1986, pp. 2-8) and Hayek (1994, pp. 59-60).

[58]Interview with Schutz (p. 7).

[59]Ibid.

Schutz summarized his own explanations of why Mises was so unfairly treated in three points: that Mises was Jewish, that he was seen as uncompromising on questions of methodology, economic theory, and politics, and that he was seen as being too "practically" oriented and not sufficiently "academic."[60]

Schutz and his contemporaries were convinced that it was not least due to the fact that Mises—like several other members of the *Miseskreis*, including Machlup and Schutz himself—was Jewish, that hurt his career in Austria: "[N]o Jew could become a full professor in Vienna, even before Hitler. If you were baptized, as Kelsen was, then perhaps one could be appointed professor." Likewise, Schutz pointed out, the Jewish Felix Kaufmann, was—like Mises—only a *Privatdozent* at the university and also held a leading position in the Anglo-Persian Oil Company in Vienna. Schutz himself wanted to remain aloof from all this prejudice and never even cared to apply to become *Privatdozent*.[61]

The second reason for the mistreatment of Mises was in Schutz's opinion his general unwillingness to compromise on questions where he had principled convictions. Mises, Schutz later recalled, consistently resisted the then dramatically increasing tendency to formalize economics via mathematics rather than verbal logic and to turn the building of economic theory into econometric testing. This latter approach Mises saw as nothing else but a return to the historicism which he, in the spirit of Menger, had fought so hard. According to Schutz, Mises considered this mathematical treatment of economics neither "necessary" nor "useful." Schutz especially singled out Pareto, Wicksell, and Jevons as having been the objects of Mises's methodological critiques in the 1920s. Whatever Schutz himself may have thought of the validity of the epistemological and methodological foundations of his mentor's critique of economics, he himself certainly had a more practical and rather pragmatist view of the question. As Schutz put it in the late 1950s: "You know, that mathematics is now necessary for economics. One has to master the mathematical treatment, if one expects to teach at Princeton, Harvard, Johns

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[60]It was the general opinion among the members of the *Privatseminar*, that Mises was unfairly treated, cf., e.g., Engel-Janosi (1974, pp. 110–12); Fritz Kaufmann in Mises (1984, p. 202); Hayek (1988, p. 3); and Machlup (1982, pp. 10–11). See also Hayek (1994, p. 59). It is interesting to note that almost all of the participants who have recorded their explanations of the treatment of Mises seem to agree on the major reasons, albeit with slightly different emphasis. Schutz, for example, is not on record for sharing the otherwise widespread view that Mises also tended to be personally abrasive. The general points made by Schutz, Kaufmann, and Hayek have also been made in conversation by Gottfried Haberler and J. Herbert Furth (interviews, 11 June 1993). See also Craver (1986, p. 5), who additionally refers to interviews with Hayek and Machlup. Many of Mises's protégés agreed that while his brilliance might have made it possible for him to overcome some of the criticism directed against him it was their combined weight which made this impossible. See especially Hayek (1994, p. 59).

[61]Interview with Schutz (p. 7).

Hopkins, etc."[62] Schutz even ventured the suggestion, that Mises might possibly have had a private "hatred" of mathematics because of disagreement with his own brother, the noted positivist and mathematician, Richard von Mises. Ludwig and Richard had at an early age gone their separate ways without any contact at all, and they only met briefly at their mother's funeral in Vienna in April 1937. Schutz himself first met Richard von Mises about 1937 through a professor in Vienna, who invited both of them to a lunch with a number of professors. Schutz's friend introduced him to Richard von Mises as a "favorite student of Ludwig's." The second Mises then became pale, turned away from Schutz and did not speak to him throughout the entire lunch.[63] Schutz believed the origin of the hostility between the two to be "basic ideological differences."[64] Ludwig von Mises did not even know that his brother was married—something which Schutz had to tell him. Schutz later noted that he was glad that their relationship softened somewhat after they both came to the U.S.[65]

But Mises's third problem was, according to Schutz, his radicalism in political opinions and his way of viewing his opponents; both kept him out of the mainstream and away from a tenured position. Schutz seems to have respected his mentor's idealism and—contrary to Wagner's claims—to have basically shared his liberal philosophy, while having a more "pragmatic" approach to politics. He put it this way, while Mises was still alive:

> With respect to the differences between Mises and his students, Mises was the only consistent thinker in terms of liberalism who made no concession. He has fought all kinds of interference by the government. He has fought continually since Keynes and his doctrines. . . . [But h]e has always been so radical that everyone has had as an argument against Mises that his proposals are not possible politically in our times. You have to make concessions. This attitude developed partially with Mises into a kind of obsession. If somebody didn't accept liberalism in its purity, Mises suspected that he was a socialist, Marxist, etc.[66]

Several of Mises's students, including Hayek, Machlup, and Haberler, have given more or less the same points as the reasons for the treatment of Mises. But Schutz added another one: According to Schutz it was—curiously enough—not only Mises's radicalism but also partly his very specific, policy-oriented

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[62]Ibid., p. 8.

[63]Ibid., p. 9.

[64]Ibid., p. 9. This is also partly the explanation reported by Rothbard (1988).

[65]Interview with Schutz, p. 9. The relationship improved somewhat after Ludwig von Mises's marriage, and the couple met with Richard in Geneva in 1939 and stayed in contact with him after they came to the U.S., where Richard was a professor of Aviation and Mathematics at Harvard University until his death in 1953. Cf. Mises (1984, p. 17).

[66]Interview with Schutz (p. 8). Cf. the somewhat similar description of Mises's uncompromising personality and politics, Machlup (1982, pp. 9–10, 12–15).

and practical work that kept him out of the mainstream of academia. As Schutz recalled 25 years later:

> There was another prejudice in Vienna against "practical" men. It was thought that you couldn't be a serious scientist if you were dealing with practical problems as Mises was in the Chamber of Commerce. You could perhaps, be a Dozent, but you couldn't be advanced.[67]

Saying this Schutz later recalled with admiration how Mises—though occupied with his full-time work and intellectual pursuits—started many important and interesting things in his business career. Schutz pointed to how Mises was an active member in the *Verein für Sozialpolitik* (Association for Social Policy), and organized the Committee of Bankers and Industrialists and, the organization called *Steuerpolitisches Aktionskomité* (Task Force on Tax Policy), the *Abrechnungs Amt* (Austrian Reparations Commission of the League of Nations), and the *Österreichische Gesellschaft für Nationalökonomie* (Austrian National Economics Association) and its quarterly economics journal, the *Zeitschrift für Nationalökonomie*. Another very important organization, which Schutz pointed towards as having had Mises as the primary driving force in its establishment and work, was the *Österreichisches Institut für Kunjunkturforschung*. Schutz himself met Mises in a professional capacity in Vienna in 1924, when the new Austrian National Bank was formed with the help of the League of Nations, and Mises played a very important role in drafting the statutes and by-laws.[68]

Many of these projects and activities incidentally also managed to lighten some of the effects of the discrimination, which was leveled not only against Mises but also—in their younger years—extended to his favorite seminar participants. Many of them were also Jewish, and their association with Mises did not help their position in the departmental fights over jobs. Accordingly, though all were doctors, and several also had their habilitation-degrees, only Kaufmann, Hayek, Haberler, Morgenstern, and Voegelin became *Privatdozenten*, and not a single one obtained a full professorship at the university. Machlup was manager of his family's cardboard factory, Engel-Janosi produced wooden floors, Schlesinger, Bloch, Lieser, Herzfeld, and Schutz were into either commercial banking or banking organizations, Kaufmann was an executive in the oil industry, Strigl worked as a staff-member at the Chamber of Labour, and Froelich, Furth, and Winternitz practiced law.[69] Mises's many activities provided many of them with work, i.e., positions which Mises created for them or helped them get. Haberler's first job was as library consultant

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[67]Interview with Schutz (p. 7).

[68]Ibid., p. 4.

[69]Cf. Engel-Janosi (1974, p. 111); Machlup in letter to Margit von Mises, in Mises (1984, p. 202); and Hayek (1992, p. 31). See also Craver (1986).

at the *Handelskammer*, and Hayek's first was as secretary of the *Abrechnungs Amt*—and Haberler got this job when Hayek left for the U.S. in 1922.[70] In 1927, when Mises had become executive vice president of the *Institut*, Hayek became its first secretary, i.e., manager, while Haberler, Morgenstern, and Schiff also received positions at the institute.[71]

Schutz may have disagreed with his mentor on the desirable speed and radicalism of liberal reform, but he had no second thoughts about the quality of Mises's analytical abilities. Schutz—like so many others who knew him—recalled with awe how Mises time and time again amazed them and others by his ability to predict political-economic changes.[72] And this ability was indeed, according to Schutz, indirectly one of the reasons why Mises never got a full professorship at the university. For he had, in Schutz's words, seen the dangers of both international and national socialism from the outset. He foresaw its development in Austria in a way which Schutz in retrospect described as "absolutely correctly,"[73] and specifically the conflict that would arise in Vienna. One day, Schutz later recalled, when he and Mises were in conversation while walking in Ringstrasse, Mises stopped and stated it in an allegory: "Grass will grow right here where we are standing."[74]

Machlup many years later agreed with Schutz's recollection by pointing out that while Mises never engaged in quantitative predictions, he had a "gift of prophecy" in the form of "uncanny powers of qualitative foresight." Mises, e.g., anticipated in 1924 the collapse in 1931 of the *Kreditanstalt*, and in 1927 he foresaw the end of freedom in Central Europe, and how that would make it impossible for the members of the *Miseskreis* to stay in their native Austria. Machlup specifically recollected the now famous story of how Mises jokingly, with tongue in cheek and the famous glint in his eyes, had imagined what jobs he and his friends would be able to get. The vision was that they would all end up in a nightclub in Latin America; Kaufmann would be a crooner, Hayek a waiter, Machlup a dancer and gigolo, and his wife Mizzi a hostess, barmaid or go-go girl. Mises realized that he himself unfortunately had none of these qualities and therefore would have to do with being the doorman in a uniform outside the place.[75]

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[70]Interview with Schutz, 20 November 1958 (p. 4); Hayek (1994, pp. 9, 64, 67-68).

[71]Interview with Schutz (pp. 4-5); Hayek (1994, pp. 9, 67-68).

[72]Interview with Schutz (p. 7). See also Mises (1984, p. 46) and Machlup in letter to Margit von Mises (Mises 1984, p. 205).

[73]Interview with Schutz (p. 7).

[74]Ibid., p. 9. Greaves (1995, p. 7) attributes this statement to an exchange between Mises and Machlup in the former's office in the *Handelskammer*.

[75]See Machlup (1974, 1981) and in letter to Margit von Mises (Mises 1984, p. 205). For another account of Mises's foresight and his prediction of the emigration of the *Miseskreis*, see Greaves (1995, pp. 6-7).

The Emigration of the Austrians

There was to be some ironic truth in Mises's prediction, at least symbolically, for in the years to come the participants in the *Privatseminar* all emigrated,[76] and in some sense Mises became the "doorman." For while Hayek had already left for London in 1931, and Machlup for the U.S. in 1933, it was more or less his own departure in 1934, that signaled the final breakup of the *Miseskreis*.

According to Schutz, Mises's only mistakes in the analysis of politics was the timing; Mises always thought things would come sooner than they did, and that people would be "as intelligent as he was."[77] Because Mises saw the coming of (national) socialism in Austria, he knew he could not advance in Vienna. Therefore, Schutz later recalled, when Mises had completed enough years at the *Handelskammer* to get a pension, he accepted the position in Geneva, where he "could have an audience worthy of his position."[78] In the summer of 1934—shortly after the murder of the Austrian chancellor Dollfuss—Mises received the offer of an appointment as professor of International Economic Relations at the Graduate Institute of International Studies in Geneva, Switzerland. Mises accepted the appointment and left in October 1934, while formally only taking leave of absence from his other positions and thus retaining his association with the *Handelskammer* on a part-time basis until 1938.[79] This meant the effective dissolution of the *Privatseminar*, and Felix Kaufmann, the poet of the circle, even wrote two goodbye-songs for the occasion of Mises's departure.[80] The *Geistkreis* was also affected by the emigration of its members, although its remaining members tried to keep up the spirit of the circle until its final season of lectures in the winter of 1937–38.

Mises often returned to Vienna during these years and continued his affiliation with the organizations and people that he had worked with and with his closest friends. Mises was indeed visiting in Schutz's home a few hours before Schutz's youngest son was born, on 23 February 1938.[81] It later turned out that the very private Mises had not just been on one of his regular visits to Vienna but was there in order to arrange his marriage to Margit Sereny (*née* Herzfeld) later the same year. Mises did not mention it at all the evening of 22

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[76]Machlup even credited Mises with probably having saved his life.

[77]Interview with Schutz (p. 7).

[78]Ibid., pp. 7–8.

[79]Cf. Mises (1984, pp. 25–26). Wagner erroneously reports that Mises was still in Vienna at the time of the *Anschluss* and only then "immediately relinquished his position at the university and went to Switzerland, where he found a teaching position in Geneva" (Wagner 1983, p. 63).

[80]Kaufmann's very amusing songs on philosophy and economics, most of which were written for the *Miseskreis*, have been collected and published by Haberler and Helmstädter (1992) with an introduction by Furth (1992).

[81]Interview with Schutz (p. 6).

February, though, as Schutz later recalled, the marriage must have been completely planned.[82] The Mises wedding was set for Easter in early April, but the rapid and dramatic historical events of March 1938 changed that. On the night of the arrival of the German troops to Vienna, Nazi troops broke into the apartment, where Mises—the Jewish, staunch and vocal critic of totalitarianism—had lived for years with his mother, ransacked it and in two trips removed 38 cases containing his valuable library, writings, and documents including 2,500 books and 1,500 articles.[83] A few days later, on 14 March, Hitler arrived. Within a week after *Anschluss* Mises and all other Jewish members of the *Nationalökonomische Gesellschaft*, most likely including Schutz and Machlup, received a letter dated 19 March 1938 expelling them as non-Aryans; it was signed by their colleague, Hans Mayer.

Under these circumstances Mises could not return from Geneva to be married in Austria, instead the future Mrs. von Mises escaped to Switzerland, where the wedding took place on 6 July with Mises's close friend and Schutz's other mentor Hans Kelsen and the *Privatseminar*-participant Haberler as the two witnesses.[84] Schutz himself had gone to Paris on 5 March 1938, "on a business trip, with only two suits and three shirts," and he never returned to Vienna.[85] Ilse Schutz left the Austrian capital on 11 June and traveled to Paris with their children, including a newborn baby. From Paris the Schutz family traveled on to the U.S. in June 1939.[86] Schutz thus—just like Mises—lost his beloved library: First in Vienna and a second time in Paris, where he had begun accumulating books which he had to leave behind when he left for the U.S. Mises, on the contrary, fond of his marital and scholarly happiness in Geneva, committed what his wife later called "the only political error I ever knew him to make."[87] It was indeed a potentially fatal error; Mises mistakenly believed that France would and could fight the Germans, and that the defeat of Hitler was imminent. Accordingly he did not agree to leave for the U.S. until the Swastika literally was flying over Paris and Switzerland was surrounded by the Axis-powers. And so, on 4 July 1940, Mises left his beloved position and home in Geneva for a not very attractive offer to become a visiting lecturer and associate research professor at the University of California.[88]

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[82]Ibid.

[83]Cf. Mises (1984, p. 28). Cf. also a document entitled *Information*, dated Geneva, 4 March 1939. Richard Ebeling was the first to examine Mises's library and private papers in Moscow after their discovery in the early 1990s.

[84]Cf. Mises (1984, pp. 29-33).

[85]Interview with Schutz, p. 6. See also Wagner (1983, pp. 63-64). Wagner erroneously reports that Schutz first saw his newborn son in Paris.

[86]Interview with Schutz (p. 6).

[87]Mises (1984, p. 46).

[88]Cf. Mises (1984, pp. 46-49). This was one of several job offers to Mises, which Machlup facilitated, but which never completely worked out, cf. Fritz Machlup, Letter to

The close nature of the relationship between Mises and Schutz is most evident from the fact that it was Schutz who, to their great relief, greeted the Mises couple on the pier in New Jersey, when they arrived there at noon 2 August 1940, having traveled almost a month from Geneva via France, Spain, and Portugal.[89] Schutz helped the couple find a place to live, and he sponsored Mises's naturalization as an American citizen in 1946.[90] In New York the friendship between the two Austrians and their families grew. Schutz later stated that he knew Mises "very well" and that he and Mrs. von Mises were "as good friends as one can have in New York." Schutz noted that he found it "difficult to cultivate close friendships in New York," but that Mises was one of the persons he saw regularly, and that also their wives got along very well.[91] The first years in their new country were somewhat unhappy for Mises, who missed his work, books, income and the intellectual life and environment he had enjoyed in Vienna and Geneva. Margit von Mises later recollected how during this period their almost only comfort was the maintenance of the friendships with their emigrated countrymen, such as Kaufmann, Machlup, and "that most interesting personality" Schutz and his wife Ilse, with whom they were "especially close."[92] The friendship ended after four decades with Schutz's much too early death in 1959.

Some Conjectures

So far nothing has been said here about phenomenology, interpretive sociology, or praxeology—about how Schutz's work may or may not be compatible with that of the Austrians. This is, however, neither the place nor the occasion to enter into detailed analysis of how Schutz's work may or may not fit in with that of Mises, Hayek, and Machlup—something which would go far beyond the limits of this paper. Such a task has already to some extent been considered by others (e.g., Koppl 1997, 1998), and I have myself considered some of these issues elsewhere (Kurrild-Klitgaard 2001).

Nonetheless, given the predominantly biographical material considered here one might quite naturally ask how Schutz's participation in the *Miseskreis* may have influenced him. Reading the accounts given by, e.g., Wagner one might conclude, that it may have done so as a source of stimulating Schutz's already existing interests, but only to a limited extent and without in

F.A. Hayek, 17 April 1940; Letter to F.A. Hayek, 13 September 1940; Letter to F.A. Hayek, 12 November 1940; Letter to F.A. Hayek, 10 June 1941, all at Hoover Institution, Stanford University.

[89]Cf. Mises (1984, pp. 55-57, 60).

[90]Interview with Schutz (p. 6).

[91]Ibid.

[92]See Mises (1984, pp. 57-60).

any way being decisive in directing these interests. This is very clearly illustrated in Wagner's (1983, p. 337) schematic outline of Schutz's intellectual development which does not mention Mises, the *Privatseminar,* or the Austrian School at all.

A key to understanding the direction which Schutz's work was to take must no doubt be his decision to try to reformulate Weber's sociology and to do so by integrating it with Husserl's phenomenology. So what is Wagner's explanation? Wagner held that the reason Schutz involved himself in the study of Weber was his early interest in formulating a social scientific methodology that could bridge the gap between economics and sociology:

> Only the technicians in applied fields respected the boundaries of given academic disciplines. All serious theorists, regardless of their approaches, knew that the social reality was larger than any theoretically defined domain. They may have assigned a preferential position to their own discipline within the conglomerate of social-science disciplines, as von Mises did. But they readily took in territories which, by definition, lay outside the boundaries of their discipline to the fields of the social sciences. And his economic studies beyond the realm of his technical-professional specialization encouraged him to bridge the formal gap between theoretical Economics and Sociology. (Wagner 1983, p. 13)

Wagner furthermore notes: "Undoubtedly, the traditional inclination toward considering the social sciences as a diversified unity rather than as a conglomerate of disjointed specialties left its permanent imprint on Schutz," and "When Schutz decided to study Weber's work intensively, he set out on the path of his intellectual destination" (Wagner 1983, p. 13). Wagner does, however, not attribute this choice of Schutz's to any inspiration from his teachers: "[N]one of them could have possibly steered him in the direction of this giant of German Sociology" (ibid.).[93] But while the first points are central, the latter is wrong on several accounts, at least if Mises is thought of as being Schutz's teacher. This may be true in the case of Kelsen, whose organicist-holistic and positivist approach to the study of law and society was at odds with Weber's methodology; it is certainly not true of Mises. Mises was critical of Weber, but this is not the entire story; it was not an outright rejection, but

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[93]Wagner attributes Schutz's interest in Weber to

> those of his fellow students who had been able to spend the last year of the war at the University of Vienna. Weber had taught there during the first semester of 1918. He drew enthusiastic crowds of students and intellectuals. When, in the fall, he moved back to Germany, he left behind a large articulate following. As a student then, Schutz was exposed to the reverberations of Weber's "teaching charisma." (Wagner 1983, p. 14)

This may be true, but it does not in any way contradict what is argued here; that Mises was instrumental in stimulating Schutz's interest in Weber and influencing his views.

rather a critical appreciation. Schutz recognized this in his 1932 work, which Mises himself praised the following year for having reformulated Weber.[94]

Furthermore, Mises did exactly share with Weber the view, which Schutz was to make his own, that the social sciences should be approached in a methodologically individualist manner. Since his earliest years as an economist Mises had, following in the footsteps of Menger and Böhm-Bawerk, been occupied with the formulation of a general science of human action, seeing economics only to be one—albeit the best developed—part thereof. By the 1920s Mises had mostly finished his own views of this integration of the social sciences in the form "praxeology," yet he did not use this term until 1930–31. In 1929, Mises still considered praxeology as identical with sociology broadly understood, with economics simply being a part thereof.[95] This point is obviously missed by Wagner, both in his view of Mises's project and in his neglect of Mises's influence upon Schutz.

As a third point, it should be stressed that Mises was very familiar with Weber's work. Mises knew Weber personally and professionally long before the posthumous publication of Weber's *Wirtschaft und Gesellschaft* in 1921 (1968) and the collection of methodological essays, *Gesammelte Aufsätze zur Wissenschaftslehre* (1922), which Schutz—according to Wagner (1983, p. 14) himself—quite obviously did not have a chance to know before they appeared.

Finally, and perhaps more significantly, it in fact was Mises who first stimulated Schutz's interest in the works of Weber who was well known among many young Austrians due to his visiting professorship at the University.

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[94]Mises said:

> Max Weber's epistemology has been continued and revised by Alfred Schütz in a way which also seeks to dispose of the judgment of the logical character of economic propositions to which I objected. Schütz's penetrating investigations, based on Husserl's system, lead to findings whose importance and fruitfulness, both for epistemology and historical science itself, must be valued very highly. However, an evaluation of the concept of the ideal type, as it is newly conceived by Schutz, would exceed the scope of this treatise. I must reserve dealing with his ideas for another work. (Mises 1981, pp. 125–26, n. 27)

This was, however, something which Mises unfortunately never did, not even in *Theory and History* (1984).

[95]Cf. Mises said:

> I still believed that it was unnecessary to introduce a new term to signify the general theoretical science of human action as distinguished from the historical studies dealing with human action performed in the past. I thought that it would be possible to employ for this purpose the term sociology, which in the opinion of some authors was designed to signify such a general theoretical science. Only later did I realize that this was not expedient and adopted the term praxeology. (Mises 1981, p. xvi)

Hayek, for example, who even considered following Weber to Munich to study with him, put it this way: "Max Weber had taught in Vienna the year I was fighting [as a soldier in World War I] in Italy, and when I returned the following year, the university was full of talk about that great man." (Hayek 1994, p. 64). When Schutz first began participating in the *Privatseminar* he told Mises that he was interested in sociology rather than in economics proper. Yet this was no problem for Mises who continuously emphasized the broad social scientific character of the seminar, and he gave Schutz assignments right away.[96] Shutz's very first assignment for the *Privatseminar* was, as previously mentioned, Weber's methodology.[97] In other words, there seems to be no reason why Mises should not have been the one who led Schutz to Weber.

Another interesting question is whether the generally free market oriented liberalism, which characterized the political opinions of the majority of the participants in the *Privatseminar* was shared by Schutz. Here, Wagner again focuses on the possible points of disagreement at the cost of both accuracy and possible points of agreement; he notes that Schutz "in contrast to von Hayek and in agreement with many other students of von Mises . . . did not subscribe to the extreme economic liberalism of his teacher" (Wagner 1983, p. 12). While it is true that many of the members of the *Privatseminar*, like Schutz, were less radical free-marketeers than Mises, there seems little reason to hold that Schutz did not basically share the liberalism characteristic of the Austrians. On the contrary, Schutz's previously quoted remarks on Mises's liberalism stress that where he disagreed with Mises was on strategy and practical policy-issues, rather than on the fundamental issues—i.e., on the speed and methods rather than the direction. Now, it should be remarked that Schutz rarely wrote on explicit normative issues with political-ideological implications, and accordingly he is hard to qualify in such terms. Hayek, one of Schutz's oldest acquaintances, has confirmed both these points: "I am pretty sure he was what one called then a liberal—what one now calls a conservative . . . [though] I doubt very much that he was really a libertarian. But I do not know."[98] That Schutz should have been unsympathetic to the free-market liberalism traditionally associated with the Austrian School is suspect because he seems to have liked Hayek's controversial *The Road to Serfdom* (1944) very much. Schutz used the book as a present to the economist Adolph Lowe, who disliked the Austrian School and its liberalism intensely, and Schutz was at some point even considering writing a major essay analyzing some of the criticism directed against the book.

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[96]Interview with Schutz (p. 2).

[97]Ibid., p. 3. Later Schutz, among other assignments, reported on Wieser and Sombart.

[98]F.A. Hayek, Letter to Helmut Wagner, 8 January 1975 (Beinecke Library, Yale University). Engel-Janosi (1974, p. 119) also believed that most of the of the members of the *Geistkreis* were "liberals in the European sense," but that "such subjects were not discussed."

Schutz's "quiet" liberalism is also evident from the neglected fact that he was a very early associate and eventually a member of the Mont Pélèrin Society, the rather exclusive classical liberal, libertarian, and conservative forum founded by Hayek. He must thus have been considered as belonging in that camp—both by himself and by whom he joined.[99]

Conclusion

All in all, it seems clear that the *Miseskreis* must have influenced Schutz significantly, and much more than acknowledged by Wagner. Schutz participated in the seminar not only in the years in which he formed the foundations of his phenomenology, but even before this. After just three years at the university this group of friends and colleagues provided him with a forum of peers interested in the very same problems—the only forum he had, and probably the best he could possibly get, for formulating, developing, and presenting his own ideas.

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[99]See Haberler (1981, p. 50). Hayek informed Schutz of his plans to found a society of classical liberals in a letter of 13 August 1945. A year later Hayek formally invited a group of 39 of the world's most prominent classical-liberal economists, philosophers, jurists, sociologists, political scientists, historians, and journalists to form a society to exchange ideas on the nature of a free society. The society was founded 1 April 1947, and among the founders were Hayek, Mises, Machlup, and Robbins, as well as Karl Popper, Michael Polanyi, and the later Nobel Laureates Milton Friedman, George Stigler, and Maurice Allais. Schutz was—contrary to Wagner's assertion (1983, p. 159)—among the invited, and he clearly was interested in the society. Though he did not participate in the founding meeting, he continuously received and saved invitations and programs, participated in the society's first ordinary biannual meeting in 1949, and eventually did become a full member in 1955.

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