

LUDWIG VON MISES ALS PIONIER DER MODERNEN
GELDUND KONJUNKTURTHEORIE. BY CARSTEN PALLAS.
MARBURG: METROPOLIS, 2005.¹

The present work is a doctoral dissertation written at the University of Hamburg. It deals with Mises's work on monetary economics and business cycle theory. After an introductory chapter, the author starts with a short presentation of Mises's life and work and gives an overview of the Austrian School and German monetary thought at the eve of the twentieth century (p. 22). He then analyzes the first German-language edition of *Theory of Money and Credit* (p. 60) and subsequent developments in Mises's monetary thought, in particular in the context of the Keynesian revolution (p. 80). In the fifth chapter, the author reviews the development of Mises's political ideas, and of his ideas on monetary policy in particular (p. 64). He then considers the ways in which contemporary monetary theory and policy reflects Misesian themes (p. 26) and summarizes his findings in a concluding chapter 7 (p. 12).

Carsten Pallas is a clear writer and at his best in painting broad pictures of historical developments. For example, the account he gives of the development of Mises's thought in chapters 4 and 5 is very well researched and many passages are useful reading even for advanced Mises scholars, even though Pallas might not convince his readers on every single point. (The present writer, for instance, was unable to understand what was "ambiguous" in Mises's theory of free banking.)

The main weakness of the book is a certain superficiality when it comes to the discussion of theoretical points. Pallas the monetary economist is unfortunately no match for Pallas the narrator. In his discussion of Mises's theories he mostly paraphrases these theories, or established interpretations thereof, and does not really penetrate his subject. For example, he completely overlooks the important conceptual differences between the *Theory of Money and Credit* on the one hand, and *Nationalökonomie* or *Human Action* on the other hand. In Pallas's account there are here only continuities and developments, whereas in fact there are also significant ruptures, such as in the theory of the demand for money (Gertchev 2004). And these discontinuities are important to put Mises's theories, as well as their neglect, into proper historical perspective.

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¹Translated as: Ludwig von Mises as a Pioneer of the Modern Theory of Money and Business Cycles. A Study on the Monetary Foundations of Austrian Economics.

It is obvious that Pallas struggles with Mises's political opinions. Although this does not necessarily prevent an objective assessment of Misesian monetary economics, it has seduced our author at times to reach his conclusions by some sort of intellectual shortcut. One example is Pallas's analysis of the impact of Keynesian economics on Mises's monetary thought. Here our author, after extensive paraphrasing of Keynes's views, states that Mises did not much more than disparage "the Keynesian insights." The reader is left with the impression that, by 1936, Mises, unable or unwilling to digest any new ideas, obstinately clung to his own old theories. It is certainly understandable that such an impression might be created in the mind of a reader unfamiliar with the history of economic thought. But historians of thought must peek a little deeper. They must *first* clarify issues such as "Did Keynes introduce any new ideas?" and *only then* can they settle the question of whether Mises at some point had become a mere doctrinaire or whether, quite to the contrary, he had thought through the essence of Keynesianism long ago, so that it was not surprising that in 1936 he did not "react" to the publication of the *General Theory*.

Pallas's analysis of Mises's impact on monetary economics at the onset of the twenty first century is unsatisfactory for similar reasons. Here our author points out, for example, that the widespread advocacy among mainstream economists of the independence of central banks has certain analogies with Mises's schemes for making the production of money independent of political interference. This is correct as far as it goes, but it does not go very far and deep. Pallas spends no ink on the development of Misesian monetary economics through the hands of contemporary Austrian economists such as Rothbard, Sennholz, Huerta de Soto, and others. This is of course a convenient way of talking about "modern monetary economics," but it misses out on the fact that Mises's approach is still living and developing.

All in all it is an encouraging sign that even in Germany historians of thought are starting to take a closer look at Austrian economics, and at Mises's work in particular. Pallas's study is a beginning. Let us hope that it will not be the end.

JÖRG GUIDO HÜLSMANN
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