

**Ludwig Lachmann: Last Member of the Very Youngest Generation  
of the German Historical School?**

By

Hans L. Eicholz

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**Abstract:** Lachmann is well known for his embrace of certain aspects of Max Weber's sociological work. While subjectivism in value theory is often regarded as a distinctive Austrian insight, the attempt to understand the content of subjective purposes is largely associated with historical and sociological perspectives. That Lachmann came to study with Hayek in England only after his graduate years with Werner Sombart thus raises interesting questions about the degree to which his Austrianism came to be influenced by his earlier German Historical School (GHS) training. That he also often included Weber in the Austrian School, underscores the importance of this question, especially since Weber himself claimed membership in the youngest generation of the GHS. Was Lachmann in fact the very youngest member of that tradition?<sup>1</sup>

### **1. The Lachmann Identity**

Ludwig Lachmann is best known within the Austrian School for the thoroughness with which he applied the concept of subjectivism to economic analysis. Indeed, so consistent was he, that he has frequently been accused of creating more problems and paradoxes than answers to the fundamental questions of his field. The Nobel laureate, James Buchanan, famous for his own forays into the nature of subjective choice and political rules, was both impressed and repelled. (Buchanan 2001, v. 2)

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<sup>1</sup> The author wishes to thank Peter Lewin, Walter Grinder and Peter Mentzel for their time in discussing Lachmann's life and influence. I would also like to thank Hartmut Kliemt for helping me to locate copies of Lachmann's dissertation, and Giampaolo Garzarelli for granting me access to some of Lachmann's correspondence. Lastly, in deciphering some of the long quotes in Italian from the dissertation, I am grateful to both Christine Henderson and Peter Mentzel. The insights of all were invaluable and any imperfections in my interpretation are entirely my own fault.

In a late interview, Buchanan observed that asserting subjectivism at all points in the economic equation undermines the possibility of measurement of any sort and this alone prevented him from following Lachmann's example. In his words, "Once you become a full-fledged subjectivist, you can't say anything!"

Lachmann's brand of subjectivism earned the special appellation in certain Austrian circles of the "Lachmann Problem," or the "O'Driscoll/Lachmann Problem," where subjectivism is seen to undermine any basis for traditional equilibrium analysis. (O'Driscoll 1978, p. 130; Koppl 1998, 61-77; Lewis 2008, pp. 832-836).<sup>2</sup> In each instance, Lachmannian subjectivism is regarded as so indeterminate as to leave little or no room for the application of even the most basic models of neo-classical economics or even the less stringent "evenly rotating economy." (Lewin 2000, p. 383)

At the core of Lachmann's distinctive brand of analysis is his concentration on the complexity and particularity of individual motives, expectations, and plans. In his later works he was particularly fond of illustrating this idea through the use of terms more reminiscent of the Austrian School's rivals in the German Historical School than its champions in the early years of the *Methodenstreit*. (Parsons 1998, 31-32) Thus we find ideas of hermeneutics and the German concept of "Verstehen" in such works as his elegantly composed essays on Max Weber or later papers delivered during his frequent visits to NYU. So concerned were some of his fellow Austrians they took pains to explain the similarities.

In their insightful introduction to a special collection of essays in memory of Lachmann, Roger Koppl and Gary Mongiovi noted Lachmann's own insistence that there was nothing particularly unusual in the use of *Verstehen*. It was, after all, just part of "the traditional method of classical scholarship," and had been originally applied to biblical interpretation. (Koppl and Mongiovi 1998, p. 7)<sup>3</sup> Interestingly, this was the very refrain of the historical school itself, at least of the younger generation forward— its unique defining characteristic *visa vie* economics. It was in fact a paraphrase of Lachmann's own dissertation adviser, Werner Sombart, who made the very same point along the very same lines in his *Die Drei Nationaloekonomie*, written when Lachmann was his student. (Sombart 1930, pp. 157-158)

So was Lachmann then in fact the very last member of the very youngest generation of the German Historical School?

To that question this essay must argue yes, but not in the sense that he affirmed all of the Historical School's various prescriptions and applications, but yes in the sense that from his earliest training with Sombart to his essays on Austrian business cycle theory to his critique of static equilibrium, Lachmann remained impressively consistent. More specifically, he remained deeply committed to applying the idea that one needed to *understand* the highly variegated

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<sup>2</sup> Though it may be regarded, as Roger Koppl noted, as "more acute in some contexts, less acute in others." (Koppl 1998, 72).

<sup>3</sup> In fact, in the sentence following this qualification, Lachmann also noted that it was the "'positive' method of the German Historical School that Weber took over and adapted to his purposes." (Lachmann 1971, p. 10) More accurately, it is why Weber continued to claim membership in the school and was something he shared with his colleague, Sombart.

content of purposes, rather than simply purposefulness in general, to the problem of the economic coordination of human actions. (Hennis 1987, p. 34; Loasby 1998, p. 210)

But before we begin our specific treatment of Lachmann's work, we need to clarify our definition of the historical school, about which there has been some dispute.

### **Defining the German Historical School**

In recent years the notion that the German Historical School marks a distinctive definable tradition of economics, has come under some scrutiny. The most severe of all of these critiques has been that of the historian Keith Tribe in the early 1990s when he contended that there was nothing particularly noteworthy in the work of the "school" and that it had failed to produce a coherent body of useable theory. It was, rather, a hodgepodge of history and theoretical generalizations not particularly distinct from what had gone on decades before. (Tribe 1995, p. 67) There is, however, an important place where anachronism has slipped into his study.

At the outset of his work, Tribe put forward a very particular conception of what should count as a school of economics, contending that "A constant feature [of economic discourse] is...an inherent belief in the capacity of the economic agent to arrive at rational decisions...." (Tribe 1995, p. 4) It is little wonder then that the members of the historical school have come up short. Roscher is seen to have merely taken an historical path that was more "a shift of emphasis than a radical departure in contemporary economics," (Tribe 1995, 69) and Schmoller's work is said to demonstrate an "inability to engage in theoretical argument." (Tribe 1995, 94)

Tribe's lack of appreciation follows naturally enough from his definition. The German Historical School, as self-defined, was as much about the explanation of the origins of cultural and national differences as it was about the similitude and regularities in the expression of economic life, but a definition that focuses primarily on the generalization of the capacity for rationality, directs attention to what is common, rather than particular.

The German Historical School very deliberately sought to deploy historical notions of understanding to explain why differences have arisen among the economies of different peoples. In this they followed Ranke's rejection of all sorts of philosophical determinism and had purposefully rejected the degree of methodological specialization that Tribe's definition implies. Indeed, Smith's type of rationalism, with its invisible hand arguments appeared, to the first generation and later, to be just another variety of determinism. Friedrich List had said as much, and Roscher, a student of Ranke, had consciously decided to follow List's lead and to do for economics what had already been done by Gustav Savigny and the historical school in law. (Tribe 1995, p. 68; Beiser 2011, pp. 229-231; Eicholz 2015, p. 51-52)

Tribe has moved a bit too fast in his dismissal of Roscher's borrowings from the seemingly contrary methods of Savigny. For Roscher, Savigny's idea of the *Volksgeist* went along with his essentially historical program to explain the unique and the particular. Similarly, Schmoller's idea of the concrete expression of interests was directed to explaining the many different ends pursued at any given time or place. Tribe came close to recognizing this when he pointed to Schmoller's notion of self-interest as "identifiable only within the fabric of social activity." (Tribe 1995, p. 78) Far from incoherence, however, these aspects reveal a very persistent engagement

with a fundamental epistemological problem. It was the articulation of this problem, rather than the specific solutions offered, that gave form and substance to the Historical School.

The critical endeavor in explaining differences, social and economic, was not simply to treat subjective ends as a general category, but to ask what those ends are and how they came to be? Tribe is quite right to reference in this context the “radical subjectivism” of the school. (Tribe 1995, p. 73) In fact, both historicism and subjectivism are integral aspects of the explanation of difference. Roscher turned to Savigny as an example of how one could use context to understand the processes by which individuals arrive at their particular configurations of values and ideas. Individual purposes are supplied in the context of the languages and group practices within which the person is born and develops. (Beiser 2011, p. 231)

That Savigny’s form of *Volksggeist* may be too hermetically sealed off to explain change over time, or that it begged the question of how one can ever stand outside of a given culture to evaluate it scientifically, may well be as Tribe insists, “internally inconsistent” for Roscher’s purposes. (Tribe 1995, p. 69) But this was not, in any case, the way in which Roscher applied the idea of a national spirit. Savigny’s theoretical problem need not be his, but only the usefulness of the idea of context. <sup>4</sup>

When later members of the Historical School thus spoke of a “*verstehende* Wirtschaftswissenschaft,” this is what they emphasized: the content of purposes (ie. motives) and their sources. It was this that Weber was referring to when he counted himself still a member of the youngest generation of the school. (Ghosh 2006, pp. 74, 77-78; Beiser 2011, pp. 542-543) And it was this that Lachmann proceeded to introduce into the very heart of modern Austrian economics.

### **Weber and the Youngest Generation**

When Lachmann undertook to write his extended reflections on the work of Max Weber, it is a fairly safe bet that he was already well aware of Ludwig von Mises’ strong feelings on the subject.

Mises had long respected the work of Weber, but was always at pains to deny that Austrian analysis owed anything to the Weberian *Ideal Typus*. The fundamental axiom of human action was not, according to Mises, itself an ideal type but rather a general category on which formal theory itself could be safely derived. As clever as Weber was, Mises said, “he failed and had to fail because by sociology he understood something entirely different from the nomothetic science of human action, the subject of which had constituted the subject of the *Methodenstreit*.” (Mises 2013 [1933; trans. 1960], p. 72) And even more explicitly, Mises attributed Weber’s failing to historicism itself. Some later Austrians would place emphasis on these points.

Indeed, this was the strong position on praxeology favored by Mises’ most prolific student, Murray Rothbard who was fond of insisting that economics “is deduced from the apodictic axiom of action, and most economic theory, including the laws and implications of Uncertainty, Time Preference, the Law of Returns, the Law of Utility, etc. can be deduced directly with no further assumptions.” (Rothbard 1951, p. 945) The tendency here was to regard purposefulness in its

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<sup>4</sup> And in this, I am not at all convinced that Tribe has got Savigny exactly right. I would consult Beiser 2011, pp. 214-252.

more generic categorical form, than with regard to the variability of its contents respecting the objects being valued, or the reasons for such valuations. Indeed, Rothbard often insisted that the specific valuations were not particularly important to the analysis of what was transpiring, hence, “no further assumptions.” (Rothbard 1970, pp. 67-71)

Thus we can say that Lachmann was skating dangerously close to methodological controversy when he implied Weber’s membership in the Austrian tradition or said that Mises’ *Human Action* was carrying on Weber’s work. (Lachmann 1977 [1951], p. 95; Lachmann 1971, p. 13; Grinder 1977, p. 4)<sup>5</sup> By doing this, he was signaling that perhaps the divide between the two schools was not so very great as the original antagonists in the *Methodenstreit* seemed to think. It would also imply that to the extent that Lachmann regarded Weber as an Austrian, we may perhaps regard Lachmann as a member of the Historical School.

In the definition of the Historical School just given, it is not so difficult then to detect the reasons why Weber would still have associated himself with that tradition. In a number of exchanges with Lujo Brentanno, Weber noted that Menger had gotten the most important points right with regard to his initial efforts to distinguish the exact theoretical from the individualizing historical practices in economic science. (Schön 1987, pp. 61-63) And he was also right that a science of human society would need both theory and history. Where Menger erred was in his association of the historical and empirical with objective or actual types (Beiser 2011, 523).

It was not reality itself, Weber corrected, but rather *perceptions of reality* that inhabited the minds of men, both as economic agents and as scientists. It was the function of the social scientist to be aware of this inter-subjectivity and to carefully define his terms with respect to understanding social causation, and above all, not to “confuse ‘laws ‘of economics as equivalent to the way laws are constructed in the natural sciences.” (Schön 1987, p. 61)

To be fair of course, Rothbard had said “most economic theory,” but for Weber the most interesting and important parts of such theory were precisely not where “most” was concerned, but where the particular valuing conceptions mattered. It was his focus on the conceptual content of purposefulness that kept him within the bounds of the Historical School, and distanced him from a tendency towards formal abstraction from the category itself.

This now brings us to a critical division within the Historical School, positioning Weber along a continuum that characterized the individualizing historical sciences in general, running from those who saw greater variability among actual persons to those who assumed greater uniformity of conceptual content imposed by context and culture. It was this that separated Weber to an important degree from his colleague at the *Archiv fuer Sozialwissenschaft und Sozialpolitik*, his co-editor, Werner Sombart.

### **Stronger vs. Weaker Determinism in the *Geisteswissenschaften***

Austrians have long characterized the German Historical School along different lines to account for their own mixture of agreement and approbation with particular figures. Thus Hayek makes a distinction between the lesser evils of the first generation of Roscher and those of the second

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<sup>5</sup> It should also be noted that Lachmann denied the direct association, except to say that Weber had been influential on Mises. (Lachmann 1976, p. 56). The controversy over how one should interpret Mises continues today. (Zanotti and Cachanosky 2013).

under Schmoller. (Hayek 1979, p. 112) Or Mises often referenced the division of the Southwest German Historical School from those in Berlin, to separate out Rickert and even Weber from Schmoller's student, Sombart. (Hülsmann 2007, 600 n66 ) Another way to parse these differences, however, is to apply the distinction just posed pertaining to how thinkers characterized the coordinating potential of the content of human purposes.

On the very first question respecting how individuals acquire their conceptual tools, their ideas and aims, their knowledge and expectations, there was always agreement among the various branches of the Historical School with respect to the centrality of language and cultural values emanating from the contexts of lived experience. But there was no necessary agreement as to how closely those ideas would always correspond among separate individuals even within a given culture or *Volksgeist*.

How uniform were persons in any given place and time? What were the limits of their variability, if any? What were the sources of innovation and change? Roscher, it has been noted, borrowed from Savigny's idea of the *Volksgeist*, but he was certainly not, as Tribe indicated, as adamant as Savigny about the impervious nature of cultures.

As one investigates the development of the idea of *Historismus*, it becomes ever more apparent that viewpoints differed about the possibilities for *verstehen* and its applications. Thus the first to propound a developed theory of *verstehen* as a special mode of historical reasoning, Gustav Droysen, was far more holistic at times than later writers. One could only understand the past of one's own culture. (Beiser 2011, pp. 289-321) Wilhelm Dilthey, on the other hand, would soon open the idea up to more variable possibilities, and Heinrich Rickert and Max Weber, even more so. (Beiser 2011, pp. 322-364; 393-441; 511-567)

In regard then to this continuum, Werner Sombart was far more convinced of the totalizing influences of community to impose conceptual uniformity or inter-personal congruence, even as certain theorists might be able to rise above its analytical confines. So even here, there was some room for the theorist to step outside of his own context to observe and even shape the whole (*die Ganzes*). In an interesting way, then, all members held to an individualist epistemology and even methodology in their understanding of the sources of human action, even as they differed over the degree of conformity that context could impose on the contents of mind.

One can thus situate Weber's notion of ideal types on the more individualist side of this continuum. (Vanberg 1975, 101-109) Ideal types were necessary to explain tendencies in historical development as approximations of a wide range of concrete motivations and aims that inhabit the purposes of individuals. As shared points of reference, they can pull action in general directions, but the individual patterns will always remain unique and individual. In this way too, Weber was able to base his distinction between the natural and social sciences on the degree to which they required either more or less complicated ideal conceptualizations.

Theory was still necessary to both the historical and the natural worlds, but the complexity of their initial concepts would differ, resulting in more formal abstraction in physics and mechanics and less in the social realm. In this way Weber maintained the essential place of purposefulness in the humane sciences while retaining a methodological tie between the two realms.

This connection disposed Weber to reflect more favorably on Carl Menger's work and its reliance on subjective value because this permitted an illustration of the ways one might deploy concepts of greater and lesser specificity to account for different levels of complexity. In particular, this included the complexities of human interaction with the world of external objects and other persons, all of which impinge on subjective perceptions. Thus, we can find Weber's favorable references to Mises completely consistent with Weber's understanding of the particularizing and individualizing aspects of the Historical School tradition.

By way of contrast, those of the tradition who were more inclined to emphasize not the unique configurations of purposes particular to persons, but rather their congruence and conformity with one another, drew a far harder line between the natural and social sciences, insisting, as Sombart did, that they be strictly separated. (Sombart 1930, p 152-155, 193 ) Where Weber then would strongly caution against the reification of ideal types (Weber 1978, p. 15), Sombart would embrace a far more substantive concept of collective identity and its capacity for fostering conformity to a given context of rules.

We see this come out in Sombart's own treatment of Weber, where he showed an appreciation for Weber's teachings on concepts, but not his corresponding caution in their use. Specifically, Sombart demurred in the use of Weber's more limited construction of the ideal type with its application to only given particular circumstances, and instead focused on the application of understanding as the rational analyses of the economy as a whole (*das Ganzes*) and their capacity to shape individual character such that personal motives would conform to their logical ordering. We now come to the question of Lachmann's particular theoretical understanding.

### **Subjectivism in Form and Content**

It is here that the historian arrives at a bit of a conundrum. Lachmann was trained initially by Sombart but left for England in 1933, three years after filing his dissertation, to study with Hayek. For the remainder of his professional life, he claimed membership in the Austrian School. It is generally the rule to work within an historical subject's professed self-understanding until such time as one finds good reason to argue to the contrary.

In his insightful introduction to the collection of Lachmann's most central essays on the nature and practice of economics, Walter Grinder has usefully characterized the principle endeavor of Lachmann's thought as the "pursuit of the subjective paradigm." That framing of the issue comports well with Lachmann's own assertion that he had taken to heart Hayek's claim about the great advances in modern economic theory coming through the persistent and more thorough "application of subjectivism." But what exactly did this mean in the context of the Austrian School and then for Lachmann in particular?

It has been a longstanding assertion of considerable adamancy among Austrians that subjectivism was the single most important contribution of Carl Menger. In this particular claim, however, the works of Erich Streissler and Carl Milford have revealed the much older roots of subjectivism in Continental thought. It was, so it appears, a central part of the early German critique of Smith dating back as far as the first decade of the nineteenth century with Gotlieb Hufeland and disseminated later by Fredrich Hermann. (Streissler 1990, pp. 31-68; Streissler 1994, pp. 493-499; Milford 1997, pp. 89-160)

Indeed, one of the reasons provided by Streissler for Menger's dedication of his book on economic principles to Wilhelm Roscher was his expectation of a favorable reception in Germany precisely because of Roscher's own interest in subjective value. One thinks here, for example of Roscher's account of its development in his extensive history of economic thought. In light of this evidence, Menger's role has been revised somewhat. (Streissler 1990, pp. 31-68)

In keeping with Hayek's claim respecting advances in economic science through the application of subjectivism, Menger is now generally held to have more thoroughly and consistently applied the concept to the theoretical derivation of market processes. Two essential points were at the heart of his work: 1) Abstract theory had to be based upon the simplest and most general attribute of human behavior and 2) It had to be rigorously logical in its derivation so as to be universally applicable. (Menger 1976 [1871], 46-47)

That human value was established subjectively in the mind of each person appeared to satisfy the first objective, and the other parts of the work drew out its logical implications with respect to the definition of goods, of exchange, prices and money. Thus it was that the general subjective category of human action could be applied to explain these more specific economic categories in their most essential features. No particular valuation, no specific set of skills or experiences was necessary. In this Menger's system was a nicely set out derivation of formal logical relations. Interestingly, the initial reception by the historical school was not unfavorable. Roscher gave recognition to Menger for his adroit handling of abstractions.

It was Schmoller, on the other hand, who had the strongest negative reaction. (Yagi 2010, 23-24) Roscher's expositions combined rich descriptions of immense erudition tied up in grand but often conflicting theoretical speculations to illustrate the growth of complex historical experience. Weber would later come to expose his inconsistencies. (Weber 1975 [1903/1905], pp. 55-91) Schmoller was more attuned than Roscher to the problematic character of naturalistic determinism and sought a clearer separation in approach from the elements of human purposefulness. Menger's initial foray then, while more logically consistent, was cast in just the sort of theoretical tones that would have set Schmoller, and most of the other historically oriented scholars in Germany, on edge.

Menger made no hard theoretical separation of the natural from the social sciences, and even went so far as to equate ends and means with causes and effects in the same way that was common to positivists. In the context of the day, such an argument was bound to obscure rather than further his point about subjectivity. (Yagi 2010, p.24-25)

It also signaled a tendency that has remained, to a degree, a part of the Austrian School: A tendency towards its own sort of formalism, verbal to be certain, but no less logically rigorous and proceeding from the most generic, most universal attribute of human action as axiom. It is, in other words to emphasize purposefulness in its *categorical* form rather than in its specific aims or historical character.

Ironically, Ludwig von Mises, perhaps the one most responsible for recasting the Austrian tradition along lines most attuned to German idealist and historical thought, could also display this tendency with enough regularity that interpretations of his own brand of subjectivism could differ sharply, and have recently become the source of some debate.

Thus in Mises' 1942 essay on method, one could come away with the sense that no consideration of particular ideas of value or aims was even remotely necessary to the fullest application of economic interpretation: "It [Praxeology] does not enter into a discussion of the motives determining the choice. It does not ask why a customer prefers one pattern of a necktie to another or a motor-car to a horse and buggy. It deals with the choosing as such, with the categorical elements of choice and action." (Mises 2016 [1942], p. 22) Yet, as Mises also pointed out, there need not have been such a strong separation of the *a priori* idea of the categorical cognition of human purposes and the *understanding* of their historical meaning. (Mises 2013 [1933, trans. 1960], pp, 120-121)

One can certainly see in this latter point the potential for addressing questions of content and their implications, such as in the case of expectations, but the focus on purposefulness as category, was just as clearly a holdover from the initial natural scientific orientation of Menger with his focus on the most essential and generic aspect of human action.

### ***Die Verstehende Wirtschaftswissenschaft of Weber, Sombart and Lachmann***

Weber had passed away nearly a decade before Sombart had published his history of economic thought, but their time together at the *Archiv fuer Sozialwissenschaft und Sozialpolitik*, 1902-1910, had clearly left its mark on Sombart. Both shared the views of their teachers (Knies for Weber, Schmoller for Sombart) against an uncritical use of natural scientific methods in the social sciences. Both sought a means for placing the study of motive and thought on a firmer theoretical basis. Sombart gave Weber all praise for building on the works of such masters as Dilthey, Windelband, Rickert and Simmel. And he even recognized that Menger had been a necessary catalyst in the processes of his thinking. (Sombart 1930, 159-160) But what had Weber accomplished exactly?

In brief, Weber had brought greater clarity to the definition of social science concepts that made them more useful in the analysis of the ends and means of individual actions in society and their consequences for the whole. These concepts permitted the historian, economist or sociologist to pose general interpretative questions about the social phenomena they were observing, and to bring to their arguments greater precision in the delineation of the beliefs and values that appeared to actuate human activity. Such phenomena, Weber stated, "have a peculiar type of *subjective meaning*. This alone defines the unity of the corresponding processes, and this alone makes them accessible to subjective interpretation." (Weber 1978, p. 64)

These ideas were abstract conceptualizations, and Weber was very careful to note that many individual types and not just one (and certainly none in any exact replication of the ideal type posited by the researcher) characterized the whole content of any specific person's sets of ends, values and ideas. The ideal type, he cautioned was ever and always an *ideal* constructed only to give the researcher some means of isolating essential characteristics to understand social actions and events over time. (ibid, XXVIII, pp. 15, 20-21) Such were, broadly speaking descriptions of essential beliefs around which individuals were capable of meaningfully ordering their activities. (Ghosh 2006, 84) In their use and in his warnings, Weber intended to provide only a tool for interpreting actions within already existing social structures. It was thus highly attuned to variations in any context under investigation. It was *Verstehen* applied to understanding society and individuals as they are found.

Sombart swept aside those precautions and mapped out a startlingly different course for their use. Like Weber, Sombart accepted that a proper orientation to social phenomena required getting a proper perspective on the contents of human beliefs. Like Weber, he favored an explanation of the intentions rather than on a formal logic of the unseen and unintended, and he said so explicitly in his exposition on concepts. Quoting Faust's longing, he drove the point home in a way meaningful to his fellow scholars: "That I might know the World, In its inner most contents, All its power and potency, And no more to cram all into words!" And indeed, he assured his reader, this was possible—in the human world [*Die Welt des Menschen*]. (Sombart 1930, p. 196).

But then Sombart took an interesting turn. Like all economists, historians and sociologists (and the distinction among them is not always so clear in the Germany of that day), he saw the necessity of common coordinating ideas to give some order to individual activities in the mass. There must be points around which coordination takes place. This was no less true for Weber, but for Sombart, these points of coordination took on a degree of rational coherency and consistency among persons that went far beyond Weber's understanding of the coordinating capacity of ideal types (Sombart 1930, 203-204; 245-246).

And Sombart very consciously stated that Weber's particular notion of these ideas must be set aside because he had not adequately clarified their nature and potential. And that was the special task Sombart had set for himself, beginning with a series of carefully defined social scientific terms leading from ideal individual concepts to real individual concepts to ideal type constructs. These last, he contended, were shared ideas of commonly recognized meaning or ends—ultimate givens, ultimate values. (Sombart 1930, 245-248)

The essential point for Sombart was to reveal the potentiality that such a conception of a "type" could afford in organizing the rational structure of a social whole to make it functionally operative as "*rationale schemata*." Sombart explicitly raised the analogy of chess to contend that each system has its particular law, its particular schemata. If it is viable, the institutions and subsidiary rules would assure that individuals direct their energies in conformity with the selected end. (Sombart 1930, 257, 258-259) It was through such schemata that a social whole, a "*Ganzes*," each meaningfully integrated totality or "*Sinnszusammenhang*," would obtain its unique character. (Sombart 1930, 257)<sup>6</sup>

The profit motive or any other such rules, Sombart argued, were just such schematic rationales or ideal types governing the course of systems. There was no reason to think that other systems could not as effectively coordinate human activity along any number of dimensions, and he proceeded to list other such rules that had characterized previous ages, and even promising proposals not yet tried. The point was that such rules had to be capable of rational consistency for them to be inculcated into the mental thought patterns of individuals. (Sombart 1930, 253-256)

And here is where Sombart's *Verstehende Nationaloekonomie* gets particularly interesting. For him, ideal types were to be applied, not just for purposes of understanding existing economies, but could also serve to direct the attention of individuals through the active reform of institutions

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<sup>6</sup> There is a curious similarity in wording with Menger's description of the most basic element in his *Grundsätze*.

to prioritize new or different ends. Certainly, once the content of a person's purposes is understood, we might also understand the logical coherence of their actions. But why stop there?

We need not simply limit ourselves to understanding an order as it has been given through the accidents of history, Sombart insisted, but we can also hypothesize about entirely different orientations of the whole: "Man nimmt ueblicherweise gewisse Daten aus dem Leben, kann aber ebensogut irgendetwelche bloss vorgestellten oder erdachten Faelle in einem Schema verarbeiten: etwa wirtschaftliche Handlungen auf ihre Rationalitaet hin in einem Wirtschaftssystem untersuchen, das noch niemals verwirklicht ist." [Usually, certain data are taken from life, but it is also possible to process any cases which are merely imagined or conceived in a scheme: investigating economic actions for their rationality in a system of economics that has never yet been realized.] (Sombart 1930, 259-260)

Such *Schemata*, or what he also called "*Grundsaeetze*" were laws, but were in no way to be confused with natural laws. The degree to which they could serve as points towards which action might be directed economically, was, he conceded, a major hurdle and every such schema had to be subject to rational scrutiny as to whether or not it could serve such a purpose. Or as he also said, "Ihr Wahrheitswert liegt in der Rationalitaet ihres Inhalts." [Its value or validity rests with the rationality of its contents] (Sombart 1930, 260)

He was also quite clear, that such a rule would not operate through coercion, at least not to any degree beyond what the current system needed for law and order, but would orient action principally through its ability to be grasped and used by individuals to give meaning and therefor orientation to their activities. In this way he continually emphasized that such cultures, such *Sinnszusammenhaenge*,<sup>7</sup> were *free*:

Aber das Zurueckgehen hinter menschliche Motive ist Grunsaeztlich unstatthaft. Wir wuerden damit auf verstehende Erkenntnis ueberhaupt verzichten. Diese steht und faellt mit dem Grundsatz: dass ,letzte' Ursachen in allen Kutlurgeschehen menschliche Motive sind. Dieser Grundsatz, koennen also auch sagen, ist ein Apriori jeder Kulturwissenschaft. Und zwar – wie ich hinzufuegen will – sind die Motive Motive aus Freiheit...Die Annahme der Willensfreiheit bedeutet in diesem Zusammenhange kein ontologisches ..., sondern ein logisches (,transcendentales') Urteil. (Sombart 1930, p. 224)

[But to go behind human motives is fundamentally inadmissible. We would thereby renounce any knowledge through understanding at all. This kind of knowledge stands and falls with the principle that human motives are the ultimate things in cultural activity. We could also say that this principle is the apriori of every cultural science. And

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<sup>7</sup> "Der menschlicher Wille wird von uns als frei angenommen... 'Kein Mensch muss Muessen.' [Gotthold Lessing *Nathan der Weise*] Aber – ein bestimmter Character muss muessen, dass heist: muss bestimmte Entschluesse fassen. Mit einem bestimmten Charakter sind bestimmte Handlungen ,notwendig' verbunden: sie erfolgen ,nachdem Gesetz nach dem du angetreten.' [Goethe, *Urworte, orphisch*]" (Sombart 1930, p. 265) Or: „Wenn bestimmte Ziele erreicht werden sollen, muessen bestimmte Wege beschritten werden – eine bestimmte ,Lage' vorausgesetzt...Der Zwang bezieht sich nur auf den Inhalt des Motivs. ‚Kein Mensch muss Muessen‘—dabei bleibt es. Nur: wenn er etwas will, muss er unter Umstaenden etwas bestimmtes wollen.“ (Sombart 1930, p. 268)

certainly—as I wish to draw out— motives, are motives from freedom. In this context, the assumption of the freedom of the will does not mean an ontological ..., but a logical ('transcendental') judgment.]

Lachmann's task as Sombart's student was to evaluate the degree to which Italian fascism presented just such a new form of *Wirtschaft*. Italy was then already some eight years into the rule of Mussolini and the question was simply this: was this a new kind of economic order?

The dissertation is thus a direct application of *Verstehende Wirtschaftswissenschaft* to the Italian political order of Mussolini. In this Lachmann had to analyze both the ideas that supposedly informed that "new" order and the structure that these ideas imposed upon its institutional arrangements.

### **The Dissertation**

In a very interesting way, Lachmann's analysis parallels much interwar Italian thought and later treatments in the 1980s and 90s as Italian scholars took up the question of the historical meaning and economic performance of the fascist period, with largely the same conclusions. (Guidi 2000, pp. 1-17 ) In Lachmann's case, however, the *verstehende* approach constituted his avenue into these issues. Like these writers, he found huge gaps between aims and results in the performance of the Italian economy and in the quality of the theory, but the reasons for this failure was, in his analysis, the failure to arrive at an underlying organizing principle apart from the use of force. There were no *rational Schemata* by which the new order could give new direction to the multiplicity of interests and aims, the "heteronomy of ends" that characterized the modern industrial economy.

The approach amounts to a fascinating clash of two different branches of Continental idealism that was reminiscent of the clash between Ranke and Hegel in the previous century, for in fact the chief philosopher of the movement was also the leading Hegelian second only to Benedetto Croce, and that was Giovanni Gentile.

One of the critical problems for understanding, according to Lachmann was the explicit assertion of Gentile on the supposed unity of thought and action that was always in the process of becoming. The principle of the leader as simultaneously embodying both at once seemed to deny any place for thought or reflection as the basis for a new principle of action. The implication of such a view, Lachmann pointed out, was belied by the facts. Both in journal arguments presenting fascist theory and in the Charter of Labor of 1927, clearly theory has to be a part of the equation, implying that there must be a plan of action or some degree of forethought. There must at least be some means of distinguish regress from progress in the attainment of the ends sought! (Lachmann 1930, pp. 2-6)

Having made room for *verstehende* analysis, Lachmann critiques some of the main authors formulating fascist theory. In each, the state plays a central role. The question is posed, who will set for the historical aim that will decide among the inevitable differences in perspective among individuals, such that they will be unified along a new outlook upon the world?<sup>8</sup> (Lachmann

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<sup>8</sup> „Wer stellt fest, welches diese historischen Ziele sind? Welche Instanz entscheidet bei den doch unvermeidlichen Meinungsverschiedenheiten, die scho daraus entstehen muessen, dass das einzelne Individuum doch nicht umhin

1930, p. 7) This question is essentially reapplied at the various levels of Italian state economic re-organization, with the objective to being to continually interrogate the Hegelian notion of movement towards something not yet fully realized or specified, a movement of continual “becoming.”

In this process, the entryway for *verstehende* has to be the aims of the Labor Charter itself where the stated goal is to subsume all previous interests of labor and entrepreneur under the aims of the *Volksgeist*, or the national spirit. To achieve this end, , the authoritarian nature of the fascist state had to compel the economy into the corporatist mold. (Lachmann 1930, 10) Here he examined Walter Heinrich’s advocacy of the corporatist solution, that this constituted no new principle, no new idea. In the process of enfolding the pre-existing capitalist order into its corporate hierarchical system of bureaus, the question was merely begged as to the existence of a new *Schema*, and from where it might arise (Lachmann 1930, 17-20)

The spirit of the new state order must at some level distinguish nation from other states, Lachmann pointed out, but the forms of state organization merely assembled the different industries and professions along their given, previous parameters. Where is the defining spirit that will integrate a new order? More particularly, where is the new aim or principle that will internally direct the actions of persons? Indeed, how are the various professions even to begin thinking differently respecting their aims and aspirations?

Wie aber ist es mit dem Bankangestellten, der seine Stellung verliert und in ein Warengeschäft eintritt? Wechselt er damit etwa seinen ‚Stand‘? Ist nicht das Charakteristikum des Standes das ‚In-ihmstehen‘, das Verharren? Gibt es denn begrifflich überhaupt Stände, die man von heute auf morgen wechseln kann? (Lachmann 1930, 19) [But how is it with the bank clerk, who loses his position and enters a commodity business? Does he change his stand? Is not the characteristic of his position, his 'in-standing', persistent? Is there any conceptuality at all, which can be changed from today to tomorrow?]

Military style hierarchy to achieve order was no real solution. Again Lachmann would ask, where is the new principle by which the different aims and values or individuals and groups would be reconciled? (Lachmann 1930, 20) Citing Sombart’s own analysis of modern capitalism, Lachmann noted that the principle of profit would still give rise to class tensions if there were no new intervening norm to constrain it: “Bleibt also die Frage offen: Was da den noch geschehen koenne, um die Arbeiterschaft aus ihere Klassenkampfposition herauszuloesen?” [So the question remains open: What can be done to get the workforce out of its position of class struggle?] (Lachmann 1930, p. 25) Where, in essence, are the requisite norms to accomplish the task?

This remained the basic style of Lachmann’s analysis throughout the third and final chapter. Here is to be found an analysis of the problem of accounting for costs under such a system. How are they to be determined if not in relation to the particular undertakings? What are the “Volkswirtschaftlichen Kosten?” (Lachmann 1930, p. 46) and how would they be measured? And subjective theory would not help here, he noted, because the subject was suppose to be the nation and not the person or the entrepreneur. (Lachmann 1930, pp. 47, 48) Little was to be

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kann, die historische Zielsetzung durch Eischaltung seines weltanschaulichen Apriori hinwiederum zur Zwecksetzung zu machen?“

found to realize an economic system in Sombart's sense of the term. He even posed the question that Sombart's *Leitmotif*: Was this a free or controlled economy? Lachmann 1930, 56) Was there then something in the actual implementation that could be found to give rise to such?

It was, Lachmann wrote, to be welcomed that certain efforts were being made to resolve old tensions of labor and management. It was not at all certain however that the new system would not itself degenerate into monopolistic syndicalism with particular segments of industry assuming interests at odd with the nation. (Lachmann 1930, p. 77) Still searching for the principle to which the system might give form, Lachmann could do no more than present the assertion of its leading political economist, Gino Arias, that a new corporatist ethos was being realized in practice. It was not the individualist postulate of hedonistic capitalism, nor some opposite postulate of altruism, but its own postulate "to dominate, with its creative will, the entire production economy." (Lachmann 1930, 82) The question was left open, did this count for a "Ganzes"?

Lachmann concluded with what he contended was the most difficult of the challenges a fascist economy faced. He employed a term known only too well to both Sombart and Weber. (Sombart 1930, p 267; Hennis 1987, p. 55 n48) The inescapable problem of the "heteronomy of ends," or what Lachmann wrote as "Heteronomie der wirtschaftlichen Zwecksetzung." (Lachmann 1930, p. 83)

And here Lachmann brought his analysis to a final crescendo. In deciding the question posed by Sombart, was this new order a "Ganzes?" he was raising the central theme that Weber had set before Sombart as the barrier to any too easily posited assumptions about the reordering potential of society.<sup>9</sup> Ideal types were approximations of ends held by individuals who always represented far more than just a single aim or purpose. In his chapter on *Verstehende Nationaloekonomie*, Sombart had tried to deal with that point directly and referenced it specifically in his proposed resolution. It was this problem that his Schemata or types were meant to deal with by subordinating and directing such heterogeneity along a new a new trajectory ["...in eine ganz bestimmte Richtung gedraengt werden"]. (Sombart 1930, 267)

The degree to which this could be solved, would be the degree to which the fascist economy would count towards fulfilling the requirement of comprising a new freely coordinating whole. Lachmann quoted Gentile to the effect that this problem would have to remain imminent, to be solved through the working out of the dialectic of history. Wisely perhaps, Lachmann let his analysis end here, concluding that we could not follow the philosopher along such speculative heights. (Lachmann 1930, 84)

There is a great deal more to the dissertation than what is possible to present here. He covers considerable ground in a short space of time that includes many of the standard economic concepts of the field. Such ideas included the potentialities for extensive and intensive integration, the concept of social welfare, and the idea of an equilibrating mechanism in the attainment or maximization of social welfare, as well as a consideration of its external and internal construction or *Aufbau*. (Lachmann 1930, pp 17, 59, 66) My aim here was simply to illustrate the recurrent interpretive or hermeneutical theme of *verstehen*. In this, the potential

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<sup>9</sup> Weber gave this in an ironical tone in his letter to Sombart dated 8 February 1897, congratulating him on arriving at the liberal solution of the heteronomy of ideals! Again, see Hennis 1987, p. 55 n48.

conflicts arising from the complexity of the contents of purposefulness remained the central object to be analyzed throughout every point.

Carefully considered, one can see here the clear roots of Lachmann's focus on the complexity of individual purposes—on the diverse and specific content of individual minds. One might also infer from the open-ended conclusion that he was already more inclined to Weber's side of the *verstehende* spectrum. But all the tools of *Verstehen*, are to be found in the dissertation.

### **Historical Graft to an Austrian Tree**

Much is often made of the fact that Lachmann studied independently with Emil Kauder in Berlin and with Hayek on leaving Germany in 1933. (Grinder 1977, pp. 8-9) But here, in Lachmann's dissertation, we have the essence of the method that Lachmann would continue to apply with steady consistency to the economics profession at large. Here are the foundations of that approach that looked to concepts and contexts and already viewed the world from the interiority of acting subjects. The "heteronomy of ends" was the essential problem of the German Historical School precisely due to their idealist orientation and historical training.

While Sombart had discouraged Lachmann from reading too much in the Austrian tradition, he had actually encouraged his reading of Weber. (Lachmann Interview 1978, p. 3) And clearly Lachmann shared Weber's interest in the Austrian School for much the same reason as Weber: To discern the limits of formal logic in the elucidation of human action. (Hennis 1987, pp. 38-39; Osterhammel 1987, pp. 110-111; Beiser 2011, 522-528) It is certainly true that Weber defended Menger's defense of the necessity of theory. But so too did Sombart. (Sombart 1930, pp. 154-155)

It was the resistance to formalism, founded in an interest in purposefulness, not as a category but for the complexity and variableness of its content, that was the real significant defining difference. Subjectivism had come into German discourse as a category with Gotlieb Hufeland in the early nineteenth century and had moved on by the time of Menger to become the exploration of cultural differences—a search for the contents of the category of subjective perceptions. (Streissler 1990, pp. 31-68; Streissler 1994, pp. 493-499; Milford 1997, pp. 89-160) That was the historical project.<sup>10</sup>

And it was Weber's idea also. He continually reaffirmed the difficulty of coordination in the face of the multiplicity of ends among persons and groups. This heteronomy of ends, or rather the diversity of the content of purposes, made Weber far more cautious than his colleague at the *Archiv*, to be certain. It set him firmly on the individualist side of the Historical School respecting interpretation and theory, but it certainly did not make him an Austrian in the full sense of that term. (Ghosh 2006, 87) That some of his students reported him as such, only proves that they failed to see the significance of the methodological debate he was teaching, and resented being tasked to think through Menger's arguments. That is hardly surprising, and does not in the slightest impact his published record, which preceded and postdated his active teaching.

One might at this point merely reference the essays of Stephen Parsons or Laslo Csontos, to complete the picture of Lachmann as the last full member of the very youngest generation of the

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<sup>10</sup> This is the subject of another project I am working on dealing with the twin origins of subjectivism and *Historismus*.

Historical School. Both authors show the significance of Weber to Lachmann, and in Parson's case, that significance is explicitly identified as using an Historical School method. (Parson 1998, p. 33) There is only one point that needs to be made. Both Parsons and Csontos do not go further back than Lachmann's work on Weber. (Csontos 1998, pp.94-95) But what of the material between his dissertation and *The Legacy of Max Weber*?

Here the work of Roger Koppl bridges the divide looking to Lachmann's early invocation of expectations. But not merely rational expectations. Koppl makes excellent use of the famous essay on expectations, citing Lachmann to the effect that "Different interpreting minds will draw different inferences from the same 'objective' data. Thus 'there will be as many 'business situations' as there are different interpretations of the same facts, and they will all exist alongside each other.'" (Koppl 1998, p. 63)

It probably also bears mentioning that in the same article, Lachmann had explicitly raised the connection between expectations and *Ideal Types*! And of course, special note should be taken where Lachmann made his famous observation that "Without fairly elastic expectations there can therefore be no crisis of the Austro-Wicksellian type." (Lachman 1977 [1943], pp. 67, 79) To treat with expectations is to deal with the content of subjective perceptions. The logical extension to plans, the relations to aims and values, and the knowledge of means need not be belabored here.

The nature of the Lachmann problem is thus essentially as expressed by Buchanan at the outset of this paper. It is the focus on the complexity and variability of subjective interests or aims and the immense difficulties this poses for any measuring, predicting or formal modeling. In sum, not every need is met, not all plans are fulfilled, and much information is not actually transmitted through price. Where these conclusions emanate from, as Koppl pointed out, follow from Lachmann's focus on the details of subjective content, or what Koppl called his "psychologically detailed picture of action." (Koppl 1998, 68)

Needless to say, an extensive review of the various works purporting to solve the Lachmann problem, or problems as the case may be is beyond the extent of this essay. Clearly Lachmann had seen the ultimate compatibility of the school with the tradition of historical inquiry that was at the center of the tradition in which he had been trained. There was really no necessity separating them in their philosophical fundamentals. Surely Karl Häuser is correct when he stated that "The enmity between the two protagonists which was partly inherited by their students reminds one of the enmity of two closely related families." (Häuser 1988, p. 539)

Lachmann saw this relatedness. He was in fact the last true economist of the German Historical line.<sup>11</sup> Lachmann's good fortune was to have retrained himself at the LSE, gaining exposure to some of the best teachers in the field from Hicks to Hayek. As such, he was able to continue as an

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<sup>11</sup> There was one other possible candidate. Fritz Redlich had taken a long hiatus from his studies and had returned just as Lachmann filed. He had even studied with Lachmann's own committee members. But unlike Lachmann, Redlich went to the US, and there he entered into the study of history, for as he remarked, his training had better prepared him for this field than economic theory. (Redlich 1964, pp. 12-13) Where Redlich went on to influence the study of American history and what came to be called the New Institutionalists, Lachmann, the very last economist of the very last generation of the Historical School became an Austrian. There is no evidence that they knew each other but Lachmann did highly recommend Redlich's book, *Der Unternehmer*. (Lachmann, 1977, pp.127,129)

economist. It was the logical next step in the continuation of the extension of the subjectivist paradigm, producing the prodigious growth of whole new branches of Austrian Hermeneutical Economists.

As for his mastery of the techniques and ideas of economics as he found them at the LSE, there is no doubt, but what is truly interesting is how he continually raised the questions that characterized the Historical School approach—he remained always interested in the content of motive, the need for historical interpretation, and the application of “*verstehende*” concepts. It was these ideas that secured his originality and reputation. And the fact that these, despite the very strong language of Mises regarding Weber’s use of types, or Hayek’s less than enthusiastic interest in phenomenology, or Rothbard’s visceral attacks on Lachmann’s students, could now be seen as a logical natural step in the extension of subjectivism is nothing less than a testimony to Lachmann’s effectiveness in repackaging himself and the techniques of historical investigation.

Indeed, many now write as if these aspects were always part and parcel of the Austrian School. (Gloria-Palermo 1999, pp. 116-117; Leube 2010, 260)<sup>12</sup> In point of fact, the strongest connection of the hermeneutical tie to the Austrian line is the Lachmannian graft. Indeed, it has its clearest origins in Lachmann’s own work. His essays on Weber developed an interest that had been with him from the beginning and predated his Austrian connection, and it is an interest that persists today. And there is clear evidence that he understood his contribution in just this way.

Perhaps his closest student in theory, Don Lavoie illustrated this point best. In noting, as so many have from Koppl to Lewin (Lewin 2000, p. 383; Koppl 2000, 390-391), Lachmann’s war against formalism, Lavoie captured exactly Lachmann’s role within modern Austrian economics. In his essay on “Understanding,” he recognized that this “reinterpretation has arisen mainly under the influence of Ludwig Lachmann.” (Lavoie 1990, p. 359) And Later he noted the exact point at which Lachmann’s hermeneutical role was fulfilled:

The hermeneutical Austrian’s challenge has been primarily aimed at mainstream neoclassical economics, which they charged with the vice of formalism, but the challenge has implications for the ‘mainstream’ of the Austrian tradition as well. Formalism is the artificial severing of economic theory construction from application, in effect the separation of theory from contact with the lifeworld, with everyday reality as we know it. In classicism it takes the form of mathematicization, but formalism has its Austrian variants as well. (Lavoie 1994, p. 55)

We saw one example of such with Rothbard’s derivation from the apodictic axiom of action. It is hardly surprising that he wrote one of the most damning criticisms of the hermeneutical movement. But the tendency was widespread among core Austrians. In a letter written to Lavoie 2 January 1986, on the eve of his book, *The Market as an Economic Process* (1986), he noted, among other things, that “We should reexamine the main issues of the ‘Methodenstreit’. Did

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<sup>12</sup> Leube actually begins with the *Untersuchungen*, and not Menger’s *Grundsätze*, and therefore does not consider the initial prompt by Theophilous Friedrich Hack, which Yagi has brought to light in the same volume. See Yagi 2010, p. 24. He also misses Schmoller’s review in which Dilthey is praised for his *verstehende* approach.

Menger have the whole answer? If not what do we have to say?" He then made a final observation of some relevance to our question:

We should not hesitate to say that Shackle is a hermeneutical thinker even though he doesn't know it, and it is arguable that this also applies to Keynes. The introduction of expectations into econ. theory was a step in the hermen.[neutical] direction, but Mises and Hayek fell down badly on the job. Why? As I am writing, a dozen hermeneutical tunes begin to hum in my mind, so I had better stop for now.

### **Conclusion: Reconsidering Lachmann**

As already noted, Lachmann should be placed on the more individualist side of the *verstehende* spectrum of the Historical School much like Max Weber. As such he refrained from making grand predictions or setting forth plans of reform. He was consistent in his opposition to formalism even in those varieties to which Austrianism was prone. If Mises is correct this should rather confirm his membership in the Historical School:

The concept of theory, in contradistinction to the concept of history, is, and always has been, understood as involving a regularity valid for the future as well as the past.

If the adherents of the Historical School were, in accordance with the logic and epistemology of their program, to confine themselves to speaking only of the economic conditions of the past, and if they were to decline to consider any questions touching on the conditions of the future, they could at least spare themselves the reproach of inconsistency. However, they maintain that what they write about and deal with is economics. (Mises 1960, lxxi)

I offer here a point from Lachmann's *The Market as an Economic Process* (1986):

Our conclusion that economists must confine their generalizations to the knowable past will be deplored by all those who see the main task of economics in the making and testing of predictions. Our answer has to be that the social world, unlike the solar system, is impelled by forces as mutable as thoughts and that no Newtonian model fits it. (32)

It is rare that one finds a scholar as able to set any discipline, let alone that of economics at the height of its formal aspirations to mathematical and statistical glory, back upon its heels in so many basic points of analysis. From cycle theory to the concept of equilibrium, Lachmann applied a steady line of questioning that has grounded not just Austrian economics, but economics in general upon a firmer and more chastened foundation of reality.

It must be argued, however, that this impressive array of achievements stemmed directly from his own grounding in Historical School methodology, rightly applied at the point where the Austrian school begins its logical derivations of the evenly rotating economy, with purposefulness itself. In doing so, Lachmann has fulfilled the Misesian criterion noted above.

He was in fact not only the last, but perhaps also the most consistent member of the German Historical School.

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