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Kurt Rothschild: A Personal Recollection

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Encountering Kurt Rothschild at what was then the University of Social and Economic Studies in Linz was to prove absolutely crucial for my future life. For, had it not occurred, I would certainly never have studied economics.

Coming as I did from a classical grammar school, I had no real idea of the subject, whereas I did have a serious interest in philosophy and sociology. I had read the first social science books I can recall during my early teens in my home town of St. Pölten, which – to my good fortune – boasted a well-stocked and very cheap public library. Above all, I remember Rene König’s ‘Sociological Lexicon’, which, by leading me into a new conceptual world, left a particularly strong mark; Hofstädter’s volume on Social Psychology; Galbraith’s ‘The New Industrial State’; and works by Jung and by Schreiber (‘The American Challenge’).

At that time, sociology was a flourishing discipline, undoubtedly also a ‘fashionable’ one, and I knew that it could be studied at the University of Linz, whose young, park-like campus I first visited in the summer of 1968.

It was a visit I shall never forget, so impressed was I by the welcoming atmosphere. Quite unlike that of the Vienna universities I had run my eye over in July of the same year, where, in the stifling summer heat, the dust of centuries seemed to hang and most doors were firmly shut. Here, instead, everything was freshness and light, everywhere was glass, air, openness.

The green, blissfully peaceful campus, village-like in its scale; the short distances between lecture halls and residences; and, last but not least, the fact that, unlike Vienna, Linz was undeniably too far from St Pölten for me to lighten the family budget by commuting to study: for all these reasons, my choice of university was made on the spot.

In the eyes of my freshman self, there was just one drawback, which today I recognize as a further boon. In the first two years of my degree I had to take a whole range of subjects with no relation to sociology: from accounting, to various aspects of law, to mathematics and statistics.

One particularly strange subject was economics. It seemed ‘strange’ because of the very first class in microeconomics. There a small, rather odd lecturer, first, virtually covered the board with his writings, and then attempted to fill in the few remaining free spaces with diagrams as microscopically small as they were complex. From my seat in one of the backmost rows, through my 8-diopter-strength glasses, I gaped in bewilderment at one of the earliest works of modern graffiti art. Finally, when – as frequently happened - the lecturer himself had become hopelessly lost in the havoc of his tiny chalk scratching, he would casually wipe away the sum
of his artistic endeavours with the sleeve of his jacket, only to begin yet another diagram over
the still visible remains of his previous efforts.

The small, odd lecturer was, of course NOT Kurt Rothschild but one of his colleagues, who
had made his name above all – what irony - in the economics of education.

Even my first encounters with sociology turned out to be much less stimulating than I, in my
early enthusiasm, had hoped. Right at the start of my first course I had to write a seminar
paper somewhat pompously entitled ‘Structure and Function in the Ideas of Talcott Parsons’.
The experience awoke in me the first dark suspicion that abstract sociological theory is
actually the art of using abstruse terminology to further cloud the layperson’s understanding
of connections that are ill-defined and, by their very nature, hazy, to the extent that
rediscovering them (‘what did he really mean by that?’) becomes a task sufficiently arduous
as to cause a genuine sensation of academic insight.

Today, as a grateful pupil of Kurt Rothschild’s, I am of course aware that this somewhat
presumptuous, self-referential type of theorising can also be found in some areas of
theoretical economics, at best much more elegantly disguised by the use of mathematics.
Allan Kirman, the highly regarded exponent of general equilibrium theory, once remarked in
a research retrospective of his own esoteric field that, at its conferences, he often seemed to
himself to be a member of some sect that had gathered on top of a mountain to await the end
of the world. I presume that one might experience similar feelings at a conference on, for
example, the pioneering works of Parsons (or Luhmann).

Up in the clouds were also to be found some heads affiliated to the Department of General
Business Studies, where a spiritual follower of Spann’s holistic school worked away, with
undeniably artful rhetoric, at his conceptual castles in the air. Two gems from his lectures
have remained always with me. The first is his definition of the ‘essence’ of a loan as “giving
something in the confidence of receiving it back” – and who would contradict this profound
insight in our time of financial crisis? The second quote that has stayed with me represents an
unambiguous rejection of the open nature of our Anglo-Saxon-tainted, hectic academic
existences: “Those who feel at home with themselves have no need to travel.”

At any rate, only a relatively short time into my studies any joy I felt at intellectual contact
with all this woolliness had largely disappeared, to the extent that I began to seriously
consider changing my degree course. As an escape route I would even have considered dry-
as-dust Law or the new degree in Economic Statistics, so strong was my yearning for
something ‘to sink my teeth into’. After all, after a year of study I was still not in a position to
give anyone who asked me what I was actually studying a succinct answer that was either reasonably satisfactory or half-way honest.

And then, all of a sudden, I found myself sitting in one of Kurt Rothschild’s macroeconomics lectures. Right from the start I was fascinated by his personality and soon my choice was made: I would switch to economics.

With Rothschild there were no bogus depths of meaning, no conceptual hair-splitting. Instead he presented theories clearly, with no sign of pretentiousness, and so managed to induce a genuine feeling of insight. He did not use his theoretical models to instil in his students a belief in universally valid ‘natural laws’ of the economic world. Far less did he wish to dazzle us with complicated mathematics, even if he made use of formal deduction whenever it seemed useful and appropriate. But he always made explicit the restrictive assumptions on which a particular model was based, in order to forestall any rash belief in the general validity of its hypotheses.

From the very start he was at great pains to get across the idea that not even the conceptual constructs of economic theory can be fully objective, that they contain an element of ideology and value judgement, just like the theoretical ideas on which all constructs are inevitably based. His altogether hostile reactions to concepts like ‘natural’ unemployment, ‘equilibrium’ or ‘Pareto efficiency’ all derived from this extreme sensitivity to ideological influence.

Kurt Rothschild detested the notion of the economist as ‘high priest’ or ‘preacher’, sadly and too often adopted by famous practitioners and political advisors these days, and not only because he was himself so modest. Instead, he saw the economist as a sceptical son of the Enlightenment, whose task it was to point out the various possible consequences of a particular course of action. Prioritising different aims, the choice and implementation of particular economic policies; these were, for him, a matter for democratically legitimated political decision-makers. In that connection, I recall a sentence of Rothschild’s that I like to quote in my own classes: ‘Anyone who claims there is no alternative has certainly got something to hide’. Words which, incidentally, he spoke long before Margaret Thatcher’s famous – or infamous - TINA entered the political stage.

Over and over again Rothschild stressed that economic theory can only be understood against the background of the socio-economic conditions under which it was developed. He liked to quote, often and approvingly, philosopher Hans Albert’s criticisms of ‘model Platonism’, that is, the retreat of neo-classical economics from empiricism into ‘pure’ logic. Albert speaks of the spatial and temporal relativity of all so-called ‘economic laws’, a view that Rothschild
illustrated in masterly fashion in his lectures on the history of economics. His immunity to preaching dogmatism in any form, his scepticism towards so-called ‘general theory’, were also presumably based on his long experience as an empirical researcher (in the words of the Polish satirist Jerzy Lec: ‘Reality is the enemy of truth’)

A further debt that my fellow students and I owe, indirectly, to Kurt Rothschild is our encounter at that time with another teacher who left a greater mark on me than others did. Kazimierz Laski, pupil of and assistant to the world-renowned economist Michael Kalecki, had been expelled from Warsaw University in 1968, the victim of an evil anti-Semitic campaign directed against dissident spirits of all types. His path took him first to the Vienna Institute for International Economic Studies, and then to a chair at the University of Linz, where his classes were of immense intellectual value to us students, for two reasons. On the one hand, because he came from an utterly different economic world, largely unknown to us, that of the planned economy, whose weaknesses and absurdities he laid bare in example after example. And, on the other, because his lectures – which ranged from growth theory to the economic cycle, from the theory of planning to Marxist economics – were pedagogically brilliant and clear as crystal, markedly more formal and analytic than Rothschild’s own, but also more firmly rooted in a paradigm than anything we had heard before.

Every time a model was presented in one of our higher seminars – which were sometimes attended by more staff than students – it led to lively discussion between the two. They were fascinating experiences because, time and again, we were shown how even the most elegant of micro- and macroeconomic models were exposed and vulnerable to well-founded criticism. Whereas Rothschild considered each problem from many different perspectives, circling around it in a series of daring pirouettes, Laski preferred to attack it head-on, striking straight at its very heart, with his feet firmly planted on his Kaleckian foundations. Of course, given two such different approaches, sparks tended to fly.

I won’t hide the fact that, as students and perhaps even more so in our subsequent teaching and research activities, we have had our occasional problems with the relativist approach to theory propounded by Kurt Rothschild, who, now as then, seems always to be looking over our shoulders. The resultant insecurity was undoubtedly one reason why those of us who dared to do our doctorates under his supervision took rather longer than was truly necessary to complete them ... How much simpler our academic lives would have been, had we at their outsets been impregnated with unquestioning belief in a single, standardised paradigm, in a handful of universally valid axioms, above all in the magical powers of mathematical formulae!
Kurt Rothschild’s methods – which shine through in all his essays, with their wealth of ideas and their verbal immediacy - were unique in their cogitative approach to argumentation, in their critical reflection, and in the almost philosophical way in which he approached and investigated a problem from every – yes, every– side. As such, they do not lend themselves to imitation. And, indeed, his work has nothing in common with the constant stream of models emerging from the narrow axiomatic foundations of contemporary economic orthodoxy, models which are then used to ‘explain’ the whole economic, political and social world, presumptuously and nuance-free, but in a formally ‘correct’ manner (that is, purely on the basis of neo-classical equilibrium models, ignoring the devilish ‘ad-hoc’ hypotheses so beloved of Rothschild).

Yet, since the financial crisis - if not before -, most economists have sensed that the emperor of ‘Modern Advanced Economic Theory’ has few, if any, clothes. If, in the past, they had paid more attention to Kurt Rothschild’s unfailingly constructive criticism, some problems might have been recognised earlier, certain ideas not stretched beyond their limits. And certainly some utter nonsense, such as the absurd Real Business Cycle theory, or the theories of rational expectations and perfectly efficient financial markets, would never have been taken so seriously.

Kurt Rothschild, we shall miss your words of caution and enlightenment.