

DIE ÖKONOMIE KURT W. ROTHSCHILDS UND DER FAKTOR MACHT IN DER ÖKONOMIE

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1. The formation of a problem-oriented approach in 'Red Vienna' (1914 – 33)

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- *“Problem-orientation and relevance seemed to me right from the beginning as a desirable aim for the (individual and societal) research effort as a whole, though this label cannot and need not be characteristic for every single piece of research. ... But the ultimate subordination of the activities to relevant and humanistic ends should be – in my opinion – an essential aspect of professional ethics and should never be lost completely from sight.”*

(Rothschild 1991, 8).

2. The Study of Law - The 'indoctrination' of marginal utility theory by the 'Austrian School' (1933 – 38)

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- great ambitions to study either physics or mathematics
- strong favour for theoretical and analytical issues
- 'indoctrination' of marginal utility theory

3. Scotland (1938 – 1947) – The acquaintance with Keynesian theory and Scottish attitudes

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- probably the most formative years
- acquaintance with Keynesian ideas (Robinson, Steindl; Alec Cairncross)
- *“In Scotland I found **democratic attitudes** which had grown in centuries of democratic institutions [...] This **openness towards other opinions** and the **readiness to cooperate** with ‘other’ sides when the situation seems opportune impressed me and has not only left its marks on my view of politics and political action but probably also contributed to the **eclectic leanings in theoretical matters.**”*

(Rothschild 1999, 5f.)

Kurt W. Rothschild (1914 – 2010)

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- *The formation of a problem-oriented approach in »Red Vienna« (1914 – 33) ⇒ Marxist theory*
- *The Study of Law or The »indoctrination« of marginal utility theory by the »Austrian School« (1933 – 38) ⇒ Neoclassical theory*
- *Scotland (1938 – 1947) – The acquaintance with Keynesian theory and Scottish attitudes ⇒ Keynesian theory*

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Power in Economics

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Power – The missing issue

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“Economics as a separate science is unrealistic, and misleading if taken as a guide in practice. It is one element – a very important element, it is true – in a wider study, the science of power.”

Bertrand Russell (1946, 108)

Methodologische Grundsatzdiskussion

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Zentrale Kritik am neoklassischen Modell:

- „die verhängnisvolle *Trennung* in einen *ökonomischen Kernprozess der Preisbildung* auf Märkten aller Art und den *„Datenkranz“ der Ausgangslage* (Rechtsordnung, Vermögensverteilung, individuelle und soziale Verbrauchstruktur, Zielvorstellungen etc.) geblieben.“

(Rothschild 1973, 18)

The special case of economics

A sharp division between:

mainstream

- highly sophisticated paradigm which served and still serves as a useful framework for an analysis of many economic processes
- but tied to axiomatic boundaries
- can be (mis-)used as a legitimization of a free-market capitalist economy

'heterodox' theories

- greater realism
- but there has to be paid for by a deliberate departure from a comprehensive and closed methodological framework
- open, but 'fuzzy' (simply because the real world is 'fuzzy')

„Price Theory and Oligopoly“ (1947)

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1. Neoclassical price theory in its simplicity and determinateness (demand and cost conditions are given, many small producers, free entry, profit maximization) => price equilibrium follows with the **logical necessity of a physical law**
2. Monopolistic and imperfect competition (by J. Robinson and E. Chamberlin)

„In particular, it badly neglects the case where a small number of powerful firms compete with each other, the action of each exerting a marked influence on the position of all the others, and each of them not only adjusting itself passively to a ‚given‘ market situation, but capable of actively changing that market situation.“ (Rothschild 1947, 302)

„Price Theory and Oligopoly“ (1947)

- “In particular, the influence of analogies drawn from mechanics and biology - so fruitful in the fields of perfect and monopolistic competition respectively - must be discarded when we deal with powerful active agents like duopolists and oligopolists. If analogies have to be used (and they may be of considerable heuristic value), then they will have to be drawn from those spheres where writers deal with moves and counter-moves, with struggles for power and position - in short, from books dealing with the general aspects of politics, and military strategy and tactics.” (p. 305)

„Price Theory and Oligopoly“ (1947)

- „The oligopoly-theorist's classical literature can neither be Newton and Darwin, nor can it be Freud; he will have to turn to Clausewitz's Principles of War. There he will not only find numerous striking parallels between military and (oligopolistic) business strategy, but also a method of a general approach which - while far less elegant than traditional price theory - promises a more realistic treatment of the oligopoly problem.“ (Rothschild 1947, 307)

„Price Theory and Oligopoly“ (1947)

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- „But when we come to the big oligopolists, who do have the power to change the market situation by their own political action, then the **separation of the economic from the political must necessarily result in a very incomplete picture**, which will not suffice for giving us a reasonable explanation of oligopoly price.“

(Rothschild 1947, 317)

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New Worlds – New Approaches A Note on Future Research Strategies (2005)

New Worlds – New Approaches

A Note on Future Research Strategies (2005)

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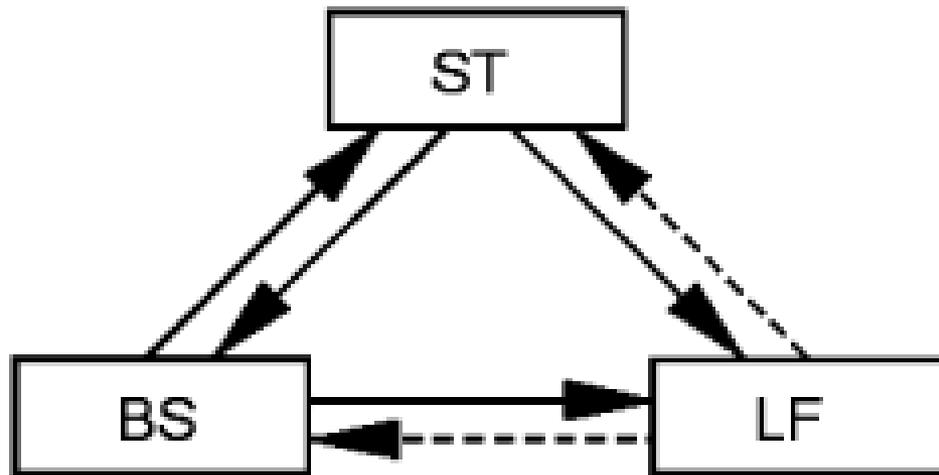
- Pioneering for new approaches

“Some change which opens new ways of looking at some decisive elements of contemporary economic processes.”

The „old“ framework

Figure 1

ST = State; BS = Business Sector; LF = Labor Force



—— = strong influence
- - - = weak influence



- bargaining powers
- strength of dependencies
- influences of the interrelations

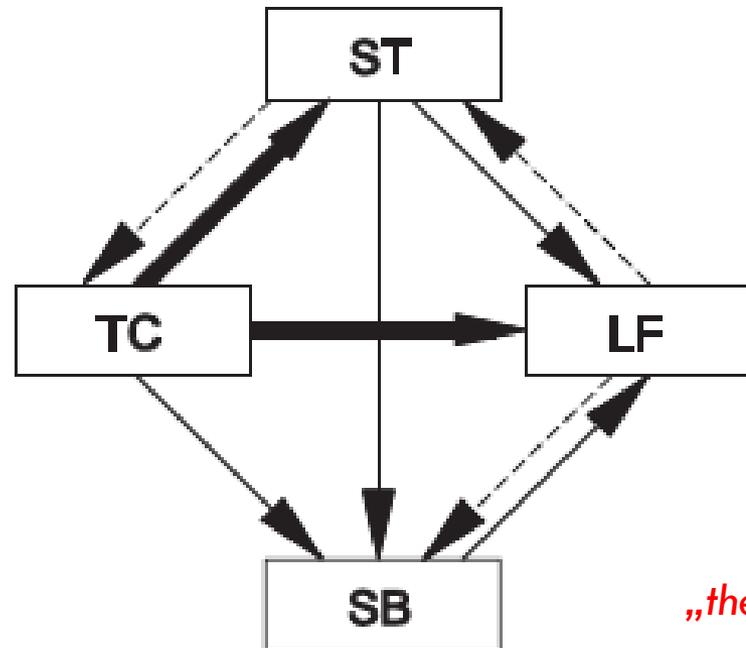
‘Give and Take’ situation

The „new“ framework

Figure 2

ST = State; TC = Transnational Companies; SB = Small Businesses; LF = Labor Force

‘voice’ opportunities
and
‘exit’ strategies



- = very strong influence
- = strong influence
- - - - -** = weak influence

„the interests of the quickly spreading big and transnational companies, created the explosive mixture of globalization.“

The „new“ framework

„The old basis of circular dependence and of a social consensus about the state-business-labor triangle (with all its conflicts) is disappearing.“

Conclusion

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- ▣ interdisciplinarity
 - history and institutions
 - path dependencies
 - dynamic approaches
- ▣ include economic and political power aspects
- ▣ mainstream and heterodox approaches should exist and be discussed on an equal footing => **eclectic leanings**
- ▣ *“Die Dringlichkeit wissenschaftlicher Forschung und Lehre ... sollte – so lautet mein Werturteil – an der Relevanz gemessen werden, welche die Forschung für die Durchleuchtung bedeutsamer Vorgänge in der Realität besitzt.“*