

RESEARCH IN THE HISTORY OF  
ECONOMIC THOUGHT AND  
METHODOLOGY

# RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND METHODOLOGY

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RESEARCH IN THE HISTORY OF ECONOMIC THOUGHT AND  
METHODOLOGY VOLUME 37B

**RESEARCH IN THE  
HISTORY OF ECONOMIC  
THOUGHT AND  
METHODOLOGY**

**Including a Symposium on Ludwig Lachmann**

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## VOLUME INTRODUCTION

We are delighted to present the second 2019 volume of *Research in the History of Economic Thought and Methodology*, surely one of the most important volumes we have produced as an editorial team. Volume 37B features a symposium on the work of the influential economist Ludwig Lachmann that includes contributions from several experts on Lachmann's work and the Austrian School of economics with which his name is often associated.

The volume also features a wonderful essay by Hélène de Largentaye on the French translation (by de Largentaye's father) of Keynes' *General Theory*.

Finally, the current volume includes our long-anticipated collection of reviews and commentaries on *Democracy in Chains: The Deep History of the Radical Right's Stealth Plan for America*, historian Nancy MacLean's controversial book on 1986 Nobel Prize Winner James M. Buchanan and the Virginia School of political economy that he founded.

Luca Fiorito  
Scott Scheall  
Carlos Eduardo Suprinyak

The Editors of  
*Research in the History of Economic Thought and Methodology*

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**PART I**  
**A SYMPOSIUM ON LUDWIG**  
**M. LACHMANN**

*Guest Edited by Giampaolo Garzarelli*

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# THE ROOTS OF THE SYMPOSIUM ON THE LEGACY OF LUDWIG M. LACHMANN

Giampaolo Garzarelli

In May 2006, I took up the post of Senior Lecturer in Economics at the School of Economic and Business Sciences (SEBS) at the University of the Witwatersrand (Wits), Johannesburg. I knew something about Wits because Ludwig M. Lachmann (February 1, 1906–December 17, 1990) was affiliated with it for much of his academic career.

During my interview in September 2005, I was not quite sure about how much of the Lachmann legacy would still be present at Wits. I was very curious about the matter.

I had done my homework. I wanted to make sure that both selection committee and interview panel knew about my interest in Lachmann and the Austrian School. In my application I indicated such research interest, among a couple of other more traditional areas. While it worked for the selection committee, I had still to see what the interview panel thought. Fortunately for me, the three senior members of the (very numerous and very intimidating) interview panel – Francis Antonie, at the time Head of what is now known as the School of Governance, Yunus Ballim, at the time Deputy Vice-Chancellor, and Rashad Cassim, at the time Head of SEBS – had also done their homework.

During my interview in the Lachmann Seminar Room on the second floor of the New Commerce Building, all three senior panel members made sure – in a far from subliminal fashion – that I knew about a virtually untouched Lachmann Archive on campus. This, in conjunction with other indications about the openness of SEBS to research themes and approaches, Rashad's uncanny powers of persuasion as well as those of my SEBS colleague-to-be Neil Rankin eventually convinced me to accept the job offer.

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One of the research projects that I wanted to wrap up during my early Wits period was actually a piece on Lachmann's view of institutions (Foss & Garzarelli, 2007; Lachmann, 1971). I had started working on this piece thanks to an invitation in January 2005 by Nicolai Foss to be a Visiting Researcher at the Copenhagen Business School. Sometime in 2004, Nicolai had shared with me some of his notes on Lachmann, and we ultimately decided to work on a Lachmann project, though neither of us was quite sure of the direction it was going to take. I recall that our first drafts had several game theory scenarios proxying for Lachmann's idea of the coordinative role of institutions. The game theory side did not make the final draft, but some insights gained from the Lachmann Archives did (Foss & Garzarelli, 2007, p. 792, footnote 3).

I most likely visited the Archives for the first time in late May 2006 and returned thereafter on several occasions. Although I have no proof, I imagine that I was the first person who ever researched the Archives.

Back then, the Archives were not yet sorted. If memory serves me correctly, the archival material was contained in six or seven drawers of two old and rusty metal file cabinets. Far from being discouraged by the unsorted Archive, to me, this made matters much more interesting. I had not done any archival work before, and I felt like a kid in a toy store unwrapping many gift boxes without parental supervision. With no inventory of the material, I was very much looking forward to being surprised.

Several surprises were not strictly academic. I distinctly recall finding Lachmann's spectacles as well as a copy of his South African ID book – I am not sure if either survived the now-sorted Archive. I also recall that the most admirable handwriting from all the correspondence was Shackle's, while the most difficult to decipher was Hayek's. I found it interesting that Lachmann liked to write first drafts of papers by hand rather than by typewriter and that he enjoyed using all sorts of color pens and crayons in these drafts *and* in his letters. I also recall that the thickest correspondence was with Israel Kirzner, which had its own dedicated box in one of the drawers.

On the academic front, I found it interesting to find correspondence between Lachmann and economists such as Kirzner, Langlois, Runde, and Torr. Obviously, I also enjoyed reading the exchanges with Shackle and others, such as those in English with Hayek. Some of the correspondence with Hayek is in German.

The most exciting event was the discovery of an offprint of an Italian article co-authored with A. M. Neuman (Andrzej Marcin Neuman aka Andrzej Marcin de Neuman aka Andrew Martin de Neuman, 1907–1964) from the (now-defunct) journal *Annali di Statistica e di Economia*. The article is entitled “*Le fluttuazioni cicliche e la struttura di produzione*,” namely, “Cyclical Fluctuations and the Structure of Production.” Back then, I promised myself that, as soon as I had some time, I would translate this newly found article into English, with commentary. This project was recently completed, thanks to collaboration with Peter Lewin and Bill Tulloh (Garzarelli, Lewin, & Tulloh, 2019).

I had always hoped that there should be some sort of Lachmann research event at Wits and that the existence of the Archives should become more widely known. After settling at SEBS, I learned of two colleagues who had closely interacted with Lachmann: Kiki Prosalendis and Michael Stettler. I spoke to both of them about the Archives and Lachmann. They were enthusiastic to converse about both. Yet, my sense was that we needed a bit more momentum in order for a significant Lachmann event to occur at Wits.

A few years later, Nobantu Mbeki joined SEBS, and she rekindled my interest in the Archives as well as in a possible Lachmann event. The first project we embarked upon, also with the close assistance of Jason Hartford and Aldo Siteo, my then-Master's students, was to scan the Archives for ease of consultation. We secured funding from the Wits Foundation to hire a few students and buy some equipment, and we managed to complete the task.

Soon thereafter, I encountered at Wits two other Lachmann acquaintances. The first was Chris Torr, previously of the University of South Africa (UNISA), who rejoined Wits in 2015. Chris closely interacted with Lachmann over many years. The other was Dick Langlois, whom I knew from my graduate studies in the US, who joined as Distinguished Professor through my research program, the Institutions and Political Economy Group (IPEG). Dick and Lachmann had overlapped while both at NYU.

We had now some serious Wits momentum. Nobantu was quick to agree that we finally try to organize a Lachmann event. She brought on board the Dean of the Faculty of Commerce, Law and Management, Prof. Imraan Valodia, who also committed funds, as well as the Head of SEBS, Prof Jannie Rossouw, who, through the Professional Provident Society (PPS), secured a fantastic venue as well as other sponsorships. Chris secured significant funding from Barclays Africa Group Ltd (now named Absa Group Ltd). Dr Lyndal Keeton, my former PhD student from SEBS, secured additional funds from the Economic Society of South Africa (ESSA) as well as the administrative help of three postgraduate students: Mich  le Capazario, Cassandra Dunstan, and Ramilane Mohlakoane.

Dick suggested that to have more international exposure, we should organize the event as a 2017 World Interdisciplinary Network for Institutional Research (WINIR) Symposium. Chris, Jannie, Lyndal, Nobantu, and I all thought this to be an excellent suggestion. So, we approached Francesca Gagliardi, David Gindis, Geoff Hodgson, and Vinny Logan, who strongly supported the initiative and who were instrumental in co-organizing, with Lyndal as central node, the event with Wits and PPS.

The rest is history. The WINIR Symposium on "The Legacy of Ludwig Lachmann: Interdisciplinary Perspectives on Institutions, Agency and Uncertainty," University of the Witwatersrand, Johannesburg, took place on April, 11–13, 2017. Fifty-three delegates from 16 countries attended the event, and I made sure that all of them learned about the Lachmann Archives as well as its digital version. Visit [https://winir.org/?page=past\\_events&side=symposium\\_2017](https://winir.org/?page=past_events&side=symposium_2017).

A number of thought-provoking works on Lachmann and related themes were presented, and Dick Langlois, Deirdre McCloskey, and Virgil Storr all kindly agreed to be keynote speakers. What follows is a selection of several of the works presented. We close with a plenary roundtable discussion on “Reminiscences of Lachmann.”

I leave to the reader the pleasure of autonomously discovering the richness of the articles that follow. What I want to do now, by way of a conclusion, is to return to my opening curiosity of 2005: is there a Lachmann legacy at Wits?

Though I have been fascinated by the economic study of institutions since my undergraduate years (and that is what ultimately spurred me to also major in economics), I have returned to the active study of institutions only in recent times. In *The Legacy of Max Weber*, Lachmann (1971, chapter 1) employs at least two classifications when analyzing institutions. In the first place, he distinguishes between designed and undesigned institutions (see, for instance, pp. 69 and 80) and in the second place, he refers to a distinction between external and internal institutions (p. 81). This is an appropriate place to bring another acquaintance of Lachmann into the picture, namely, Karl Mittermaier. Karl joined the Department of Economics and Economic History (SEBS’s precursor) at Wits in 1967 and hence served under Lachmann for many years. To the best of my knowledge, the two used to hold weekly meetings. Karl’s research ultimately led to his 1986 PhD thesis, with the (shortened) title *The Hand behind the Invisible Hand*. Here, Karl raises the question of whether the hand behind the invisible hand is also invisible. Karl thus distinguishes between a visible hand of government and an invisible hand linked to markets. We thus have a link between the analysis of these two eminent thinkers – Lachmann distinguishing between designed and undesigned institutions and Mittermaier pointing to a hand behind an invisible hand.

It is one of my regrets that I never managed to follow up related matters with Karl. He left Wits several years before I arrived, and for the latter part of his life pursued a successful career in the pharmaceutical business. He passed away on May 27, 2016, a few days before I had planned to meet him. What we do have, however, are two insightful articles by Mittermaier (1992, 2000) in which he appraises Lachmann’s contribution to economic theory.

Lachmann (1971, chapter 1) refers at times to the possibility of an institutional structure. And, as anybody who has studied Lachmann’s other writings will know, Lachmann ascribes to the view of methodological individualism. In the latter, obviously, individuals are of paramount importance. So we have two important items in Lachmann’s approach – a theory of institutions and a theory of the individual (with an emphasis on subjectivism).

All this means that, in 2005, I was asking the wrong question.

The most important institutional lesson that I recently learned originates from everyday work experience. As much as we like to repeat that institutions matter, we must not lose track of the fact that individuals matter too. That is to say that for any given underlying institutional structure, outcomes can differ based on the personal ambitions, background, competence, interests,

personalities, and relative clout of individuals interacting within that given institutional structure.

The “Lachmann legacy” should not be considered in terms of Lachmann’s influence on Wits-as-an-institution. It should rather be considered in terms of Lachmann’s influence on individuals. Lachmann influenced many individuals in person and indirectly through his writings. The Archives and the Symposium testify that his indirect influence continues to this day. Since Lachmann’s retirement, Wits did not genuinely ever reflect a “Lachmannian” approach to economics. However, when a set of individuals with common interests shared Wits as institutional structure, a common intellectual objective soon emerged from that structure. And it is at that juncture that the institutional structure mattered as much as the individuals.

Perhaps the longest lasting legacy of Lachmann, and indeed of any important scholar, rests on the ability to continue to bring together individuals who share similar research interests and passions no matter the institutional structure. The nature of individuals is not a matter of indifference, but, to my surprise, that of institutions at times can be.

## ACKNOWLEDGMENT

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