

The role of the German Historical School in the development of Mises's thought

Leonid Krasnozhon¹ · Mykola Bunyk²

Published online: 9 June 2017

© Springer Science+Business Media New York 2017

Abstract Hülsmann (2007) and Hayek ([1922] 1981) have argued that Mises's first book *The Development of the Relationship between Lords of Manor and Peasants in Galicia, 1772–1848* (1902) is written in the tradition of the German Historical School. Historicist contemporaries of Mises also considered his first academic work a continuation of the Knapp-Grünberg tradition (Kaser *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, 28(1), 374–79, 1904; Wimbersky, 1906). We argue that von Mises (1902) does not represent the younger German Historical School. First, Mises provides a rationalization of the history rather than ethical and cultural explanation of historical events. Second, he does not support the Knapp-Grünberg argument about the historical development of serfdom under a Slavic rule. Finally, von Mises (1902) does not adhere to the ideology of the Historical School regarding the virtues of the Prussian bureaucracy.

Keywords Mises · Grünberg · Galicia · Austrian school · Historical school

JEL classification B13 · B15 · B31 · B53

1 Introduction

Ludwig von Mises (1881–1973) is one of the most important economists of the twentieth century. Very little is, however, known about his early writings. This work remains unavailable to English-speaking scholars because it has not been translated yet. In 1902, Mises began his stream of academic publications with *The Development of the Relationship between Lords of Manor and Peasants in Galicia, 1772–1848* that he

✉ Leonid Krasnozhon
lakrasno@loyno.edu

¹ Loyola University New Orleans, 6363 St. Charles Ave., Box 15, New Orleans, LA 70118, USA

² Lviv Regional Institute of Public Administration, Lviv, Ukraine

wrote under the supervision of Carl Grünberg (1861–1940), a Marxist historian and member of the Younger German Historical School (Schumpeter 1954b). His contemporaries praised the first academic publication of the future distinguished fellow of the American Economic Association for an excellent historical study as a part of the Knapp-Grünberg research program (Wimbersky 1906; Kaser 1904).¹ Over Christmas of 1903, Mises made a transition from the Historical to the Austrian School (Hülsmann 2007; Pallas 2005; Kirzner 2001; Butler 1988; Rothbard 1988; and Edwards 1985).² He read Menger's *Principles* (1871) which in his own view made him an economist (Mises [1978] 2009).

Mises acknowledged that his early work was more historical rather than economic research, though he pointed out his antagonism towards the methodology of the Historical School (Mises, [1978] 2009: 6). Mises held very critical views of Hegelianism and its influence on historicism and Marxism. Like many of his contemporaries, Mises was influenced by the ideas of interventionism (*ibid.*, 11). And he had “no interest in the Austrian School” when he enrolled in the University of Vienna in the fall of 1900 (*ibid.*, 250). Mises enrolled in the University of Vienna because of his interest in history and law, not economics. By that time, the *Methodenstreit* had ended which resulted in the descent of the Historical School from its prominent role in the German-speaking academia (Caldwell 2001; Pearson 1999; Roll 1992). He, however, wrote his first academic publication on the topic of the liberation of peasants under Austrian rule which was a widely studied subject by the Younger German Historical School, including his professor Carl Grünberg. von Mises (1902) received exceptionally positive reviews from several representatives of the Historical School, including that by Kaser (1904) “in the principal organ of the German socialist of the chair, Schmoller's *Jahrbuch*” (Hülsmann 2007).

Hülsmann(2007) is the only biography of Mises that reviews his very first academic publication. While Greaves and McGee (1993) and Rothbard (1988) mention this work, Pallas (2005), Kirzner (2001), Butler (1988), and Edwards (1985) do not discuss it.³ As a matter of fact, historians consider von Mises (1902) an excellent study of the liberation of serfs in Galicia, Eastern European part of the Austrian Empire (Chaloupek 2012; Struve 2008; Blum 1945). Simons (1971), who has reviewed the Polish studies on the peasant revolt of 1846 in Galicia, considers von Mises (1902) the representative of the Austrian historians with great expertise in that topic. Contemporaries of Mises praised his work for the following features: continuation of the Knapp-Grünberg tradition, an excellent study of the Vienna archive, and a thorough literature review of both German- and Polish-language sources (Wimbersky 1906; Kaser 1904).

¹ See Hülsmann (2007: 73–74) and Greaves and McGee (1993: 104). Hülsmann (2007) discusses three German-language reviews of Mises (1902) by Kaser (1904), Kaindl, and Ludwig. Greaves and McGee (*ibid.*) discussed another German-language review by Wimbersky (1906).

² The source of the unified professional opinion regarding the turning point in the academic life of Mises is his autobiography. It was written in 1940 and published in 1978. Hülsmann (2007: 81) suggests that Mises has attended Wieser's inaugural lecture on October 26, 1903. When Menger retired from the University of Vienna in Spring of 1903, Wieser took his professorship.

³ Mises was a very private person (Ebeling 2008). Most of Mises's personal archives were detained by Nazi Germany and later discovered in Moscow in the 1990s. In October 1996, Anna von Mises and Richard Ebeling were the first Western scholars to gain access to the “lost paper” of Mises's collection, almost eight thousand pages of material, in Moscow, Russia. See Ebeling (2008) for a detailed account of retrieval of Mises's archives. Hülsmann (2007) makes use of the discovered archival materials.

We argue that von Mises (1902) does not represent the tradition of the Historical School.⁴ First, the work is not written as an anti-rationalist ideological historical case study with a focus on superindividuality. His focus is on a rationalization of the history through understanding the behavior of Austrian rulers, bureaucrats, landlords, and serfs. Second, Mises does not support the Knapp–Grünberg argument about the historical development of serfdom under a Slavic rule as compared to a German rule. Third, we find that von Mises (1902), especially, his skepticism of the Prussian bureaucracy, puts his work at odds with the ideology of the Historical School.⁵ Menger’s *Principles* was the seed that fell on fertile ground.

This paper proceeds as follows. Section 2 discusses the intellectual environment which influenced Mises as a young scholar. Section 3 examines von Mises (1902). Section 4 contains the concluding remarks.

2 Intellectual environment

In the fall of 1900, Mises enrolled in the Department of Law and Government Sciences at the University of Vienna because of his general interest in history and law (Hülsmann 2007; Mises [1978] 2009). Mises (ibid., 2) writes that “upon graduation from high school, the problems of economic, legal, administrative, and social history attracted me more than did those of political history. I decided to study law rather than history, which had been my earlier plan... The school of law provided students with more favorable options in the study of history than did the school of liberal arts.” Later in his life, Mises (ibid.) lamented that he could not return to historical studies and work in archives because he did not have enough time to do it. Some scholars of Mises argue that, like any economics student, Mises had to enroll in the Law School in order to receive education in economics (Kirzner 2001; Rothbard 1988). Craver (1986: 6) writes that “it should not be forgotten that economics was a specialization within the Faculty of Law, meaning that all economics students graduated with a law degree.” Though economics courses were offered as a part of the curriculum of the Department of Law and Government Sciences at the University of Vienna, the main focus of the curriculum was on history and law. Mises ([1978] 2009:2) explains that “At the time the study of law at Austrian universities was arranged in such a way that three to four semesters of the total eight were dedicated to the history of law exclusively, with the remaining four to five being relegated to political economy and public law.” von Mises (1902) was written between Easter of 1901 and Easter of 1902, during the 2nd–4th semesters.

Mises enrolled in the University of Vienna in the aftermath of the “battle of methods” that involved the Austrian School headed by Carl Menger (1840–1921) of the University of Vienna and the Younger Historical School led by

⁴ Caldwell (2001) and Pearson (1999) have debated the definition of the German Historical School of Economics. Similarly, Schumpeter (1954b) has pointed out certain differences within the Historical School. Mises ([1978] 2009) has also discussed different branches of the German Historical School.

⁵ To settle “the battle of methods”, Schmoller offered a compromise which implied that both inductive and deductive methods were indispensable for economic research (Pribram 1983). Several members of the Historical School such as Wilhelm Hasbach and Biermann recommended a limited application of deductive methods (ibid.). A combination of the deductive and the inductive methods could be one of the characteristics of the post-*Methodenstreit* Younger Historical School.

Gustav Schmoller (1838–1917) of the University of Strasbourg. Starting with the publication of Wilhelm Roscher's *Principles of Political Economy* (1843), the Historical School was the most influential school of economic thought in German-speaking countries between 1843 and 1883 (Roll 1992: 276). The Historical School found itself on defensive after publication of Menger's *Principles* (1871) and later Menger (1883). Menger's work was the first successful attack on the methodology of the Historical School. But Menger (1871, 1883) received a significant pushback in German-speaking academia. Menger, however, won over to his side three important scholars who were affiliated with the University of Vienna. "They were", Craver (1986: 2) writes, "Eugen von Philippovich (1858-1917), whose greatest contribution to the rapidly emerging Austrian School was a textbook popularizing Menger's ideas, and Eugen von Bohm-Bawerk (1851-1914) and Friedrich von Wieser (1851-1926), both fine theoreticians renowned for their seminal work in, respectively, capital and opportunity cost theory." As a matter of fact, Mises wrote his second academic publication during the Philippovich seminar.

The Austrian School became widely known as an alternative to the Historical School when Mises began his studies at the University of Vienna (Kirzner 2001: 37). By the year of 1900, the "battle of the methods" led Schmoller to make a compromise that both deductive and inductive methods are as indispensable for economic research as left leg and right leg are for walking (Pribram 1983: 220). Mises, however, showed no interest in the Austrian School in the beginning of his university studies. von Mises ([1978] 2009: 250) writes that "when I first came to the university, Carl Menger was nearing the end of his teaching career. There was little attention paid to the Austrian school of economics at the university, and I had no interest in it at the time." "At that time, around 1900, historicism was", Mises (*ibid.*, 2) writes, "at the zenith of its career. The historical method was believed to be the only scientific method for the sciences of human action."

Mises (*ibid.*, 13) writes that while "entering the university, I too was an etatist, throughand through. I differed from my fellow students, however, in that I was consciously anti-Marxist. At the time I knew little of Marx's writings, but was acquainted with most important works of Kautsky. I was an avid reader of the *Neue Zeit*, and had followed the revisionist debate with great attention. The platitudes of Marxist literature repelled me. I found Kautsky almost ridiculous. As I entered into a more detailed study of the most important works of Marx, Engels, and Lassalle, I was incited to contradiction on all sides. It seemed incomprehensible to me that this garbled Hegelianism could have such enormous influence." Mises also considered the methodology of the Historical School lacking intellectual curiosity. Mises (*ibid.*, 7) writes that "this university 'enterprise' of economic political science was off-putting to young people of intelligence and genuine curiosity. In contrast, it held a strong attraction to halfwits. It was not difficult to walk into an archive and paste together a historical thesis from a stack of official reports."

Upon entering the University of Vienna, Mises found himself in the Grünberg seminar. Professor Carl Grünberg (1861–1940) was a member of the Younger German Historical School, Knapp's disciple, and Marxist historian. Mises ([1978] 2009: 6) writes that Professor Grünberg was "the only one man on the faculty in

Vienna who belonged to the German Historical School.”⁶ Carl Grünberg studied at the University of Strasbourg under Georg Friedrich Knapp (1842–1926). Schumpeter (1954b: 809) considered Knapp among “the second-line leaders” of the Younger Historical School headed by Gustav Schmoller (1838–1917). While the Older Historical School led by William Roscher (1817–1894), Bruno Hildebrand (1812–1878), and Karl Knies (1812–1898) was less critical of the methodology of the Classical School, the Younger Historical School vehemently attacked the political economy of Adam Smith and David Ricardo on the grounds of empiricism and historicism. The Older Historical School did not reject Ricardo’s deduction but they considered the empiricism an essential adjunct to it. Schmoller rejected the use of abstract concepts as tools of economic analysis, the individualism, the materialism, and the narrow field of the classical economists.

Schmoller and his disciples produced research in the field of economic history (Roll 1992:279). Knapp’s disciples, including Grünberg, represented a branch of the Younger Historical School that specialized in rural economic history. Though Schmoller and his circle did not do much research in that area, the rural group of the Younger Historical School, including names such as Georg Hanssen (1809–1894), August Meitzen (1822–1910), and Georg Knapp, produced some of the best work of economic history (Schumpeter 1954b: 810). Knapp and his disciples focused on the topic of the liberation of peasants in the formerly Prussian lands. Knapp studied emancipation of peasants and origins of agricultural workers in the old parts of Prussia in his *Die Bauernbefreiung und der Ursprung der Landarbeiter in den älteren Teilen Preussens* (1887). The analysis made by Knapp (1887 1891) provided the system for subsequent research by his followers. The Knapp’s system included the history of institutions, government measures, and the glorification of policy achievements with some political or social aspiration.⁷

von Mises (1902) was written on the topic of the Knapp-Grünberg research program. Before joining the University of Vienna, Grünberg published *Peasant Emancipation and Relationship between Lords and Peasants in Bohemia, Moravia, and Silesia* (1894) that studied the relationship between lords and peasants in Sudetenland, the formerly Prussian lands. Mises ([1978] 2009:6) criticized Grünberg’s work because it “slavishly followed in form, presentation, and method Knapp’s book on the old provinces of Prussia ... it was neither economic history, nor was it administrative history. It was an excerpt from official documents, an account of policies as described in these documents. It could have been easily produced by any able government official.” Mises (ibid.) explains that he “tried as best I could to free myself of too narrow an association with Knapp’s system. I succeeded only in part, and my resulting 1902 publication was more a history of government measures than an economic history. A second historical work, which I published independently of

⁶ The Historical School maintained the control over academic appointments in German-speaking countries. Despite the “battle of methods”, Schmoller kept his informal title of the “professor maker” by using his connections at the Prussian Ministry of Education to control a majority of the appointments in German-speaking academic institutions (Roll 1992: 276). His disciples and followers were placed in academic posts.

⁷ Some members of the Younger Historical School primarily conducted ethnographic superindividuality-centered historical studies. For example, Kaindl (1899) studied the liberation of peasants in Bukovina by using interviews and focusing on Lukian Kobilytsa the leader of the liberation movement and the representative of Bukovina in the Austrian Parliament.

Grünberg in 1905, was not much better; under its title, *Zur Geschichte der österreichischen Fabrikgesetzgebung*, it described older Austrian laws regarding limitation of child labor in industry.”

3 Was Mises written in the tradition of the German Historical School?

The Historical School assigned the overwhelming importance to history in the method of economic inquiry. Schumpeter (1954b: 808) sums up the methodology of the Historical School “in the proposition that the economist, as a research worker, should be primarily an economic historian.” The Historical School undertook massive inductive studies of changes in social institutions by collecting facts from primary source material such as legal documents and finding regularities (“empirical laws”) in historical facts (Brue 1994). Greaves and McGee (1993: X) who provide the most detailed account of Mises’s bibliography write that “Mises’s early writings were primarily historical.” In the foreword to *Socialism* ([1922]1981) Hayek describes Mises (1902) as written “in the spirit of the predominant German ‘historical school’ of economists.” Similarly, in the foreword to Mises’s *Memoirs*, Hülsmann (2009: IX) writes that Mises’s very first publications (1902–1906) were under influence of historicist and interventionist ideas which Mises later rejected. Indeed, historicist contemporaries of Mises praised his work for an excellent study of archives and continuation of the Knapp-Grünberg tradition. Hülsmann (2007: 69) writes that “in his general exposition Mises closely followed his teacher. He made exhaustive use of the literature in Polish and German that was available in the largest Austrian archive, where he had unearthed hitherto unknown material. He could be proud of the result and congratulate himself on having landed, at the age of twenty, a first scholarly publication in a highly respected series.”

3.1 Topic and structure of Mises (1902)

Greaves and McGee (1993: X) write that “Dr. Mises’ long career as a writer started in 1902. In that year, when he was only 21 years old, his first book was published, an historical study of the peasants in Galicia, a section of Austria-Hungary where Mises was born, now within the borders of Ukraine.”⁸ As we discussed in the previous section, Mises enrolled in the Department of Law and Government Sciences because of his interest in history. The first four semesters of his curriculum were dedicated to the study of the history of law. Moreover, Mises ([1978] 2009: 6) writes that Grünberg picked the topic: “It was Grünberg’s ambition to create a center for economic history in Vienna, much as Knapp had done in Strasbourg. At the time, Knapp’s students were researching peasant liberation in specific German provinces. For his own students, Grünberg was planning an account of peasant liberation in different regions of Austria. He arranged for me to work on the history of the landlord-peasant relationship in Galicia.” Hülsmann (2007: 73) writes that “Mises’s research also had personal resonance for him. It presented his compatriots, who had shrugged off “the aristocratic

⁸ Ludwig von Mises was born in Lemberg, Galicia region of the Habsburg Empire (now Lviv, Ukraine) (Hülsmann (2007: 3).

rebellion, as freedom fighters and, hence, as motors of the “historic” trend toward liberty in Galicia.” Mises’s great-grandfather witnessed and supported the liberation movement of peasants in Galicia (*ibid.*, 71).

The focus of von Mises (1902) is to examine the history of the liberation of serfs in Galicia under the Austrian rule. Hülsmann (2007: 69–73) provides the excellent English-language summary of Mises’s first academic publication. von Mises (1902) is a very thorough review of legal documents, archives, and official correspondence among government officials from Vienna and Lemberg. It contains a very small number of Mises’s own arguments. Mises inserts words and sentences throughout the text to connect excerpts from official reports and to emphasize some points. Mises’s own concluding remarks are only available in the last three paragraphs. In these remarks, Mises makes three main points. First, it is the economic change rather than ideological change which has caused the abolishment of serfdom and servitude. Second, the design of Joseph II’s Agrarian Reform is not the cause of the incompleteness of the reforms. Third, the emancipation of serfs is not the cause of their (current) hardship. Throughout his work, Mises emphasizes a crucial significance of liberty and private property for a livelihood of peasants. His analysis underlines liberty as the main topic.⁹

von Mises (1902) contains an introduction and five sections. The structure of von Mises (1902) is very uneven. We argue that the structure of his work reflects the level of personal interest in each topic. It seems that Mises is interested in two topics: Joseph II’s Agrarian Reform (1781–1787) (i.e., emancipation of serfs) and the Peasant Rebellion of 1846. With almost forty pages, Section 2 is the longest and the best written section in the studied work. This section examines Joseph II’s Agrarian Reform. Section 4, that discusses the Peasant Rebellion of 1846, is the second longest section with more than thirty pages. Mises’s great-grandfather was an eyewitness of that historical event (Hülsmann 2007). For example, Section 3, that examines more than half a century of changes in the legal status of peasants, is only about twenty pages. Section 4 does not present original historical analysis. Mises relies mostly on a controversial book by Sala (1867) that used false documents and testimonies of collaborators (Franko, [1884] 1985). In Section 4, Mises mainly focuses on a debate between Austrian and Polish historians about the causes of the peasant rebellion.

The first and third sections are poorly written. The first section examines relationships between peasantry and landlords in Western Galicia in the early period of the Austrian rule during the reign of Empress Maria Theresa. Besides being only ten pages long, this section has two main weaknesses. One, Mises relied only on the *Vienna Staatsarchiv* (official archives), while the Lemberg archives had a large collection of relevant documents. Polish and Ukrainian historians who studied that topic used the Lemberg archives. Two, Mises did not provide a comparative analysis of the peasant-landlord relationship between Western and Eastern Galicia. Furthermore, in Section 3, Mises gives a very perfunctory review of the changes in the legal status of serfs in the nineteenth century. In this section, he focuses on a chronological order of several

⁹ Capaldi and Lloyd (2016) discuss a conceptual difference between freedom and liberty in political economy. They write that Kantian understanding of freedom envisages liberty as a means to freedom. Hülsmann (2007: 41–42) suggests that Mises became acquainted with the philosophy of Immanuel Kant when he was about sixteen years old.

historical events which cover a small part of the examined period of time. For instance, Mises briefly discusses the Gauder Temporary Land Cadaster of 1820–21, one of the most important legal documents of that period of time. The last section, that contains the concluding remarks, is only around six pages. The section also discusses a history of buyout from serfdom and robots. Again, it is a very perfunctory description of the main historical events.

3.2 Rationalization of history

One of the distinctions between von Mises (1902) and the methodology of the German Historical School is his focus on the rationalization of history. Mises rejects the anti-rationalism of the Historical School, when he analyzes the behavior of Joseph II and other historical figures. The Austrian School and the Historical School shared appreciation for the subjective dimension of social phenomena (Boettke 2010; Kirzner 2001). The Historical School, however, objected the assumption of the Classical School, as found in Smith and Ricardo, that man's motivation is rational self-interest (Schumpeter 1954a). The Historical School believed that human motives and interests are illogical and influenced by cultural and ethical norms. For example, Bruno Hildebrand suggested renaming the Historical School as the Historicoethical School (Schumpeter 1954b). The Historical School endorsed the belief that all social and economic doctrines were strictly determined by specific cultural and social conditions (Pribram 1983: 222). While Hildebrand's vision of the historical study was a detailed description of economic development with a focus on ethical and cultural standards, Schmolter said that the greatest nations, epochs, or men are not those who merely increase production, but those who succeed in propagating moral ideas (*ibid.*, 216).

Mises rationalizes behavior of Austrian rulers (i.e., Empress Maria Theresa (1740–1780) and Joseph II (1780–1790)), bureaucrats, Polish landlords, and Ukrainian peasants. Mises contrasts two approaches to the liberation of peasants: Empress Maria Theresa's gradualism and Joseph II's shock therapy. Both Austrian rulers face an opposition from an organized group of Polish landlords because the latter is interested in maintaining the status quo: serfdom and tax-exempt status of their lands. Mises described Joseph II as a purposefully behaving ruler who saw serfdom as a predicament to a growth of his empire because serfdom incurred high agency cost and lowered agricultural productivity. The most difficult part of the analysis is a behavior of peasants which Mises approaches from a perspective of free will and liberty. von Mises (1902: 27) writes that “the burden of the serfdom makes it hard to take a breath for a peasant who unwillingly does his work which is worth barely anything as a result. Several centuries of repressions against peasantry turned a peasant into almost an animal which is indifferent towards any effort directed on his moral or economic development.” Mises (*ibid.*, 61–62) points out the March 31, 1785 report of the Imperial Council states that private property raises hard work and diligence of peasants.

The legal status of serfdom becomes the benchmark for his analysis of the agrarian reforms in Galicia under the Austrian rule.¹⁰ When Mises discusses the institution of serfdom, he criticizes the Polish-Austrian legal system for a legalization of serfdom, including serf trade (*ibid.*, 12). He emphasizes that the legislation treats serfs as objects

¹⁰ All forms of serfdom in Galicia were affirmatively abolished on April 17, 1848.

rather than subjects: “a landlord does not care whether it is a peasant or an animal” (ibid., 27f). Mises gives the highest praise to the 1789 Decree of Joseph II that abolished serfdom absolutely (ibid., 36). He calls the reform wonderful. By contrast, Mises writes that Empress Maria Theresa was an unsuccessful reformer because her reform failed to give peasants freedom (ibid.). Empress replaced her original idea of absolute emancipation of peasants with a servitude called Robot that forced peasants to work as serfs for landlords (Hülsmann 2007: 71).

Mises ([1949] 1996a: 8) writes that “economics is not about things and tangible material objects; it is about men, their meanings and actions.” von Mises (1902) presents economic history as a process actuated by the interplay of the actions of various individuals rather than a collective entity with numerous places and times. He provides a logical explanation of the agrarian reforms in Galicia under the Austrian rule. The eighteenth century witnessed the demise of Polish sovereignty. Galicia had been a part of Poland for centuries before the Habsburg Empire gained control over it in 1772 when Russia, Prussia, and Austria divided Poland (Hülsmann 2007: 3). The eighteenth century also witnessed greater yields of vegetables, including two important American crops, the potato and maize (Spielvogel 2014: 550). The agricultural revolution led to an increase in the amount of land by abandoning the old open-field system. Agricultural production was shifting from communal (landlord-peasant) farming towards individual farming. Thus, Mises concludes that new organization of agricultural production demanded emancipation of serfs (ibid., 138).

In Section 2, Mises examines Joseph II’s agrarian reform.¹¹ He writes that Joseph II considered serfdom a degrading social institution. Moreover, serfdom became a part of the political discourse between conservatives and liberals. But Mises focuses on a rational explanation of the agrarian reform. In the eighteenth century the Austrian rulers believed that their empire needed to grow in population size in order to remain a powerful nation. A population growth required an increase in agricultural productivity. The serfdom-based agricultural economy, however, incurred high agency cost. It was incompatible with the new type of agricultural economy brought by the agricultural revolution. On September 1, 1781, Joseph II issued the Agrarian Reform Decree that announced the three main objectives of his reform: one, to transfer peasant-operated land to peasants; two, to give peasants a right of patrilineal bequest; three, to allow peasants to buy and sell land (von Mises 1902: 57). The Agrarian Reform Decree proclaimed that “state’s well-being depends on liberty and property of peasants” (ibid.). Spielvogel (2014: 539) argues that either Physiocrats’ view of land or the Malthusian debate influenced Joseph II’s vision of agrarian reform. In 1961, one of the leading Polish historians, Roman Rozdolsky (1898–1967) presented a two-volume analysis of the 18-century agrarian reform in Galicia based on both Polish and Austrian documents. Rozdolsky agreed with Mises that the Austrian government liberated peasants for a variety of state-political reasons rather than simply humanitarian (Simons 1971).

¹¹ Joseph II (1780–1790) was a very prolific ruler. In his effort to transform Austria, he issued 6000 decrees and 11,000 laws (Spielvogel 2014:539).

3.3 Ideology

The intellectual braveness has become Mises's famous personal trait. In his earliest work, Mises did not hesitate to present his analysis even where it seemed to put him at odds with his teacher and his influential allies. Hülsmann (2007) writes Mises supported the Knapp-Grünberg argument about the typical slavery under a Slavic rule. We cannot find evidence that Mises supports the Knapp-Grünberg argument about "empirically" observed regularities regarding the historical development of serfdom under a Slavic rule. von Mises (1902) presents a logical analysis of the historical development of serfdom in Galicia. By contrast, the Historical School rejected the method of logical reasoning because hypothetically deduced laws cannot be verified by a practical experience due to the concept of relativity (Brue 1994; Pribram 1983; Spiegel 2002). Moreover, the Historical School used the relativity argument to object the universality of abstract deductive economic laws, transcending the particularities of time and place (Roll 1992; Schumpeter 1954a; Schumpeter 1954b). The relativity argument states that economic "empirical" laws are relative and variable with time and place.

The gist of the Knapp-Grünberg argument was that the serfdom was more typical under the Slavic rule than under the German rule due to historical and cultural (national) reasons. Mises's explanation of the historical development of slavery in Galicia focuses on economic factors rather than cultural factors. Mises (*ibid.*, 29) writes that "in 16th and 17th centuries Austrian rulers were little concerned with their peasants" relative to Polish landlords due to different economic incentives. Polish manors started enslaving peasants when Poland gained access to new trade routes through the Baltic Sea in 1466. He shows how landlords abused a weak rule of law by curbing liberty and property rights of peasants. Landlords "purchased" lands from peasants and village councils, mainly, with the use of violence. By losing land, peasants were stripped of their legal rights. A transfer of land ownership from the village councils to the landlords gave the latter a control over village courts and mandatory communal work. In 1510, a peasant was legally bound to a manor's land. In 1518, landlords received the absolute control over peasants. In 1573, the serfdom was legalized. Polish manors did not abuse their power until the end of the seventeenth century because serfs could escape to Russia. Since the Ottoman Empire controlled access to trade routes of the Black sea, Russian manors offered serfs better economic incentives as compared to Polish manors.

Scholars of Mises agree that Mises developed his classical liberal views early on (Hülsmann 2007; Kirzner 2001). They, however, use different points of reference. Kirzner (2001: 183) writes that "although we do not have any published writings expressing Mises' classical liberal outlook before his *Nation, State, and Economy* (1919) we can surmise (from Mises ([1978] 2009) that he imbibed this outlook much earlier, during his years of immersion in the pre-World War I Austrian School." Hülsmann (2007) argues that Menger's *Principles* that Mises read over Christmas 1903 made Mises skeptical of the benefits of government action. Once again, scholars of Mises emphasize the role of the Austrian School in the development of Mises's thought. Mises ([1978] 2009: 16) writes that he started doubting "the supremacy of interventionism" only in the Philippovich seminar that he began to attend in his fifth semester. Mises writes that "Professor Philippovich assigned him to do an investigation

of housing conditions. The following semester, Professor Löffler, in his seminar on criminal law, asked me to research changes in law affecting domestic servants, who at the time were still subject to the corporal punishment of their employers. It became obvious to me that any improvement in the plight of the working classes was a result of capitalism, and that the outcome of social legislation often ran opposite to the intentions of its authors” (ibid.)

Since Mises (1902) was written under Grünberg’s supervision, one could expect it to possess the interventionist and nationalist ideology. The Younger German Historical School popularized ideological superindividuality-centered historical case studies of the national economic development with a focus on industrial and agrarian reforms. Those studies were influenced by the rise in the Prussian nationalism as the result of the 1866 victory of Prussia over Austria and the 1871 victory of the combined German armies over France (Pribram 1983). Knapp (1891: 86) writes that “our government officials ...will never let go of the instruments of governance, not even to the parliamentary majority who we know how to control masterfully. No government in the world will be so desired and welcomed, except for the government of benevolent and educated officials. The German nation is the nation of government officials. We hope that it will be always this way.” In general, the methodology of the Historical School that was grounded in a belief that the German state should be entrusted with the amelioration of conditions for “the common man” supported and gave a great prominence to interventionism.

Thus, it comes as a surprise that von Mises (1902) presents a quite critical analysis of the Prussian model of government. On the one hand, Joseph II is an exemplar ruler of the Enlightened Absolutism. On the other hand, Joseph II’s top-down approach shows innate inefficiencies of interventionism and centralized bureaucracy. One, a bureaucratic red tape slowed down reforms of both Empress Maria Theresa and Emperor Joseph II. Maria Theresa had to agree to conduct a land cadaster before considering a reform. Joseph II faced opposition of the conservative *Gubernium*, local government of Galicia, regarding a full implementation of the liberalization reform. *Gubernium* resisted Joseph’s reform because it protected the interests of Galician landlords. Joseph II attempted to give peasants full private property rights in land. When his reform met resistance, he compromises by giving peasants usufruct property rights. In 1787 Joseph II issued the Homestead Decree that granted Galician peasants private property rights in lands which they had worked before November 1, 1786. Those property rights were limited to a right of bequest and a right of land use with a moratorium on land sale. The Homestead Decree (1787) limited the property rights of peasants which were granted to them by the Agrarian Reform Decree (1781). von Mises (1902): 71–72) writes that deregulation of relationship between peasant and landlord was difficult because “small estates employed incompetent bureaucrats in large numbers who failed to perform their duties.” While local bureaucrats failed to inform peasants of all changes in their legal status, local law offices and courts were corrupt (ibid., 95–96).

von Mises (1902: 56–62) does not completely reject the interventionism that he justifies for regulating and enforcing contracts between a peasant and a landlord when a peasant is illiterate. Mises did not deviate from that vision of a role of government later in his career. Government’s function of protecting private property rights is an essential prerequisite for the free-market society von Mises (1990). In his 1978 *Memoirs*, Mises (ibid., 3) writes that “at that time I had not yet come to comprehend

the significance of liberalism, but the fact that it was an achievement not realized before the eighteenth century provided on its own no sufficient argument against it.” “By around 1900, most people in German-speaking countries were either etatists or state socialists. The dark episode of history known to us as capitalism had run its course once and for all. The future belonged to the state... (ibid., 11). “I had thrown myself into the study of economics and social politics with great enthusiasm. At first I devoured the writings of the social reformers without much criticism. If a sociopolitical measure did not produce the desired result, this could only have been because it was not radical enough. In liberalism, which rejected social reform, I recognized the vestiges of a worldview that merited spirited opposition” (ibid., 16). In *Human Action* Mises did not deny the need for government’s coercive apparatus “for violent prevention and suppression of antisocial actions on the part of refractory individuals and groups of individuals” and “peacebreakers” (Mises [1949] 1996: 149, 719).

Finally, value-free judgement for a young scholar deserves high praise. In Section 4, Mises engages in a debate between Austrian and Polish historians about the causes of the peasant rebellion. While he evaluates arguments of both sides, he points out that Galician peasants took the side of the Austrian government against the Polish landlords to defend their liberty. Hülsmann (2007:73) writes that “Mises’s conclusions were unwelcome among Poles and other Slavic nationals, especially in early twentieth century Vienna’s heated climate of ethnic sensibilities.” We, however, find that Ukrainian scholars reached the conclusions strikingly similar to those of Mises. As for Polish historians, the main source of disagreement with Mises was the causes of the Peasant Revolt of 1846 in Galicia. Mises argued that the Polish revolutionaries provoked the peasant uprising in Galicia because the Galician peasants were afraid that the Polish national uprising would strip them off their private property rights and liberty. The leading Ukrainian nationalist and historian, Ivan Franko, agreed with Mises.¹² Rozdolski (1962), one of the prominent Polish historians, reached another conclusion striking similar to that of Mises: Polish society would not liberate the peasantry.¹³

4 Conclusion

von Mises (1902) is very valuable for scholars of the history of economic thought because it sheds light not only on the development of Mises’s thought but also on that particular period in the thought of the German Historical School. As a young scholar, Mises published a historical study of emancipation of serfs in Galicia, part of Austrian Empire. In the very first academic publication, he shows early interest in a

¹² Ivan Franko (1856–1916) is a Ukrainian (Ruthenian) social scientist, poet, and public intellectual. He received his Ph.D. from the University of Vienna. Ivan Franko was a leading scholar of the economic history of Galicia. His work consisted of more than fifty volumes, including two volumes on the economic history of Galicia. Among his works on the topic of the Galician peasantry, we can highlight the following: Polish Riot in 1846 (1884), Land Ownership in Galicia (1887), Immigration of Galician Peasants (1892), Movement of Peasantry in Galicia (1895), Serfdom and Its Abolishment in 1848 in Galicia (1898), and Strike of Peasants in Eastern Galicia (1902).

¹³ Rozdolsky was born in Lemberg, Galicia region of the Habsburg Empire. He was a Marxist historian. Rozdolsky received Ph.D. from the University of Vienna in 1929.

rationalization of history. Though Mises does not set forth an analytical framework that he uses, he rationalizes human behavior within the ends-means framework. One could argue that Mises presents his analysis in the tradition of Weber's (1909) *Wertfreiheit*.¹⁴ "The central characteristic of Mises as a theorist", Edwards (1985: 12–13) writes, "that he was a system builder." Lachmann (1976:56) writes that "before Mises, Austrians, by and large, took little interest in methodology."

von Mises (1902) also demonstrates his famous personal trait, the intellectual braveness. Mises is not afraid to go against the Knapp-Grünberg argument about the typical serfdom under a Slavic rule as compared to a German rule. While scholars of the German Historical School wrote in support of the interventionism and the Prussian bureaucracy, Mises weighed in on both its advantages and disadvantages. On the one hand, he supports government intervention in contractual arrangements between landlords and peasants in order to protect illiterate peasants. On the other hand, he is critical of the incompetency and corruption of bureaucrats and courts.

Boettke (2015: 84) writes that "for historians of economic thought, the Austrian School is a fascinating focal point, not only because of the amazing cultural milieu in which it was born, *fin-de-siècle* Vienna, but also because of (a) the accomplishments of its various members from Menger, Bohm-Bawerk, and Wieser, to Schumpeter, Mises, Hayek, Morgenstern, Machlup, and Haberler; and (b) the question of what was lost and what was gained in the respective "translations" of a scientific tradition as it migrated to different cultural contexts from Vienna to London and finally to the US." Ebeling (2008: 100) points out that despite Mises's significant influence on the Austrian School and the classical-liberal thought "very few studies have been devoted to Mises's life and contributions, and, until recently (Hülsmann 2007), no detailed intellectual biography of the man and his ideas existed. This scant attention stands in contrast to that devoted to the other twentieth-century giant of the Austrian School and classical liberalism, Friedrich A. Hayek (1899-1992)." Therefore, further research of Mises's early work and the history of economic thought of that particular period of time will shed more light on the history of thought of both the German Historical School and the Austrian School.

Acknowledgements We thank William Barnett, Walter Block, Daniel D'Amico, Michael Douma, John Levendis, and participants of the Mises and Hayek panel at the 2016 Southern Economic Association meeting, Washington, D.C., for helpful comments on earlier drafts. We thank Valentin Riebesell and Johannes Forstpointner for their outstanding research assistance.

¹⁴ It is interesting that Weber wrote several books on agricultural history: *Roman Agrarian History* (1891), *Conditions of Agricultural Workers in East Prussia* (1892), and *Agrarian Conditions in Antiquity* (1897). Lachmann (1976) argues that Mises's *Human Action* was inspired by the Neo-Kantian philosophy that dominated academic Germany in the first decade of the twentieth century and the origin of the Misesian praxeology can be found in Weber's (1909) categories of ends and means. Weber (ibid.) wrote that "the theory of marginal utility, and every other subjective value theory, are not psychologically, but, if one wants a methodological term, "pragmatically" based, i.e., they involve the use of the categories "ends" and "means."

References

- Blum, J. (1945). Land tenure in the Austrian monarchy before 1848. *Agricultural History*, 19(2), 87–98.
- Boettke, P. J. (2015). The methodology of Austrian economics as a sophisticated, rather than naive, philosophy of economics. *Journal of the History of Economic Thought*, 37, 79–85.
- Boettke, P. J. (2010). *Handbook on contemporary Austrian economics*. Northampton: Edward Elgar Publishing.
- Brue, S. L. (1994). *The evolution of economic thought* (5th ed.). Fort Worth: The Dryden Press.
- Butler, E. (1988). *Ludwig von Mises: Fountainhead of the modern microeconomics revolution*. Brookfield: Gower.
- Caldwell, B. (2001). There really was a German historical School of Economics: A comment on Heath Pearson. *History of Political Economy*, 33(3), 649–654.
- Capaldi, N., & Lloyd, G. (2016). *Liberty and equality in political economy*. Northampton: Edward Elgar Publishing.
- Chaloupek, G. (2012). Emancipation of the peasantry in Lower Austria: The economists' views, the role of the estates, and the revolution of 1848. In J.G. Backhaus (Ed.), *The Liberation of the Serfs: The Economics of Unfree Labor* (pp. 19-31). New York, NY: Springer.
- Craver, E. (1986). The emigration of the Austrian economics. *History of Political Economy*, 18(1), 1–32.
- Ebeling, R. (2008). The life and works of Ludwig von Mises. *The Independent Review*, 13(1), 99–109.
- Edwards, J. R. (1985). *The economist of the country: Ludwig von Mises in the history of monetary thought*. New York: Carlton Press.
- Franko, I. ([1884] 1985). Pol's'ke Povstannia v Halychyni 1846 (Polish Riot in 1846). In *The Collected Works of Ivan Franko, Volume 46*. Kyiv: Naukova Doomka Press, pp. 352–414.
- Greaves, Bettine and Robert McGee. 1993. *Mises: An Annotated Bibliography*. Irvington-on-Hudson: The Foundation for Economic Education.
- Grünberg, C. (1894). *Die Bauernbefreiung und die Auflösung des gutsherrlich-bäuerlichen Verhältnisses in Böhmen, Mähren und Schlesien*. (Peasant Emancipation and Relationship between Lords and Peasants in Bohemia, Moravia, and Silesia).
- Hayek, F. A. ([1922]1981). Foreword to [1922] 1981. *Socialism*, 3rd rev. ed. Indianapolis: Liberty Classics.
- Hülsmann, J. G. (2007). *Mises: The last knight of liberalism*. Auburn: Ludwig von Mises Institute.
- Kaindl, R. F. (1899). Die Bukowina in den Jahren 1848 und 1849. *Oesterreichisch-Ungarische Revue*, 25(221–39), 274–328.
- Kaser, K. (1904). *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, 28(1), 374–379.
- Knapp, G. F. (1891). *Die Landarbeiter in Knechtschaft und Freiheit: Vier Vorträge*. Leipzig: Duncker & Humblot.
- Kirzner, I. M. (2001). *Ludwig von Mises*. Wilmington: ISI Books.
- Lachmann, L. (1976). From Mises to shackle: An essay on Austrian economics and the Kaleidic society. *Journal of Economic Literature*, 14(1), 54–62.
- Pallas, C. (2005). *Ludwig von Mises als Pioneers der modernen Geld- und Konjunkturerhe*. Marburg: Metropolis Verlag.
- Pearson, H. (1999). Was There really a German historical School of Economics? *History of Political Economy*, 31(3), 547–562.
- Pribram, K. (1983). *A history of economic reasoning*. Baltimore: The Johns Hopkins University Press.
- Roll, E. (1992). *A history of economic thought* (5th ed.). London: Faber and Faber.
- Rothbard, M. N. (1988). *Ludwig von Mises: Scholar, creator, hero*. Auburn: Ludwig von Mises Institute.
- Rozdolski, R. (1962). Stosunki Poddancze w Dawnej Galicji. Warszawa: Panstwowe Wydawn. Naukowe.
- Schumpeter, J. ([1912] 1954a). *Economic doctrine and method*. London: George Allen & Unwin Ltd.
- Schumpeter, J. (1954b). *History of economic analysis*. New York: Oxford University Press.
- Simons, T. (1971). The peasant revolt of 1846 in Galicia: Recent Polish historiography. *Slavic Review*, 30(4), 795–817.
- Spiegel, H. W. (2002). *The growth of economic thought* (3rd ed.). Durham: Duke University Press.
- Spielvogel, J. J. (2014). *Western civilization*, 9th ed. Mason, Ohio: Cengage Learning.
- Struve, K. (2008). Citizenship and National Identity: The peasants of Galicia during the 19th century. In P. Wawrzyniuk (Ed.), *Societal change and ideological formation among the rural population of the Baltic area 1880–1939* (pp. 75–93). Södertörn högskola: Huddinge.

- von Mises, L. 1902. *Die Entwicklung des Gutsherrlich-Bäuerlichen Verhältnisses in Galizien, 1772-1848* (The Development of the Relationship between Lords of Manor and Peasants in Galicia, 1772–1848). Series: *Wiener Staatswissenschaftliche Studien*. Vienna: Franz Deuticke
- von Mises, L. ([1922] 1981). *Socialism*, 3rd rev. ed. Indianapolis: Liberty Classics.
- von Mises, L. ([1949] 1996). *Human action: A treatise on economics*, 4th ed. Irvington-on-Hudson: Foundation for Economic Education.
- von Mises, L. ([1978] 2009). *Notes and recollections*. South Holland, IL: Libertarian Press.
- von Mises, L. (1990). *Economic Freedom and Intervention*. Edited by Bettina Greaves. Irvington-on-Hudson: Foundation for Economic Education.
- Wimbersky (1906). Zeitschrift für Volkswirtschaft. *Sozialpolitik und Verwaltung*, 15, 275.