

Austrian school women economists

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Austrian Women Economists (1890-1974)

- First two generations:
 - 1890-1918 (students of Böhm-Bawerk and Wieser got their degree outside Vienna)
 - 1919-1938= got their degree in Vienna, students of Mises (Mayer)
 - classical liberal economists, directly inspired by economists of the historical Austrian school (1871-early 1930s)
 - Common cultural heritage = assimilated Jewish-Austrian middle-class
 - Germany = (1895) women officially admitted to Berlin university's school of Philosophy, and this made them possible to get a degree in economics as well (role of Schmoller)
 - Austria = (1897) admission limited to the school of Philosophy (no economic studies -> 1919)
 - Members of movements which fought for women's emancipation
 - access to higher education, and in particular to be enrolled in social science programs.
- Third generation:
 - Hayek's students at LSE (1930s-1970s) and Mises' students at NYU (1938-1960s)
- Fourth generation began after the so called Austrian revival in the 1970s with the work of Sudha Shenoy

Austrian school women economists (1890-1938)

First Generation:	Else Cronbach (1879-1913)
Students of Böhm-Bawerk's and Wieser's at the University	Louise Sommer (1889-1964)
1900-1919	Toni (Kassowitz) Stolper (1890-1988)
Second Generation:	Marianne Herzfeld (1893-1976)
Students of Mises' extramural seminars	Martha Braun (1898-1990)
1920s-1930s	Helene Lieser (1898-1962)
	Gertrude Lovasy (1902-1974)
	Elly Spiro (1903-2001)
	Ilse (Schüller) Mintz (1904-1978)

Austrian school women economists (1938-1974)

<p>Third Generation: Students of Hayek's at the LSE (1930s-1940s) and of Mises' at NYU (1950s-1960s)</p>	<p>Marjorie Grice-Hutchinson (1909-2003) Vera Smith Lutz (1912-1976) Mary Sennholz (1913-2017) Bettina Bien Greaves (1917-)</p>
<p>Fourth Generation: The Austrian revival associated with Hayek winning the Nobel Prize: (1974 onwards)</p>	<p>Sudha Shenoy (1943-2008) and many more active since the 1990s</p>

Some research topics of Austrian School Women Economists (1)

On monetary theory and policy	1st generation: Cronbach, Stolper, Sommer 2nd generation: Herzfeld, Braun, Lieser, Lovasy 3rd generation: Smith Lutz, Bien Greaves
On international trade	1st generation: Sommer 2nd generation: Lovasy
Against Keynesianism	2nd generation: Smith Lutz 4th generation: Shenoy

Some research topics of Austrian School Women Economists (2)

On development and the business cycle	2nd generation: Mintz 4th generation: Shenoy
History of political economy	1 st generation: Sommer 2 nd generation: Spiro, Lieser, 3 rd generation: Grice-Hutchinson, Bien Greaves, Sennholz 4 th generation: Shenoy

Monetary theory and policy

- They converged on the idea explained by Mises and Hayek that any attempt to cure depression by monetary policy would worsen the initial situation, especially in frantic periods like wartime and interwar.
 - Stolper = an active monetary policy in order to reduce unemployment is dangerous. prosperity brought by inflation is an illusion because the real wages would have dropped and, consequently, middle-lower class would be damaged. Furthermore, business men would stop their productive activities to speculate, and this would have increased unemployment. Her aversion for any monetary measure became more radical especially after the publication of Keynes' *The End of Laissez Faire* (1926)
 - both Lieser and Herzfeld insisted on the disutility of inflation in reducing national debt and unemployment. In her thesis (Lieser 1920), supervised by Mises and Spann, Lieser showed this process during the period of bankruptcy in Austria (*Bankozettelperiode*) which occurred in Austria in 1811 and in 1816. Herzfeld attacked what Mises had defined the 'inflationist view of history', according to which inflation had created prosperity and wealth, being the consequent fall in purchasing power a necessary condition of economic progress (Herzfeld 1926).
 - Braun's first book (1929): a pioneering attempt to apply a micro-foundation analysis to economic policy (Leischko 2002; Backhaus 2005). In her book, Braun distinguished economics as a theoretical discipline from economic policy which rests outside of economics: monetary policy, which is part of the theoretical side of economics, must remain free from any political interference, although a moderate statism that can be pursued in some contingency.
 - Lovasy insisted on the fact that inflation has a dangerous long-run effect: it makes investments more expensive which reduces export, and it can require a form of imposition of price control on basic living commodities.

Monetary theory and policy (2)

- Smith Lutz showed that the system of central banking—in contrast to free banking—had prevailed because of a “combination of political motives and historical accident which played a much more important part than any well-considered economic principle” (Smith Lutz 1990, 5).
 - central banking had been established as a monopoly for political reasons connected with the exigencies of state finance. Once established, “the superiority of central banking over the alternative system became a dogma”, reinforced by the expectation that under a multiple banking system, there will be regular failures of individual banks, as well as monetary instability (inflation).
 - crises often originate from the central banking system. She supported the idea that private banks keep stable reserve proportions:
- “the major fluctuations come from changes in the amount of cash provided by the central banks. We find that the commercial banks keep relatively stable reserve proportions and that their lending activities follow fairly closely (except in the pit of the depression) movements in central bank money” (Smith Lutz 1990). The battle against the use of monetary policy to moderately increase inflation continued after World War II.

Views on government intervention

- Some of the first two generations were open to some measure of intervention when contingent social problems were particularly urgent (Cronbach 1907, 1910; Braun 1929; Sommer 1935).
- Bien Greaves shared with Mises the idea that government regulation and control of economic life is opposite to freedom. This antipathy toward government intervention covered many policies, including manipulating prices, fixing wages, hampering imports or exports, and above all, managing the money supply. For Bien Greaves, freedom flourishes within capitalism; state control makes people unable to cooperate on their own.

Against intervention in international trade

- Sommer dealt especially with the European situation.
 - international stability cannot be grounded a hypothetical desire for equality
Instead, she introduced a 'scheme of preferential tariffs' and generated calculations of total export trade for each European country in order to find a proper balance
 - after World War II, she considered the Monnet-Schumann plan (French-German agreement on steel and coal trade introduced in 1947 for the partial restoration of national economies and the reconstruction after World War II) as 'an important approach to the final aim of the unification of Western Europe' (Sommer 1950, 80).

Against intervention in international trade (2)

- Lovasy (1941) explained that international trade can exploit decreasing costs by increasing trade volume, but the existence of imperfect substitution across international products reduces international trade volume
 - International trade expansions result from taking advantage of decreasing costs and international trade contractions result from imperfect substitution.
 - In the 1950s and 1960s, Lovasy worked on the possible consequences of fluctuations in international trade as well as on the relation between inflation and export in a worldwide context. She was intolerant toward the intergovernmental cartels that were accepted by American policy of that time (Pauly 2003).
- Lovasy (1962) on the relation between inflation and export in Western countries, she focused her attention on the unexpected consequences of inflation hampering the increase of exports and delaying their diversification.
 - inflationary prices can spread to the export sector, but mainly through adjustment of wages to cope with a higher cost of living: the immediate consequence is thus an increase of costs that discourage exports. Lovasy insisted on that inflation has a dangerous long-run effect: it makes investment more expensive, which reduces exports, and can lead to price control policies on basic living commodities. Although the effect of inflation on exports may be adjusted by a gradual devaluation of the exchange rate, continuous devaluation causes a lack of confidence in the currency

Anti-keynesianism

- Smith Lutz's book, *Theory of Investment of the Firm* (Smith Lutz and Lutz 1951), tried to merge neoclassical economics and Austrian theories. The book introduced time, as an extension of Bohm-Bawerk's emphasis, into a standard model of investments in an anti-Keynesian perspective by "integrating the theory of production with the theory of capital as the latter applies to the individual firm" (Smith Lutz and Lutz 1951, 4) in order to "develop a unified theory of production and investment under a cost minimization (and profit maximization) behavior criterion" (Smith 1959, 61).
 - Defense of the classical dichotomy between real and monetary factors. Her defense used Modigliani's model against the Keynesian view that the amount of money and liquidity preferences are determinants of the real levels of macroeconomic variables. She analyzed the role of monetary factors in wage policy under perfect competition and imperfect competition, as well as the dependence of monetary factors on saving schedule and on real demand for cash balances, and found that they are not related with a reduction of unemployment.
 - Against unemployment, Smith Lutz advocated free market dynamics. According to her there were two ways of fighting against unemployment:
 - "One is to attack the elements of monopoly power in both the labor and the product markets directly. The other is to introduce government control over the real rate of earnings by physical means (rationing), which is in effect another indirect method of restricting the power of organized labor to bargain for a given level of real wages" (*Ibid.* 272).
- Theory on wage dualism=Wage dualism arose from increased wages concentrated in the large-firm sector; consequently labor demand in this sector fell through substitutes of capital. This process led the unemployed toward the small-firm sector, driving wages lower than wages in a hypothetical unified labor market. This misallocation of resources will generate, as an inevitable consequence, a decrease of GDP.
 - Contrary to a Keynesian approach, which would have explained this problem as resulting from lack of aggregate demand, Smith Lutz insisted on the necessity to transform the local economic system, based on agriculture, into a modern industrialized system. Her advocacy for transformation was not with a specific public economic plan, but emphasized private sector development. Following a peculiarly Austrian argument, Smith Lutz strongly defended the free market against any form of planned economy because of the role of uncertainty in determining any decision based on policy.

Anti-keynesianism (2)

- Shenoy at the Royal Conference (1974) presented a paper on inflation, recession and stagflation that was later co-authored with O'Driscoll (1976). They attacked both Keynesianism and monetarism for relying on the general assumption that, over the long term, the real side of the economy is in equilibrium, and that monetary factors influence “only the price level or money income and not the structure of relative prices or the composition of real output” (O'Driscoll and Shenoy 1976, 185). The authors suggested, as the only possible alternative to Keynesianism and monetarism, a development of Hayekian analysis based on the fact that any monetary changes in real terms will break the spontaneous economic order.
- Shenoy's contribution to *A Tiger by the Tail* (Shenoy 1972)= a historical reconstruction of the debate between Hayek and Keynes after the publication of Hayek's *Price and Production* (1931).
 - Keynes' macroeconomics main fault was his neglect of the real structure of production and his insistence on aggregative macro concepts. According to Shenoy, Hayek's approach to macroeconomics, based on an analysis of the structure of relative prices and their interrelations as an allocative tool, is much more able to explain macro dynamics than Keynes' macroeconomics.

On development and business cycle

- Mintz (1959; 1970) presented development as a consequence of the Schumpeter's notion of innovation, which is inevitably linked with business cycle as the unavoidable consequences of economic development dynamics
 - She coined the term 'growth cycles', calculated as deviations from long run trends, in order to explain that there are two different types of business cycles: business cycles which are essential in economic development (in Schumpeter's terms), and sectoral business cycles which affect only certain economic indicators.
- Shenoy (1963) is likely the first to apply Austrian ideas to the economy of India. She employed Hayek's argument against socialist control of an economy in order to criticize the Indian government's economic plan oriented to strengthen heavy industries and bound to fail for three reasons: (1) it would weaken exports; (2) it would create inflation to cover a budget deficit; and (3) it would increase corruption, because the system of issuing import licenses would have been distributed by unfair means; i.e., through collusion between potential licensees and government.
 - development works only in a spontaneous way through innovations, not in a designed way planned by a political agenda. Spontaneous innovations generate a better capital structure, "which gradually emerges over time in the context of privately evolved legal rules" (Shenoy 1991, 20).
 - This is what happened in the modern age for Western countries: industrial revolutions happened as consequences of a combination of the accumulation of capital, entrepreneurial spirit, and the rule of law. Thus the only duty government has is to guarantee private property and individual freedoms.
 - Any other governmental intervention is regarded by Shenoy as a possible cause of perverse capital structure, which leads to structural underdevelopment. The high level of corruption among politicians and the lack of any specific competence or knowledge of politicians might stop or delay development, and structural underdevelopment was bound to arise.

History of political economy

- Sommer's methodological researches (1928; 1932; 1947) were embedded in the typical Austrian interest for methodological disputes around the nature of economics as a science. Not a simple battle between deduction and induction, being economics a complex discipline whose aim is to describe description human decision making process under risk and uncertainty which involves realism of initial assumptions. Sommer's contribution was modern and original: she anticipated the later debate on the nature of economics in relation with the complexity of human behaviour under certain constrain which led to game theory and further developments.

History of political economy (2)

- Under Hayek's supervision, Grice-Hutchinson wrote her thesis on the nature of markets and monetary theory in the School of Salamanca founded by Francisco de Vitoria in the early XVI century (1952)
 - Forerunners the Austrian school. = founders of the subjective theory of value, significant influence they had on Adam Smith via Pufendorf and Grotius.
 - Supporters of free markets over protectionism and a minimal role of the State in economic policy and fiscal matters.
 - They analyzed the psychological motives of economic activity. Furthermore, they regarded money as a useless measure of value, since its own value is subject to fluctuations. In fact, they refused the classical distinction between intrinsic and extrinsic value of money.
- Shenoy's Ph.D. thesis, ([2001] 2010) applied some specific features of the Austrian School of economics to a particular case study; namely, the history of early modern England.
 - She adopted Menger's organicism, Mises' market process, and Hayek's catallaxy in order to explain the rise of complex phenomena. Complex phenomena such as language, customs, or money, arise spontaneously in an "un-designed [and] historical-developed social order" (Shenoy [2001] 2010, 11).
 - Following Hayek's line of thinking, Shenoy considered catallaxy and common law (as a system of private case-law) as two sides of the same coin, and she considered the interdependence between theoretical analysis and historical studies as fundamental in order to understand human action.
 - Explicit adoption of Austrian categories to criticize neoclassical economics

Conclusions

- A story neglected for decades, they shared the typical features of the Austrian School of economics
- In some cases, they were able to make original contributions to some typical Austrian themes: e.g., the case of Braun's pioneering study on the micro-foundation of monetary economics, that of Sommer's study on international economic relations, Mintz's analysis of business cycles, and Lovasy's investigations on the effects of inflation on international trade, Smith Lutz's theory of wage dualism, and Shenoy's application of Austrian economic categories to the analysis of growth and development in developing countries.

Conclusions (2)

- They extended the Austrian ideas by applying commonly accepted Austrian paradigm into new contexts (new historical studies, specific histories of economic thought, as in Cronbach, Sommer, Spiro, Grice-Hutchinson, Bien Greaves), into new fields (development economics and economies of developing countries - like India - as in Mintz, Lovasy, Shenoy).
- They also disseminated Austrian economics, especially in their battle against Keynesian economics and in their works on monetary policy (as in Stolper, Braun, Herzfeld, Lieser, Lovasy, Smith Lutz, Shenoy).
- As classical liberals, Austrian School women economists of the first and the second generations were also impressive examples of the broader story of women's cultural emancipation, which took place in Europe from the end of the nineteenth century by defying the limitations that culture imposed on their gender, participating and contributing to deep academic inquiry from a classical liberal perspective.