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Ludwing H. Mai: A Personal Memoir

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Ludwig H. Mai (March 27, 1898 – April 1, 1982) was, like most of us, an amalgam of intellectual influences. Most certainly he was partly an Austrian "fellow traveler"—one who had deep respect for Carl Menger and Eügen von Böhm-Bawerk as well as for his professor and anti-statist Franz Oppenheimer (who was also an indirect influence on Murray Rothbard). That Mai "added on" ideas learned from such individuals as Wilhelm Röpke, and former Chancellor of West Germany Ludwig Erhard, his great friend and classmate, did not detract from a basic "Austro-German" orientation in his thought. But I get ahead of myself.

A number of universities were under consideration before I decided (fairly capriciously on the basis of friends' choices) in the summer of 1958 to attend St. Mary's University in San Antonio, Texas. I knew no one at the University, but my father did. Many Swedes have ties to the shipping industry and my father was no exception. He was the CEO of an ocean freight forwarding business

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with offices in Texas and throughout the Gulf Coast. He also happened to be President of the Texas Ocean Freight Forwarders Association in the mid-1950s. At a meeting of that group he met and became friends with the main speaker, Dr. Ludwig Mai, then at St. Mary's. Despite my father's offer of a "letter of introduction" to Mai, I ill-advisedly pursued a pre-medical curriculum. When finally worn down by organic chemistry and sobered up (slightly) from fraternity high-jinks, I took my dad's offer seriously, met Dr. Mai, took his sage advice to become an economist, earning a bachelor's and masters' degree in the subject in 1962 and 1963. No mentor ever took his job more seriously. I love and practice economics to this day thanks to the launch I received from him.

Ludwig Hupert Mai, born in the last years of the 19th century in Mannheim, Germany, had an interesting and intriguing life before settling in San Antonio, Texas. Educated in Mannheim and Heidelberg (the baccalaureate), Mai went on to study under the German-Jewish sociologist and political economist Franz Oppenheimer (1864–1943) at Johann Wolfgang Göethe University in Frankfurt am Main. In a day when most European universities did not often separate the study of economics from law, sociology and social science generally, Oppenheimer emphasized both socio-politics and economic analysis. Most critically, Oppenheimer expressed human want satisfaction as the aim of political economy in ever-present environment of scarcity, all alloyed with a Ricardian flavor. Reflecting the latter's view of the source of value, Oppenheimer distinguished between an "economic means" of satisfying wants by, in effect, exchanging one's labor for another's in acquiring satisfaction and a "political means"—which was the *expropriation of the labor of others by the state*. Thus, while still in a classical mode, Oppenheimer distinguished between an exchange economy through market forces and the necessarily corrupting re-distributions enacted though the force of the state. This particular teaching, not without acknowledging some necessary roles for the state, became the foundation for the teachings and philosophy of Oppenheimer's students in his circle at Frankfurt, including Ludwig Mai and his classmate Ludwig Erhard. To these thinkers, with the exception of some kind of a humane and minimum social safety net established in either private or public manner, the state

was a parasite.[1] Mai and Erhard earned their doctorates under this carapace of ideas (in 1924 and 1925, respectively).

Both Ludwigs brought these ideas to fruition in their lives and careers though in disparate ways. As many know, Erhard became Chancellor of West Germany between 1963 and 1966, after years of leading the economic reform in West Germany after World War II, when he abolished (as Konrad Adenauer's Economics Minister) postwar price and production controls. As Chancellor and member of the Mont Pelerin Society, Erhard supported a market economy and free international trade with minimal doses of state welfare provision. Ludwig Mai took a different route but remained an economist as well. He undoubtedly attracted attention with a book entitled *Industrial Location: Its Problems and History*, published in 1923. After earning a Ph.D., Mai married, fathered children, and became an economist specializing in foreign trade for the I. G. Farben Company based in Frankfurt. The Farben company was actually a cartel-conglomerate (one which included the still-existing Bayer Company) and was a world leader in producing industrial dyes, pesticides, chemicals, petrochemicals, pharmaceuticals and myriad other products. It was once the fourth largest corporation in the world, with markets and alliances in Russia, the United States, South America and in China, where the company conducted business under the name DEFAG. Farben made good use of Mai's talents and dispatched him to China, where he acted as a business and development economist for the company in China. Associated with this work were a number of publications, including *Industrial Developments in Manchuria* (Peian, 1941). Mai rose to the position of national manager of Chinese operations for DEFAG and was scheduled to become manager of the entire firm. He would not return to Germany to do so, however, due to his rejection of Adolf Hitler and the Nazi party. Instead, he became an economics professor in Shanghai. Soon political events again overtook Mai's work as Mao Zedong and communism conquered China with the creation of the People's Republic. Mai left China forever, immigrated to the United States to teach at St. Mary's University in San Antonio, Texas in 1950, and remained there until his death in 1982.

[1] Oppenheimer's thesis was adopted by anarchist social critic Albert Jay Nock (1870-1945) who, according to Hans-Hermann Hoppe (in *Anarcho-Capitalism: An Annotated Bibliography*), was a formative influence on Murray Rothbard.

Economics was a small department, then in the School of Business at St. Mary's, and it was left to Ludwig Mai to teach many courses in the curricula at both undergraduate and graduate levels. Mai taught history of economic thought, microeconomics, economic development, international trade, a course with the old fashioned title of "value and distribution," and what he called "social economics." I enrolled in all of these courses. History of economic thought was Mai's favorite course at both the undergraduate and graduate levels, a passion which I have always shared. In fact, he later constructed a surprisingly complete manual of "briefs" on economists from all nations called *Men and Ideas in Economics: A Dictionary of World Economists Past and Present* (Littlefield, 1975) which is still an extremely useful reference.

This accounting suggests, correctly, that Mai was a man of broad practical experience who consistently emphasized the efficacy of markets in all of his teaching, modified by a "social economic" perspective particularly as espoused by Wilhelm Röpke. Röpke, who was partly influenced by Ludwig von Mises but with a Christian orientation, was starkly anti-centrist and advocated an unfettered market, so long as human rights were protected and government-sponsored monopoly was prohibited. (Mai was also vehemently anti-monopoly and anti-cartel, a position I remember thinking strange from a former manager and possible future director of the Farben Company). Mai's ideas were promulgated in two important books: *Approach to Economics* (Littlefield, 1965) and *On the Formation of Political Economy* (Astra Center for Social Science Studies, 1969), the latter which I read in draft form at the time. Both books demonstrate a broad understanding of the currents of economic thinking in both historical and then-contemporary times, although it was Mai's tendency to bring the history of economic thought to bear on everything. Mai had read Keynes, technical and institutionalist literature, Austrian economics (both the older economists and Ludwig von Mises) and, importantly, was quite aware of the interconnectedness of developed economies and the impact of modern technology.[2] His books reflect this stew of ideas, including the "dehumanization" potential of technology and the

[2] I clearly recall Mai's emphasis on the subjective value theories of Menger and (especially) Böhm-Bawerk in his "value and distribution" class. His students were taught that equilibrium was merely a logical construct, not to be observed in the

necessity for the market to contain a moral dimension. Mai was at base an individualist of the Misesian stripe, tempered by a Christian moral philosophy as espoused by Röpke. Consider his comments in *Formation*:

> Man does not live by bread alone and economic reasoning which does not take the complete man into account must lead to imperfect and incomplete results and possibly to rude awakenings. Yes, scarcity can be evaded only if demand is not inflated by artificial means [e.g., government spending or "conspicuous consumption"], if distribution of wealth and income assures the participation of all in affluence, if wars and defense expenditures do not destroy or reduce man's achievements, and if all involved have sufficient sense of responsibility to take part in the production process… (p. 81)

Mai's prescience extended (in 1969!) to the possible inability of human values and choices to survive a "computerized" or directed economy. He noted that "through the whole development of political economy man has been fighting for the rights of the individual, and has opposed individual men and groups in dominating power positions who tried to make men into serfs or slaves. Should this fight be lost at a time of affluence, lost to man-made organizations and machines, or to traitors who use their own expert-position to secure supreme dictatorship of power?" (p. 82). The answer to Ludwig Mai was to understand economics as both a positive and a normative endeavor. In the latter, Mai always emphasized a Christian perspective while extolling the role of entrepreneurship and market competition.[3] Big government and big corporations, which received their power from government, only contributed to *reduced* "growth" in the broad sense of the *social* economy.[4] Institutions change,

"real world" and that valuation was a recursive process, all of this coming directly from Austrian economics.

[3] How "social justice" might be addressed was always an issue in Mai's classes. Ayn Rand's view of competitive and market outcomes was rejected by Mai (and Röpke) but he did believe that private charity played a big role in a "just" but market oriented society. Private charity, however, could not cover all requirements, for it was uneven in its application (J. S. Mill's view) and Mai (and Röpke) definitely did not rule out a role for government in these areas.

[4] For example, a government restriction that redistributed income away from consumers (such as a tariff or tax) would not increase welfare-adjusted GDP despite possibly increasing nominal GDP.

but the underlying goals of human beings always contain a moral element. Economics may become scientific in the sense that positive economics may predict "what is" but analysts must also consider the *moral consequences* of the market.[5] While short on explanations of just how social justice could be achieved, Mai believed that economics as a positive or mathematical science could never be considered totally apart from it.[6]

Ludwig Mai's legacy, as with many scholars, consists of both literary leavings (some of them mentioned above) and their students and associates. An untold number of students came under Mai's influence, many of them later entering university teaching positions and positions in private industry.[7] Additionally, he was a founding member of the Association for Social Economics (formerly the Catholic Economic Association), a co-founder of the journal *Forum for Social Economics*, and a co-founder (at St. Mary's) of the Institute of International Relations (which survives today as the Institute for Diplomacy, Strategic and International Studies). At St. Mary's he served as Chair of the Economics

[5] Even at this late date I am struck by Mai's prescience against the concept of computerized knowledge wielded by government or any malevolent force. More than four decades ago, he spoke of the "dictatorship of the machine," noting that "Today people speak of the third or the fourth generation computer though only a few decades have passed since the conception of the binary calculator or the analog system. Where may the next decades lead us to in the development of computer hardware? Is it conceivable that in the ages to come the machine will be developed to duplicate not only man's deductive but also his intuitive reasoning powers? Is it conceivable that the 'black box' will, through use of a total data bank have access to the sum total of man's knowledge and through appropriate input devices be in a position to procure its own new data as required? Is it not within possibility that robots will come of age?" (*Formation*, p. 82). Mai would plainly see the government's current use of technology to monitor citizens as antithetical to human values.

[6] This view certainly explains his love (and assignment to his students) of Röpke and his affinity for the writings of Heinrich Pesch (1854–1926), a Jesuit priest-economist who wrote of social justice in works such as (the untranslated) *Liberalismus, Sozialismus und Christliche Gesellschaftsordnung* (1896–1899) and of whom Mai often spoke.

[7] His influence on others was profound and not confined to academics. As recently as 2006 Walter Fritz, a friend of Mai's from China in the 1940s, acknowledged his influence on Fritz's work on artificial intelligence, who dedicated a book on this subject to him. (See Fritz, *Intelligent Systems and Their Societies*, New Horizons Press, 2006).

Department, Dean of the Graduate School and as an editor and frequent contributor to the *Review of Social Economy*. In 1983 the Ludwig Mai Service Award was instituted and is being presented annually to those who render exceptional service to the Association for Social Economics. In the end, however, it was his open and ever-Germanic personality that marks his legacy. He loved and cultivated students, often having them to his home for "informal seminars" powered by plenty of German wine and Lone Star beer, and, way into the night, he loved discussing economic policies in the United States and abroad. In December 1963, less than a month after John Kennedy's assassination, Lyndon Johnson called a "Bar-B-Que summit" with then-Chancellor Erhard of West Germany at LBJ's ranch in the school gymnasium in Stonewall, Texas. Johnson planned every detail (Texan Van Cliburn performed in the gym) and asked Erhard who, in America, he wanted to be invited to the event. Erhard had only one request other than the usual diplomatic corps—to invite Ludwig Mai. Mai arrived at the fete via helicopter sent by LBJ, and never forgot the wonderful reunion with his dear and famous old friend. Through different routes, both had pursued and promulgated market solutions to achieve a market oriented but humane economy. For Mai, Austrian economics was a clear ingredient for analyzing and achieving such goals. I and the battalion of his friends and former students will never forget him or his profound influence on their careers and ideas.