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MAX MENGER'S LIBERAL POSITION¹⁾

by Kiichiro YAGI*

I Preface

Max Menger (1838–1911), a German Liberal parliamentarian in late nineteenth and early twentieth century Austria,²⁾ was the elder brother of two eminent Austrian scholars, economist Carl (1840–1921) and jurist Anton (1842–1906). My study of his liberalism was begun at first with the hope that it might reveal the concrete economic policies which Carl had kept in mind

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- 1) This is a revised version of my paper presented at the 17th annual meeting of the History of Economics Society, June 23–25, 1990, Lexington, VA, USA. The former version contained a brief discussion on the comparison of the Menger brothers in regards to politics. In dropping this part I followed the suggestion of a kind reader. However, concerning Carl Menger's liberalism, I discussed it in another paper. Cf. K. Yagi, "Carl Menger as Editor : Significance of Journalistic Experience to his Economics and to his later Life." (paper presented at the symposium on "Editing Economists and Economists as Editors", September 26–27, 1991, Lausanne, Switzerland)
- 2) To get the biographical information on Max in short, see *Österreichisches Biographisches Lexikon 1815–1950*, Bd. VI, Wien, 1975, S. 222 (written by Helmut Slapnicka). The biographical sketch by Richard Charnatz in *Biographisches Jahrbuch und deutscher Nekrolog*, Bd. XVI, 1914, S. 221–226, was a great help to me as a guide in this research. Obituaries in the Viennese newspapers (evening editions on the August 30, 1911 of *Neue Freie Presse* and *Neues Wiener Tagblatt*) were also worth reading. Biographical summaries in Diethild Harrington-Müller, *Der Fortschrittsklub im Abgeordnetenhaus des österreichischen Reichsrats 1873–1910*, Wien, 1972, and in B. Fiala's dissertation, *Der Wiener Gemeinderat 1879–1883*, Wien, 1974, contain the allegation of Max's Jewish lineage, though both are excellent studies in general. (Cf. Part 4.)

but nowhere published. Meanwhile, studying the career of an active politician over nearly half a century has inevitably widened the perspective of my research so as to include a general view of the political development of liberalism in Austria. Now this study has for me, apart from its relation to Carl's economics, an independent value as an introduction to the Austrian politics of that time. It gave me a general view of the political landscape in which all three Menger brothers had to live. So, in this paper I will not say that Max's position is the same as that which Carl would have taken, if he had been politically active. But it is safe to say that Max's position was one of those with which Carl was best acquainted when he thought of the liberalism in Austria.³⁾

II Emergence as a leader of the "Jungen"

Ernst von Plener(1841–1923) counted Max as one of the competent parliamentarians whom he met in the Taxation Reform Committee set up in 1874 :

"Another sincere supporter of the reform, though not always with our fire, was Menger, a man of enormous energy and continuous diligence. He studied rather too much, and papers worked out by him were not always free from shallowness. He often assumed what he had gotten from his latest reading as his own opinion. In political direction he stood ahead of others and had a German National tendency already at that time. But he never followed this direction to its extremes. I must admit his ability, though his way of dealing with others was not a pleasant one."⁴⁾

In this committee Plener and Menger intended to establish a sound base for state finance through an overall reform of direct taxation, the core of which consisted of the introduction of a personal income tax. But in the end the majority of the committee chose an adjustment of the already existing business profit tax (Ertragssteuer), and the reformers of the 1870s failed, just as their predecessors in the 1860s had. The taxation reform again came on the agenda of the House of Representatives (Abgeordnetenhaus) in 1892, which passed it in 1896. Max contributed to this reform through his chairmanship of the Taxation Committee (1891–96), as did Plener through his responsibilities as Finance Minister (1893–95) in the main period of parliamentary discussions. In other words, Max and Plener were comrades at the front of the modernization of the Austrian taxation system.

The rather severe tone in Plener's comment on Max must partly come from Max's aggressive attitude as one of the "Jungen" (the Youngs) of the German Liberals to its mainstream ("Alten": the Olds). When the first "German-Austrian Party Congress" (Deutsch-österreichischer Parteitag) was held in Vienna on May 22 of 1870 with an appeal to the solidarity

3) *Katalog der Carl Menger-Bibliothek* (Hitotsubashi University, Tokyo) contains 31 inventories of books and pamphlets published by Max and given to Carl.

4) Ernst Plener, *Erinnerungen*, II, Stuttgart, 1921, S. 56f.

of Germans in Austria, Max attended it and joined the founding members of the "Vienna German Association" (Deutscher Verein in Wien). After acquiring the mandate⁵⁾ of an urban constituency in Silesia (Städtischer Wahlbezirk Jägerndorf-Freudenthal-Freiwaldau) to the House of the Representatives in 1874, he joined the "Fortschrittsklub" (Club of the Progressives) which had formed in the previous year as the club of "Jungen" within the loosely defined German-Liberals ("Verfassungspartei"). This group declared the protection of the interests of Germans as "not the dominating but still the leading nation" in Austria (Program of 27 April, 1873)⁶⁾ to be the ultimate principle, to which even liberal values must be subordinate. But Plener belonged to the main group, which was concerned that the emphasis on nationality might harm the unity of Austria. Although he started his parliamentary career nearly in the same period with Max, Plener inherited from his father, Ignaz Plener, not only his mandate but the liberal-conservative position as well.

The attack of the "Jungen" on corruption was also an issue that caused tension within the German Liberals. Max, who questioned K. Giskra openly at the public election meeting in November 1872 about his suspicious behavior in the negotiations concerning the Lemberg-Czernowitz Railway, led the "Jungen" in this respect.⁷⁾ In behalf of the "Fortschrittsklub", he submitted to the legislative session of March 1875 a bill for the prohibition of any Representative's participation on the boards of companies or financial institutions which were subventioned by the state or stood in continuous customer's relation with the state. This bill was sent to a special committee; however, owing to the resistance of the majority of parliamentarians, it was abandoned in 1879 without the proper discussion in the plenary session. In his speech on the bill of 1875, Max stressed a politician's conscience as the fundamental condition of constitutionalism, and denied the view that his bill was a mere reaction to the economic crisis of 1873, accompanied as it was by lots of scandals involving politicians and higher officials.⁸⁾

The appeal to German nationality as well as antipathy to corruption became in the 1880s and 1890s the seedbed of fanatic German Nationalism à la Georg von Schönerer and of the Christian Socialism of Karl Lueger, in whose core lay a strong anti-Semitism. But to Max, and to most of the "Jungen" in the seventies, both were aimed to revive German Liberalism on the broader base of newly enfranchised classes of society. These began to appear at state level politics through the direct election of the representatives in 1873, although representatives had still a considerably limited electorate in four separate classes (Curia). Those of the urban class who had newly acquired the franchise in 1882 due to a reduction of the necessary minimum taxpaying amount were called "men of five florin". Max declared his sympathy with them, demanded further the abolition of the privileged curia of the landlords, and promoted a limited

5) Before this mandate he had already, though shortly, once experienced parliamentary activity in 1871 as a representative sent by Rural District Eger-Karlsbad (Bohemia).

6) Harrington-Müller, S. 161.

7) Harrington-Müller, S. 26.

8) Charmatz, S. 222f. Gustav Kolmer, *Parlament und Verfassung in Österreich* (8 Bde., Wien, 1902-1914), Bd. 2, S. 311ff.

participation of laborers.⁹⁾ Max himself, as well as his brothers, had to secure his economic independence by his own effort due to his father's early death.¹⁰⁾ This might explain the lack of an aristocratic element in their liberalism, which led the Menger brothers to abandon the nobility title in the family name (Edler von Wolfensgrün).

III Max on Economic Issues

Since his emergence in the Parliament with the "Bill of Incompatibility" in 1875, Max's long career of parliamentary activity did not lack spectacular scenes such as the conflict with G. Masaryk over the "State Law of Bohemia"¹¹⁾ and his accusation of Prime Minister Badeni on the latter's ordering the Language Decree of 1897.¹²⁾ But he was not a showman. Even on hot issues such as the nationality problem or the election reform he tried to consolidate his opinion by presenting detailed statistical data, which were used by many other parliamentarians.¹³⁾

He was a regular member of the Budget Committee, the Taxation Committee and the Committee of the "Ausgleich" (Compromise) with Hungary. Although he usually belonged to the minority in Parliament after the collapse of the liberal cabinet in 1879, he could still keep his leading position in those committees through his profound knowledge and experience. In the budgetary discussion of the plenary session Max appeared as one of the main speakers every year. I have mentioned already that Max presided over the Taxation Committee in the period of the taxation reform. Max attacked the increase of the profit and the consumption taxes which were used in the 1880s by the Slav-Conservative Taaffe cabinet in order to cover the deficit of the state budget.¹⁴⁾ He worried about the ill effects of these measures on feeble industry and commerce. Also, in the taxation reform of 1896 he made an effort to combine the introduction of a progressive personal income tax with the reduction of the tax burden on small and medium-sized business.¹⁵⁾

9) Kolmer, Bd. 3, S. 146. See also Harrington-Müller, S. 133ff. and Kurt Ebert, *Die Anfänge der modernen Sozialpolitik in Österreich*, Wien, 1975, S. 64 footnote 42.

10) So far as I could verify from the Archives of the University of Vienna, Max and Anton were partly exempted from paying the tuition fee. The reason why Carl could not get this exemption in the winter term 1859/60 is not clear, but in the next year he moved to Prague. Max's *Diary 1861-70*, now preserved in the Carl Menger Papers of Duke University (Manuscript Department of the Perkins Library), was in itself an impressive document of an ambitious youth who strove to get the chance to enter into political life as well as to establish the economic base necessary for it. Anton, as reported, told of his experience of several kinds of jobs in his early years including tutor in a rich family and proof-reader of newspapers. See Carl Grünberg, "Menger, Anton", in: *Biographisches Jahrbuch und deutscher Nekrolog*, Bd. 11, Berlin, 1908.

11) On November 18, 1892. See Kolmer, Bd. 5, S. 82f.

12) Kolmer, Bd. 6, S. 239f.

13) Max was good at dealing with numerical data because he was an experienced lawyer, famous in the field of economic and taxation problems. See Ebert, S. 155.

14) Kolmer, Bd. 3, S. 334, and Bd. 4, S. 268, 293.

15) Max Menger, *Die Reformen der directen Steuern in Österreich*, Wien, 1895, S. 38f.

Further, since 1886 he was elected continuously as a member of the mission (Quotendeputation) which was to negotiate with Hungary about how to share the common expense of the dual monarchy. In this negotiation Max's estimation of a "fairer" sharing was one of the main bases for Austria's demand for a reduction of its percentage.¹⁶⁾

Max participated in almost all discussions of economic policy in the Parliament. Though he rejected the laissez-faire position and expected positive contributions of the state to the economy, he remained in essence a Liberal who wished to confine state activity to establishing the preconditions of free competition in the private sector. He worked actively in the modernization of trade regulations, in the legislation concerning the stock exchange, vocational schools and various means for the promotion of industry. But he was against post-office saving, which seemed to him to damage the development of the already existing small scale credit and savings institutions and also to encourage the misuse of government (Dec. 9, 1879).¹⁷⁾ Max was not blind to the field of social policy and helped several times to produce legislation regarding it. But he proposed the exemption of craftsmen from the prohibition of Sunday work, when he saw that strict enforcement of this prohibition might ruin small businesses (Sept.-Oct., 1885).¹⁸⁾ According to him, "one of the most important criteria for good and bad legislation must be the following: whether the middle class (Mittelstand) of the urban and rural areas would be encouraged through this legislation and through its enforcement."¹⁹⁾

Max was also concerned with the effect of the railways and canals. As Max's constituency lay in Silesia and Moravia, far from both Vienna and Trieste, Austria's only seaport, transportation routes and their cost were always among the problems with which he was most seriously concerned. He backed lots of projects, but resisted those which seemed to be merely products of political concession without sound economic prospect.²⁰⁾

In the trade policy dispute in the 1870s Max rejected the Free Trader's position and supported the tariff for industrial products. Within the framework of the Trade and Customs Union of Austria-Hungary, this industrial tariff was to compensate for the agricultural tariff designed to benefit Hungarian Agrarians by keeping the whole empire for Austrian industry. But in the 1880s the manufacturers began to fear the effects of the increase of the tariff on the prices of raw materials, semi-manufactured and machines they needed. Partly due to the industrial promotion policy of the nationalistic Hungarian government, Austrian industry could not maintain the once-promised dominance of the market of the whole empire. Max, of course, attacked the subvention policy of Hungary,²¹⁾ but on the other side he criticised the Austrian government, which expected positive effects from protection where other conditions for sound capital accumulation were absent.

16) Kolmer, Bd. 7, S. 429.

17) Kolmer, Bd. 3, S. 67.

18) Kolmer, Bd. 4, S. 300.

19) Max Menger, *Die Debatte über die Sonntagsruhe*, Wien, 1885, S. 7.

20) In particular, when the project seemed to him a concession to the Polish landlords. See Kolmer, Bd. 3, S. 423.

21) Kolmer, Bd. 6, S. 108.

“The protection system needs inevitably a sound finance policy. The protective tariff cannot be accepted except in the context of a transition, during which the state recovers its power and the protected industry or agriculture strengthens itself..... If such a finance policy were to prevail in a country, so that no capital could be accumulated, and every newborn industry would be ruined in its first year under the pressure of taxation, and everyone would bitterly regret having invested in industry except to invest temporarily in some speculative enterprise, then the protective tariff would be useless. The protective tariff is there a crutch, indeed a pernicious crutch.”²²⁾

IV Fight for Liberal Cause

“We are their leaders. We must follow them.” With this witty phrase L. Höbelt²³⁾ described the general attitude of German Liberals in late 19th century Austria. The identity of Liberals as the antecedents of the bourgeois opposition of the 1848 Revolution lay originally in their support of civil rights against absolutism and clerical influence. The secular school system, the independent papers and freedom of confession were inseparable elements of liberalism in Austria. However, in the 1880s, when the attack on these three elements began with the often demagogic combination of “Jew” and “Liberal” (Judenliberal), most liberal politicians, not to mention several ex-Liberals who had moved to other camps, began to moderate their liberal position. But it is worth mentioning that Max remained loyal to his convictions in spite of the overwhelming tide against liberalism.

In February 1880 when bishops in Bohemia demanded of the Ministry of Education the restoration of the confessional schools, Max regarded it as an offense to the Constitution by religion. When, after the collapse of the liberal government, a turn from the liberal school policy was pledged by the new cabinet under Taaffe, Max's interpellation to the cabinet on this matter was taken as a herald of the liberal resistance.²⁴⁾ Objections to the development of the secular school system after the “Volksschulgesetz” of 1869 came from the antipathy of the feudal groups against the people's increasing literacy as well as the wish for restoration of Catholic authority on the side of clerical groups. Max, to whom “the 1869 law is the monument of humanity and public interest”,²⁵⁾ resisted the reduction of the obligatory school years, saying, “the future belongs to the nation which guarantees the richest education, to the widest part of its inhabitants”²⁶⁾ and warned of the debasement of education under the influence of clericalism.

The Liberals could have persisted in their defense, if their enemies had been the same as

22) Kolmer, Bd. 4, S. 95, cited also in Charmatz, S. 224.

23) Lothar Höbelt, “Die Deutschfreiheitlichen Österreichs. Bürgerliche Politik unter den Bedingungen eines katholischen Vielvölkerstaates”, in: Dieter Langwiesche (Hrg.), *Liberalismus im 19. Jahrhundert*, Göttingen, 1988.

24) Kolmer, Bd. 3, S. 103f.

25) Max Menger, *Rede bei den Jubiläums-Feier des 20jähr. Bestandes des Volksschulgesetzes gehalten am 19. Mai 1889*, Selbstverlag, S. 1.

26) *Ibid.*, S. 8.

before. Max expected that the broad mass of people who received the franchise in the election reform would stand for the liberal heritage, even admitting some loss of seats in the camp of German Liberals.²⁷⁾ This hope might have been partly fulfilled through the growth of the Social Democrats, at least concerning the defense of the secular school system. But under the general economic discontent after the crisis of 1873 the "little men" in Austria turned their backs on liberalism, and their anti-capitalistic, often anti-Semitic mentality was reinforced by the agitation of several political streams. The anti-Semitic propaganda, introduced first by the German Nationals, was more effectively utilized by the Christian Socialists under Karl Lueger, who acquired a majority in the Viennese City Council in the late 1890s through the extension of the franchise to the "little man".²⁸⁾ The Catholicism appeared now in a new alliance with mass politics.

Max eagerly supported the rights of liberal teachers,²⁹⁾ freedom of learning,³⁰⁾ freedom of the press³¹⁾ and freedom of confession. In the political atmosphere of late nineteenth century Austria, this position meant that he would be considered a friend of Jews (Judenfreund). He openly declared :

"I as well as my friends have never hesitated to stand against anti-Semitism for the cause of Justice and Humanity, and for the national and political interest, if it is allowed join in the same scale."³²⁾

The assimilation of Jews into (German) society was, according to Max, already completed or almost completed. "Many of them can be distinguished from us only by their religion. Such difference in mind, however, is to be left to the intimate confession of individuals and must be left to it at any time."³³⁾ Further, Max was afraid that discrimination toward Jews might bring about not only the collapse of many German cities on the periphery of the monarchy, but also the loss of capital and industry which supported the Austrian economy.

Max himself was called a Jew by his enemies, though he was a Roman Catholic in con-

27) Kolmer, Bd. 6, S. 166.

28) Menger ran for the 1882 election of the City Council of Vienna. He received 140 of the total 146 votes in the first election group of the second district (Leopoldstadt) —these numbers suggest how the electorate was still limited then. He held his seat till 1885, and belonged to the Taxation Reform Committee and the Section of Finance and Market. (Fiala, S. 393)

29) Kolmer, Bd. 4, S. 175.

30) When in 1896 the right of professors to lecture-fee (Kolleggeld) payed by students was abolished and a modern salary system was introduced, Max warned both government and professors, saying: "Professors should receive their salary not merely as state officials, but as free teachers." (Kolmer, Bd. 6, S. 33)

31) Kolmer, Bd. 3, S. 334, 438.

32) Max Menger, *Zur gegenwärtigen politischen Lage*, M. Schönberg, 1896, S. 15.

33) *Ibid.*, S. 13.

fession.³⁴⁾ However, since some historians considered Max a Jew in lineage, we must delve into this rather delicate problem. Those who counted Max as a Jew are P. G. J. Pulzer, D. Harrington-Müller and B. Fiala.³⁵⁾ W. Bihl, who included Carl Menger in a list of Jewish scholars, must be added here.³⁶⁾ On the other side, F. A. Hayek and M. Boos, who wrote Carl's biography, described Mengers' father as coming from an old German family and their mother's lineage as a merchant family which can be traced in baptism records back into the 17th and 18th centuries.³⁷⁾

The view of Pulzer and Harrington-Müller seems to be based on a passage in a letter that the old Plener wrote in 1872 to his son Ernst, in which he says that the Young German movement in Vienna was run by Max Menger, "ein schlesischer, wasserpöckischer Jude (a Silesian-Polish Jew)."³⁸⁾ However, must we consider the possibility that the old Plener saw in Max such a serious rival (to him or to his son) that he ordered a special background search? Such a case cannot, of course, be completely ruled out. But it is easier to think of that passage as a mere mistake or an expression of his prejudice. B. Fiala wrote that Max "was buried in the Jewish Part of the Central Cemetery of Vienna."³⁹⁾ But Max's grave lies not in the Central Cemetery but in the *Heiligenstädter Friedhof (Obere Terrasengruft Nr. 12)*, and it is difficult not to believe the official record that he was buried there on September 3, 1911, three days after his death in Mondsee (Upper Austria). Last, Bihl showed no grounds for counting Carl in his list of Jewish scholars. So, at this moment, till that time when a decisive testimony for the claim of Jewish ancestry should appear, it might be better to believe Max's own words :

In many organs [of clerical groups] it was reported with emphasis that this proposal [for the exemption from the Sunday Rest] had been presented from the German Club by an "Israelite Dr. Menger". I don't know whether this signifies respect or reproach. It could be a sign of respect in the clerical expression, ... [because the noble teachings of Christianity had flown out of the mouths of Jews.] ... But I say, the premise itself is wrong. Neither I nor any of my ancestors has ever read the Torah or belonged to Jewry. My ancestors were citizens of the free imperial city Eger and worked with leather apron and hammer, and as "Zunftmeister" and city officials and sworn citizens in city government though modestly. But they never had features which could be brought against the German Club and me.⁴⁰⁾

V Max and Social Problems

As we have seen before, Max's criterion for legislation in the economic field was nothing

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- 34) I verified this by his inscription at the University of Vienna in the summer term 1860, which is preserved in its Archives.
- 35) P. G. J. Pulzer, *The Rise of Political Anti-Semitism in Germany and Austria*, New York, 1964, pp. 158-59, 161, revised ed., Cambridge, Ma., 1988, pp. 152-53, 55, D. Harrington-Müller, S. 62, 178, and B. Fiala, S. 393.
- 36) Wolfdieter Bihl, "Die Juden", in : Wandruszka/Urbanitsch (Hrg.), *Die Habsburgermonarchie 1848-1918, Bd. III, Die Völker des Reiches*, 2. Teilbd., Wien, 1980, S. 943, 947.
- 37) F. A. Hayek, "Carl Menger", in : Hayek ed., *The Collected Works of Carl Menger*, Vol. 1, London, 1934, p. x. Margarete Boos, *Wissenschaftstheorie Carl Mengers*, Wien, 1986.
- 38) Paul Molisch (Hrg.), *Briefe zur deutschen Politik*, S. 80.
- 39) Fiala, S. 393.
- 40) Max Menger, *Die Debatte über Sonntagsruhe im österreichischen Abgeordnetenhaus (7. Oktober 1885)*, Wien, 1885, S. 8.

other than the promotion of the trade and industry of Austria. His words were addressed mainly to the men of small and medium-sized business; however, they did not conflict with the interests of big business. In many trade issues he was one of the acknowledged spokesmen for industry.⁴¹⁾ This sort of consideration played some role even in his fight against anti-Semitism along with his liberal convictions.

But here appears the question: Should we regard Max as a friend of big business from the beginning, when he was attacking the symbiosis of business and politics as one of the "Jungen"? At the least, we need some explanations about the process and the logic that led this angry young man to become a "spokesman of industry".

At the beginning of Max's public life, we find his activity as a propagandist of the cooperative movement à la Schulze-Delitzsch. Both his first and the second publications are related to this theme. The first, "Die auf Selbsthilfe gestützten Genossenschaften im Handwerker und Arbeiterstande" (Cooperatives of craftsmen and workers on the selfhelp principle) was originally based on his lectures at the meeting of a Viennese workers' association in February-March 1866. Max, who in this lecture criticized the Lassallean idea of workshops under state guarantee (Staatshilfe) and recommended the establishment of cooperatives based on the voluntary principle (Selbsthilfe) as the right way to solve social problems, was accepted by this association as one of its leaders. After the enforcement of the new Association and Meeting Law, this association "Fortbildungs-Verein für Buchdrucker in Wien" appeared as the center of the Schulzeans, who strove for the leadership of the newborn labor movement against the Lassalleans.

At the public meeting on January 12, 1868, held at "Universum" in Vienna with the aim of establishing a new workers' association "Selbsthilfe", Max was to be the main speaker. But the intervention of Lassalleans was more effective than the management of the original organizers. Under the call "Wir wollen keine Doctoren und Beamten, nur Arbeiter sollen sprechen!" (We want no doctors and no officials, only workers should speak!) Max had to give up his speech and the meeting ended with a resolution to join the Lassallean "Arbeiterbildungsverein".⁴²⁾ This was a decisive defeat for the Schulzeans which led them to concentrate their activity on the middle class (Mittelstand), though their influence in workers' organizations was still felt for several more years.⁴³⁾

41) See p. 210 of William A. Jenks, *Austria under the Iron Ring 1879-1893*, Charlottesville, Virginia, 1965.

42) *Neue Freie Presse, Abendblatt*, 13. Januar, 1868. See also S. 57-63 of Julius Deutsch, *Geschichte der österreichischen Gewerkschaftsbewegung*, Bd. 1, Wien, 1929. The "official" in the cry of the opponents signifies the chairman, Engelbert Kessler, official of the State Railway. In contrast, the leaders of Lassalleans were genuine workmen.

43) After several public meetings Lassalleans succeeded in the 9th meeting (Arbeitertag) held on August 30, 1868 in adopting a social democratic party program, to which the government responded with an order for its dissolution and for the arrest of its members. Meanwhile, Schulzeans organized the once-failed workers' club "Selbsthilfe". It had 1100 members in the middle of August 1868, while the Lassallean "Arbeiterbildungsverein" counted 5500 members in June 1868. ↗

The point of Max's criticism of the Lassallean idea lies in the problem of efficiency of the state guaranteed workshops. He argued that the lack of competitiveness of those workshops would bring an enormous state deficit and a strict protective trade policy, which would lead to general misery with severe taxation.⁴⁴⁾ "The solution [of social problems] must follow the principles of the national economy. The suggested consequences are the increase of production and the maintenance of its competitiveness, not the decrease of production and the reduction of its competitiveness. Members of other classes should not be debased; no fellow of the nation should be made dependent. The laborers and the craftsmen should be elevated by the correct use of their own capacities. Craftsmen should remain as self-supporting people, laborers should be transformed from dependent to independent, self-supporting people, though it imposes on them the most rigorous norm."⁴⁵⁾ According to Max, the grounds of the most serious problems of the Austrian economy were its lack of capital and currency (Geldmangel) and the distress among producers.⁴⁶⁾ The founding of credit cooperatives (Vorschussgenossenschaften) among craftsmen and workers, which promote the thriftiness of members and afford them credit for the needs of their living and business, should serve their members as a ladder for social ascent.⁴⁷⁾

The stress on the competitiveness of industry and the support for free private enterprise found here has the same tone as in the speeches and publications of his later years. In this respect there is no discontinuity. But it is easy to understand the reason for Max's failure to gain favor among workers who never had the aspiration of ascending to the rank of independent entrepreneurs.

In his second publication (1871), he ceased to talk to the workers. Meanwhile, the Chamber of Commerce and Industry of Troppau, which had recognized Max's ability, had sent him to the Parliament of Austrian Silesia in 1869. Now the circle that Max addressed consisted of independent artisans and merchants in Silesian cities, whose businesses were imperiled by competition with big business. According to Max,

"The middle class of cities disappears day by day; at last there will be only the rich and the poor. The apprehension is felt more and more seriously that there will be in the not-too-distant future no more than bosses and dependent laborers. The civil society, for whose prosperity the mighty and competent middle class is particularly needed, falls, if it lacks the former, into a severe convulsion. Struggles between classes emerge and at last the weakened state will become the victim of a self-styled social savior, of a military

↘ (J. Deutsch: S. 66f.) The Liberal cabinet, which welcomed the workers' association just after the enforcement of the new Law of Associations and Meetings, changed its position to confrontation with the newborn socialist labor movements. According to Julius Deutsch, the support of liberal politicians for Schulzeans had produced an adverse effect among the mass of workers. (ibid., S. 70f.)

44) Max Menger, *Die auf Selbsthilfe gestützten Genossenschaften im Handwerker- und Arbeiterstande*, Wien, 1866, S. 5f.

45) Ibid., S. 6.

46) Ibid., S. 48.

47) Ibid., S. 53.

tyrant.”⁴⁸⁾

Max preached the merits of economic associations on the principle of “Selbsthilfe” to the small businessmen in the cities. The productive associations, it was argued, would enable them to participate in the benefits of large industry. The purchase and forwarding associations among small entrepreneurs were to bring them the benefits of economics of scale in trade. But his stress was on the credit associations. The *Vorschussverein* would be of great help to small businessmen by giving them access to secure and inexpensive credit for expansion and modernization. Hitherto small businessmen had no means of borrowing other than relying on usury, while the credit of banks was always open to big industry. The credit associations were also to give small businessmen the opportunity for cooperation with various people such as medical doctors, government officials, lawyers, manufacturers, and engineers, from which they would benefit intellectually as well.⁴⁹⁾

The association of “Selbsthilfe” among Viennese workers reduced its activity in the 1870s and reorganized itself into a mere sick-fund. But the *Vorschussverein* in Troppau, which already existed in 1866,⁵⁰⁾ seems to have grown successfully. At the end of his second publication, Max greeted Troppau's *Verein*, which “has developed itself already into a small bank for the artisans and merchants in Troppau”.⁵¹⁾ As later developments tell us, the Schulzean cooperative movement could not prove to be successful as the remedy for social problems. In rural areas the less individualistic type of cooperatives, Reifeisen-cooperatives, flourished. The only fruits of the Schulzeans' work were the small regional banks (often with the name of “Volksbank”) and their federation, which were not much different from conventional private banks. It seems to me that after his resignation from activity among workers, Max's sympathy followed a course of ascending development, similar to that of the Schulzeans' credit cooperatives.

In a speech he made in 1896 to describe the general position of the German Progressive Party (Klub der deutschen Fortschrittspartei) we can read his view on the labor movement of the time as being under the influence of Marxism, which, according to Max, “is acknowledged as false by science today.”⁵²⁾

“Interests of employers and employees in a state show a manifold agreement. Even admitting many conflicts between them, no judicious laborer will commit a mistake on the point that the prosperity of industry and the increase of industrial enterprise will bring the increase of wages and progress in the condition of laborers.....”⁵³⁾

48) Max Menger, *Die Schulze-Delitzsch'schen Vorschuss-Vereine. Deren wirtschaftliche und nationale Bedeutung*, Teschen, 1871, S. 4.

49) Ibid., S. 14.

50) See “Verzeichnis der Schulze-Delitzsch in Jahre 1866 bekannte Genossenschaften” in Otto Ruhmer, *Entstehungsgeschichte des deutschen Genossenschaftswesens*, Hamburg, 1937, S. 281.

51) Max Menger, *Vorschuss-Vereine*, S. 15.

52) Max Menger, *Zur gegenwärtigen politischen Lage*, S. 22.

53) Ibid., S. 23.

Mentioning the moderate leadership in the labor movement in England, Max wished for a similar direction in Austria and hoped "that the bitter struggle will not be taken as the only possible relation between employer and employee, and that the importance of the common interest of both sides will be totally or at least partially recognized, so as to enable employer and employee to utter jointly the decisive opinion on various important problems in our public life."⁵⁴⁾

But it goes without saying that, in an actual situation of industrial conflict, Max stood for the employer. In a parliamentary speech on December 14, 1893, when Austrian industry suffered continuous strikes and lasting wage conflicts, Max represented the view of manufacturers by saying that "every strict law or every radical fiscal or other sort of measure would be more acceptable rather than leaving entrepreneurs to face wild agitation without protection."⁵⁵⁾ Max's positive attitude to social and political legislation was confined to the area of social security for laborers; it did not extend to the right of coalition.

VI Nationality, Democracy and Liberalism

In the preceding parts we have viewed Max's liberal position with special attention to his attitude to economic problems. But to get a well-proportioned view of this politician, we still need an analysis of him on the two most important issues of Austrian politics in his times: the nationality problem and election reform. I mentioned both briefly in Part 2 when I introduced Max as one of the "Jungen". But the description there did not reach into the 1890s and the beginning of the 1900s, when each develops to a final tension (in the nationality problem) or to the final step (introduction of general and equal franchise).

These two can be called the problematics of nationality and democracy in Max's liberalism, though he, as far as far as I know, never presented himself as a democrat. At his starting point, when he addressed Viennese workers, attacked corruption and advocated the extension of the franchise, the democratic element was not missing in him. But in the triangle of liberalism, nationality and democracy that constituted his position at the beginning of his career, it is undeniable that the last was the weakest element of his politics. As was seen in Part 4, his conviction on liberal values was genuine, though in the economic context it often turned out to be a vindication of industry and capital accumulation. In spite of the superficial differences that emerged as he addressed himself to different circles, his core argument was the same liberalism. Max did not intend to change the contents of liberalism itself.⁵⁶⁾ In other words, the liberal conviction formed in him a fixed criterion, by which he judged politics.

53) Ibid., S. 23.

54) Ibid., S. 23.

55) Kolmer, Bd. 5, S. 477. See also Jenks, p. 210.

56) Friedrich Wieser's sociological works after the 1890s can be best interpreted as an effort to adapt liberalism to the age of mass politics. I discussed this transformation of liberalism by Wieser in chapter 4 of my book, *Ōsutoria Keizai Shisoshi Kenkyu* (Studies in the History of Austrian Economic Thought), Nagoya, 1988.

But the other two, nationality and democracy, represented the dynamic elements in him. The core motivation of the "Jungen" lay in the animating spirit of liberalism combined with the sense of a common fate of Germans in Austria. At first, the combination of German Nationalism and anti-Semitism was not so strong in Silesia, Bohemia and Moravia, where Max's constituencies lay. The first enemies that Max found in the nationality problem in this region were the Slavic or pro-Slavic aristocrats (landlords) who helped Slavs to reverse liberal reforms and to recover their regional authority. In his attack on these aristocrats, Max's nationalism was compatible with a democratic direction as well as with his liberalism. But after the leadership of Czech nationalism moved into the hands of the more radical Young Czechs, the democratic element had to bend before the interests of German nationality. There might have been another direction by which to counteract Czech nationalism, by strengthening the combination of nationalism and democracy. But his nationalism was itself already surpassed by that of the fanatic German Nationals.⁵⁷⁾ Democracy in the circle of the working class was to be dominated by Socialists. To remain liberal he had to seek a compromise. He was the supporter of the so-called Bohemian Compromise which would divide Bohemia into three types of administrative districts, the Czech-speaking, the German-speaking and the mixed districts. But Max demanded that, in addition, public spending out of the budget should be distributed so as to correspond to the share in the tax burden of each nationality.⁵⁸⁾ In other words, the democracy of Max was not allowed to deviate much from the idyll of the "democracy of tax-payers".

This sort of consideration appeared also in Max's attitude to the election reform.⁵⁹⁾ In the context of 1870s, the man who advocated the abolition of the privileged curia of landlords, as well as an extension of suffrage that included a limited participation of workers, could be regarded as democratic. But he did not intend to advocate giving the workers (as only indirect taxpayers) the same weight as that of payers of direct tax. The establishment of an additional curia of general franchise alongside the tax-payer's curia, as was introduced in 1896 by the Badeni Cabinet, was close to his vision. The introduction of the general equal franchise was beyond the scope of his politics, and his anxiety intensified tremendously at the decisive loss of the Germans before the Slavic majority. He fought not in his original front of opposition to the reform itself but in a retreated position, from which he demanded nationality legislation which could stabilize the relation among nationalities as a prerequisite for the introduction of the general equal franchise. (Dec. 5, 1905)⁶⁰⁾ In the final vote on the Bill of Election Reform on Dec. 1, 1906, Max was opposed. In the next year he did not stand for election, and resigned also from the Silesian Parliament.

The democratic element in Max's politics was limited both by the interest of German na-

57) In 1897 Max changed his constituency from Jägerndorf (Silesia) to Neutitschein (Moravia). This was a reaction to the emergence of the pan-Germanistic movement in Silesia.

58) Max Menger, *Der böhmische Ausgleich*, Stuttgart, 1891.

59) Harrington-Müller, S. 135.

60) Alois Czedik, *Zur Geschichte der K. K. österreichischen Ministerien 1861-1916*, Teschen, 1917, Bd. 3, S. 305f.

tionality as well as that of tax-payers. The democracy of tax-payers was, as is well-known, the credo of the old style liberalism. This is suggestive for an understanding of the difference between Max's concept of German nationality and that of Schönerer or Lueger. The apparent difference lies, it goes without saying, in the inclusion of Jews in the German nationality. Schönerer propagated racial nationalism, which led him to persuade Germans in Austria to join the greater German community, whose center lay not in Vienna but in Berlin.⁶¹⁾ Here, the blood was regarded as the most important factor in German nationality. In this respect Lueger was more flexible. ("I decide who is a Jew!"⁶²⁾) It is often said that his anti-Semitism was only a calculated tactic for mass propaganda. Still, in his alliance with the revived Catholic politics and the anti-capitalist resentment of the "little men", Jews were excluded from German nationality. Of course, in a broader understanding of German nationality, it included some "tolerated Jews", mostly the baptised Jews. At the turn of the century, this sort of demarcation became a generally acknowledged standard. The German Progressives, now fallen to the rank of mini-clubs, were urged to exclude Jewish members at the negotiation for the unification of German Parties, and finally accepted this in February 1910.⁶³⁾ The rumor of Max's Jewish lineage, which seems not to have vanished after his clear denial as we saw in Part 4, might have some relation to this political context.

In clear contrast to the German Nationals and the Christian Socialists, Max's concept of German nationality was, in essence, a liberal one. Of course, the use of the German language exists implicitly as its main criterion. But religion is considered to belong to the area of individual freedom, as are most other customs. The problem of nationality was to Max not that of deciding who belongs to the German nationality, but the ability of the German community to assimilate foreign elements for the enhancement of its own power. "The historical role of a nation is already expired, when it reveals its incapacity for the assimilation [of other elements]."⁶⁴⁾ Jews must be accepted in the German nationality, because they supplied the capital and entrepreneurship which were so seriously missing in Austria. The enlightened despot (Josef II) accepted Jews for the sake of the state (dynasty). Max's position was not far from this. The German nationality itself, which took over the position of the state (dynasty), was in fact nothing other than a liberal constitutionalism which implicitly admitted the hegemony of Germans. Max had to retire from politics, when this imagined liberal nationality vanished.

61) See Pulzer, Chap. 14-19.

62) See the selection of the same title from Lueger's speeches and publications, Richard S. Geehr ed., "*I decide who is a Jew!*", Washington, 1982.

63) Harrington-Müller, S. 65.

64) Max Menger, *Zur gegenwärtigen politischen Lage*, S. 13.