Martin Feldstein (1939–2019)

George F. Baker Professor of Economics at Harvard University, and President Emeritus of the National Bureau of Economic Research (NBER), passed away on June 11, 2019, aged 80

Karl Aiginger¹ · Robert Holzmann²

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Martin Feldstein's Schumpeter Professorship in Vienna and his role as bridge builder

Martin Feldstein was an unusual economist. Born in New York, he was endowed with the highest intellect and the best training for formal economic methods—he was a professor at Harvard University after studying there and in Oxford—and he was interested in issues far beyond economics. Over his professional career, he enjoyed invitations to places across the world, advised the OECD, was president of the American Economic Association, counseled a number of US presidents, including Ronald Reagan, George W. Bush, and Barack Obama, and was a board member of AIG. “Marty,” as he was called by many of his colleagues, did not preach, did not impose his personal beliefs and principles and was always open to new evidence. He leaned toward supply side economics but rejected the notion that tax reductions paid for themselves. He advocated climate taxes—if the money was returned as a lump sum to taxpayers. Like most US economists, he thought the Euro and the European Monetary Union would be a failure. But if all economists were as open to new ideas to shape the future as Marty was, economics would not be called the “dismal science,” would not be captured by mathematics, would not ignore social issues and external effects to the degree it still does.

Martin Feldstein accepted an invitation as Schumpeter Professor at the University of Vienna in 1981. By then the university had offered a degree in economics for less than 2 decades only. The faculties of the University of Vienna had been dominated by world-renowned researchers such as Kelsen, Schumpeter, Freud, Lorenz, and

✉ Karl Aiginger
karl.aiginger@querdenkereuropa.at

Robert Holzmann
Robert.Holzmann@oenb.at

¹ Policy Crossover Center: Vienna-Europe, Vienna, Austria

² Oesterreichische Nationalbank (OeNB), Vienna, Austria

others in law, medicine, and the natural sciences. Marty was welcomed in Vienna by only a small crowd of economists, gathered and empowered by Erich Streissler, a paleo-liberal economist. Streissler was also Vice President of the Austrian Institute of Economic Research, a think tank founded by Friedrich Hayek. We, the authors of this obituary enjoyed his teaching, and met Marty later in many professional occasions across the world. Both of our careers were strongly influenced by his efforts to bridge the gap between theory and empirical research, and between policy challenges and academic efforts.

Streissler emphasized three reasons for honoring Feldstein with the Schumpeter Professorship. First, Feldstein was a mathematical institutional economist, which is a foundation for an economic faculty still dominated by lawyers, but trying to connect the concept of institutions with the concept of profit optimization.

Second, neoclassic-based assumptions and conclusions were not common in 1981 in the Austrian economy setting, which Streissler then claimed could “not be described as a market economy” with its focus on price stabilization and collective bargaining. Feldstein’s research offered many leads how neoclassic economic thinking can be weaved productively into Austria’s economic setting.

Finally, Streissler noted that Austria’s economic development had been extremely successful for 2 decades. But to continue doing so Austria might need to broaden and modernize the underlying economic concept and research. Revisiting Marty’s hypotheses and research he considered a promising approach on this way.

This journal—*Empirica*—was founded by the Austrian Institute of Economic Research (WIFO), now called *Empirica—Journal of European Economics*, and co-owned by WIFO and the Austrian National Economic Association. It is proud to have published its issue no. 2 of volume 1 as a “Feldstein issue” in 1981. Here Feldstein addressed topics of inflation and growth and confessed to be much more optimistic about the US economy than Joseph Schumpeter 3 decades ago. He based this assessment on the ideas of another Viennese professor—Sigmund Freud—who concluded that an individual who understood the reasons for his apparently irrational and destructive behavior could conquer irrationality. His humor, interdisciplinary thinking, and intellect could not be proven better in one statement.

In that same 1981 issue, we both published work that intersected with Marty’s: Robert Holzmann investigated the effects of social security on private saving in Austria, confirming Feldstein’s hypothesis for Austria; Karl Aiginger proved that accelerated depreciation on investment is not independent of the inflation rate, as suggested by a model of Feldstein.

Feldstein’s Schumpeter Professorship was an inspiring and timely experience for Austrian economists, and particularly for us. We are grateful to him for his contribution to Austrian economic science and policy counseling and for stimulating years of research and discussion in this journal.