

Heinrich Dietzel and the Economic Principle

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Abstract

This article is dedicated to Gerhard Wegner and studies a historical period which has been fundamental to his recent research program. At the center of the article is the life and work of German economist Heinrich Dietzel (1857–1935), especially his methodological contributions to politico-economic debates, above all the *Methodenstreit*. Instead of self-interest, Dietzel emphasized the “economic principle,” *i. e.*, the relationship between means and ends as balanced by the economic agent. Thus he hoped to reconcile the theoretical heritage of Classical Political Economy with the mainstream of his time, the Historical School. Along with being a respected theorist, Dietzel was also a formative teacher, most notably for Walter Eucken. The article also highlights the continuity of Dietzel’s contributions and Eucken’s ordoliberalism.

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1. Introduction

There is an ongoing debate about the methodological status of the agent in economic theory, and of self-interest and rationality specifically (*e. g.*, Engelmann 2022; Davis 2024; Drakopoulos 2025). Also, the controversy about the origins and future of the “homo oeconomicus” concept is still unsolved – not least because of the omnipresence of behavioral economics questions throughout the discipline (*e. g.*, Persky 1995; 2016; Kern 2001; Rothschild 2001; Braun 2021; Bee and Desmarais-Tremblay 2023). These debates can profit from an alternative approach that has been developed towards the end of the 19th century: the concept of the economic principle.

This article examines the development and implications of this idea as it was first formulated by the German economist Heinrich Dietzel (1857–1935). To this purpose, we first present a biographical sketch of Dietzel’s life and work in Section 2. Section 3 portrays Dietzel’s general methodological thinking in the context of the tension be-

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tween historical method and economic theory. The main focus of the article is on Dietzel's concept of the economic principle and its implications for a theory of the economic order, as presented in Section 4. In Section 5 we argue that Walter Eucken, in developing the ordoliberal theory of economy and society, absorbed some of Dietzel's ideas while shaping them in a distinctive fashion.

We dedicate this article to Gerhard Wegner. The debates about the economic agent of the late 19th and early 20th century fall into the time when capitalism and democracy co-evolved in Germany – central topics in Gerhard Wegner's recent research program (Wegner 2015; 2016a; 2016b; 2018; 2019a; 2019b; 2022). In the context of his research, the controversy about the economic principle can be understood as a controversy about the foundations of an institutional theory of the economic order.

2. Biographical Sketch

Heinrich Dietzel was born in Leipzig on January 19, 1857.¹ After studying law and economics, he received his doctorate in law in 1879 from the University of Göttingen, and his doctorate in philosophy three years later in Berlin. At age 28, he accepted a call to the University of Dorpat (Tartu). In 1890, Dietzel took a chair in Bonn where he remained until his death in 1935. In Bonn, Dietzel supervised the doctoral thesis of later German Chancellor Heinrich Brüning, among others. Dietzel is considered an “academic loner” (Beckerath 1959, 610). He was neither a follower of the time's mainstream, the Historical School, nor did he advocate the tenets of the Austrian School – rather, he attempted to follow his very own line, which was based on the roots of Classical Political Economy. He “was a lone epigone of Classical economics” (Mises 1969, 3). Note that he occupied a middle ground with regard to the theory of value, an issue on which he had fiery debates with Eugen von Böhm-Bawerk (Kurz 1995, 15–23). Dietzel's middle ground was an attempt to unify the objective and subjective theories of value by aiming to prove that utility (*Nützlichkeit*) is the common precondition of marginal utility theory and classical theory (Dietzel 1890; 1891a).² This approach earned Dietzel and his teacher Adolph Wagner – who, like Dietzel, hoped for the salvation of classical theory in this field – a harsh verdict by Joseph Schumpeter, the successor to Dietzel's chair at Bonn:

Wagner's and Dietzel's cases show that it was the nature of the “theory” taught, rather than either Sozialpolitik or historicism, which accounts for what at first sight looks like an eclipse of analytic work of this kind that may not amount to a great deal in itself but seems to be necessary to vitalize the rest. (Schumpeter 1954a, 852).³

¹ The best overview of Dietzel's life and work is contained in Kasprzak (2005). See also Almeida (2019).

² Howard and King (1995, 227–28) suspect that Dietzel had some influence on the Ukrainian economist Mikhail Tugan-Baranovsky.

³ Elsewhere, however, Schumpeter regards the debate between Böhm-Bawerk and Dietzel as “the most important controversy” on the theory of value (Schumpeter 1954, 19–20, also for a list of relevant essays on the debate by the adversaries).

In later works, however, Dietzel denied the importance of the theory of value whatsoever (Dietzel 1921).

Another emphasis in Dietzel's work was agricultural and foreign trade policy. At the turn of the century, he turned into an opponent of a group around Max Sering, Gustav Schmoller and Adolph Wagner, who propagated a balanced agro-industrial structure of the economy. Dietzel, in contrast, advocated a purely industrial structure which he defended – particularly with respect to its social repercussions – based on its participation in the global economy (Dietzel 1900; 1900a; 1903). Explicitly distancing himself from Wagner, Dietzel pointed out that “the so-called national economic policy is asocial” (Dietzel 1903, 115).

Dietzel's argumentation is based on the so-called “law of contrariness” (*Konträrsetzung*), which he developed following Thünen. It states that wages develop in the opposite way to the movement in prices, but that it moves in the same direction as overall productivity. If production occurs on inferior land due to protectionist agricultural policies, prices will rise and wages will fall. This can be avoided by participating in the global economy (Dietzel 1901; 1903).

Bearing in mind these positions of Dietzel, it is not surprising that Paul Mombert stresses in his *Geschichte der Nationalökonomie* how Dietzel has become “the staunchest advocate, besides [Lujó, NG/SK] Brentano, of liberal trade theory in Germany” (Mombert 1927, 489). Dietzel's positive assessment of free trade and industrial development is matched by his optimism regarding technological progress, which he believes is promoted by capitalism (Dietzel 1922). It is important to also mention Dietzel's harvest theory of cycles, which places him in the proximity of William Stanley Jevons's business cycle theory.⁴

In what follows, though, we discuss exclusively Dietzel's methodological considerations and, in particular, his specific formulation of the economic principle.

3. The Relationship between Historical Method and Economic Theory

Adolph Wagner regarded his student Dietzel as his “only” follower (Weber 1935, 386; Arndt 1935, 798), and thus Wagner had Dietzel prepare the part on theoretical economics of Wagner's comprehensive project *Lehr- und Handbuch der politischen Ökonomie*. Dietzel published the volume in 1895 as *Theoretische Socialökonomik. Erster Band: Allgemeiner Teil*.⁵ The title already points to one of Dietzel's main matters of

⁴ See especially Dietzel (1903; 1909). Spiethoff (1948, 659–60) calls Dietzel's harvest theory “astute and penetrating the nature of things.”

⁵ The “specific part” has never been published, see Nau (1997, 166). Nau suspects that the dissent between Wagner, a state socialist, and Dietzel, an advocate of liberalism, with regard to their basic political tenets foiled the second volume. Eugen Friedrichowicz suspects though that there were differences regarding the content: “A convinced follower of Wagner in the beginning, he published in 1895 the first part of theoretical socioeconomics for Wagner's *Lehr- und Handbuch der politischen Ökonomie*. Wagner, though, did not like the volume, which is why the second part was never published.” (Friedrichowicz 1912, 107)

concern: contrary to a solely historical approach implied in the notion of *Volkswirtschaftslehre*, Dietzel advocates the development of theoretical socioeconomics (*theoretische Socialökonomik*), which proceeds “unhistorically”: Theoretical socioeconomics

isolates what happens economically, isolates the principle of causality (*Causalmoment*), and isolates the economic motive (*wirtschaftliches Motiv*). The purpose and the consequence of this limited perspective is to research the specific nature of what happens economically as well as the specific way the economic motive works (both are really the same thing). (Dietzel 1895, 68).

As early as in his 1882 dissertation *Ueber das Verhältniss der Volkswirtschaftslehre zur Socialwirtschaftslehre*, Dietzel pleads for equal recognition of classical theory and historical method: “Because the phenomena that make up the subject matter of *Socialwirtschaftslehre* and those that make up the subject matter of *Volkswirtschaftslehre*⁶ are not the same, both disciplines must continue to coexist side by side.” (Dietzel 1882, 68). Thus Dietzel does not deny the necessity of inductive reasoning and the “fame of the Historical School” (Dietzel 1895, 64). He criticizes, however, the Historical School’s inclination to “glorify induction as the absolute method” (Dietzel 1891b, 692) and argues that “an infinite amount of energy could be saved if economic historians would have a set of theoretical economic theorems at their disposal” (Dietzel 1895, 70). To clarify this standard of theoretical conception, particularly in the tradition of Ricardo (Dietzel 1882, 9), Dietzel drafts an independent terminology and programmatic vision which he at first terms *Socialwirtschaftslehre*. Later – probably on the suggestion of Wagner (1892, 265–266) –, he changes the term into *Socialökonomik* (first in Dietzel 1883, 566).⁷ Dietzel’s position legitimates both schools:

“March separately, but fight together” (*Getrennt marschieren, vereint schlagen*), this is true here as well. It’s not aut-aut, but et-et. Economic historians and economic theorists must not be opponents, as they are today. They have to understand that they need each other. (Dietzel 1895, 73).⁸

As a consequence, it is not surprising that Dietzel was not only said to have had an affinity to classical theory (Eucken 1951, 84) and even to the Austrian School, despite the divergences regarding value theory (Weber 1935, 386) – and yet some also consider him a representative of the Historical School (Beckerath 1962, 9).

The recognition of historical and theoretical methods, of course, is not an original merit of Dietzel. It is well-known that for Gustav Schmoller, the two methods of induction and deduction belonged together like “the left and the right foot for walking” (Schmoller 1895, 555). Carl Menger, too, was convinced of the necessity for “bipedality” in political economy (Menger 1883, VI). What is original about Dietzel’s ap-

⁶ “We ascribe *Volkswirtschaftslehre* for its ethical-psychological character and the relativity of the solutions at which it arrives through the method of induction.” (Dietzel 1882, 10).

⁷ Dietzel (1895), particularly on p. 54, derives the term *Socialökonomik* from the term *économie sociale* in Jean-Baptiste Say’s *Cours complet d’économie politique pratique*. See Swedberg (1998, 177–79) and Kolev (2018; 2020) for the history of these terms. It is unclear whether Weber later borrowed the term from Dietzel, see Swedberg (1998, 285–86).

⁸ See also Kobayashi (2001, 69).

proach, though, is his isolating method (*Isolirmethode*) which mediates between the two approaches.⁹

With his isolating method, Dietzel places himself in the classical tradition of Karl Heinrich Rau, Friedrich Benedikt Wilhelm von Herrmann and Johann Heinrich von Thünen, whose method Dietzel wanted to revive after the long neglect by the Historical School (Dietzel 1893, 571). But here again, Dietzel was certainly not the only German economist who aimed to do that. Note that Carl Menger demanded a precise direction of theoretical research “on the basis of the isolating method (*Isolierungsverfahren*)” (Menger 1884, 19). Eugen von Böhm-Bawerk declares his support for the “abstractive-deductive school” (Böhm-Bawerk 1924, 178), while Friedrich von Wieser considers “isolation a makeshift” (Wieser 1914, 921). Adolph Wagner, too, discusses the isolating method (Wagner 1883, 271), although he remains skeptical about the practical relevance of the method (Wagner 1886, 226).

Despite all this groundwork, Dietzel reviews the isolating method systematically and in detail, and in a way that transcends the discussion of his predecessors. While Dietzel stresses the necessity for the method already in his dissertation (Dietzel 1882, 57), he really defines it in *Theoretische Socialökonomik*:

The *Isolirmethode* means the following. We analyze which effects would take place under the assumption that any given natural force under given circumstances works in isolation. We determine the specific way in which specific causal factors – effective in reality – work, under conditions that may never even be actually present in reality. (Dietzel 1895, 16–17).¹⁰

The goal of isolation for Dietzel is therefore to determine and systematize existent causalities. In this way, socioeconomics attempts – by analogy to the natural sciences (Dietzel 1891b, 689; 1895, 16–19) – to discover correlations and interdependencies with regard to economic causalities. This means that the economically relevant aspects are isolated from the historical and social context:

It is the task of economic social theory to grasp, in conscious abstraction, the nature and causality of social life, and to discuss and portray it scientifically and systematically. At the same time, of course, social life is in empirical reality exceedingly complex, and governed by complex physical and psychological causal interdependencies. (Dietzel 1884, 218).

In his analysis, Dietzel is particularly interested in what he calls “fabricated society”, which he regards as a “purely economic community sharing common interests”. It should also be pointed out that certain aspects of Dietzel’s expositions resemble Hans Vaihinger’s (1911) philosophy of “as-if”, in the sense of pragmatic fictionalism:

Social theory is only meant to discover the unique causality of the economic social world. Actually, however, the economic social world is inextricably linked to the entire social existence. This is why we pretend that economic cause alone governs and concerns society, as if only economic reason were at work in society. Without methodological tools, causal insights into this aspect of social existence would be impossible. (Dietzel 1884, 221).

⁹ See Horn and Kolev (2020; 2021) for a recent literature review on the *Methodenstreit*.

¹⁰ As for the legitimization of this method in recent scholarship, Dietzel cites in his dissertation Wilhelm Roscher, along with Wagner (1882, 57). In *Theoretische Socialökonomik*, Dietzel refers to Jean-Baptiste Say and to the American economist Francis A. Walker (Dietzel 1895, 25).

4. Economic Principle and Economic Order

In Dietzel's work, the link between the historical-realistic method and abstract theory is the economic principle (*wirtschaftliches Prinzip*). For him, the economic principle constitutes the main insight into the economy, obtained through abstraction and isolation. In *Theoretische Socialökonomik*, Dietzel writes:

For theoretical socioeconomics, there is only one economic society (*Wirtschaftsgesellschaft*). Theoretical socioeconomics disregards and abstracts away from the fact that individuals do not form a community due to economic motives only, and that they do not have economic goals only, but many others ... It is assumed that individuals are guided solely by their acquisitive drive and that they are economic men (Mill). It is, then, the basic research question of theoretical socioeconomics which phenomena – mediated by the will of these economic men – can be found in such an economic society, if a given economically relevant event occurs. (Dietzel 1895, 68).

Dietzel delivers his most detailed review of the economic principle before publishing *Theoretische Socialökonomik*, namely in his essay "Contributions to the Methodology of Economics" (Dietzel 1884). The starting point of his reflections is the Historical School's critique of the classical doctrine of self-interest (*Egoismus*). In conscious contrast to Menger (1883, 78), Dietzel points out that:

there is evidence that the premise of "self-interest" must indeed be abandoned and replaced by the "economic principle." This is possible without the need to modify in any way the theorems that have been arrived at through the premise of "self-interest." (Dietzel 1884, 33).

The core of Dietzel's idea is that economic theory no longer needs to take the "psychological constitution" and the "self-interest" of an economic individual into account (Nau 1997, 211). Rather, one can refer to the rational behavior of the individual who chooses the best means to achieve a given end (Dietzel 1884, 34).¹¹ Consequently, the motive of any economic action is irrelevant, only the method counts. For him, the "law" of human behavior is an "ethically colorless affair" (Dietzel 1884, 34) and an "ethically indifferent method" (Dietzel 1884, 41):

People do not send their children to the minister who takes the lowest Sunday School fees. People also do not choose a specific doctor or lawyer only because he is the one who will charge them least. But when people want to buy a hymnbook, medication, or some law textbook, they do inquire about the cheapest store. (Dietzel 1884, 43).

Regarding the history of economic thought, Dietzel seeks legitimacy by referring to John Stuart Mill's "economic man" (Dietzel 1895, 78–80). Note that Dietzel quotes the following passage from Mill's essay "On the Definition of Political Economy":

¹¹ Schmoller praises Dietzel for this method. In his concise dictionary entry, Schmoller writes: "H. Dietzel's approach promises to derive an abstract socioeconomic theory from man's purposeful striving for material goods, which can without hesitation be associated with the economic principle in action. Dietzel's is perhaps the most successful attempt so far to put a uniform force on top of everything." (Schmoller 1894, 553–554). Dietzel obviously feels flattered by this statement and takes pleasure in referring to it (Dietzel 1895, 81).

Political Economy is concerned with man solely as a being who desires to possess wealth and who is capable of judging the comparative efficacy of means to the end etc. (Dietzel 1895, 80).¹²

For Dietzel, this *Wirtschaftsmensch* is the basis for theoretical socioeconomics. Dietzel is convinced that his assumptions could have prevented numerous clashes with the Historical School, if only these assumptions had been applied consistently to the economic principle and not to self-interest.

Dietzel's reflections on the *Wirtschaftsmensch* and the economic principle, however, do not only have consequences for his conception of the economic agent, but also for his basic conception of the economic order. Dietzel conceives a tight relationship between the premise of the economic principle and the assumption of a system of free competition:

General "laws," which intend to grasp economic causalities in isolation, can only be a subject matter to research if the cause "economic interest" can be at work in isolation. This is the simple methodological-practical reason for the abstract hypothesis of "freedom of interaction." (Dietzel 1884, 241).

It is not Dietzel's intent, therefore, to favor the system of free competition in political reality. His point is to clarify the necessity of these assumptions for the method of socioeconomics. For only under these assumptions is it possible, according to Dietzel, to obtain economic laws at all (Dietzel 1884, 196).

At the same time, this is what has to be considered as Dietzel's critique of classical self-interest thinking (an error mostly committed by the classical epigones), and of the rejection of the concept by the Historical School. Because of the equation of self-interest and free competition (an equation that has generally been considered sound by followers of the classics), the Historical School abandoned and rejected the system of competition along with individualism. Dietzel attacks this inference, and finds particular fault with the mingling of methodological functions and economic policy functions:

This victory of the "historical" method of "relativity" over the "deductive"-axiomatic method in the "theory of politics," and the recognition of collectivism beside individualism, has led to the situation that the doctrine of organizing principles (*Lehre von den Organisationsprinzipien*) is almost entirely suppressing the analysis of economic life through the deductive-abstractive method. With its more or less publicly professed view that the legitimization of the 'system of free competition' by the method of 'pure' theory involves the recommendation of the system of free competition in practice ..., the predominant school of thought has come to obstruct the progress of this theory. (Dietzel 1884, 194).¹³

These reflections induced Dietzel to assume that "social premises" are also a determining reason for the theorems. Although he is aware of the fact that there are always different economic constitutions in reality – Dietzel calls them hybrid forms (*Misch-*

¹² Dietzel does not give a reference, but the passage can be found almost verbatim in: Mill (1844, 137). In this passage, Mill also emphasizes the necessity of abstraction: "It [political economy, NG/SK] makes entire abstraction of every other human passion or motive." See Persky (1995, 223).

¹³ See also Schelting (1922, 722).

verfassungen) (Dietzel 1895, 86) –, he is certain that, within a theory, it is possible to abstract away from these:

It is the task of economic historians to describe and explain the long and colorful series of historical economic constitutions. Economic theorists, though, have to confine themselves to the analysis of two polar, basic forms of economic constitution: non-centralized, free competition (*Concurrenzsysteem*) and centralized collectivism (*Collectivsysteem*). (Dietzel 1895, 86).

In a system of free competition, individuals interact freely in the economy. These interactions are shaped distinctively by the nature of the contractual bonds:

The social phenomena present in a system of free competition come about by sovereign economic subjects entering contractual bonds because they need each other. (Dietzel 1895, 122).

For coordination in centralized collectivism, by contrast, Dietzel assumes a collective subject whose behavior – if guided by economic motive – is similar to that of an individual subject.

As the two decisive basic norms for both the system of free competition and the system of centralized collectivism, Dietzel names two opposed propositions: the social principle (*Sozialprinzip*) and the individuality principle (*Individualprinzip*):

First the social principle, which is the proposition that the social entirety (the abstract whole of all individuals) is the highest purpose, with the individuals servicing as organs in the life of the social body ... Second the individuality principle, which is the proposition that the individual is the highest purpose; that all higher and lower social organizations ... are only means for the individual who is part of these organizations to achieve his objectives. (Dietzel 1923, 409).

From today's perspective, it is puzzling that Dietzel associates socialism with the social principle and communism with the individuality principle. In doing so, Dietzel refers to the observation that socialist theories “derive their deductions from the social interest, from the right of the society” (Dietzel 1888, 30). Communist approaches, in contrast, stress the equality of individuals; from that, they “derive a claim for ‘*bonheur commun*’” (Dietzel 1888, 31). This why for Dietzel, “liberalism is the older brother and communism the younger brother born from the individualistic doctrine.” (Dietzel 1923, 424)¹⁴ This reasoning is easier to understand when one considers that for Dietzel, the distinction is primarily a tool to study the history of economic thought, not to propagate a factual antagonism of the two systems in reality:

The advocate of the social principle, too, may draw the practical conclusion of “*laissez faire*.” Because ... competition, that is the fight for economic existence, results in the “survival of the fittest.” Only economically more valuable individuals can prevail, economically less valuable ones are exterminated. “Social selection” takes place, and through it the perfection of mankind. (Dietzel 1923, 412).¹⁵

To conclude, it is certainly justified to regard Dietzel's conception of the economic principle as the foundation of an institutional theory of economic order (Brandt 1993, 108). Even if the association of societal basic norms with the economic system is not

¹⁴ Nevertheless, Dietzel observes a “more or less deep divide” (1923, 420) between liberal systems and communist systems, since the communist systems are different from earlier forms of individualism, particularly as regards questions of property and the idea of justice in the sense of “multiplied liberalism.”

¹⁵ Dietzel engages in a longish controversy about these views with Karl Diehl (1940).

definite or unambiguous, we can certainly expect a system of free competition when the individuality principle is dominating, and a system of collectivism when the social principle is dominating. Only the system of free competition, however, is of analytic interest, since it is the only one in which economic laws can be shown to operate.

5. A Generation Later: The Economic Principle in Ordoliberalism

Despite the consent that while studying in Bonn from 1911 to 1913, Walter Eucken's thinking was decisively shaped by Heinrich Dietzel's lectures (*e. g.*, Miksch 1950a, 283; Jöhr 1950, 260; Holzwarth 1985, 14; Lenel 1990, 15; Yamawaki 2001, 189; Kasprzak 2005; Klinckowstroem 2023), none of the authors offers a systematic examination of Dietzel's influence on the head of the Freiburg School and the co-founder of ordoliberalism. Yet, especially with regard to the idea of the economic principle,¹⁶ there are clear links between Eucken and Dietzel, as is clear from the following passage from *The Foundations of Economics*:

Everywhere men try in their economic plans and resulting actions to attain a certain end with as small an expenditure of means as possible. They always follow the economic principle. (Eucken 1950, 281).

In his portrayal of the economic principle, Eucken apparently places himself in Dietzel's tradition (Eucken 1950, 345, note 61). Even the example chosen by Eucken for purposes of illustration reminds very much of Dietzel's writings:

The head of a monastery may well have no notions of aiming at the maximum profit and act entirely in the service of humanity, but in cultivating his fields, using raw materials, buying goods, and spending charitable gifts, he will be planning and acting in accordance with the economic principle. That is, he will be trying to fulfil a particular purpose with the minimum possible expenditure, in order to maximise the welfare from his fields, raw materials, etc. (Eucken 1950, 345, note 61).

Like Dietzel, Eucken keeps the assumptions to a minimum in order to stay as close as possible to reality. Consequently, in an early essay ("Was leistet die nationalökonomische Theorie?"), Eucken harshly rejects the homo oeconomicus concept, even if it is meant to solely serve as a tool for cognition: "Theoretical research doesn't need the homo oeconomicus" (Eucken 1934, 23).¹⁷ In this respect Eucken, like Dietzel (1895, 175), "trusts" in reason:

¹⁶ In contrast, the connection to the *Isolirmethode* is not as strong as one would suppose at first. It is true that Dietzel's method bears resemblance to the program of "pointedly distinguishing abstraction" or "isolating abstraction," laid out in *The Foundations of Economics*. Eucken's method, however, is based on phenomenological methods and focused on discovering "an objective, general truth ... evident in the light of reason" (Eucken 1934, 29). For a detailed review see Goldschmidt (2002, 151–54; 2013).

¹⁷ Explicitly, however, Eucken names Dietzel a representative of this (rejective) view. Likewise, Eucken refers to Menger and Alfred Marshall (Eucken 1934, 22). This can be explained by the fact that Dietzel keeps on referring to the "economic man."

It [economic theory, NG/SK] should not ask whether man's needs are moral or immoral, reasonable or unreasonable. Economic theory only assumes that man acts in a rational way when choosing the means to satisfy his needs. (Eucken 1934, 22).

Both economists, therefore, hope to retain a realistic and rather neutral principle by leaving out psychological motives.

There are also parallels between the economic order and the economic principle in Eucken's and Dietzel's work. Taking economic constitutions as a starting point, Eucken elaborates in *The Foundations of Economics*:

Our conclusion is that, as in the study of the many different forms of economic organisation, so in studying man in his economic life, one must put on one side obsolete classifications and look at him as he is and has been (Eucken 1950, 292).

Even if we omit the specific criteria to identify individual systems – for Eucken, these are determined by the objectives of the economic subjects –, a certain affinity between Dietzel's system and Eucken's *Foundations* is nonetheless evident. Eucken also classifies the basic polar forms of the economy mentioned above as the appropriate perspective:

In this way we shall obtain a precise conception of the two pure forms which are to be met with in whatever periods we study: they are the ideal types of economic systems we call *centrally directed economy*, in which there is no exchange, and the type of system we call the *exchange economy*. (Eucken 1950, 118).

Eucken was well aware of this parallel to Dietzel's thinking. Note that in *Principles of Economic Policy*, Eucken quotes the relevant passages from Dietzel's *Theoretische Socialökonomik* – besides Mill's *Logic* – as a reference for the differential effects of economic “laws” in the two forms of organization (Eucken 1952, 99). However, Eucken gives them a sharper profile in that he basically considers them the two ultimately relevant alternatives: all hybrid forms, according to Eucken, are transitional (Eucken 1949, 22).

In spite of all the parallels between Eucken and Dietzel, this aspect clearly separates them, and this is fundamental when it comes to the matter investigated here. When portraying the aforementioned constitutions, Eucken always has an economic policy decision between those two forms in mind. Dietzel, in stark contrast, attempts to make a rigorous separation between political and methodological examination. It follows that for Dietzel, an inquiry into collectivism is irrelevant – since it is impossible to “deduce general ‘laws’ except under the condition of ‘freedom of interaction’” (Dietzel 1884, 245).¹⁸ Eucken takes the opposite argumentative direction: the methodological distinction serves as the starting point for economic policy premises. Hence, elaborate analysis is a central tool to identify the desired order. This is a strong normative element in Eucken's thinking. Dietzel brings up the basic norms for analytical reasons, even though they are ethical principles, and follows rather evolutionary tendencies when it comes to putting them into practice. Eucken, on the contrary, associates the

¹⁸ Dietzel modifies the analytical neglect of collectivism in *Theoretische Socialökonomik* by calling for a theory of collectivism (*Lehre vom Collectivsystem*). In this respect, Dietzel locates himself as being under the influence of Emil Sax's *Grundlegung der Staatswirtschaft* (Dietzel 1895, 88). See Sax (1887, 33–6).

basic ethic norms with very basic requirements for the constitution. This means that Eucken is not so much interested in identifying different principles in history; rather, he wants to identify a order which “enables man to live a life in accordance with ethical principles.” (Eucken 1952, 199).

6. Conclusion

In Dietzel’s aspirations, his version of theoretical socioeconomics, in particular the concept of the economic principle, might give the *Methodenstreit* a new turn:

To approach its causal forms, economic theory does not isolate the empirically potent motive “self-interest,” while neglecting the empirically less pervasive motive “altruism.” Rather, economic theory abstracts away from the existence of other motives than the economic motive, whose causality alone it wants to identify. It then isolates the economic motive and examines the reaction of “economic men” to economically relevant events. These reactions are determined by assuming the principle of reason, the so-called “economic” principle, as basic to all human action. If only people started to acknowledge this, there would be much more solid foundation for our methodology. (Dietzel 1901, 694).

Dietzel’s approach has a specific, albeit limited, value: theoretical socioeconomics as a branch of the social sciences can only achieve “hypothetically correct results,” and what it does is “preliminary groundwork” only (Dietzel 1901, 695). The economic principle is one pattern of human interaction among many, and its explanatory power is limited to pure market processes. This self-restriction of economics could, however, provide interesting stimuli. The individual economic agent and one’s cognitive processes cease to be the starting point for economic and social development. Instead, historical and cultural circumstances come to explain human interaction (Goldschmidt, Grimmer-Solem and Zweynert 2016). In other words: Dietzel’s approach could, indeed, serve as an argument for a methodic-systemic approach, in the sense of contextualization and the analysis of multiple factors. However, stating that economic agents act in accordance with a uniform economic principle in an economic society does not really say too much about the actual development of society as a whole.

By contrast, as this article has hopefully shown, it is structures and institutions as determinants for economic action (*i. e.*, economic orders) which are pivotal for economic analysis as well as for identifying opportunities for and limitations of structuring society. To sum up: It is not a question of morality that economic agents follow the (empirical) economic principle within the economic order. As Eucken’s student Leonhard Miksch argued in 1950, the willful “neglect of the economic principle ... can only be found in mental homes.” (Miksch 1950b, 38).¹⁹

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¹⁹ See Goldschmidt and Berndt (2005) for some context.

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