

PROFESSOR HANS CHRISTOPH BINSWANGER

LIFE AND WORK OF AN OUTSTANDING SWISS ECONOMIST

(19 June 1929 – 18 January 2018)

OBITUARY

On 18 January 2018, Prof. Hans Christoph Binswanger died unexpectedly, despite his advanced age. He was scientifically and socially active for the rest of his life.

Hans Christoph Binswanger was one of the most eminent contemporary economists in Europe and the world. He was known for treating economics as part of socio-cultural life. From 1969 to 1995 he was a full professor of economics at St. Gallen University in Switzerland. In addition, he held various honorable positions at the same University as the Director of the National Economy Research Community (Forschungsgemeinschaft für Nationalökonomie) in 1962-1992, and in 1992-1995 as the Director of the Institute of Economy and Ecology (the first scientific institute in the German-speaking countries, combining economic, environmental and social issues). Professor H. Ch. Binswanger was primarily concerned with the economy of the environment and natural resources, the theory of money, European integration and the history of economic thought. The key practical achievements of H. Ch. Binswanger were the concept of agricultural direct payment in Switzerland and the European Union, the concept of environmental taxes in Germany and the concept of the European Union's Ecological Council, which has not yet been implemented in practice.

Professor Binswanger's life path deserves attention. He was born on 19 June 1929 in Zurich as the son of writer R. Binswanger and painter M. Binswanger (nee Goetz). He spent his childhood and youth in Zurich, as well as in Ascona, Überlingen, Kreuzlingen and Zaton on the Dalmatian coast. H. Ch. Binswanger came from a well-known scientific dynasty, which since 1850 has produced a few generations of well-known psychiatrists and doctors. The private clinic "Bellevue" in Kreuzlingen was the basis for the economic life of the Binswanger family for several generations. The Binswanger's family came from Ostenberg in Bavaria and the Professor's great-grandfather, Ludwig Binswanger (the Elder) went from Judaism to Christianity, baptizing in a Protestant faith.

Despite the medical and psychiatric traditions in the family, the parents of H. Ch. Bingswanger were artists, creating an artistic colony in Arsona and Überlingen by Lake Constance (Kley, 2010).

The undertaking of studies in economics by Hans Christoph Bingswanger was a big surprise, and the future prominent economist studied "social economy" at the University of Zurich. There he also wrote his doctoral thesis on the European Union. Since 1959 took up a job at the College of Commerce (now University) in St. Gallen, Eastern Switzerland. He also wrote there his habilitation dissertation on the relationship between the real economy and money. He took care of 30 doctoral dissertations and about 100 diploma papers. Since the early seventies of the twentieth century, his works had been dominated by environmental issues. At the end of the 1970s and in the 1980s, his Swiss and European position was consolidated. However, the work "Money and Magic" brought him world fame, where he undertook the economic interpretation of Goethe's work "Faust". Thanks to his activity, it was founded in 1992 the Institute for Economy and Ecology at the University of St. Gallen, where he was its director together with professor Th. Dyllik for two years. Simultaneously in the years 1969-1980 H. Ch. Binswanger was a member of the Municipal Council of St. Gallen, representing the moderate liberal party Freisinnig – Demokratischen Partei (FDP).

The considerations of professor Binswanger focused on the following understanding of economics as science: (1) the subject matter of economics; (2) the recognition of also non-scientific forms of economic knowledge; (3) the diversification of the human image; (4) philosophical-ethical nature of the problems posed by economists; (5) practical-political orientation of this discipline. Hans Christoph Binswanger wanted to have a broader understanding of the subject matter of economics, because it could not be confined to the economy alone. Economic research must necessarily take into account the state, law, society, culture and the environment. Since the economy is part – and increasingly more important – of the whole contemporary culture and the world in which people live. Moreover, the economy must be taken into account in its historical, institutional and cultural context. Such a postulate concerning economy was also close to the Historical School of Economics, which was very well-known in the German-speaking area. In H. Ch. Binswanger's point of view, economic knowledge cannot come from economics alone, as there are also non-scientific forms of economic knowledge. According to Professor, such knowledge includes myths, philosophy, literature, poetry and ethnographic knowledge. Such economic knowledge is also offered by belles-lettres. It was shown by H. Ch. Binswanger on the example of Goethe's "Faust". This is because the "world of interests" require a critical observation and expressing doubts in the scope of its operation. H. Ch. Binswanger, based on different sources of knowledge, represented a broader, more diverse human image. The neoclassical theory represents a "picture of man" who maximizes only his own benefits. Therefore, *homo oeconomicus* – apart from many human aspirations – is only a theoretical construction.

Economists in their scientific studies usually refer to philosophical-ethical problems. Although there is usually an instrumental understanding of economics, normative questions cannot be avoided. Economic policy should take into account management objectives such as price stability, full employment, the balance of payments sustainability, the stabilization of environmental conditions and quantitative economic growth. H. Ch. Binswanger supported the ethical approach in economics as a co-author of the so-called "the oath of economist", where knowledge, abilities and the influence of economists should serve increasing the prosperity of one's own country and the world; whereas prosperity should enable every human being to live in conditions of dignity and economic independence, and natural resources as well as productive capital should be used so that future generations can find for themselves a world worthy of a dignified life (Kley, 2010, s. 90). For H. Ch. Binswanger economics was primarily a practically targeted discipline, and the development of economic theories should not be an end in itself. Such a practically targeted economics was also political in its nature. H. Ch. Binswanger understood his activities as "political", in which he was engaged for over forty years. In his view, economics should give new impulses to political activity by conveying new ideas. H. Ch. Binswanger considered himself to be a moderate liberal, and more broadly as a pragmatically oriented, liberal humanist.

In H. G. Nutzinger's view, the basic problems characteristic of the whole work of H. Ch. Binswanger were already included in his book *"Money and Nature"* published in 1991 (Nutzinger, 2010, p. 122). In the context of these views we should also consider the book *"Money and Magic"* (1985), where the author undertook not only the economic interpretation of Goethe's "Faust", but he also sees in Faust the prototype of a "modern man", who treated the whole world as his "dominion", and thus accepted the pursuit of the world's mastery for his own benefit (Nutzinger, 2010, p. 122; cf. Binswanger, 1991; see Binswanger, 1985, 2005). However, this point of view ultimately has led to a global socio-economic and environmental crisis. According to H. Ch. Binswanger, the basic problems of economy are associated with stabilized energy consumption, the reduced use of natural resources and devastation of the environment, as well as job security. Professor also critically assessed the development of agriculture, as a supporter of shaping agriculture and agricultural policy towards organic farming. He demanded the introduction of qualitative growth in the conditions of taking into account natural and social constraints. The postulate of moderation for sustainable management is indicated by his basic assumptions in the book "Towards Moderation" (Binswanger, 2010; Binswanger, 2016, pp. 55-78). In his view, institutional developments in the monetary and financial sector, as well as low, but globally stable growth rates, should prevent economic growth from turning into a variety of speculative bubbles. Since the dark side of the coercion of growth is the periodic contraction (collapse) of the economy and economic crises and, above all, financial crises, as well as the low level of economic stability. Economic sectors such as agriculture and energy management also demanded significant changes.

It has become necessary to make a rational transition from the postulate of maximum economic growth to "moderate economics". The spiral of money proliferation,

economic growth and environmental damage must be avoided. In his view, it is nowadays possible to protect the sustainable basis of management of, among others, energy reserves and sustainable meeting of needs. The current economic crisis is present in three areas: in the monetary field, in the real economy and, finally, in the natural foundations of social life and management. A new institutional and legal framework for the economy of moderation has become necessary.

In the case of Binswanger's work, it was characteristic to deal with the history of economic thought. He was one of the outstanding experts in economic thought history. Binswanger studied the history of the introduction of paper money, including the failure to introduce paper money, in the experiment of a banker J. Law in the seventeenth century. Another important issue for Binswanger was the theory of George Schlosser's imaginary needs, as well as Johann Heinrich von Thünen's theory of equitable pay. However, H. Ch. Binswanger devoted much attention to interpretation of Goethe's "Faust" its main character's actions. Three aspects of "Faust's" work seemed to H. Ch. Binswanger the most important: the creation of paper money, the institutionalization of the Roman concept of ownership and the possibility of extensive use of mechanical energy in economy. In "Faust" H. Ch. Binswanger indicates that the development of capitalism was associated with the absolute expropriation of small owners (Filomen and Baucis), the destruction of nature, as well as an illusion of the boundless possibilities of technical and economic, and even civilization achievements.

L. Ribaux briefly characterized H. Ch. Binswanger as a politician. He was politically involved as a member of the Municipality Council of St. Gallen, as well as in the proposal of the EU Ecological Council to interrupt the dynamic of "blind" growth and development that was not in line with environmental and social requirements. H. Ch. Binswanger linked "the material world of economy to social phenomena. His work and effects are characterized by ideological openness and human dimension" (Ribaux, 2010, p. 157).

In 2006 H. Ch. Binswanger published the book "Growth Spiral. Money, energy and creativity in the dynamics of market processes" (Binswanger, 2011). This book, which is in a way a summary of Professor's rich scientific achievements, explained the phenomenon of economic growth characteristic of contemporary capitalism, or rather its continuous growth, having the character of a spiral development. Economic growth began to be one of the best known economic concepts of only from the 1960s onwards. It is characteristic that in the neoclassical theory of economics, on the one hand money, and on the other hand nature (including energy and other natural resources) played a very small role. However, it was only the inclusion of these factors of production that led to a new approach in the scientific and political discussion about the conditions and opportunities for economic growth. The real reason for the postulate of growth was also the way in which the entire modern economy operated, which was oriented towards continuous growth. However, it is not a matter of keeping the growth rate as high as possible, but of maintaining a minimum global growth rate. The minimum growth rate for the global economy is estimated at 1.8%, assuming a single currency area and not taking natural differences into account (Binswanger, 2011, p. 2950).

Without taking nature into account, in particular energy, the importance of money and human creativity, growth would then remain unexplained, as could be seen in neo-classical theory.

In H. Ch. Binswanger's view, the goal of unrestricted economic growth has been a mere illusion, leading to increasingly difficult economic and social problems. This threatens the current and future generations' ability to achieve their objectives on a more secure basis. There is a need for further systematic development of economic theory. It became necessary to link money and nature in the theory of economics, as well as polemics with the current neoclassical theory of environment in economics. Nowadays, speculative bubbles are emerging more and more often, and their "bursting" has led to, through financial crises, to economic crises, as well as environmental crises.

The lack of self-regulation of the market for resources and environmental benefits makes an ecological policy necessary. Market failure was mainly due to two factors: external costs and the need to maintain public goods. The problem of environmental protection is facing today's demands of economy, which according to Binswanger, have been very widespread in the assumptions of economics; cheap and sufficient energy supply; securing increasing mobility and the continuous development of communication routes; cheap and rapid waste disposal; the problem of large risks being taken by companies and private individuals only up to a certain upper limit. This has led to the development of high-income economic strategies in economy. These economic claims are diametrically opposed to environmental protection and the rights of employees. This is why: "More comprehensive reforms are needed to stop these tendencies to burden the environment and put the economy on a modest path" (Binswanger, 2011, p. 201).

H. Ch. Binswanger pointed to the possibility of getting out of the crisis and on the path to the moderate (sustainable) economy. These included the following actions (Binswanger, 2011): (1) establishing new structure of the monetary system; (2) sustainability-oriented enterprises; (3) long-term preservation of food supplies; (4) sustainable management of natural resources; (5) the ownership obliges – patrimony versus dominion; (6) community services as a complement to wage services; (7) the principle of subsidiarity in environmental protection; (8) the EU Ecological Council as a representative of future generations.

Continuous economic growth after the Second World War has led to a huge increase in wealth. However, it is increasingly triggering speculative financial bubbles, which are being transferred to the real economy and are manifested in economic crises. According to Binswanger, effective control of money creation implies an appropriate reform of the monetary system, namely the idea of 100% money coverage (proposed already by Irving Fisher), in accordance with which the central bank would have the exclusive right to create money and the other banks would be obliged to cover their claims with 100% by the central bank. The banks would then be able to grant loans within their central bank money. Such a situation would exclude inflation and deflation, a speculative increase in the amount of money. This would increase the economy within the limits of sustainable use of natural resources. The reform of the money system would be the starting point for the strategy of moderation and thus sustainable development.

Gradually, in the twentieth century, economy was dominated by joint-stock companies, this has resulted in oligopolization and monopolization of markets linked to the increase in business profits at the expense of consumers. The joint-stock companies not only restricted competition, but also increased the tendency to speculative activities, i. e. to create financial bubbles. Such actions were, in Binswanger's view, in fact co-responsible for the various economic crises in the past (e. g. in 1929), but also for the crisis of 2007-2010. Speculative share purchases are extremely dangerous, although they are only successful if bank interest rates remain low. There is a need to transform public limited companies into alternative forms of enterprise. Such measures would enable a new way of management: maintaining competition, greater stability of economy, and target economy towards environmental protection and workers' rights. The reform of public limited companies could be seen in the light of the limitations that still were applied to them in the 19th century. However, partnerships, cooperatives and companies in the form of foundations are more oriented towards sustainable development.

It has become necessary to maintain a food supply close to the consumer. Agricultural policy is currently based solely on transfer payments. They are essential because agriculture cannot be based solely on maximizing product development, but on sustainable development. In agriculture, soil is at the same time a place of location and a basis for production, while for industry it is only a place of location. Particularly endangered has been the continued existence of agriculture in exporting countries, but also in economically highly developed countries, Agriculture is in a way doomed to sustainable development because the basis of production, so the soil is reclaimed every year.

Sustainable development is also associated with a more cost-effective use of renewable and non-renewable resources. The industrial revolution has led to an enormous use of natural resources. In the case of non-renewable resources, it is possible to postulate an exponential rule of saving in order to preserve such resources as long as possible. Reduction of energy consumption is essential here, as well as various activities related to efficiency and saving energy and raw materials.

The problem of proper ownership is also important in the use of natural resources. Traditional cultures were dominated by the notion of ownership as 'patrimony' and nowadays there is 'dominion' of Roman origin. In the case of 'patrimony' ownership is considered in terms of generation, while maintaining appropriate natural and social conditions. The principle of durability is important not only for the preservation of nature, but also for previously created buildings and works.

Many economic activities continue to be carried out outside paid employment, in the form of community service. The activities on the labor market are characterized by increasing automation and computerization of economic activity. Benefits for the community should include: welfare and social assistance, activities for the family, the care for the elderly, public safety, environment protection, agriculture, sport, the integration of foreigners, education and upbringing, youth work and development work.

According to Binswanger, future generations still do not have their representatives in society, as the modern political and economic system is based on the short-term behavior of citizens and businesses. The possibility of change is would be linked to the

creation of the Ecological Council as a body of the European Union. Its members would be recognized specialists in the field of environmental protection. It would be important for the ecological Council to be part of a democratic system and have adequate social legitimacy. In addition to its role as a catalyst for the general environmental interests and political control body, the Ecological Council would also have a basic advisory role. The Ecological Council should be autonomy, responsibility and competence in the preservation of natural resources in the EU. It would be an important body of the European Union. In H. CH. Binswanger's view: "the Ecological Council must be equipped with the appropriate infrastructure to enable it to fulfil its tasks, and in the political system it will serve as a signpost for sustainable development" (Binswanger, 2011, p. 201; more broadly: Binswanger, 1994; Kośmicki, 1995, pp. 195-201). Unfortunately, it has not been created so far in the European Union because the dominance of short-term economic interests.

In 2016 it was published Professor Binswanger's latest book entitled *"Reality as a Challenge. Crossing the borders of a certain economist. 12 essays"* (Binswanger, 2016). In the "Preface" he points out that in scientific studies it is not possible to take a holistic view of reality. The main question is the possibility of deepening and expanding knowledge. At the same time, the author's sources of research were inspired by Bible deliberations, the art of poetry and, above all by the works of Johann Wolfgang von Goethe, especially "Faust". M. Meyer-Schwarzenberger, the author of *"About the Introduction: Hans Christoph Binswanger as a representative of the rationalism of the present"* made a significant contribution to the development of this work. In his view, Professor Binswanger assumed that the world could be analyzed in a consistent and systematic way, where the laws of nature and the awareness of the universe as a whole exist. What is more, Professor Binswanger was a humanist almost classic representative of modernity, who made the subjective and rational experience of human existence a measure of all things. For H. Ch. Binswanger responsibility was the most important value, which was the essence of his views, and this is what human "wisdom" obliges to some extent.

Prof. Hans Christoph Binswanger was a great friend of Poland and Poles. Since 1962 he visited Poland many times. His wife Elisabeth also participated in some of his stays in Poland. Together with me, he visited many times Poznan, Bialystok and Eastern Poland, Wroclaw and Kobierzyce, as well as Ukraine with Lviv. With a group of friends, he visited various European countries every year, including the countries of the former Yugoslavia and the Soviet Union (including the Caucasus countries). He was also a keen supporter of European integration, the integration of refugees into European societies, and an opponent of the arms race and aggressive nationalism as well as all forms of social discrimination. The most important task for him was comprehensive environmental protection in Europe and worldwide.

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Eugeniusz Kośmicki, Prof.

Poznań University of Life Sciences

Department of Social Sciences and Pedagogy