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Mr. K. Polanyi
49 A Hornsey Lane Gardens
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SENDER'S NAME
AND ADDRESS

F. Schaffer
178 Waltham Road, Wellington
New Zealand

Dear Karl, Ilona and Kari, It is now ! F. Schafer, 138 Wadestown Rd
already a long time, since your last! Wellington, N.Z., June 16, 1946
letter arrived. How are you keeping? I hope you are well. Have you
received the two reviews of "The Great Transformation" - one in
"The Standard" Wellington, and the other one in "The Labor Call",
Melbourne? There was an ~~more~~ in "The New Leader", New York, (August 18,
1945) Unfortunately I have no copy for sending it to you. - Has the
English edition of "The great Transformation" already appeared? ~~xxx~~
- There is now a new N.Z. Labour Daily "The Southern Cross" coming
out in Wellington. I am happy to work there as librarian. I just ~~am~~
classify newspaper cuttings for them. I am now already more than
three months in this job, as the paper was founded on the beginning
of March. Let us hope that we win the elections in December. ~~xxx~~ We
are also worrying very much that we are not naturalized yet, though
I have applied already in October last year. - What are you doing?
Are you working on another book? I just am repeating Keynes, as his
school because of the stress laid upon the psychological moments
determining investment seems ~~me~~ to fit in our theory. I definite-
ly would be inclined to explain the so-called late capitalism as a
kind of relapse into an "Exchange Economy". For Big Business - and
this did not exist in the Ricardian set up - forges often ~~maximum~~
profits in favour of power political motives. Hence ~~xxx~~ in this
case individuals are directed again by a variety of motives such
as in primitive economies, and again the profit motive is in the
background. There is indeed a lot of literature confirming this. I
mean the theory of "administered prices". These prices admit a varie-
ty of motives and hence are compatible with an "Exchange Economy",
while the 19th century capitalism fits best into the pattern of
"Purchasing Power Economy". Thus there is not only a "Double Movement"
in the sense of expansion of capitalism and at the same time of res-
triction of the markets for labour land and money. There is also an-
other aspect of this movement as expansion of capitalism and at the
same time restriction of "Purchasing Power Economic" features in
favour of "Exchange Economic" features. Two kinds of features of "Ex-
change Economy" can be distinguished; (1) Humanitarian ones - interven-
tion of State on the markets of labour, land and capital (2) Inhumanita-
rian ones - Big Business directed no longer by ~~maximum~~ profit motives,
but more or less adhering to Fascism. (Another "Double Movement") Stru-
ggle between these two "Exchange Economies" is a criterion of our
age. Do you think it is worth while to take up such a matter? I should
like to write an article about it, but I do not know, where to place it.
- We are sorry to know ~~xxxx~~ that in Britain there is now such a
food shortage. Hence we send a little parcel. Unfortunately it cannot
be more, as my wages are still the same as they were in my old manual
job, of course they will increase later, and we have still a lot to do
to pay off slowly our debts which might take about 20 years. However
we are very happy with this job. It is indeed an invaluable ~~new~~ lease
of life; ~~xx~~ now I hope to hear soon from you. With love from all of us
Yours

Felix

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9-8-48

many thanks for your letter of 7-7-48. I started the answer immediately. Above all I hope that we remain in touch with each other, and that I shall have permanently your guidance and criticism, the more the better. In order to make things easier for you I enclose a typed copy of the letter you wrote me. Thus you have now my letter of 26-6-48, your answer of 7-7-48 a copy of which is enclosed, and my reply to it.

As you wished, I shall try to say something about the application of our concepts to the business cycle and other present day issues. I have however omitted every reference to foreign trade problems, as I am at present working on an essay "Economics of Import Controls" for a competition held by the local branch of the Economic Society of Australia and N.Z. I think it would cause too much delay for this letter, if I should try to cover this field also. But if you want I would do so in my next letter. Because of the same technical reason and partly also because of obsolescence I have also left out ~~xxxx~~ this time any reference to controversies (money, value etc.) as far as they are not already covered by the following remarks.

Thus there will be the following items (without however enumerating the subdivisions)

1. The arrangement (Difference between "E.E.", "P.P.E. in narrower sense", and "P.P.E. in wider sense") -
2. "P.P.E. in narrower sense" means self-regulation, pure competition and purchasing power. -
3. "P.P.E. in narrower sense" means self-regulating business cycle -
4. Business cycle vs controlled trend
5. Keynes vs Pigou (P.P.E. in wider sense vs P.P.E. in narrower sense) -
6. Full employment. ~~xxxxxxx~~ -
7. Summary.

1. The arrangement (Difference between "E.E.", "P.P.E. in wider sense" and P.P.E. in narrower sense")

As you found my remarks on Purchasing Power Economy (P.P.E.) "fruitful" I hope that you agree with our new demarcation line between "Exchange Economy (E.E.) and P.P.E. (my letter of 26-6-48). According to it the criterion of the P.P.E. is that the individual can use its goods only by transferring them to other individuals, while in the E.E. the individuals can use their goods also without such a transfer.

Now the assumption of ~~xxx~~ individuals who can use their goods by transfer only (this is the pattern called "P.P.E. in wider sense") leads necessarily merely to purchasing power (if you want I shall explain the reason at a later occasion.) It is still possible for the possessors of the goods to use them according to their wants, e.g. possessor A might wish to sell his goods to his friend B though he offers a lower amount of purchasing power than for instance E the individual C.

We arrive at the "P.P.E. in narrower sense", if we introduce the following additional assumptions. (a) the possessors of the goods wish to sell them for a largest money gain regardless of their wants. It does not make any difference, whether this possessor is A, B, or C etc., because not personal wants are taken into account (in contrast to P.P.E. in wider sense, where possessor A might sell to individual B, because B offers the largest amount of purchasing power, while C, if he would be on the place of A, ~~xxxx~~ would sell not to B, but to D, because he likes D better than B, though D offers less purchasing power).

(b) If a buyer ~~xxx~~ has decided to buy a certain quantity of goods from a certain seller, this buyer will, whatever his wants are, always buy from a different seller, if this latter seller offers to him the same quantity at a smaller amount of purchasing power. (There is an analogous contrast to the P.P.E. in wider sense).

(c) The demand for a kind of goods increases, and the supply of it decreases, if prices fall, and vice versa. This leads to equilibrium. This is in brief the conduct of the "economic man", as it was assumed silently in most writing of the pre-Keynesian time. (cf. e.g. Hawtrey "If prices rise that is because the supply falls short of demand; if they

l.e. the seller l.e. for the seller r.e. seller

fall that is because the demand falls short of the supply. The level towards which prices always gravitate is that at which supply and demand are equal (Hawtrey, Currency and Credit, 1919 p.59)

Thus we have the "E.E." (application of the assumptions of economy to the individual,) , the "P.P.E. in wider sense as well as in narrower sense (application of the assumptions of economy to the society).

2. P.P.E. in Narrower sense means self-regulation, pure competition and purchasing power

essentially
(P.P.E. wants purchasing power. This applies to the P.P.E. in wider as well as in narrower sense, as mentioned above, within the pattern of P.P.E. in narrower sense this amounts to the statement that this pattern of the economic man's behaviour on which indeed liberal economic theory is based cannot stand a commodity money, such as e.g. the gold standard, though the commodity money corresponds to the idea of self regulation. Thus the functioning of the P.P.E. in narrower sense - of course also of the P.P.E. in wider sense - wants purchasing power, i.e. a currency which is not derived from the choice of individuals between the possibilities of using their commodities. A commodity money must lead within the pattern of the P.P.E. to disturbances, as such a kind of money is taken from the pattern of the E.E. Its use in the P.P.E. - and it was especially advocated by economic liberals - the commodity money was advocated in particular for the P.P.E. in narrower sense - was indeed accompanied by many examples, where such a commodity money had to be replaced by purchasing power during an emergency crisis (cf. e.g. Marx re the 1844 English Bank Act) in order to save capitalism i.e. businesses from destruction. Thus you see, the statement that P.P.E. cannot stand commodity money, because commodity money is taken from the E.E. and hence incompatible with P.P.E. and in particular with the P.P.E. in narrower sense, is nothing else but your statement that money as a commodity when it is bought and sold on a market must lead to self destruction of society, because it is no real, but only a fictitious commodity, i.e. because the commodity money has in the market economy (which is the P.P.E. in narrower sense) not the function of a commodity, but of purchasing power. The self-preservation of society takes then the form of taking resort to introduction of purchasing power by State intervention i.e. of managed currency, by abolishing at least temporary existing bank legislation.

(b) P.P.E. in Narrower sense means self-regulation.

The P.P.E. in narrower sense assumptions of selling regardless of wants of the sellers, and of buying cheapest, and of prices rising with falling supply and vice versa lead towards a tendency of equaling demand and supply. (cf. the above Hawtrey quotation). This state of affairs is called equilibrium, because it tends to be maintained as a permanent state of affairs, as nobody can be better off than under equilibrium and hence nobody wants to change it. Such an optimal state of affairs works itself out automatically i.e. without any state intervention, by perfect freedom of action on the part of all individuals. Thus the equilibrium is nothing else than the idea of self regulation. Hence P.P.E. in narrower sense is tied up with self regulation. That means if we leave the pattern of P.P.E. in narrower sense with its economic man behaviour, we leave also self-regulation. Conclusions see later under (a).

(c) P.P.E. in narrower sense means pure competition.

The pattern of P.P.E. in narrower sense is restricted to pure competition. (Chamberlin-Robinson) In the P.P.E. in narrower sense sellers choose between the different price offers of the buyers, and the sellers sell their goods to those buyers who offer the highest prices. Here no attempt is made to influence prices by an own price policy. Sellers just accept the different price offers as given and choose between them from the aspect of highest price only. Analogously the buyers choose only between different price offers, when they buy from the seller offering the goods at the cheapest price. Hence buyers do not make an attempt to influence prices either. But this is the state of affairs which is just defined as "pure competition", as the sellers and buyers are here to sell in order to be able to influence prices, and thus they do not make any price policy. They act only according to the "economic man" behaviour (profit maximization and wish of buying cheapest) of e.g. Robinson - Chamberlin re the case where one seller by offering a lower price than the other sellers can

abstract from them all the buyers), thus pure competition and P.P.E. in narrower sense are identical.

(a) Some conclusions

Thus the P.P.E. in narrower sense appears as the theoretical place for self-regulation and pure competition. There is indeed no room in the P.P.E. in narrower sense for monopolistic competition, monopoly, oligopoly etc, because in all these cases sellers respectively buyers are supposed to influence prices by their actions i.e. by a price policy on their own. This they are not supposed to do in the P.P.E. in narrower sense. This pattern has of course no room either for a behaviour which is not led by profit maximization or by the wish to buy cheapest. Thus the P.P.E. in narrower sense could not comprise the case, where e.g. a trust sells temporarily or even permanently at a loss in order to kill some weaker competitors e.g. because of political reasons; nor leaves the P.P.E. in narrower sense room for buyers who buy because, of tradition, political, religious etc. reasons from certain sellers, though, they charge higher prices than other sellers. The P.P.E. in narrower sense has no room either for the influence of personal qualities of the different sellers, respectively buyers on their expectations re future prices, and other items of economic and social conditions, because the simplified and uniform behaviour of the "economic man" eliminates every personal quality, a fact which makes it possible to replace e.g. one seller by another seller without altering the result of the market process. For under these assumptions a seller is no longer a human being, but just a machine selling to the highest possible price respectively for largest money gain. An analogous statement can be made re the buyers. Thus P.P.E. in narrower sense must lead to self-regulation and pure competition because of the special assumptions on which this pattern rests. But because of the same assumptions of the "economic man" the P.P.E. in narrower sense is incapable of comprising monopolistic competition, monopoly, in brief "non economic" behaviour (the example are the so called "psychological factors" - Keynes). All these items have their theoretical place, in P.P.E. in wider sense, and partly also in the E.E. (how far also in the E.E. is a point which I neglect here, because it is not important in this connection). Practically this amounts to the conclusion, that self-regulation and pure competition - the picture of economic liberalism - is incompatible with the economic reality, where this oversimplified "economic man" behaviour does not exist. (You called perhaps because of the same reason the market economy (i.e. the P.P.E. in narrower sense) a "stark utopia"). This is of course the reason - and here I arrive again at your thesis - why the market economy (P.P.E. in narrower sense) had to give way, and why intervention had to help in this process of transformation. Self-regulation and pure competition were disrupted, because economic reality was not and is not the oversimplified pattern which the P.P.E. in narrower sense means. Indeed self-regulation and pure competition never existed except in the textbooks of economics. Hence economic reality, i.e. the P.P.E. in wider sense made itself felt against the stark utopia of the P.P.E. in narrower sense, i.e. your market economy. Thus I think we both arrive at the same conclusion; you from the historical aspect, and I here from the aspect of our concepts. P.P.E. in wider respectively in narrower sense.

3. P.P.E. in narrower sense means self regulating business cycle -

Liberal business cycle theories show that there must be an automatic up and down movement - the business cycle. There are different theories (e.g. Haberler - accelerations principle, Hayek - expansion of bank credits), but all these theories have in common the assumptions of profit maximization and of the endeavour of the buyer to buy cheapest. Making these assumptions it is shown that after some time a trend is broken by a counter-tendency. E.g. if it is profitable to invest, the boom is broken increasing prices of capital goods and by increasing wages which make further investment unprofitable, thus a turning point is reached while on the bottom of the depression low prices improve investment opportunities, and thus the upward trend starts again. Clearly such an automatic and regular up and down movement wants the "economic man" behaviour of maximum profit motive i.e. the P.P.E. in narrower sense. Indeed the business cycle is here nothing else but the enlarged scheme of the self regulating market, where profit maximization etc. tend

always towards an equilibrium, which tendency however is always disturbed by a particular element (e.g. acceleration), which is of course not in contradiction to the "economic man" behaviour. Jones says (a)

Thus the liberal business cycle theory is bound to the pattern of the P.P.E. in narrower sense. The same applies of course to the policy of influencing the cycle by accepting the assumption that such an "economic man" behaviour exists. ~~XXX~~ Examples for such a policy are lowering of the interest rate in order to make investment more profitable, or vice versa; subsidizing of certain commodities to increase the demand for them by diminishing their prices.

Such a trade cycle theory which means self-regulation is of course not compatible with the economic reality, where depressions or booms may be started by "exogene" factors, such as war, monopolistic price policies, unions, public works etc. If such factors, which belong to the pattern of the P.P.E. in wider sense, are introduced, the automatic up and down movement disappears, as it is based on the oversimplified assumptions of the P.P.E. in narrower sense. The self-regulating business cycle is then replaced by consciously controlled trends which might be quite irregular and which might show up and down movement at all. For instance stable full employment maintained by Gvt action, controls of production, currency controls by Government, unions, trusts etc might lead to stability (so called "flow equilibrium" - Pigou) with elimination of oscillations. These phenomena belong to the P.P.E. in wider sense, as still the necessity of transferring the goods exists, if the individual wants to use them, and as therefore still purchasing power exists. In connection with this it can be said (cf. here also my letter of 26-6-48): As soon as the P.P.E. in narrower sense with its "economic man" behaviour goes, the self-regulating business cycle disappears and with it the so called "economic law" which says that the "crisis" business cycle will occur, whatever man will try to eliminate it. Instead of this "economic law" we enter the P.P.E. in wider sense, where economic trends are consciously controlled by Gvts, cartels, trusts, unions etc and other monopolistic bodies. (a)

XI 4. Business Cycle vs Controlled Trend

This is just a conclusion drawn from the above remarks. If the regular up and down of the business cycle is tied to the P.P.E. in narrower sense replacement of this pattern by the P.P.E. in wider sense must replace this self regulating business cycle by controlled trends, whoever is in charge of controlling it. For instance raising of wages in time of depression by Gvt action, and subsidizing of prices, and other ~~XXXXXXXXXX~~ "unorthodox" measures in order to combat a depression, a full employment policy by import restrictions, or public works etc belong to the phenomena of the P.P.E. in wider sense. They would not fit into the P.P.E. in narrower sense and hence are incompatible with self-regulation and with the assumptions of liberal economics in general.

5. Keynes vs Pigou (classics)

Keynesian economics may be interpreted as an attempt to leave behind the P.P.E. in narrower sense, because its oversimplified assumptions do not represent our economic reality. I should say that Keynes ~~xxx~~ identified the "classics" with a special case (of the preface to the "General Theory") - and I think that this special case is the P.P.E. in narrower sense - while he claimed for himself to describe the general case which I think is the P.P.E. in wider sense. For in his economics - in contrast to the classics - psychological factors and human profit principle play an important role. Here I give only two instances:

(a) The Day of Judgement

Keynes says here that savings will be continued at unchanged scale in spite of a falling rate of interest, until there is no longer any rate of interest at all. This means a state of affairs, where permanently investment sufficient to maintain full employment is not forthcoming. In this case savers are not lead by maximum profit motive, as suppose in the P.P.E. in narrower sense. For they still continue to save, though the rate of interest falls. In the P.P.E. in narrower sense however they are supposed to decrease saving, if the rate of interest falls. Thus Keynes Day of Judgement operates within the P.P.E. in wider sense, because this day is brought about by a behaviour which defies the maximum profit motive and which therefore in the P.P.E. in narrower sense does not exist.

abandonment of

(b) The psychological factors preventing a fall of the rate of interest
There is the Keynesian argument that full employment cannot be reached because the banks, even if the demand for loans in decreases, are not prepared to put down the rate of interest accordingly. Thus employers cannot secure enough loans in order to achieve investment sufficient for full employment. The reasons, why the banks do not decrease the rate of interest despite falling demand for loans may be multifarious e.g. refusal to accept any lower interest rate beyond a certain limit at all because of traditional, political etc reasons. But whatever these reasons are, they could not have room in the P.P.E. in narrower sense, because here falling demand of loans had to be met by falling rate of interest in order to increase again the demand for loans. Keynes has moved beyond the P.P.E. in narrower sense by showing that the self regulating loan market might not exist in the economic reality.

6. Full Employment

Pigou - i.e. the Classics - has against Keynes taken up again the old liberal proposition of automatical full employment which you described so well in your book. This argument assumes of course again P.P.E. in narrower sense, because the workers are supposed to sell their labour for the highest possible price, while the employers will buy it as cheap as possible. Thus the workers have so long to decrease their wages, until the whole labour force is employed. The particular thing is that this proposition assumes not only a P.P.E. in narrower sense, but in particular a socialist P.P.E. in narrower sense. For the total labour force can be absorbed by a wage increase only in this case, when the purchasing power remains constant. This however would not be the case in a capitalist P.P.E. in narrower sense because here decreased wages mean decreased incomes and hence decreased demand - the old purchasing power argument. However the fact that the argument of the self regulating full employment leads to a socialist form of the P.P.E. in narrower sense, indicates only our old feature of the P.P.E. - a social economy, where there are on ~~XXXXXXXXXX~~ the one side the consumers equipped with buying power, while the other side is occupied by the producers possessing the goods for sale. The amount of purchasing power is tacitely assumed to be constant.

At any rate the argument of the self-regulating full employment can be used only with regard to the P.P.E. in narrower sense. It cannot be used in the P.P.E. in wider sense, because here factors enter the scene - psychological facts, trusts, unions etc - which are incompatible with a self-regulating labour market. For instance big business might not want to take investment opportunities provided by the Gvt, because big business for political reasons might not want full employment. Similarly the unions might prevent the workers from taking jobs at below a certain wage, as the unions might prefer to maintain higher wages and to pay some dole for their unemployed members. *This just restates again your book.*

7. Summary

Thus there are three patterns: "E.E.", "P.P.E. in wider sense" and "P.P.E. in narrower sense". Without repeating their definitions I should like to say:
(a) The money of the E.E. is commodity money, because it is possible in this pattern to use the goods without transferring them to other individuals. This is in contrast to the P.P.E. in wider as well as in narrower sense, Both want purchasing power. If however, as it happens - often because of "confidence in money" - metallic money is introduced within the P.P.E., disturbances will arise which are then remedied often by makeshifts, e.g. lifting of bank note issue restrictions, imposing ~~XXXXXXXXXXXXXXXXXXXX~~ foreign exchange controls, foreign trade controls, ~~xxxxxx~~ etc.
(b) "E.E." and "P.P.E. in wider sense" have in common that individuals respectively sellers may use their goods according to their wants, but E.E. is still distinguished from P.P.E. in wider sense, because in the E.E. the goods can be used without transferring them to other individuals, while in both shapes of the P.P.E. such a transfer must take place. But because of the mentioned common criterion P.P.E. in wider sense and E.E. have no room ~~forxxxx~~ for self-regulation and other doctrines of ~~XXXXXXXXXXXX~~ liberal economics. If they are imposed upon the economic reality, which is very much like a P.P.E. in wider sense, difficulties must occur. The sequel is the historical process ~~which~~ of growing state intervention you have described in your book. Thus you will notice that ~~x~~ I just have restated

your book from the aspect of our concepts E.E. and P.P.E.
I hope now that you are well, and that I hear soon of you.
The more criticism, the better. Love to all of you

Felix

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27 - 5 - 52

Dr. Karl Polanyi
Columbia University
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N. Y., U. S. A.

Dear Karl,

How are you and your family? I have not heard from you for a considerable time. I hope that you and your family are happy and that you are still at Columbia University. I wanted to write to you already a few weeks ago in connection with our two ideal types of social economy and I shall deal with this matter later.

First however I should like to introduce to you two dear friends, Mr. and Mrs. Lashmipathy. They will arrive at Ithaca in September, where Mr. Laksmipathy will take up the study of economics and related subjects on a two years fellowship at Cornell University. They might be able to contact you, when they are passing through New York.

(V.) Mr. Lakshmi^hpathy is at present the Indian assistant Trade Commissioner for New Zealand. His age is 33. Politically he is connected with the Indian Labour Forum, a Socialist organisation similar to the Fabian Movement in Britain. The primary aim of the Forum is publication of articles on Labour problems. The organisation issues at present a quarterly "Asian Labour". Mr. Laksmipathy was secretary of the Forum, as long as he lived in India. Before entering the diplomatic service he started work as a public servant. He is a B. Sc. of Mysore University. He has published in "Asian Labour" as well as in other newspapers articles on Indian labour questions. In the course of his studies at Cornell University he intends to concentrate on a thesis in which he might try to point out the similarity of present Indian trends and of developments in Britain's "Industrial Revolution", an analogy you have touched in your "Transformation". Mr. Laksmipathy will of course also show that the Indian development is planned in contrast to the historical happenings in Britain.

Though his country is advancing with increasing speed, Mr. Laksmi^hpathy in his outlook is still ahead of its development. He is progressive and open minded. I remember still the occasion, when we talked to each other in your room in Vergartenstrasse about 25 years ago. It was a cold winter day. You were leaning towards the green stove and said: "I am socialist, and cosmopolitan. I am for maximum liberty, for intellectual freedom and for freedom of all kinds." This human attitude is also the outlook of Mr. Laksmipath^h. He has an open eye for social problems and their implications. He is keen and unprejudiced. He can take criticism and learns from it.

Mrs. Moona Laksmi^hpathy holds also a degree in Science (B. Sc.). You will find her a charming person who tries to help her husband as much as possible. Their first baby will arrive in October.

I should like to ask you to extend the same loving guidance and friendship which you have shown to us so generously, also to the Laksh^hmi^hpathys.

And now a few words about our theorem. In the issue of March 1950 of the "Economic Journal" I found the review of an article "Atomistic and Holistic Theory" by Göran Nyblén, published in "Ekonomisk Tidskrift", Stockholm, December, 1949. I obtained a copy in June, 1951. The gist of the article was - I translate from Swedish - "that the holistic theory considers society to be a tangible reality, which is more than a sum of isolated decision units and lays the decisive stress on the situation of the decision units in relation to each other, on the relation of the State to the private enterprises, on the relation of the social groups to each other etc. Hence a holistic theory contains elements - the author puts this statement in italics - which cannot be divided among the different decision units - in former times we called them "economic subjects" - but is related indivisibly to all or many decision units." (Ekonomisk Tidskrift December, 1949 p. 260/61). As this periodical contains discussion notes I sent one in November, saying that the difference between holistic and atomistic theory is not based upon two aspects, but upon two institutions - our "Exchange Economy" and "Purchasing Power Economy" which I traced back to Aristotle. I also derived those idealtypes of economy by applying the assumptions of economy to the individuals respectively to society in the way you know.

The "Ekonomisk Tidskrift" did not publish the article - it was in English - because, as they said, Nyblén had published in the meantime a book on this subject "The Problem of summation in economic theory" Lund social science studies Nr. 4, Lund, 1951 (in English), Pp XII + 289, to which my note of course could not refer. They sent it however to Nyblén and in March I received from him his 1949 article, his book and the following letter in English:

I have read with great interest your remarks on "Atomistic and holistic economic theory" which the Editor of "Ekonomisk Tidskrift" has forwarded to me. The Editor proposed not to publish the article in a Swedish journal because of the fact that I have written a more comprehensive treatment of the subject since the 1949 essay was published - "The problem of summation etc." - a book which I have sent you - and this may have added new elements to the discussion in Sweden.

I look forward towards reading the article by you and Polanyi, mentioned in a footnote - this footnote was at the beginning of my note - , but already from your article it is quite evident that there are marked points of contact between your analysis and my discussion in the "Problem of Summation", I would be very happy, if you considered it worthwhile to comment upon this later work of mine.

Yours etc.

Göran Nyblén, docent of Economics
of University of Lund, Sweden

XXXXXXXXXX

I answered that the manuscript of the article was lost, when I left Vienna in 1939 and that it was related to Mayer's solution of the imputation problem connecting this with our two idealtypes. I also wrote him a few ~~temporary~~ remarks ~~XXXXXX~~ about his book and said that I would write again within three months, after I had read it twice. I also said,

L provisional.

that you would be pleased, if he would write to you and that I would translate for you our correspondence which I asked to carry on in Swedish in order to practise this language. I sent him my 1937 and 1939 articles which have appeared in the Kelsen periodical as well as the manuscript of my note. His book was - this I wrote him - a progress compared with the 1949 article, because the distinction between aspects ~~was~~ replaced by the distinction between two institutions. One of them he calls the "pure production aspect". It covers a one decision unit - our large "isolated economic subject" of 25 years ago - a "centrally planned economy" with a social value scheme. The prices have here no meaning. They are "shadow prices" (Leontieff). The other institution he calls "pure distribution aspect". This is a ~~XXXXXXXXXXXX~~ society with many decision units, i.e. economic subjects, a social economy proper, as we would say, where everybody strives either for maximum satisfaction, or in a modified form of this social economy for maximum profit. (Walras ~~is~~ is used as classical ~~XXXX~~ instance). He wants to reconcile both institutions by introducing into the "production aspect" (the one decision unit, with the social value scheme) some group interests. The "pure distribution aspect", the atomistic society consisting of many decision units is brought nearer to the "production aspect" the "centrally planned economy" by introducing into the atomistic society common interests for the different individuals which might represent a kind of social value scheme. This of course does not ~~an~~ exhaust the book. He shows that certain interest, money and trade cycle theories are "time limited", i.e. fit into ~~XXXXXX~~ a special institution only. I do not want to give more than this scanty report, because this would delay this letter. However I might say only this that I wrote Nyblén that his "production aspect" concerns, as he admits ~~X~~ a "centrally planned economy", a "one decision unit" only. And this cannot be considered as a social economy proper. The problem is just to fit those macroeconomic concepts which play a certain rôle in econometrics, welfare economics, Keynesian school etc. into a society with many decision units, i.e. with many individuals. I also tried to show, that his book means certainly ~~XXXX~~ a positiv performance from some angles. It is written under the obvious influence of Neumann-Morgenstern and of the Swedish economist Akerman.

~~NEW~~ This is all for now about the book, I hope to ~~write~~ ^{tell} you more in a few weeks time. About ourselves I have little to report. My wife is part time working as a clerk in the Education Department. My son studies already the second year science (chemistry, physics etc.) He has some abstract leanings, and will try to do some research work. This of course is possible only, if he knows really something. Otherwise he has just to take some job after he has made his M.Sc. ~~WE~~ All this will be decided in about two or three years. About myself I should like to say only, ~~that~~ that in ~~March~~ 1951 the Labour paper, where I was working, ~~XXXX~~ folded up. I was lucky to get a job in the Census Office. Compared with Vienna it is far better. If everything stays as it is, I cannot complain. Under Labour ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ the future would be assured, but under the Tory Government, which is in power since December, 1949, things are necessarily not secure.

Now I hope that you and yours are well and that I hear from you again.
 Yours
 Felin

11 Chatham Street
Wellington
New Zealand
16 - 8 - 52

Dr. Karl Polanyi
423 W 120 - Apt. 76
Columbia University
New York 27
N.Y., U.S.A.

Dear Karl,

Many thanks for your letter. We were thrilled with the news about Kari. Our most affectionate congratulations. We hope that your grand-son will live to see the ultimate victory of the cause of humanity. In order to make it possible for him to remember this wish of ours we send him a spoon by the same mail. Many thanks also on behalf of the Lackshnipathys and from myself for the trouble you have taken for them. However the matter has to be postponed at least at present, as the ~~XXXX~~ ~~XXX~~ leave granted to Mr. Lackshnipathy has been cancelled. Thus we are ~~XXXX~~ sorry that we have troubled you in this matter. Personally however I do not regret this, because I am very pleased to have come in touch with you again. I am ~~XXXX~~ looking forward eagerly to ~~XXX~~ read some chapters of the manuscript of your book, ~~XXXXXX~~ I am sure, it will be a great book. I agree with your opinion about the limitation of the scarcity analysis. The more I read economics, I more I notice, the ~~XXXXXXXXXX~~ narrowness imposed by scarcity analysis and profit maximization even within economics. For instance the welfare state, which is nowadays almost a world feature of economy, cannot be explained by the scarcity principle. Of course the State has to ~~XXXXX~~ earmark for social security etc. certain means which are scarce, and hence must be ~~XXXXXX~~ diverted from other purposes. But from the point of view of the individual, it is just the task of the welfare state to remove scarcity ^{for him} from certain commodities and services such as e.g. medicines and doctors. There is also the public enterprise, subsidies, etc, which are governed by ~~XXXXXX~~ considerations outside ~~XXX~~ profit maximization. Libraries have been written about those subjects, which can certainly be brought into connection with the concepts of monopolistic competition etc., and also with the concept of a socialistic economy. I have read some articles about these matters, so that I know ~~XXXXXXXXXX~~ at least that scarcity analysis has its limitations even within an explanation of economic reality. These limitations must grow of course, if sociology is ^{arrived at} ~~XXXXXXXXXX~~ as you do in your new book. Once again, I am thrilled with the prospect of getting an opportunity to see parts of the manuscript. I am very much in favour of showing the limitations of scarcity analysis, which I believe has become a tool of Tory argumentations because of its narrow assumptions. I do not know yet clearly, ~~XXXXXX~~ how far the limitation of the scarcity analysis affects our theorem of the two economies. As however you wanted my opinion on this theorem in connection with Aristotle, I should say, ^{that} Aristotle has made the fundamental distinction between a social economy where the individuals can use their goods for themselves, and a social economy, where they cannot do so. This distinction which you have mentioned

I. But despite of these gradual differences every kind of

in your book leads now to our two economies. If the individuals may use their goods for themselves, they may use them without exchange or by exchanging them. ~~(XXXXXXXXXXXXXXXXXXXX)~~ (Exchange Economy - The natural art of acquisition of Aristotle). But if the individuals must exchange their goods, because they cannot use them without exchange, this means that they have to exchange them for a money which is not a commodity, as it cannot be consumed. One can prove the logical connection. ~~F~~ (Purchasing Power Economy - The unnatural art of acquisition of Aristotle) We however can go further. ~~XXXXX~~ The Purchasing P.E. permits different forms with a gradual difference. This difference is measured by the degree in which the producers can be replaced without changing the fate of the goods. For instance when we started to develop our theorem, you defined the Purchasing Power E. as a ~~six~~ social economy, where the goods were used ~~XXXXXXXX~~ by the producers regardless to their wants. Thus it made no difference for the use of the goods which producer uses them. For every producer will use them for his largest profit. (profit expectations, sales ~~XXXXXXXX~~ opportunities, etc. are assumed in this case to be the same for every producer.) This is a very narrow feature of a Purchasing Power Economy, which is found for instance at Ricardo. ~~XXXXXXXXXXXX~~ The realm of the society as "quasi economic subject" - the goods are used, as if society itself would use them - is here very large, because personal qualities of the producers play here not part. This kind of Purchasing Power Eco is on the one ~~side~~ of the scale. On the other end of the scale there is a kind of Purch.P.E., where the only thing common to all commodities is the necessity of exchanging them (~~XXXXX~~ i.e. of selling them for money, before they can be used.) The motives of the different producers might ~~XXXXX~~ be various in this case. They might sell with different ~~XXXXX~~ profit expectations, some might sell with the view of achieving not a maximum profit, but maximum assets for their firm, ~~XXXXX~~ the time on which profit maximization is based, might be different for every employer, in brief, in such a kind of P.P.E. the producers cannot be replaced by each other without changing the use of the commodities. The ~~XXX~~ realm of the society as "quasi economic subject" is here restricted to the fact that every producer must sell ~~KK~~ his goods. ~~E~~ ~~XXXXXXXX~~ P.P.E. must ^{still} show the necessity of selling the goods for money before they can be used (realm of society as ^{quasi} economic subject) and a money which cannot be consumed. I.e. whatever kind of P.P.E. ~~XXX~~ is assumed the feature of the "Unnatural art of acquisition" of ~~XXXXXXXXXXXX~~ Aristotle is retained. It does not matter, if the producers retain a part of their goods such as e.g. in Leontieff's input - and output analysis. For the goods retained by them are retained only ~~XXXXXXXXXXXXXXXXXXXX~~ either with the view ~~of~~ of producers who later sell the goods for money, or with the view ~~of~~ of consumers of very small parts of the own output (the shoe manufacturer who retains some pairs of shoes among 10,000 ^{pairs} he produces, for his own consumption), ~~XXXXXXXXXXXX~~ In this latter case the quantity retained is of course negligible. - It seems to me that our theorem could say something more ~~about the~~ ^{about the} difficulties ^{in this economics} (than 25 years ago). As far as money is concerned, they still cannot place token money within the general theory. For instance Neumann- Mergenstern in their Theory of Games have to assume just money to obtain ~~a~~ common denominator for distribution of their social product by their games. It is still the old ~~money~~

F before impossibility of using the goods in exclusively and to them

difficulty. Aggregate concepts (e.g. Keynes), welfare economics, but above all the difference between micro and macro economics point all towards the same unsolved difficulty. - Nyblén's book has given some new impetus to me to write about this problem complex in connection with ~~KKKKK~~ today's economics. This is also the main reason, why I delayed my letter so long. Your letter arrived on July 25th, and I should have answered immediately, ~~but~~ I wanted however to include a draft of an article I am writing with regard to Nyblén's book. It turned out however that this would ~~take~~ take too long, and I do not want to loose touch with you. This brings me to the Nyblén matter. I have not heard from him again, since I wrote him a few weeks ago. ~~but~~ I am however determined to write an article about his book where I also refer to his development after his 1949 article in the "Ekonomisk Tidskrift". I think that I shall have finished it within two months. I shall send a copy of the manuscript to you, to him and to the "Ekonomisk Tidskrift". ~~but~~

Once more - I am looking forwards eagerly to see the manuscript of your book. But I should like to ask to post it to my new address, if possible registered 11 Chatham Street, Wellington, N.Z. ^{of our home} The reason for the change of address is that we go now into a little ~~new~~ house. The place, where we live now for about 13 years, needs ~~many~~ repairs ~~and~~, which ~~the~~ neither the landlord nor ~~we~~ ourselves are able to undertake. Hence for years we were looking round for a suitable home, and at the end of 1950 my wife found one. It is in a workers' district, smaller than our present place. There were tenants in ~~when~~ we bought it, but they were under lease which expires now. Thus we are busy ~~packing~~ packing. ~~and~~ ~~our~~ Our son will adjust a few things in the new house and we hope to start shifting next week, but it might ~~take~~ take a few weeks, until we have settled down completely. Otherwise ~~nothing~~ there is nothing new to report. Let us hope that we are saved from unemployment. In Australia the government's deflationary policy has produced some unemployment. People come here for work. But also here the number of vacancies is declining under a Government which is very much like the Australian one. However there is no reason ~~to~~ yet to complain, as long as it stays as it is. - Now once again our heartiest congratulations and our best wishes to all of you.

Lots of love from all of us

Felie

A.S. I have to apologize for the many corrections. But rewriting would delay the letter ~~at~~ at least for a week.

F.

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AIR LETTER FORM



Dr. K. Polanyi
Columbia University
New York
N.Y., U.S.A.

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SENDER'S NAME

F. Schafu

AND ADDRESS

11 Chatham St.

Wellington

New Zealand

11 Chatham Street
Wellington
New Zealand
15-12-52

Dear Karl,
How are you, Flora and Mary
with baby? I hope that my previous letter
and spoon have safely arrived and
that this air mail letter card will reach
you still before the Xmas vacation. But
as I am not sure, when you will be
back again at New York, I send by
registered surface mail a copy of an
article about Nyblén's book. You should
receive it around about the beginning of
February, when you will most likely be
back at New York. I ~~will~~ shell send
also copies to Nyblén and to the Show-
musk Tidnings, Stockholm. I wonder, whether
they will publish it. However I have written
the article mainly for you, because I wanted
to put down, when we have arrived in
our heaven. About ourselves there is
only little to say. We are now establishing
ourselves in our new home. Our son

is building in furniture etc. He has now
finished two years of science and has
passed 7 out of the 8 units for the B. Sc. Next
year he wants to concentrate on theoretical
physics to take the B. Sc. and M. Sc. on this
subject. Thus I hope that everything will
be alright, if conditions remain normal.
And our best wishes to all of you for
Xmas and the New Year.

Yours
Felicia

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Dr. K. Polanyi

~~Columbia University~~

~~Appt 36~~

~~New York~~

FORWARDED
Columbia University

~~N.Y., U.S.A.~~

R.R 3
Pickering
Ontario
Canada

~~423 W. 120 St.~~

~~277 St.~~

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SENDER'S NAME

F. Schafer

AND ADDRESS

49 Chaytor Street
Wellington
New Zealand

MANHATTANVILLE
STATION

D.W. Feely
A.L.A.C., Richmond Park Rd,
Hampstead,
Sheffield, 23
York.

cut here

49 Chaytor Street
Wellington
New Zealand
20 - 3 - 55

Dear Karl,

How are you and your family? I hope you are all well. It is now almost three years that I have not heard from you, and the last I know is about the birth of Kary's first child. I often think of you and of the times, when we met so frequently. Time is flying. My wife is still working part time as a clerical worker and my son has finished his degree (Master of Science (Physics) - first class honours), and works now in the public hospital, where under the name of biochemistry or so medical, physical and chemical research is combined. He continues study and studies now Chemistry III besides the job. We have changed our address and are now in a place which is handy to town because of the bus service. Your book is being read by some students and also by at least one lecturer at the college, and they like it very much. I know this, because in the meantime I have become a student myself. To achieve a better grading in the public service - I work still at the Census and Statistics Department - I took up study last year, and have passed so far English I and German I. This year I am supposed to take German II and Philosophy I and next year Economics III. That would make a B.A. If I should feel to go for M.A. I would ~~do~~ as a thesis an essay about statistics of clerical workers' wages - a topic which is still largely a blank patch. I would not choose an economic topic proper, because the ground of theoretical economics has gone over so often already that little new, if anything at all, can be said. Moreover the new things which have been said over the ~~last~~ ~~twenty~~ years (e.g. Keynes, Leontieff (in- and output), Chamberlin-Robinson, Neuman-Morgenstern), are thoughts which have been pointed out by socialists and other "heretics" long ago, before the official economics took notice of them. Economics after all have of course treated them systematically and thoroughly, and I do not want to belittle ~~the~~ performances of the various economists (above all Keynes). But at the moment I do not feel inclined to go into it, though in later years I still might come back to our theorem, which seems to hold good in view of systems such as Leontieff, Danziger, (macrocosm) etc. But I feel, as you have ~~xxx~~ put it, that marginal analysis is narrow, and has often produced "logical niceties" to which I fell victim in my younger years, but which seem to me now a stumbling block to progress. Of course in spite of that I have not given up connection with economics, though at the moment ~~xxx~~ they are only in the background of my interest. Now I should like to know, how you are getting along. I often think of the early years of "scientific" life, on which you had decisive and lasting influence. Unfortunately technical distance makes it impossible to see you personally. But please, though I know you are very busy, perhaps you could find the time, to drop me a line. In the

*With best wishes to send you and yours from
me and kindest regards. Felix*

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HERE

WELLINGTON
UNFOLDED HERE

Prof. & K. Polanyi
Columbia University
New York
N.Y. U.S.A.

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SENDER'S NAME F. Schafu
AND ADDRESS 49 Chayton St.
Wellington
New Zealand

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49 CHAYTOR ST
WELLINGTON
NEW ZEALAND
28-4-55

My dear Karl,

We were thrilled with your letter. Above all our most sincere good wishes for Kai's new baby. A little token of our friendship (a silver spoon) will reach you by surface mail. I am looking forward to study your new book. Could you manage to let me see a copy of the manuscript, as far as you have already written it? I thought that you might have a carbon copy or some other copy of the manuscript, which you could send me as a spare one. In no case I should suggest that you send me anything you have no copy of. This would be far too risky. But if you could let me see a spare copy of the manuscript, I should like it very much. As you know, I feel like you do, that the marginal analysis has some drawbacks, because it is too narrow. I am therefore most interested in your concept of economy. Re-writing of ancient history seems to me an urgent necessity. The study of philology, I have to do this year, shows me the difficulty of understanding for instance the Greeks without knowing about the economic and social background. The same applies to history of the German language, I have to go through also during this year. For instance a sound

shift would be easier to understand
if one could link it with some trade,
political change etc. Thus your
wish of re-vesting seems to me
a good thing. I believe to do a
proper job needs just, that you
have, namely a thorough know-
ledge of economic theory. But I
think that after 20 years - I have
in mind the start made in the
70's - the field of the theory is ex-
hausted. The neoclassical analysis has
done all it could do. There are
"exceptions" it cannot reach. I
still remember Moyer's lectures,
when after developing Böhm's market
pattern of price formation, he referred
to some "exceptions" such as the
wages of the public servants. I think
I am not the only one who would
say that the exceptions are becoming
the rule. Now wish more the best
wishes for you and your family.
Let me hear from you again, if
your time permits it. From us there
is nothing new to report. With the
exception of some flies everything
is alright. Yours
Telia (Lina)

First fold here

49 Chaytor Street
Wellington
New Zealand
15-10-56

My dear Karl,

"Many happy returns" to your 70th birthday. Though this letter is of no importance, I have re-posted it to make sure that you will receive it and with it our best wishes and the assurance of an everlasting gratitude. For if it would not have been for you and Ilona, I would be hardly in a position to write this letter. I still remember, when I met you and Ilona first. It was in February, 1924 in the Socialist Students' quarters in the seminary for Guild socialism. You were then not yet at the "Volkswerk" - by the way Federn told me once you were the most ^{ingenious} genial person he had ever met - and Ilona. She looked so young that I first thought she had just left secondary school. Some weeks after that I came for the first time to your home in Wraykaurane, when you transferred the seminary there. Cary was then a few

months old, and there was also Erzi, the faithful domestic help. But there was above all Vene conscious of her background of feudal nobility, but also personified nobility herself. Though she loved the old system, she condemned it because of its injustices, and she knew that it could not last. If she would have lived to see its downfall, it would have saddened her, but she would have had no regrets.

Only after some years I understood the real issue of the seminar. It was more than just to discuss the economic problems of a Neurathian centralised socialist economy and of a guild socialist system. For apart from the possibility of prices and economic calculus it was the alternative between an all-out planning system, where human dignity might have become second, and a system preserving this value you taught us to consider as supreme. I was not mature enough then to grasp the importance of this aspect for work on economic problems. Looking back, I think you have not done so badly

in this realm. Of course our 'problem of the two goods' could have been found solved by Edgeworth's principle of recontraction and the cleansing of economic theory from value worked out by you in 1924-27 could have been done better with the aid of indifference curves. An article in Italian by Slutski published in 1916, which anticipated the whole argument in mathematical form was not available. Thus you have arrived at a proposition by yourself ten years before it was published by Hicks. Likewise you were clear about the necessity to assume quantitative relations between commodities, i.e. potential prices, when you were going to derive actual prices such as e.g. in Böhm-Bawerk's horse market. I still remember, when you worked out this proposition generally accepted today in Klosteneuburg in 1927. And the theorem of purchasing power economy and exchange economy might fit into the context between microeconomic and macroeconomic analysis, and certainly indicates a bifurcation, as

far as purchasing power and commodity money is concerned, though I am not so sure regarding other phenomena. Anyhow the marginal analysis is too narrow to worry about the bearing of this theorem and to do much work in marginal analysis at all, though one ought to know it. Of course I am still fascinated - and I think you too - by the elegant systems of a Walras, Menger, Marshall, Böhm-Bawerk, and other great masters. But their assumptions are necessarily unrealistic, if they want to maintain their great systems. Or what are we to think e.g. of Ohlin's theory of international trade, where the gains from free trade are so well illustrated, when his theory rests upon ~~the~~ mobility, divisibility etc of the agents of production and of commodity assumptions which never existed and are unlikely to exist in any future time? Apart from being unrealistic such theories - and they are the core of marginal analysis - are dangerous

because they lead to measures, which have unbearable effects. A lot of people do not understand this such as e.g. the professor and author of a set book, who complains that the governments resort to protection despite the proofs delivered by economists regarding the gains from free trade.

Against such an attitude your reaction seemed to be to show the "disruptive" tendencies by setting out the reasons, why society had to protect itself in self-preservation from the unbearable effects of market economy by restricting it. My reaction was the endeavour to increase the statistical material in order to have better information, when faced with the complicated questions of our economy. Thus I have come down from the height of economic theory to the humble task of doing some statistics of wage-rates for clerical workers in New Zealand, where still a gap has to be filled, and which is a job requiring also some theory.

We hope that you and your family are well. The last news I had was about Mary having two children. From ourselves there is not much to report. My wife is still a part-time clerical worker in the Education Department. She spends much of her spare time in ethnological research - her old inclination - and attempts to show connections between Polynesian, Indogerman and Hebrew. Indeed translation of certain Mari incantations which cannot be understood because of archaic and sacerdotal words, become possible, as if these words are interpreted as having common roots with Sanskrit and Hebrew. Attempts to establish connections between those language groups go back for 100 years. But there is no systematical approach and orthodox opinion is against it. The situation might be similar to the issue regarding permanent unemployment, the classic maintaining that there could not be permanent unemployment,

because then wages would fall, until full employment was restored, while there was always an undercurrent - as Keynes put it an opinion in the "underworlds" which claimed that ~~inspite~~ inspite of all proofs permanent unemployment existed. In her realm my wife attempts to support the unorthodox case by some Maori ethnological research. My son has recently left his hospital job, because he could not find sufficient research facilities there. When he started this job, it looked as if they would use him ~~as~~ an M Sc I class - for breaking new ground in some combined physical and medical research. But this was premature, he did virtually routine work only, because they would not admit him to any other work. Thus he changed over to the State Department of ~~India~~ Scientific and Industrial Research and he is now completely absorbed in his work and hopes soon to publish his first paper.

I myself am still in the Department of Statistics, where I feel very well. In a few days I hope to pass Economics III and then I have finished my B.A. If everything goes normal, the next is mathematics I, because this might give me better understanding of economics and statistics. Thus I ~~can~~ lead a happy life in a beautiful place like a villa in Dornbach, which of course we now could have bought, unless it would have needed a lot of repairs. But our son does them all gradually. From the house we have a wide view over the hills. — Everything would be alright, just one gets older and older and is always reminded that all the happiness is bound to come to an end. However research shows every day that this is probably due only to our lack of knowledge of the laws of chemistry and physics. I am dreaming of the day, when knowledge will enable us to master the evil genius of decay, as Raimund called death in one of his

magical plays, and to transform this world, in which life means that one eats up the other. Dreams like this ~~are~~ ^{one} are of course still pipe dreams, but I am in good company. Thus Descartes envisioned the time — my window stems from Philosophy I — where we will be able to repair a human body like a watch and modern philosophy teaches that the unity of the person is the memory, i. e. one can replace all parts of a person, and this retains its identity, because the memory is there as link between past, present and future. Indeed after 150 years we can still see Nelson's wooden flag-ship though every part of it has been replaced in the course of the years.

Though this comparison, as every comparison, is not satisfactory, you ^{might} see, what is meant. Unfortunately I cannot say that I have made

49 Chayton St.
Wellington, N.Z.
27-12-56

Dear Ilona and Karl,

We were thrilled with your letter, the lovely pictures and the news that Karl has just given another book to the press. I look forward to its coming out. My apology for answering so late ~~to~~ is that it took some time to find suitable pictures to send you. In spite of the years passed your pictures show unchanged the old kind spirit, I remember so well. Mary looks very much like Karl and Harry looks now like her, as I recall her, when she was a child. We hope that you are well and wish you the best for the New Year. I shall be quite content, if it will not be worse than the old one. But though the international tensions will remain, no general war will come, because the situation is similar

to that, which Karl described in "The Hundred years' peace" - no united power blocks and in addition the A and H bombs. Thus I think the future is assured. With us so far everything is alright. We have now 10 days holidays including Xmas and New Year, because the job opens again only at the 3rd of January. Adele will take up Maori language at the university in March. She wants a systematic grounding for her etymological studies, which occupy her very much. Our son is gradually modernising and streamlining our house. Step by step the traces of the hard years are being obliterated. The old furniture falling to bits are slowly replaced and our bedroom begins to look functional. I myself have passed my last exam before the B.A. and will be upped in May. Have once more our love and best wishes

Dear friends, Life has been packed with duties and worries ^{Maori} for so long, that now when things are becoming easier at last

one misses them. It feels a bit like searching with one's foot for another step when you are already at the bottom of the stairs and thus I am trying to fill a growing vacuum by new and absorbing interests. Whether I have something to contribute and whether I shall succeed in carrying over my finds time will tell. It appears to me that there is a strong underlying linguistic relation in many languages unsuspected for it so far. In researching on hieratic words, tools and other most ancient materialisations the relation can frequently be shown with plainness. More is without any material proves not to be achieved and that is where I may fail, because what I am doing is not the conventional thing therefore not easily acceptable to the existing school. However I have plenty of time yet. (at least another 50 years)

Best wishes to all of you. Adele.

PAR AVION
AIR MAIL
CORREO AEREO

AFFIX
STAMP
HERE

AEROGRAMME

Dr. K. & Mrs. J. Polanyi
R.R. 3

PICKERING
Ontario

CANADA

SENDER'S NAME AND ADDRESS

F. Schafer
49 Chaytor Street
Wellington
New Zealand

Crosby
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and anthropology. She finds affinities between Polynesian, Indo-European and Semitic in particular in their Sanskrit and Hebrew. The same root may have in these languages different meanings. This is where your book comes in. You say e.g. that antiquity had no special concept of time and place. For instance OIKOS can be traced in words which show that economy was embedded in a complexity of "non-economic institutions". Thus we find OIK in DIKION - friends, relatives; OIKOPHILES - generalizing for the family; OIKONOMIA - to govern the home; OIKONOMIA - building institutions giving the education. These words have non-economic institutions such as family, friends, relatives, etc. Their relation to OIKOS - economy suggests that economy was protected etc. Their relation to OIKOS - economy suggests that economy was protected etc. Their relation to OIKOS - economy suggests that economy was protected etc.

49 Chayton St.
Wellington
New Zealand

20-10-57

Dear Yvona and Karl,
Above all our
most sincere good wishes to your birthday
Karl. I must apologize for sending them
belated, but I deferred writing to you, because
I wanted to read your book first. It was a
lovely surprise when it arrived the other day.
We were deeply moved by the words you
wrote on the title page and I shall try

to live up to them. We both Adile and
myself are reading the book. Unfortunately
we are not through yet. From my viewpoint
as far as I can see, is not unparadigmatic.
In its core seems to be that economic
activities have a different meaning, accordingly
whether they appear in a self-regulating market
economy or not and that therefore
similarity of some superficial features
cannot be a proof for identity of the type
of two economies, i.e. For instance the
economy in Hammurabi's time cannot
be interpreted as 19th century capitalism
in spite of the fact that both economies
had accounting, book keeping etc. - For
Adile this book has a special meaning:
She has taken up again her comparative
ethnology and studies about language

CORREO AEREO
AIR MAIL
PAR AVION

STAMP
HERE
AFFIX

if rate for Air Mail letters

and anthropology. She finds affinities between Polynesian, Indo-European and Semitic, as they appear in particular in Maori, Sanskrit and Hebrew. Of course the same root may have in these languages different meanings changed by the circumstance of time and place. This is where your book comes in for her. You say e.g. that antiquity had no special concept of economy. Comparison of languages confirms this. For instance OIKOS can be traced in words which show that economy was embedded "in a complexity of "non economic institutions". Thus we find OIKOS the root OIK in OIKEIOI - friends, relative; OIKOPHELES - beneficial for the family, OIKOPHYLAKEO - to guard the home; OIKODOMIA - building, edification, divine knowledge, education. These words express non economic institutions such as family, protection etc. Their relation to OIKOS - economy suggests that economy was interwoven with a complex of social institutions, but not a separate sphere. Smiliar word relations can be also found in Sanskrit and Hebrew and Maori, which permit the same conclusion. ~~XXXX~~ I wonder, what you think about it, and if anybody in your circle or smewhere else has attempted to say something about your historical aspect from ethymological ~~XXXXXX~~ point of view. Adele is working out systematically a story about the OIKOS, the KAPELOS (this term means cheating, fraud etc, in Maori, Sanskrit and Hebrew), the TAMKARUM (had something to do with measure and weight and was said to be honest) and the UMMEANUM (different interpretations possible). She will send you the stuff, when it is ready. - Now one more our most sincere congratulations. We have sent a book "The Maori, as he was" by E. Best, a recognised authority on Maori anthropology. - All the best and keep well.

Felton Adele

FIRST FOLD HERE



Schaffer

49 Chaytor Street
Wellington, N.Z.
15 - 2 - 59

Dear Ilona and Karl,

Felix has told you already all the best bits and there is little I can add. ^{HAS NOT BEEN GIVEN BY ME} Regarding the enclosed article I should like to say that title, because language is no indication of racial affinity, otherwise I can affirm with a good conscience that traces of religious, social and linguistic affiliations lead unmistakably ~~KXXXX~~ from the Polynesian into the Sanskrit area and into the Semitic orbit.

For instance the word for a nobleman in Maori "ARIKI" is undoubtedly identical with "AIRECH", the genitiv of "ARYAN" in Zend and with Sanskrit "ARYA". All these words mean "the noble, chief, conqueror, firstborn" etc. The word for man in Maori is "TANGATA". The corresponding word in Hawaiian is "KANAKA" and in Sanskrit "KANKANA". The Hawaiian KANAKA means a fighting man in contrast to a chief. Sanskrit "KANKANA" is the younger son and member of the military caste. Thus these words mirror a social hierarchy, where the firstborn becomes the head of the clan, while the younger sons go into the army.

The Maori "TOHUNGA" (priest, adept) becomes "KAHUNA" in Hawaiian, and can be traced in "KAHANE" or "KOHEN" (Hebrew).

Thus life is very exiting for me and we have no time to be sorry for growing older.

I hope that you all are fit and well

With kindest regards

and love

Adèle

Ha 02 1959

36
1952

1923

and did these
read for in 550

1919 1917 1897
diverted from here

but have bought an 49 Chayton St
Wellington
New Zealand
15-2-59

Dear Louisa and Karl,

Your kind
greetings were a lovely surprise to us.
How are you? How is Mary and
her family? We had some great
change last year, because our
son has married. We are very
happy about it. Mary is a lovely
and lovely girl, her family comes
from England. The father - unfor-
tunately dead now - was university
professor of mathematics and physics,
first at Leeds, and later at Dunedin,
N.Z. She herself is an M.A. and
works as librarian in the Wellington
Public Library. They are both U.S. Our
son seems to do well in his job at
the Department of Scientific and
Industrial Research. His first paper
has been published recently in
England. (Something on corrosion
of metals). They do not live with

us, but have bought our old house
which they are fixing up gradually.
Later we might go there and they might
come to our place, because the steps
to our place are becoming a bit
difficult for us. Adelle is still taken
up by her Maori studies and has
began to write a few articles on the
subject. Apart from this she has
turned again to her old inclination
- writing of poetry - and has
published during the last year
about 30 poems in the ~~Kubour~~
press, most of them in "The Standard",
but some in Australia and India.
About myself I just should say,
that I still study for the M.A. (Econ.)
I hope to sit the four papers at the
end of this year. There are two
theoretical papers (welfare economics
and fluctuations) one paper on interna-
tional trade and one paper on
economic policy. I found welfare
economics occupied with a model
fairly remote from reality. In order
to arrive at the conditions under
which the society reaches maximum

satisfaction they have to introduce ²
so many assumptions (infinite
divisibility, mobility of goods and
services, rational behaviour, perfect
competition etc.) that the thing becomes
well, or as one says here "a
logical necessity". To this one must
add the indeterminateness of
certain central concepts they use.
For instance it is not clear whether
they mean profit maximization
over a period of one year, ten
years, 100 years etc. Similarly
one cannot say what a
"short run" or a "long run" is, i.e.
how long the periods are ^{to which} these
concepts refer. ~~But~~ However one
must admit that these welfare
economists go to the trouble to
work out how to achieve maximum
satisfaction of society. This is in
some contrast to the study on
my part regarding individualism.

Spaun - he rest in peace - has, as far
as I can remember, referred only
to Platonic concepts such as "the Good";
"the beautiful" etc. ~~and~~ with the
central thesis of "unions above" that
the "whole" ~~is~~ ^{is} prior to the "part".
Not only that he did not tell us that
all this could be found at Plato, he
never touched authors like Marshall,
Sedgewick, Bentham, Popper (the latter one
had just published his "essentials
of welfare") and other people, who
wrote at length about the subject
discussing the possibility of adding
up desires, satisfaction etc. And also
within the Austrian school there was
evidence of such questions. But he never
mentioned them. Nor was such a thing
ever brought up in discussions, because, as
I suppose, none of the students might have
known about it. Thus my study leaves
me somewhat bewildered. Never mind.

With all the best and love Felia
P.S. Drop me a line again, if you can
spare the time F.

My youth at separating unions

9 Awarua Street
Wellington
New Zealand
3-3-60

WARR

Dear Fiona and Karl,

Your Christmas letter was a heartwarming surprise. Your visit to Vienna and to Vargartenhamer recalled the times, when we were all younger and so often together in your flat and some times also in the garden. How are you all? I concluded from the stamp of your letter that you are back again to Canada and hence I write to Petering hoping that this letter will reach you, because I do not know any other address. We learned with interest that Kary has now turned to economics. I am still admiring the elegance of what is here called "logical niches" but I am apprehensive, because they are remote from reality and impite of that employed by Tories all the world over. The master course attended by me last year at the Wellington University has confirmed me in this outlook. After having passed my examinations - I have still to do the thesis - ~~but~~ I have turned my interest towards the economy of the Maori and Aulile and myself tryman

to show that certain Maori words for plants
and other things can be derived from economic
activities with the help of comparative linguistics.
(Sanskrit and Hebrew) One article by Adelle
enclosed might give you an indication of
our intended work, although no economic
issues are touched in this one. This will we
hope come soon. Last Christmas Adelle
brought out a little book of poetry. It has
appeared at the Standard Press, the
publishing house of the N.Z. Labour Party and
James Roberts — he has been for many years
the president of the Labour Party has written
the preface. The book has had so far
favourable reviews on the press. We
hope that you are keeping well. Let
us hear from you again. Adelle's book
follows. Yours truly
Felix

Dear Friends, Gus and Mary, our two children, seem very happy
and they come every week to see us. Gus is doing very well at the
Scientific Research as Chemist and Physicist. He has specialised in the history
His young wife is a Librarian in the City Library. I have finished my
going to work last year and spend most of my time on my two main
interests Maori Linguistics and Anthropology and writing on this
subject as well as poetry which tries to use the treasure of Polynesian
lore. So, late in life I am getting round to what I had no chance doing
earlier and Felix and I hope to be able to cooperate on the above mentioned
lines. All the best from all of us love Adelle.

9 Awarua Street
Wellington
24-6-60

Dear Ilona and Karl,

Many thanks for your kind interest in Adele's book. We must apologize for not having answered sooner your dear letter, but we wanted to send you a sample of the things we are doing. However this would delay our letter still further, so we leave it for later. In your letter you mentioned that you Ilona have just returned from the hospital. We were not particularly pleased to learn this. Please let us know how you are getting on. We congratulate Mary and Joe to their success and we find it also a very moving that you translate Hungarian poetry. Of course I should like to ask you to send me the material on economics you mentioned in your letter. I am still interested in economics. Adele and I are now attempting to show that

The meaning of certain Mayan names for plants or tools can be derived from the economic activities for which they were used. Apart from this the writing and studying ethymology without which our ^{economic} interpretation of a language would be impossible. But about this in a later letter. For now I should like to say regarding Galbraith - you mentioned his "affluent society" in your letter - that ~~was~~ by his concepts of "want creation", "countervailing power" etc. he describes well the U.S. economy of today. But we must be aware that certain features e.g. the "countervailing power" apply only under given circumstances. Thus in an inflation there is no "countervailing power", because the consumers do not care about prices in such a situation; or his insistence ~~to~~ on price control through big business depends possibly on ~~the~~ special circumstances prevailing in some parts of the U.S. economy during world war II, when he was

a leading figure in the Office of Price Administration. And after all more than two thirds of mankind live in sub-standard conditions, i.e. certainly not in an "affluent" society. But ~~under~~ ^{with} these and similar qualifications his work must be considered as one of the best books we have. Your point of view about the Wirtschaftswunder in U.S.A. and Germany is quite right. These "wonders" are paid for with permanent unemployment and insecurity. This is of course just wanted by the United Nations experts, who say that there should be 3% unemployed of the labour force unemployed. I think Austria with her 100000 unemployed is also such a "Wirtschaftswunder". Indeed your impression on your recent visit reminded me of my young days with you in Vienna. I still remember a beautiful morning in spring, when I was with you in Bergartenstrasse. Discussing that revelation is you looked out of the

consider, pointed to the "Resurrection der
Staat Wien" in front of it and said:

"This is socialism. ~~But~~ that you meant
the human spirit, the essence of socia-
-lism. Unfortunately this human
spirit is not generally accepted yet in
many parts of the world and among
them is Austria. I was pleased to learn
that the S.P. is stronger than ever
and that there is a S.P. federal president,
but this does not help the fact, that
the V.P. represents about half of the ~~the~~ voters,
and that this party has no ^{positive} affirmative
attitude towards democracy. Their absence
from the celebration of the 40th anniversary
of the republic, ~~their~~ ~~omission~~ shows this
clearly. It is also characteristic that in
the 1959 elections the S.P. had ~~already~~ the
slogan "Reinwirthum oder Dollfussweg",
and that shows the farthest. ~~Like~~ ~~the~~
Dollfuss but still retained their
significance, otherwise there would have
been no such election slogan.

3

There is also a financial policy which is U.P. influenced and certainly at least partly responsible for the 100,000 unemployed, which is called "full employment" because it might be about 3% of the labour force. Oughtn't I think that under these circumstances the S.P. has a very difficult job as the only strong force which supports democracy in Australia. I think I have written you 20 years ago that I will never forget this humane and peaceful movement and that is still the case. Thus I wish them all the best. I see them slowly penetrating into the hard crust of - let us say - conservatism and think that the danger of a February disturbance this slow advance is remote at present. However it might take decades until this little state has adjusted itself completely to the new surroundings erected in 1918. Once more I wish them all the best and above all my votes go to the S.P. Never it is already late I must finish, once more apologies

for this belated letter and much love.

to all of you

My very dear ones, Felix

Schäfer

Felix has said already most that was worth saying.

The main problem of Democratic Labour parties (I am thinking now mainly in terms of countries with high living standards and far advanced social legislation) is that they cannot work spectacular miracles all the time and that their function is now being a watchdog that prevents the powers that are only waiting for a suitable opportunity from turning the light off that they have turned on. The young want visible successes and easily understood neo-future ideals and hence the historical fascist revivalist parties have the people dragging after their banners and big claims. Hallelujah.

Thank you for your kind attitudes towards my poetry. For me it is a certain satisfaction. Not only to the vanity (all humans are vain) but because I have not allowed a foreign language to beat me and also because I have now though late in life, I am going on 55 been able to do something I should have liked to do when I was young. Both circumstances were against me and possibly I was not mature enough. If it hadn't been for you, none of us would have been able to write or do any thing. It is sweet to be loved. Thank you Love Adele.

9 Awana St
Wellington
New Zealand
24-10-60

My dearest Flora, Kari & Karl,

Many thanks
for your lovely letter. We are pleased to learn,
that you liked Adele's poems. You are quite
right regarding the linguistic. We are approaching
some Sanskrit scholars and we shall let
you know the result. Recently we received an
answer from an Indian Chaman Lal, a
Buddhist priest and Sanskrit scholar. He has
written several sociological books and was
in Wellington a year ago. A friend of Adele
who knew of her linguistic interests introduced
us to him. A few weeks ago we asked him
for his reaction and he answered that he
will use one of the articles you have seen
in his intended book "From Punjab to
Polynia". We are attempting to get some more
opinions on Adele's work.

Regarding your question, dear Karl,
how far back archeologists date Manu

settlement in N.Z. we cannot surmise much. But we know that the country has been inhabited long before the year A.D. 1350 - the arrival of the Maoris according to tradition. Archaeologists are now ~~being~~ ~~radis~~ busily radium dating various finds from excavations. We do not know whether these inhabitants have been Polynesian or not. But this does not concern us. All we say is that certain relationships between Polynesian and Sanskrit can be observed by tracing corresponding words in both language families. These corresponding words are traceable by soundshifts. If a word indicates a specified substitution e.g. in Sanskrit it can be concluded that the existence of a corresponding Polynesian word or words means that the same or similar institutions were present in both societies or at least are remembered in both societies. We do not draw conclusions regarding migration, race, age of a

Schaper

language, ~~historical~~ events etc. From this aspect it is insignificant, whether the Polynesians have come from India or America to the Pacific or whether the Indians came to India from the Pacific etc. — We hope that his finds you in good health. Gus & Mary the young couple have now shifted out of Wellington to a place which is closer to the job (Department of Scientific and Industrial Research). It is a modern house, about three years old on the top of a little hill from which there is a marvellous view to the sea and the hills around Wellington. It is interesting to observe that such a "dream house" is far superior to the type of houses built in Vienna in the 30's, though the style is the same. But the 'neue Sachlichkeit' is more outspoken than 30 years ago. It is very windy up there, but one does not feel it inside, while I remember still the trouble you had with heating in Völgartenstrasse, when in winter the icy wind blew from

He Resewegarten, Have you seen any of
the old generation, when you were in Vienna
such as Leichter? Now keep well and
let us hear from us again, if you
can find the time. All the best

Felix Wawr

Dear Hana, Kam and Horst

It makes me happy
that my little book had something to say to you. It makes
me feel that perhaps now you do know me a bit. We
have had so little contact. You knew Felix rather well
and he knew you but we never had time or chance
beyond the shallowest surface. But you were always
friends and more so in need.

It is only now late
in autumn that I am no longer absorbed with the
fight for the butter on the dry bread with washing
dishes and mending stockings that I can do
what I always wanted to do. Then I was young I had
not the maturity, nor could my parents afford to
let me do what I wanted to do & to make with
words. That is a great joy if you must but does
not bring in shillings for a long time. Years of

my old study have to be invested and now I have
all the time to fight for the foundations which
were not laid then. But Gus is off our hands
now and Felix is tolerant and helpful
so I am not going out to earn anymore and
indulge myself with poetry and Sanskrit
Polynesian language & anthropology.

Perhaps you will say "too much" "I say too little"
All the best and dearest

Ulele

9 Awarua Street
Wellington
New Zealand
25-6-62

Liebe Hlona und Karl!

Wie geht es Euch, Kari und eurer Familie? Seit einigen Tagen lese ich wieder die "Transformation" und die "Early Empires" und das mahnt mich an Euch zu schreiben. Die Unwichtigkeit des Motivs nach Gewinn und das Eingebettetsein der Wirtschaft in Religion, Bräutche etc. findet man auch in der Maorigengesellschaft. Beispielsweise beim Fällen eines Baumes sind dies Zaubersprüche vorgeschrieben. Firth in "Economics of the New Zealand Maori" hat das sehr gut herausgebracht. Man kann es auch in den Sagen finden. Ich bin solchen Fragen jetzt näher-
gekommen.

weil Adele ein play über eine
orphanische Reislegende schreibt, die sich
in der maorischen Sagenwelt erhalten
hat. Mit dieser und anderen Sachen
ist unsere Zeit gründlich ausgefüllt.
Mussu Enkelin ist jetzt schon
ein Jahr alt. Manchmal fragt man
sich wie es wohl im Jahre 2000 aus-
sehen wird, dass sie ja wahrscheinlich
erleben wird. Ob wir dann die Atom-
bomben abgeschafft haben werden oder
die Atombomben raus? Im Rahmen
der New Zealand Labour Party
arbeiten wir nach besten Kräften für
die erste Alternative. - Was wir
natürlich, das bei Euch jeden Augen-
blick kostbar ist. Aber wenn Ihr
einmal nichts besseres zu tun habt,
lasst wieder von Euch hören.
Herzliche Grüsse und alles Gute
Euer Wawoi.

Ich bin überzeugt Ihr habt auch große Freude an eueren
Enkeln und an Kori und ihrem Mann. Bleibt alle gesund
und der Welt noch lange erhalten. Sie braucht Munde wie Euch.
A. W.

Meine Lieben,

Wenn man älter wird und die Reife zu nimmt während leider des körperliche Wohl befinden und die Arbeitskraft abnimmt, erkennt man mehr und mehr, daß nur ein Gut wichtig ist und sehr beschränkt: Zeit, Arbeitszeit, Lebenszeit. Ich arbeite jetzt an diesem Schauspiel. Mivoreke eine 'feiry' kommt nach N. 2. trifft einen Maori hōyū ling Meta.ora und die beiden werden Mann u. Weib. Er beleidigt sie und sie geht nach Hause zurück in die Unterwelt. Meta.ora folgt ihr dort hin und bringt sie (glücklicher als Orpheus) von dort nach Neu Seeland zurück. Sie bringen von diesem Lande auch die Spiralen tätowierung und die Kunst des Musterebens zurück. Wie wohlbekannt (Fraser's Golden Bough) sind diese Unterweltsgötter in der ganzen Welt Kornmysterien. Das begegnung Mutterkorn, Auferstehung im Frühling. Leres (Leres) und Proserpine. Osiris + Isis ^{ek} und alle anderen solchen Götter. Nun bin ich auf die Tatsache gestoßen, daß Mivore und Varoke im Sanskrit ~~der~~ im Reisname ist und daß Madhava Re im Sanskrit Frühlings sonne heißt oder vielmehr Heat or Splendour im Frühling. Also die beiden Götter representieren Reis und Frühlings sonne. Ich unter

pretiere das Tätowieren als eine Initiationszeremonie
da der Mann erst nach dem Tätowieren seine
verlorene Frau von ihrem Vater, der der Tätö
wierer ist, zurück bekommen kann. Es ist in Blaukerse
geschrieben und ich schlage mich jetzt gerade mit
den archetypal Hexensabbath Vorstellungen des
Mefisto herum die er als Erscheinungen sieht
während er tätowiert wird und fiebert. Außer
dem habe ich eine starke Antikriegs tendenz als
Motiv in den Streit der Liebenden eingebaut.
Ich habe die Hoffnung, daß es die Bühne oder das
Radio erreichen könnte. Ausserdem beschäftige ich
mich mit Übersetzungen. Unsere kleine Joy macht
mir viel Verdruß. Kommt auch die Maschine manchmal
mal ein wenig aufspielt und man einmal hier ein
mal dort ein Hehheh hat, das gelegentlich wohl eine
Koordination erfordert, so kann man sich unproben und
Grenzen nicht beklopfen, weil wir ja doch das Glück ge
habt haben durch eure Hilfe den Mofochosen zu
entkommen, Kommt ich also darüber wehklage, weil ich
erst im Alter die Zeit und die Reize gefunden habe das zu
tun was ich schon immer tun wollte, aber durch die Macht
wirtschaftlicher Umstände (Dalles) plus Dummheit
victorienische Fingerlichkeiten, die eine Tochter an die Kette

legt, verhindert was zu tun und dann durch die Not
wendigkeit zum Lebensunterhalt beizutragen, ~~Hundert~~
Gustl aufzu ziehen. Hundert Sehen! So freut mich das
Leben jetzt erst recht und Felix und ich haben viele
schöne gemeinsame Interessen. Wir haben beide noch
ein sehr großes Programm vor uns, und hoffen noch
manches davon zu erreichen. Gustl ist ein feiner und
fähiger Mensch geworden und sehr gut und lieb und
seine Frau ist auch ein ganz lieber Mensch. Also ihr
seht wir haben jeden Grund denkbar und glücklich
zu sein, wenn gleich man wehmützig wird.

Hier gedanken Euer immer in Dankbarkeit, Liebe
und Verehrung.

Eure Odele.

Weil wir nicht wissen wo Ihr
monatlang seid schicken wir den
Brief herummandelnd, du folge
Euch dann überall nach, Nachweis
alles gute
Wacwi