

Adolf Moxter *

KARL HAX: HIS WORK AND LIFE AS WE SEE IT TODAY

1 INTRODUCTION

‘Now record of my earthly day
No Flight of aeons can impair’¹.

That is the way *Karl Hax* used to remark, jokingly, of course. Well, the traces of his earthly life are still very much evident on his 100th birthday on November 13th, 2001: in the far-reaching and continued effect of his academic work, the numerous institutions permanently influenced by him in their development, and, not less important, the closer and wider circle of his disciples. His forming influence on his students was a very profound one – though he, who was basically an unassuming person, may not have been much aware of it, his students, who saw and still see in him the ideal father figure, realized it all the more. We owe a great debt to the combination of indulgence and strictness that characterized him. Not only in his work does *Karl Hax* stay alive for us, but also in the deep respect we feel for him.

2 THE WORK

2.1 ACHIEVEMENTS AS A RESEARCHER

2.1.1 THE FOCUS OF HIS PUBLICATIONS

Karl Hax’s publications are amazing as to their profound exploration of the subject matter, their wide range of academic interest and their large number². He published 12 books, more than 150 articles (not counting co-authorships), more than 50 detailed appraisals of persons, not to forget a large number of book reviews, which *Erich Schäfer* rightly comments upon in his obituary on *Karl Hax* as ‘a scientific achievement of major importance’, ‘impressive by its sheer volume’. In these book reviews *Karl Hax* did ‘in no respect limit himself to a summary based more or less on key-words. By locating the publication to be reviewed in its proper place within the respective special field, and by not avoiding to take a critical point of view, he rendered an immeasurably valuable service to all who are interested in this field. In the course of time, we will realize more and more that this is a creative work in its own right for which the discipline of business administration is very much indebted to the deceased.’³

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1 See *Goethe, Johann Wolfgang*, *Faust*, Part II, Act 5.

2 A survey can be found in *Anonymous* (1978), pp. 857–868.

3 See *Schäfer* (1978), pp. 855–857 (all quotations).

The range of subjects dealt with in books and articles by *Karl Hax* prove him to be generalist in the best sense of the word – he probably was the last one among academic teachers of business administration. His books, the titles of which are listed below⁴, however, indicate certain main points of interest; these are the fields of accounting, insurance, personnel and economic development (own translation in brackets):

- Der Gewinnbegriff in der Betriebswirtschaftslehre. Leipzig 1926. (The Concept of 'Income' in Business Administration)
- Die Betriebsunterbrechungsversicherung. Betriebswirtschaftliche Grundlagen und versicherungstechnische Gestaltung. Köln und Opladen 1949; 2nd ed. titled: Grundlagen der Betriebsunterbrechungsversicherung. Köln und Opladen 1965. (Business Interruption Insurance – Underlying Economic Principle and Insurance Design)
- Die Substanzerhaltung der Betriebe. Köln und Opladen 1957. (Maintenance of Invested Capital in Business Enterprises)
- Japan – Wirtschaftsmacht des Fernen Ostens. Köln und Opladen 1961. (Japan – Economic Power in the Far East)
- Grundlagen des Versicherungswesens. Wiesbaden 1964. (Translated into Japanese, Tokyo 1971). (Foundations of Insurance)
- Grundlagen der Unternehmenswirtschaft in Brasilien. Köln und Opladen 1968. (Foundations of Business in Brazil)
- Die Entwicklungsmöglichkeiten der Individualversicherung in einem pluralistischen System der sozialen Sicherung. Köln 1968. (The Perspectives of Individual Assurance in a Pluralistic Social Security System)
- Personalpolitik und Mitbestimmung. Köln und Opladen 1969. (Personnel Policy and Co-determination)
- Kapitalbeteiligungsgesellschaften zur Finanzierung kleiner und mittlerer Unternehmen. Köln und Opladen 1969. (Equity Participation Companies for the Financing of Small and Medium-Sized Business)
- 150 Jahre Gothaer Feuer 1820–1970. Köln 1970. (150 Years Gothaer Fire Insurance 1820–1970)
- 50 Jahre Gothaer Transport- und Rückversicherung 1923–1973. Köln 1974. (50 Years Gothaer Transport Insurance and Reinsurance)
- Personalpolitik der Unternehmung. Reinbek 1977. (Personnel Policy in Business)

⁴ See the survey mentioned before for references to other publications.

This is not the appropriate place to review and assess all of *Karl Hax's* publications, let alone that it would mean exceeding my competence if I tried to describe the lasting elements of his research in all areas of his work. Today, there is probably no academic teacher of business administration who still commands an overall and complete view of the discipline; unlike *Karl Hax* no-one would now be in a position to cover all the different areas of business administration in a course on General Business Administration in a competent way as he used to do in one of his standard lecture courses which, unfortunately, was never published in a book. Though there had been plans for such a publication, *Karl Hax* abandoned them after a friend and colleague of his had published a very comprehensive textbook on General Business Administration – an act of loyalty among colleagues which at that time was still a matter of course.

Though the following paragraphs focus on *Karl Hax's* work on accounting we must not forget that his achievements in other areas also had a major impact. With good reason, he is called a pioneer in viewing personnel management as part of business administration; he was prominent in his dealing with fundamental problems of personnel and social issues, including employees' participation, in business firms. His research in the field of insurance had an equally profound and lasting influence. His monograph on Business Interruption Insurance is still a standard reference in the theory and practice of insurance. This applies in particular to analyses on the assessment of damages.

2.1.2 CONTRIBUTIONS TO ACCOUNTING RESEARCH

2.1.2.1 THE CONCEPT OF 'INCOME' IN BUSINESS ADMINISTRATION

Karl Hax's first academic publication hit like a thunderbolt: it was his doctoral thesis 'The Concept of 'Income' in Business Administration' published in 1926 by the well-known publishing house Gloeckner in Leipzig. The importance of this book can be judged by the mere fact that the famous scholar *Fritz Schmidt* wrote an equally detailed and positive review of it, calling it a work of 'major impact'⁵.

The book is a masterpiece on business accounting not only with respect to the state of knowledge of its time. It appears to just present and compare the income concepts of a number of leading authors of that time (in particular *Schmalenbach*, *Schmidt*, *Walb*, *Nicklisch* and *Osbahr*); but, in fact, this first publication of his is much more profound and perceptive than that: *Hax* examines the individual starting positions that characterize each specific income concept – very often an inextricable jumble mixing aspects and issues of microeconomic, macroeconomic, accounting and taxation, and, last but not least, ethics. *Karl Hax* realizes that there is a lot more behind the individual income concepts than a specific view of a mere financial statement item. Any income concept is shaped by a specific view concerning the aim and objective of income determination itself, and even by a view of the aim and objective of a business enterprise.

⁵ See *Schmidt* (1927), 315.

On the basis of a careful distinction between a variety of different functions or objectives of income determination, *Karl Hax* erects a solid frame of reference for the assessment of the income concepts to be analyzed. Using the terminology of our days for easier understanding, one has to differentiate between two fundamental objectives of income determination: one is the provision of information in order to facilitate the assessment of the economic situation of a company, while the other one is the determination of the specific financial claims according to civil law and tax law, which various parties have on the surplus of a firm.

The view that “profit” should be the main information item concerning the development of a company was in accordance with the main position advocated by *Eugen Schmalenbach*, who had guided and supervised *Karl Hax*’s doctoral dissertation. It is one of *Karl Hax*’s most valuable achievements to have developed this position in a very precise way. In doing so, *Karl Hax* greatly clarified several ideas that had remained mere programmatic sketches in *Schmalenbach*’s own publications so far. These clarifications are made possible by the carefully crafted conceptual foundation as well as the illuminating comparisons between *Schmalenbach*’s views and the relevant academic contraposition advanced at that time. (Of course, the most important of these contrapositions, i.e. that of *Wilhelm Rieger*⁶, was not covered in the book as it had not yet been published).

It is instructive to take a look at the modifications and supplements to the various editions of *Schmalenbach*’s book on ‘Dynamic Accounting’ (“Dynamische Bilanz”). One can safely assume that *Karl Hax* essentially influenced the particularly instructive changes in the editions 4, 5 and 6⁷. *Erich Schäfer*, one of *Schmalenbach*’s students, was probably right in saying that *Karl Hax* had become ‘the closest and most loyal assistant’ *Schmalenbach* ever had⁸. There was certainly very much which *Karl Hax* could learn from *Schmalenbach*, but the opposite was also true; they were congenial spirits: ‘It is always essential that those we want to learn from be of our kind.’⁹

In his careful treatment of *Schmalenbach*’s theory of ‘Dynamic Accounting’, *Karl Hax* also learned that claims on validity must not be seen as absolutes; in his doctoral thesis we can, by all means, see some tentative indications referring to the limits of the concept of ‘Dynamic Accounting’. It may therefore be interesting, on this occasion, to have a closer look at these indications, and assess not only the advantages of this theory, but also its limitations, in the light of today’s knowledge. This seems all the more appropriate in view of the fact that the basic ideas of ‘Dynamic Accounting’ have by now been disseminated on a worldwide scale and have been integrated in the International Accounting Standards as well as the US-Generally Accepted Accounting Principles.

Schmalenbach and *Karl Hax* had to do pioneering work. They succeeded in changing the basic concept of what constitutes the function of a financial state-

6 See *Rieger* (1928); *Rieger* (1936).

7 See *Schmalenbach* (1926; 1931; 1933); for details see *Zimmermann* (1985).

8 See *Schäfer* (1978), p. 855.

9 See *Goethe, Johann Wolfgang*, Gespräche mit Eckermann, 12. 5. 1825.

ment in a way which reflects their “dynamic” perspective. They had realized that the balance sheet of a company was not at all well suited to perform the function which it had, according to the law as well as to the academic accounting literature of that time, namely to reflect the relation of assets and liabilities. This is so because a balance sheet is not the appropriate instrument to assess economic wealth nor liquidity. Measuring economic wealth with a financial statement is incompatible with the principle of valuing individual assets and liabilities; and a measurement of liquidity inevitably fails due to the lack of a prospective orientation of a balance sheet. However, according to the “dynamic” concept of accounting, financial statements can be drawn up in a way which makes accounting profit an indicator of the economic development of a business. For that purpose to be achieved, the comparability of income over the years is crucial; and this is the hallmark of the “dynamic” theory of accounting. Only if this condition of comparability is satisfied, will the increase (or reduction) in income indicate the positive (or negative) economic development of a company. If comparability is understood like that, it is imperative to adhere to the principle of consistency. This requires that the methods of assessing assets and liabilities shall not be changed over time.

Seen from a “static” point of view of accounting, i.e. a perspective which is focussed on the “proper” assessment of the values of assets and liabilities, the “dynamic” requirement of consistency in measurement methods can lead to “fictitious” values for individual balance sheet items. Take the example of receivables of a company, and assume that they are normally written off by 10% on closing days, whereas on a certain closing day, due to unexpected events, irrecoverable amounts are considered to be higher than predicted. According to the “static” conception, the assessment in the balance sheet must reflect this decline in value. According to the dynamic conception, in contrast, this item is deliberately reported with a “wrong” value, in order to be able to determine income (in the dynamic sense) correctly and thus, to facilitate comparisons over time. Comparability is assumed to deteriorate if the write-off of loans and receivables reflects circumstances that cannot be assumed to occur regularly, because the extent of the reduction of profit in a given period ensuing from the downward adjustment would distort the reflection of the economic development of the business in the period under consideration. In the extreme, according to the theory of dynamic accounting, a loan would at least partially remain an asset on the balance sheet although it has definitely become irrecoverable.

The idea of applying continuous measurement methods to all items in the balance sheet can easily be misunderstood. Of course, if a loan or receivable became irrecoverable, we could reason that this would mean a loss of assets and consequently a setback in the economic position of the residual claimants; and one might further argue that this were a fact which should manifest itself in a corresponding reduction of income. But from a strictly “dynamic” perspective, this reasoning would be inappropriate. In his lectures, *Karl Hax* used to call this kind of reasoning as still being stuck in the old static misunderstanding: For adherents of the static concept of accounting, income is derived from the value of assets. The extraordinary achievement of *Schmalenbach* and *Hax* was to change this perspective and to view current profit as an indicator of expected future profits, i.e. to incorporate a dose of prediction into income measurement.

The economic position of the residual claimants is determined by those factors which are today subsumed under the concept of "shareholder value". It depends essentially on expected profits in the sense of future cash flows to the shareholders, considering, of course, their risk and time structure. It immediately follows that a positive (negative) economic development, which should be reflected in the current profit figure, has to be a change in anticipated future cash flows due to factors of the past financial year covered by the annual accounts. From this perspective, it is easy to see that including the extraordinary irrecoverability of receivables mentioned above, as well as other atypical influences, can easily distort profit as an indicator of changed anticipated cash flows: Though such losses in assets always mean a reduction of anticipated cash flows, they do not correctly reflect the extent of this reduction, but rather tend to indicate an excessive reduction of future profits. Moreover, it might easily be the case that the complete write-off of the lost receivables hides concomitant favorable developments with respect to other revenues and expenses, and thus leads to a grossly false assessment of the evolution of future cash flows.

It is easy to see what mattered to the adherents of the dynamic theory of accounting: They were looking for a simple and commonly understandable basis for taking decisions, be it decisions to be made by the management within the scope of 'directing a business'¹⁰, or decisions of third parties. Their objective was to show the economic development plainly, in particular if it is negative or impairs the going concern, so that counter-measures can be taken in time. They rightly emphasized that transparency of the economic development is an important, if not the decisive, measure to ensure creditors' protection. In this respect, the traditional static accounting theory, taking creditor protection as the main reason for its asset oriented valuation, had at least been seriously questioned.

Schmalenbach and *Karl Hax* have trained several generations of future managers and taught them to believe in the dynamic concepts of accounting. It is therefore no surprise that in the economy of today, the change in income over a financial year serves as the essential basis for assessing what is now generally called 'performance'. However, in his lectures *Karl Hax* also emphasized regularly that the significance of a criterion that simple must not be over-estimated. One single figure, the change in accounting profit, cannot capture such a complex phenomenon as the changes in future cash flows and economic development. Though we might think that a comprehensive analysis of the change in the anticipated cash flows (dividends) will finally result in a one value figure and thus make its meaning clear also to non-experts, it is exactly not this kind of prognostic basis on which income is determined in dynamic accounting.

Karl Hax also clearly realized that the determination of income in accounting, no matter whether according to the dynamical or static conception, must be reliable. Already the principle of valuation of assets and liabilities on an item by item basis, which is common to any conventional accounting technique, causes an essential loss in decision usefulness of the accounting numbers, as it does not take into account the elements of goodwill (in their widest sense) and their changes.

¹⁰ See *Schmalenbach* (1962), p. 49.

However, a reliable income measurement is still preferable because it limits the discretionary power of those who have the task, and the right, to draw up the annual accounts, and limits the danger that they might abuse their discretion. It is also indisputable that a comparison of revenues and expenses that are free from so-called aperiodic influences and cover the past financial year as well as earlier years, can be an useful basis for predictions. Who ever wants to assess future cash flows would not neglect information of this kind. But it would also be a major fault to use this information as the only, or even merely as the primary basis for an assessment of future income.

However, the fundamental problems of dynamic accounting does not consist in the fact that the elimination of dynamic influences, i.e. indicators of possible changes of expected future cash-flows which may be hidden in what appears to be an aperiodic development, inevitably causes a lack of reliability, but also and foremost result from the suppression of essential information. Only a prediction-based analysis of the annual profit figure for a given financial year which explicitly considers the possible recurrence of its components can lead to a picture that describes the future economic development in a sufficiently comprehensive manner. Splitting up the aggregate of accounting profit into its various components may not only provide somewhat reliable information concerning the direction of future developments, but also the absolute levels of the anticipated cash flows to shareholders. The latter is particularly important if one has to determine the value of a firm or of its shares, e.g. for the purpose of protecting shareholder interests.

As was mentioned above, *Karl Hax* indeed recognized the limitations of the dynamic income concept as developed by *Schmalenbach*. As an immediate consequence of this perception, he ceased to focus on the information function of the balance sheet in his later years, and instead analyzed accounting as an instrument to determine the amount of claims of shareholders and other parties which have a claim on the cash flow of a company. In this specific sense, *Karl Hax* changed from being an adherent of a dynamic concept of accounting to one of static accounting, as the modification of the objective or function of accounting implies a corresponding modification of the underlying principles.

2.1.2.2 MAINTENANCE OF INVESTED CAPITAL IN BUSINESS ENTERPRISES

Just like the informational perspective in accounting, the determination of the amount of income justified for the residual claimants constitutes an important way of protection. On the one hand, a cut in income and thus the impairment of interests of those entitled to income must be avoided; on the other hand, excessive distribution of profits resulting in jeopardizing creditors in particular, must be prevented. In a state under the rule of law it is the task of the legislative body or jurisdiction to balance out such interests; neither science nor institutionalized interest groups have any standard setting power to that effect. Nevertheless, the importance of science in general and *Karl Hax*'s contribution in this area in particular, must not be under-estimated. His work constitutes the essential source of concepts that were followed by legislation and jurisdiction, if only with a major delay.

The importance of *Karl Hax's* work in the field of the determination of income claims¹¹ in the sense of the amount of funds which claimants can withdraw from a firm is due to the fact that he not only brought the problem of the so-called asset maintenance back into the line of vision of a wide public, but that he also made significant contributions to solving fundamental questions of substance in this area and to influencing the relevant legislation. His concept of asset maintenance is based on the so-called principle of the double minimum, according to which the possibility to withdraw funds as "profits" requires that the initial monetary capital as well as the initial capital assets be preserved within the firm. Preservation of the initial monetary capital is necessary for reasons of creditor protection in particular; the need to preserve the initial capital assets is an immediate consequence of the economic objective of a business, which is the alimentation of consumption expenditure.

Preservation of the initial monetary capital is in danger if, due to reduction of prices, replacement and/or restoration costs are below the real acquisition and/or production costs and this difference is considered as profit and thus considered as being open for distribution. Acquisition and/or production costs denote the amount of capital invested; up to the amount that can be considered as being financed by debt, its distribution would mean the distribution of borrowed funds. In the case of stock corporations, this would constitute a violation of the restrictions concerning distribution of funds as set out in the second EC directive on company law (77/91/EEG). Irrespective of the legal form of a business, this principle is usually followed in order to avoid bottlenecks in financing. Even the supporters of an organic accounting theory¹², who see income as the difference between sales and replacement costs, argue that one should not distribute that portion of income which can be attributed to replacement costs that are below the acquisition or production costs. In order to prevent a distribution as "profit" they suggest to create an accounting item called 'income from revaluation' on the liability side of the balance sheet, thus reducing profit correspondingly.

Unlike the capital maintenance just mentioned, asset maintenance was never unquestioned. Asset maintenance was generally understood to be a financing problem rather than one of income determination, and all those statements in favor of asset maintenance, also those made by *Karl Hax*, may well be mistaken for a plea for tax reductions and/or the interests of majority shareholders. *Karl Hax*, however, was not somebody to mix up problems of finance and accounting; even less was he an academic who could be bought – this is a suspicion that adherents of the preservation of capital assets are always confronted with, sometimes more, sometimes less directly. *Karl Hax's* sense of justice was much too pronounced to encourage e.g. the starving out of minority shareholders by establishing reserves for the asset maintenance excluded from distribution. He did not want a cut in income; he wanted to determine the just income as a fair balance of the interests of those entitled to income (including the tax collecting authorities) on the one hand and the so-called protection of capital and/or business on the other. In this context, protection of capital or of the business is shorthand for the

11 See in particular *Hax* (1951), pp. 433–460; *Hax* (1957); *Hax* (1959/60), pp. 102–114.

12 See *Schmidt* (1929).

protection of the interest of those who might be put at a disadvantage if income were distributed. This concerns creditors, but is not limited to creditors.

The (German) Commercial Code requires this fair compensation in as much as it limits the claims on distribution to a company to the income achieved within the financial year. If a shareholder wants to withdraw more than his or her share of the income, this reduction of his or her share in the capital requires the consent of all other shareholders; in partnerships, limitations to the income distribution are not relevant in the case of mutual consent. This law is based on the idea that the shares paid in by the partners (including those paid in after the formation of a business) provide the capital foundation which is necessary to ensure the realization of the business objective.

The object of business usually is an economic one: to produce sustainable income for the shareholders, ultimately to cover the shareholders' consumption expenditures. Over the long run, a firm can only provide income for its shareholders if its capital base is maintained. This is why the income of a financial year is defined as the amount that can be distributed without, according to the information available on the closing day, jeopardizing the distribution of equally high annual profits in future; any distribution exceeding that amount will reduce the capital basis, any distribution below that amount will increase it, and, consequently, future possible distributions of profits. As the shareholders, however, are not interested in a nominal but an inflation adjusted consumption expenditure flow, the capital basis to be maintained must also be based on an inflation adjusted concept. The methods of asset maintenance suggested by *Karl Hax* are a practical approach to achieve this; compared to other methods which convert nominal income with the help of an inflation index, they have the advantage of making side calculations of that kind superfluous.

Karl Hax saw his contributions to the development of the concept of the preservation of assets as an 'additional development of traditional financial accounting'. As he saw it, his 'truly fundamental concept' was that it would be possible to stick to conventional 'nominal value-based accounting' and still take into account 'the requirement of asset maintenance (extended realization principle)'¹³. According to *Karl Hax*, profit, seen from the asset maintenance point of view, was only realized and thus distributable if a replacement of the assets was possible. As a consequence, the LIFO-method recommended by *Karl Hax*, was the optimum combination of nominal accounting and accounting for the asset maintenance.

Legislation, in fact, followed *Karl Hax*, though unfortunately not during his lifetime. The (German) Tax Reformation Law of 1990 amended § 6, par. 1, no. 2a of the (German) Income Tax Code in such a way that the LIFO-method was admitted with the explicit advice that 'general introduction of the LIFO-method in tax law intends to ... remedy the problem of taxing fictitious gains'¹⁴. Although the very wording of the law (§ 6, par. 1, no. 2a EStG) also expresses this aim and object, emphasized in the argument for the law – only the LIFO-method is described

¹³ See *Hax* (1958), p. 211 (all quotes).

¹⁴ See *Drucksache of the German Bundestag* 11/2157, p. 140.

there, no other methods of inventory valuation are mentioned. In one of its more recent decisions, the (German) Federal Fiscal Court objected to LIFO¹⁵. It is reasonably safe to assume, however, that the last word has not been spoken as refers to the admissibility of the LIFO-method. On the contrary, there are good reasons to expect that *Karl Hax* will have the last word on this issue.

2.2 ACHIEVEMENTS AS AN ORGANIZER OF THE ACADEMIC COMMUNITY

The achievements of *Karl Hax* in the field of academic organization are equally amazing. Special mention shall be made of the *ZfhF* (Zeitschrift für handelswissenschaftliche Forschung) (Journal of Commercial Research). Later the journal which had been founded by *Eugen Schmalenbach* was renamed as *zbf* (Journal of Business Research), following the general adoption of the denomination of the field as business administration. *Karl Hax* edited this journal on behalf of the Schmalenbach Society since 1949. It does not bear thinking about the fate of this journal had it been entrusted to the wrong person. *Karl Hax* was well aware of the general importance of journals for a defined academic area, and of the influence which the *zbf* had for decades as the leading journal of business administration. In his role as the editor, he knew how to create a balance between theoretically oriented articles and those oriented to immediate application. Incidentally, his position as an editor was strong enough to sometimes make even the more practically minded among the subscribers to read articles which were quite removed from their field of immediate interests. Above all, however, he knew to recruit excellent authors to *zbf*, also in their capacity as book reviewers. His own work as a book reviewer was already mentioned in the beginning.

Karl Hax sacrificed a considerable amount of time to his journal. Not only did he read the submitted articles very thoroughly, but often also adapted them in a way to make them actually readable and to make main points which the author wanted to make much more clear than the author himself was able to do. Quite a few authors, hurt in their pride, however, failed to thank *Karl Hax* for this.

Karl Hax served as the chairman of a great number of conferences of the Schmalenbach Society, and even more of them were shaped by him in a profound way. The importance of these conferences for the practice of management in the period of radical change in the first decades after the Second World War cannot be overestimated, the more so because they helped to counteract an impending tendency of sterilization: Last but not least they also served as a catalyst in academic research. The same applies to a number of so-called working groups of the Schmalenbach Society to which *Karl Hax*, for decades, was an inspiring mentor like no other.

Finally, *Karl Hax* essentially contributed to the rebuilding and staffing of the Faculty of Economic and Social Sciences in Frankfurt, in particular its Department of Business Administration. It is quite safe to assume that he not only fundamen-

¹⁵ See *Decree by the German Federal Fiscal Court* of June 20th, 2000, VIII R 32/98, BB 2000, p. 2351, DB 2000, p. 2248.

tally influenced all decisions taken with regard to the academic staff, but that he also used his standing with the government of the Land Hessen to be granted the necessary positions for new professors and their support staff. When *Karl Hax*, in 1952, accepted the chair in Frankfurt, the situation at the faculty was indeed dismal: there had been semesters in which hardly any lectures on business administration were offered. During these difficult years of reconstruction *Karl Hax* was the first professor of business administration who made it clear that he regarded Frankfurt as his permanent academic home; this was the beginning of his central position at the faculty, which he preserved until he was given emeritus status in 1969.

3 HIS LIFE

3.1 THE DIFFICULT FIRST DECADES

Karl Hax was born on November 13th, 1901, in Cologne as the son of an innkeeper. He was baptized in the Hohe Domkirche. The first decades of his life seem rather unspectacular: elementary school, secondary school, teachers' seminar, graduation ('Abitur') at the age of 20 as an extern, studies at the University of Cologne, graduation as a teacher of commercial subjects and working as a teacher at vocational schools and higher schools for trade and commerce in Cologne from 1925–1942. While he was working as a teacher, he obtained his doctorate under the supervision of *Eugen Schmalenbach* at the age of 25. Between 1926 and 1934 he was a research assistant at the Institute for Research on Business Cycle. In 1939 his cooperation with *Prof. Rohrbeck*, the head of the Institute for Research on Insurance at the University of Cologne, started. *Prof. Rohrbeck* supervised his Habilitation which was completed in 1943. The Habilitation, which had initially been jeopardized because of *Hax's* former membership of the Social Democratic Party, treated the topic of insurance against hazards of business interruptions. Then *Hax* was called up for the military service. In 1946 he was released from captivity and took over the position as the temporary head of the Institute for Research on Insurance at the University of Cologne. In 1949 he was offered a professorship at the Technical University Darmstadt, where he continued to work until 1952.

3.2 THE GLORIOUS FRANKFURT TIMES

In 1952 *Karl Hax* moved to the Johann Wolfgang Goethe-University in Frankfurt am Main, where, besides general business administration, he was also responsible for the fields of industrial (or manufacturing) and insurance, as well as accounting, until a separate chair for the latter subject was established in 1957. *Karl Hax* became the Dean of the Faculty for Economic and Social Sciences as early as 1953, and the Rector of the University in 1960 – unforgotten (and today unimaginable) the solemn inaugural address he held, dressed, of course, in his ceremonial gown, in Frankfurt's St. Paul's Church – so full of traditions – with everybody present and listening who was anybody in Frankfurt.

Karl Hax's time in Frankfurt from 1952–1969 certainly was the heyday period of his life. He published his most important research; he became president and later honorary member of the European Association of Chartered Accountants (Union Européenne des Experts Comptables – UEC), a member of the academic advisory council to the German Federal Ministry of Finances (Wissenschaftlicher Beirat des Finanzministeriums), chairman of the German Association of the Professors for Business Administration (Verband der Hochschullehrer für Betriebswirtschaft) and co-chairman of the Association of Social Policy (Verein für Socialpolitik), liaison lecturer of the German Research Association (Deutsche Forschungsgemeinschaft), member of the main technical committee of the German Institute of Certified Public Accountants (Hauptfachausschuss des Instituts der Wirtschaftsprüfer) and honorary member of the German Institute of Certified Public Accountants. He received honorary doctorates from the University Erlangen-Nürnberg and the Technical University Munich, served as president of the Schmalenbach Society, was a member of the board of directors of the German-Japanese Society Frankfurt (M.), honorary member of the Japanese Association for insurance research, member of the research council of the Land Hessen and member of the supervisory boards of several important companies. He has been offered chairs in Bern (1955) and at his home university of Cologne (1958) – and declined both; he was a visiting lecturer at the University of the Saarland (1958), spent several months each for studies in North America (1957) and South America (1963), was a visiting professor at the University of Kobe in Japan (1960): truly “une vie immense” of *Balzac* dimensions; *Karl Hax* was a person with a giant vitality.

There was hardly one among us students who could escape the fascination of a personality like *Karl Hax*: This was reliable authority, someone with the highest professional ethics, someone who detested empty and long-winded rhetoric as much as hocus-pocus presented under the guise of science, someone who saw the university as a place of intellectuality and who was a living example of intellectual integrity, someone who knew to be pleasantly distant and exemplarily conciliatory at the same time, someone distinguished by noblesse and position. We, the students, saw a professor with charisma, someone who was in his very element in (even) the (largest) lecture hall, who was enthusiastic about his subject and therefore able to inspire us, too.

Later, when we were research assistants and colleagues, we learned that here was somebody who did not think with a treasurer's mind, someone who combined his outstanding talent with a virtually legendary self-discipline and an almost more than ascetic way of life. Maybe the first hard decades of his life were one of the reasons why *Karl Hax* never was blinded by success; he always hated arrogance, in particular if – as is often the case – it intends to hide ignorance.

It is hard to describe how *Karl Hax* suffered from the student unrest which started in 1968. He had no comprehension for the new maxims; he was not one to put majority before authority. The various forms of evil aggression hurt him – physically strong, but extremely sensitive in character – deeply. In 1968 he suffered a heart attack; on March 13th, 1978, he died of heart failure.

Outsiders can only have a faint idea of the enormous influence his wife *Sibylla*, née *Konz*, had on *Karl Hax*. She was born in Trier, graduated as a teacher of commercial subjects in Cologne, and also passed her doctorate in 1926, supervised by *Rudolf Seyffert*, in Cologne with a dissertation on 'The development of commercial academic literature until the end of the 17th century'. Two years his senior, she always appeared to us as the calm center in *Karl Hax*'s life, who not only compensated his exuberance, but, above all, created the atmosphere he needed as the source of his creativity. The old saying which calls the wife as the work's enemy applied to her in its reverse sense. We, as his assistants, saw her as the 'ideal' lady boss and think of this wise woman with a deeply felt gratitude.

4 SUMMARY

Karl Hax has shown the way in the theories of personnel management and insurance; he made valuable contributions to the theory of accounting, in particular with his ideas about the asset maintenance by integrating asset accounting into traditional business accounting by means of an extended realization principle. His importance for the development of the discipline of business administration, however, goes far beyond these research results; it cannot be better described than with the words of *Erich Schäfer* in his repeatedly quoted obituary of *Karl Hax*: 'With the distance growing, his leading position within German business administration beyond his personality becomes increasingly clearer. Three decades of continuous hard work and never diminishing enthusiasm for his subject have made him a kind of 'father figure' of business administration in Germany, without himself ever having made a bid for such leadership'¹⁶.

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¹⁶ See *Schäfer* (1978), pp. 855–856.