

ARCHIVAL INSIGHTS INTO THE
EVOLUTION OF ECONOMICS

HAYEK: A COLLABORATIVE BIOGRAPHY

**Part VII:
'Market Free Play with an
Audience': Hayek's Encounters with
Fifty Knowledge Communities**

Robert Leeson



Archival Insights into the Evolution of Economics

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Part VII, 'Market Free Play with an
Audience': Hayek's Encounters with
Fifty Knowledge Communities

palgrave
macmillan

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Archival Insights into the Evolution of Economics
ISBN 978-3-319-52053-7 ISBN 978-3-319-52054-4 (eBook)
DOI 10.1007/978-3-319-52054-4

Library of Congress Control Number: 2017954926

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Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature
The registered company is Springer International Publishing AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

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1

Introduction

The Austrian School ‘United Front’: From Neo-Nazis to Historians of Economic Thought

According to Friedrich Hayek (1980), there could be ‘no salvation for Britain unless the special privileges granted to [labour] trade unions in 1906 are revoked.’ Labour unions can cause inconvenience (through strikes) and increase unemployment (by raising their members’ wages); but the financial-supply union can turn their own crises into depressions and bailouts. A ‘stop in the mind’ prevented John Maynard Keynes (1936) from identifying the source of the business cycle—the special privileges (discretion) granted to the financial sector to sever the expenditure flow (a capital-lending strike). Given that constraint, Arthur Pigou’s proposal to provide incentives to bring forward business expenditure is second-best; and Keynes’ government spending third-best.

Unless Keynes (1920), Robert Skidelsky (1983, xxii, 387) and Donald Moggridge (1992, Chaps. 12, 13) were pulling a ‘stunt,’ *The Economic Consequences of the Peace* was a distress-driven attempt to address the adverse consequences for Austria and Germany (and thus the rest of the world) of the ‘Carthaginian peace.’ But Hayek (1978a)—who saw only

opportunities to ‘play with an audience’—recalled that in 1920, when ‘von’ Wieser lectured, ‘he would pause with a certain trick. He had a golden hunting watch in a leather thing, and if he was in doubt about words he would pull that out, spring it open, look at it, close it, put it back, and continue his lecture [laughter].’¹ Likewise, Keynes had a ‘supreme conceit of his power of playing with public opinion. You know, he had done the trick about the peace treaty [1920]. And ever since, he believed he could play with public opinion as though it were an instrument.’²

After the Wall Street Crash, Hayek ‘had done the trick’ by promoting deflation (White 2008)—which assisted Hitler’s rise to power. He then pulled a similar ‘stunt’ with *The Road to Serfdom*—by kicking-over the traces of Austrian School culpability for the Third Reich. It worked: in *The Path to Power*, Margaret Thatcher (1995, 50) described her intellectual development in the late 1940s: ‘the most powerful critique of socialist planning and the socialist state which I read at this time, and to which I have returned so often since’ was Hayek’s (1944) *The Road to Serfdom*. And from George Mason University (GMU), Karen Vaughn (1999) dutifully reported that context—‘that background and that time’—was essential: what is ‘sometimes overlooked’ is that in *The Road to Serfdom* Hayek was ‘trying to gently introduce the idea to the intellectual community that there was an equivalence between Hitler and Stalin that most of them were unwilling to recognize ... that was the message that he was trying most to communicate.’

Apart from behavioural economics, contemporary policy choices are still loosely associated with the competing frameworks of six economists: Keynes and Pigou; or Hayek and those he influenced—George Stigler and Ronald Coase—and partly influenced, Milton Friedman. The current combination is the worse: Keynesian-augmented Austrianism (financial sector tightrope-walking above a Welfare State safety net: taxpayer bailouts).

Science aspires to be democratic: when the quality of knowledge out-trumps the status of the knower, a hierarchy that resembles achieved status can result. But the tendency will always exist for those with achieved status (sometimes corruptly derived) to ossify the status hierarchy: ‘Know Thy Place’ can have dysfunctional consequences in a competitive market.

From a Kuhnian perspective, at a time of paradigmatic crisis, ‘normal’ science competes for resources against a challenger. In the Hayek

a Collaborative Biography component of the Archival Insights into the Evolution of Economics (AIEE) series, two paradigms compete: fundraising fantasy—the 'liberty' universe which revolves around Hayek and Mises—against the evidence:

- i. Nazism originated in Vienna;
- ii. Hitler acquired anti-Semitism in the Habsburg Viennese culture co-created by prominent proto-Nazi families like the von Hayeks;
- iii. Hitler embraced Mises' Austrian business cycle theory (ABCT) for the same reason that it was constructed—to destroy democracy;
- iv. Mises promoted Lebensraum;
- v. Mises embraced political Fascism to defend his 'property';
- vi. Hayek accepted that this was 'economic liberalism' pursued with 'ruthless consistency';
- vii. Hayek and Mises promoted the policy-induced deflation that allowed Hitler to gain power;
- viii. Hayek's defence of Pinochet's 'Clerical Fascism' and his contempt for the American 'fashion' of 'human rights' is consistent with Mises' enlistment of political Fascism to defend 'economic liberalism.'

Initially, two volumes in this AIEE series were planned to cover Austrian School—but the number has multiplied along with the discovery of suppressed material relating to Fraud, Fascism and Free Market Religion. Rockwell (2010 [1999], 292, 291) and Rothbard (2009a), the co-founders of the Mises Institute, openly embrace Lenin's strategy of revolution and so, presumably, regard historians of economic thought as 'useful idiots.' Boettke regards them as 'gullible' (see below).

The Jewish-born Mises (1985 [1927]) aspired to be the intellectual Führer of a Nazi-Classical Liberal pact; while the Jewish-born Rothbard embraced anti-Semitic white supremacists. From the Mises Institute, Block (2000, 40) reported:

I once ran into some Neo-Nazis at a libertarian conference. Don't ask, they must have sneaked in under our supposedly united front umbrella. I was in a grandiose mood, thinking that I could convert anyone to libertarianism, and said to them, 'Look, we libertarians will give you a better deal than the liberals. We'll let you goosestep. You can exhibit the swastika on your own

property. We'll let you march any way you wish on your own property. We'll let you sing Nazi songs. Any Jews that you get on a voluntary basis to go to a concentration camp, fine.'

Block (2000, 40), the Harold E. Wirth Eminent Scholar Endowed Chair in Economics at the J. A. Butt School of Business at Loyola University New Orleans, had a minor quibble: 'The problem with Nazism is not its ends, from the libertarian point of view, rather it is with their means. Namely, they engaged in coercion. But, the ends are as just as any others; namely, they do not involve invasions.' Mises promoted *Lebensraum* (Leeson 2017a); while Block described the 'united front':

If you like saluting and swastikas, and racist theories, that too is part and parcel of liberty. Freedom includes the right to salute the Nazi flag, and to embrace doctrines that are personally obnoxious to me. Under the libertarian code, you should not be put in jail for doing that no matter how horrendous this may appear to some. I happen to be Jewish, and my grandmother is probably spinning in her grave as I write this because we lost many relatives in the Nazi concentration camps.

This AIEE series is designed to provide a systematic archival examination of the process by which economics is constructed and disseminated. All the major schools will be subject to critical scrutiny; a concluding volume will attempt to synthesize the insights into a unifying general theory of knowledge construction and influence. What should a biographer do when the evidence contradicts the existing (fund-raising) impression? It rapidly became clear that Hayek's 'biography' could only be interpreted in the context of his proto-Nazi background and the promotion of political Fascist by his 'master,' Mises.

Volume Overview

Chapters 2, 3 and 4 examine the Austrian School religion and Hayek's attempt to put Mises' conclusions into 'a more effective form' plus some of the interactions between Hayek, Hitler, Mises, Hans Mayer and Othmar Spann (Chap. 2); Hayek's 'framework of traditional and moral rules'—

academic fraud (Chap. 3); corruption, deflation and opportunity in universities and pseudo-academic Institutes; the Second Estate sense of ‘honour’ that underpinned Hayek’s fund-raising; and the epistemological foundations of the ‘lower’ to ‘higher order’ flow-of-funds triangle (Chap. 4).

Apart from Fayetteville, Arkansas (a city of convenience to facilitate his 1950 divorce), the chronology of Hayek’s (8 May 1899–23 March 1992) life is conveniently delineated by his seven cities of residence: Vienna (1899–1923 and 1924–1931, including a brief stay in Zurich, 1919–1920), New York (1923–1924), London (1931–1940, 1945–1949), Cambridge (1940–1945), Chicago (1950–1962), Freiburg (1962–1969, 1977–1992) and Salzburg (1969–1977). At least fifty knowledge communities are associated with these seven locations.

Chapters 5 and 6 examine three Viennese (1899–1931) influences:

1. Religion
2. The Empires of the ‘old’ aristocracy
3. ‘Reaction’—restoring the ‘World Restored’ of the 1820s

Chapters 7 and 8 explore ‘Austrians and the Holocaust.’ At the University of Vienna, Hayek joined four Führerkults:

4. Spann’s Spannkreis
5. Mises’ Miseskreis
6. Friedrich von Wieser’s ‘slightly tainted’ ‘Fabian socialism’ (progressive taxation)
7. Mayer’s Künstlercafé

He also formed his own ‘spirit circle’ with J. Herbert Fürth:

8. Geistkreis

Hayek’s brother, Heinrich, spent the Third Reich injecting chemicals into freshly executed victims of the Nazis. According to one of his colleagues, his victims may not have been dead when his ‘experiments’ began. He was a Scharführer (non-commissioned officer) in the Sturmabteilung (SA, Storm Detachment, Assault Division, or Brownshirts), and from

1934 to 1935, Führer in the Kampfring der Deutsch-Österreicher im Reich (Hilfsbund), an organization of German-Austrians living in Germany that displayed a Swastika in its regalia (Hildebrandt 2013, 2016). He presumably used his influence to ensure that a German-Austrian living in England—his brother—would be given privileged treatment in Nazi-occupied Britain: unlike over 2300 intellectuals and politicians, ‘Friedrich von Hayek’ is not on the list of those whose arrest would be ‘automatic’ following an Austro-German invasion.³

After Hitler’s defeat, Hayek (1992a [1945], 223) pretended to insist that captured or surrendering Nazis should be shot ‘in cold blood’; two years later, when Heinrich was barred from academic employment under German de-Nazification laws, Hayek compared the Holocaust to playing the fiddle in the Viennese Symphony Orchestra: ‘It is scarcely easier to justify the prevention of a person from fiddling because he was a Nazi than the prevention because he is a Jew’ (Spectator 1947; cited by Ebenstein 2003, 390, n21).

In Vienna (and Zurich), Hayek encountered, or influenced, eight knowledge communities:

9. Brain anatomists with a research interest in schizophrenia
10. The ‘Aryan lineage’ (Ahnenpaß, or ancestor passport) obsession
11. Socialism
12. Jewish anti-Semitism
13. Eugenics, social hygiene and the Nazi euthanasia programme
14. British-Austrians
15. Heinrich Brüning’s deflation-pursuing Weimar government

Hayek was also intimately connected to those who were preparing for the

16. Holocaust

Chapter 9 examines Hayek’s interactions with eight knowledge communities in America (1923–1924):

17. Sigmund Freud
18. Left-Freudians (Wilhelm Reich and Herbert Marcuse)
19. The right-Freudian Mises

20. The American neoclassical approach (associated with John Bates Clark)
21. The American-Austrian School (Frank A. Fetter)
22. Institutionalism (Thorstein Veblen)
23. The empirical research methods of Wesley Claire Mitchell and the National Bureau of Economic Research (which tended to follow the German Historical School)
24. The search for producer sovereignty (Edward Bernays)

Chapter 9 also examines Hayek's interactions with ten knowledge communities in London and Cambridge (1931–1949):

25. Market Failure
26. Keynesian
27. Neoclassical Synthesis
28. Post-Keynesian
29. Galbraithian
30. The Beveridge-inspired Welfare State
31. Stockholm or Myrdalian
32. Market Socialism
33. Stabilization rules
34. Marxism

Austrians describe Mises as 'a non-compromiser, the Rock of Gibraltar' (Peterson 2009 [2005], 16); in the same year as the publication of *The Road to Serfdom*, Hayek illustrated what Austrian 'liberty' means in practice in

35. Gibraltar

Chapter 10 explores Hayek's encounters with eight knowledge communities whilst at the University of Chicago (1950–1962):

36. McCarthyism and the Austrian campaign against academics at that university and the University of Michigan (Lawrence Klein)
37. The tax-exempt donor class
38. The Cowles Commission

- 39. Behavioural economics (which he co-fathered)
- 40. The ‘other half’ of the Mont Pelerin Society: the Chicago School
- 41. The law and economics movement
- 42. Leonid Hurwicz
- 43. Ayn Rand and the Objectivist movement

Chapters 11, 12 and 13 examine Hayek’s European (1962–1992) encounters (or re-encounters):

- 44. The social market middle way
- 45. John Rawls’ (1971) Theory of Justice
- 46. Karl Popper
- 47. The British Conservative Party
- 48. Reagan and the Republican Party
- 49. Pinochet

Chapter 14 examines Hayek’s inclusion in

- 50. The Nobel Prize community, 1901–

‘A Criminal Band’?

The Helen A. Regenstein Professor of English and American Literature at the University of Chicago, Richard Stern, observed that Hayek struck a ‘haughty’ pose ‘rather as if he were sniffing something disagreeable in his moustache’ (cited by Ebenstein 2003, 182). Hayek’s contemptuous reference to his disciples as ‘secondhand dealers in opinion’⁴ conjures up the image of wartime spivs and petty peacetime crooks: by neoclassical assumption, do those he described as his ‘worst ... inferior ... mediocrities’ derive more status and income from doing Hayek’s ‘bidding’ than dealing in other ‘products’?

Austrian Truth—praxeology—is ‘not derived from experience’ (Sennholz 2002); neither was the AIEE’s editors’ (pre-experience) understanding of Austrian economists and their economics. Eight years of

research into Hayekians has revealed that many are 'observant' Christians who, convinced of American exceptionalism, fall into three categories: frauds, theocrats and the devotionally incapacitated. The reader must decide which category (or categories) the individuals discussed below most appropriately fit. They wine-and-dine at the taxpayers' expense in what Thomas Kuhn (1962) called an invisible college: but since no evidence is offered about the visible colleges or institutions that employ them, no judgment about those institutions is warranted.

According to Austrians: 'That we are part of some organic body and that we are interconnected so that we "belong" to and are responsible for each other is basically antithetical to our notion of the sovereignty of the individual' (Hamowy 2012, 535). Robert Putnam's (1995, 2000) 'Bowling Alone: America's Declining Social Capital' and *Bowling Alone: The Collapse and Revival of American Community* suggests that utility derived from group membership—including churches, especially in time of bereavement—has tended to be replaced by the consumption of goods and services. But what if the promoters of monotheism offer a binary choice: bowling alone or suicide bombing for 'God'? The production, supply and consumption of religious 'knowledge' cannot remain under Hayek's 'Shroud of Vienna.'

Nor did Hayek (1978a) wish it to be—he left an unambiguous instruction: sensitive information should be 'under lock and key for the next twenty-five years ... There's no reason for [hesitation] when it's after your lifetime.'⁵ 'Free' market religion blinds believers: it presumably never occurred to the delusional Hayek that the apparently unconstrained devotion of his disciples to his 'Cause' and his superiority was, in reality, a constrained-optimization exercise: posthumously revealing Hayek's 'thoroughly Hitlerian contempt for the democratic man'—as he had expected them to do—would not assist their fund-raising, but would, instead, be a form of Mutually Assured Destruction.

According to Caldwell (2001):

Apparently, materials still in the possession of Hayek's secretary Charlotte Cubitt or perhaps of family members might well be of great use to Hayek scholars. There is, particularly soon after a great person dies, a natural inclination for those who knew him best to want to keep back some mementos

of the relationship. Although such sentiments are wholly understandable, it must also be understood that they inevitably hinder scholarship. To reconstruct a person's life and ideas is extremely difficult, and those who try to do so should be given access to all existing information.

Caldwell (2001) had a solution: 'At a minimum, a photocopy of any remaining materials should be deposited with the Hayek archives at the Hoover Institution. Making such a deposit is the best way to pay homage to a great man and a great mind, and to help those who dare [emphasis added] to try to tell his story.' The Hoover Institution channelled hundreds of thousands of tax-exempt dollars to buy-out Bartley's teaching time (from California State University Hayward/East Bay) so that he could concentrate on interviewing Hayek for a biography that was never finished. Breaking-point almost came when an antique clock was reportedly stolen from the Deputy Director's office. According to Caldwell, Bartley's partner, Stephen Kresge, gave him the Hoover-funded transcripts on condition that they not be deposited in the Hayek Archives at the Hoover Institution. While scholars write a biography, Austrians write the Gospel—when asked if these transcripts would be available for scholarly inspection, Caldwell insisted that they were suitable only for the biography (his own).

According to Caldwell (2005a), Hayek 'said that in the real world, we have millions of individuals who have little bits of knowledge. No one has full knowledge, and yet we see a great deal of social coordination.' Through social coordination, Caldwell became President of the History of Economics Society (HES, 1999–2000): does he share Boettke's contempt for the pattern-recognition capacities of historians of economic thought?

After a visit to Nazi Germany in spring 1933, Hugh Dalton noted that 'Geistige Gleichschaltung [intellectual coordination] is the Nazi ideal in education. There is something of this to in the economics department of the [London] school of economics' (cited by Durbin 1985, 103). Caldwell told the Wall Street Journal that Boettke 'has done more for Austrian economics, I'd say, than any individual in the last decade' (cited by Evans 2010). Referring to Hayek a Collaborative Biography and the Austrian-suppressed evidence about Mises' card-carrying Fascism and

Hayek's anti-Semitism, Boettke (on his 'coordination problem' blog) asserted that

the gullible folks on the SHOE [Society for the History of Economics] list [are] not necessarily high opportunity cost scholars so perhaps one shouldn't worry. Yes, I know that sounds elitist, but scholarship requires certain abilities and temperament, and is measured by very conventional standards of publication, citation measures, etc. and these are highly correlated with academic position. In addition, as the sociologists Peter Berger used to emphasize, you cannot expect those only capable of playing checkers to be able to play chess. Leeson's form of intellectual 'history' appeals to those playing ideological checkers, not those capable of engaging in scholarly chess.⁶

Scholarship is a co-operative venture: the history of economics can illuminate knowledge dynamics. But those Austrian who believe that the road to heaven has opened-up for those who inhabit Hayek's cognitive sinkhole may be beyond rational discourse: they regard the evidence that Mises and Hayek were frauds and plagiarists as sacrilege. 'God' transcends time and space: for the faithful, therefore, there can be no analysis or history of (their 'market free play') 'God.'

However, scholars seek to persuade: one purpose of these chapters is to persuade Caldwell that he has made some serious errors of judgment. It would be helpful to the economics and public policy community if he could provide a chapter to this AIEE series explaining the process by which he stumbled into Hayek's 'fog of class war'—misled into promoting an equality: neo-Feudalism='liberty.' Boettke has already contributed to this AIEE series (Boettke et al. 2013): it would be helpful to have a further chapter explaining why divine Presuppositionist revelation derived from Hayek—an atheist and a fraud—should provide the foundations of public policy. They are invited to correct any errors of fact or of interpretation (for which an apology will be issued).

For many, trust is a social glue; for others it is a weakness to be exploited. For example, manufactured distrust of 'the government' and its fiat money can lead to unwarranted trust in 'God'-and-gold 'beat the market' salesmen. Rothbard was honest about the first part of this strategy: 'If you wish to know how libertarians regard the state and any of its

acts, simply think of the state as a criminal band and all of the libertarian attitudes will logically fall into place' (cited by Sobran 1995, 39). The kleptocratic Hayek was a magnet for those who 'Austrian-borrowed' from him, each other, their employers, and the taxpayer. But economics is concerned with incentives and social outcomes not holier-than-thou posturing. Most, if not all, of the contributors to *I Chose Liberty* (Block 2010) wear their age of conversion on their sleeves: adolescents for 'liberty.'

What incentives could alter behaviour? Rockwell (1994a, 14), who praised 'public floggings ... I'd bring back the stocks and the rotten tomatoes too,' rejoiced in

six of the best. These are to be administered on his bare buttocks with a half-inch wide, disinfectant-soaked rattan cane ... Here, a jail term can make you a big man. But not a tough spanking on your bare rear end. The punishment enlists the emotion of shame, particularly powerful among adolescents, in the cause of law and order ... For more serious crimes, we could administer more strokes, and in all cases, force prisoners to work to repay their victims.

Taxpayer secession is a more charitable solution: 'starve the beast' and the Austrian bubble would deflate.

In his Nobel Lecture, Friedman (1976) cited Pierre S. du Pont's statement to the French National Assembly just before 'The Reign of Terror': 'Gentlemen, it is a disagreeable custom to which one is too easily led by the harshness of the discussions, to assume evil intentions. It is necessary to be gracious as to intentions; one should believe them good, and apparently they are; but we do not have to be gracious at all to inconsistent logic or to absurd reasoning. Bad logicians have committed more involuntary crimes than bad men have done intentionally.' Sheridan Circle is as visibly connected to Dupont Circle as the Austrian School of Economics is to Pinochet's 1976 White Terror attack on Washington that killed Orlando Letelier and Ronni Moffitt: at what stage does graciousness give way to criminal indictments?

Hayek received a jubilant letter (18 June 1965) from a fund-raiser: 'Occasionally, it is possible to bolster one's faith in the triumph of that which is right and to reaffirm one's faith in truth, hard work, sacrifice,

perseverance, prayer and patience. On June 16th we received a letter from the US Treasury Department (Internal Revenue Service [IRS]) granting tax exempt status to the Institute!⁷ Chapter 1 of Part III of this Hayek a Collaborative Biography series concluded:

Since Austrians are people—to borrow Hayek's (1944, viii) phrase—'with whom I wish to live on friendly terms,' it is important to emphasise that the purpose of this volume is to persuade, not to whip-up witch-hunts ... Scholarship is frequently rules-constrained combat; but when the rules are broken, scientific communities can descend into the uncritical embrace of ideology. In the aftermath of [academic] civil wars, wounds can be healed, 'with Malice toward none, with charity for all': Truth, however, must precede Truth and Reconciliation. It is in this spirit that these chapters are offered.

Chapter 1 of Part VII concludes with a question: do IRS officials approve of hundreds of thousands of tax-exempt dollars being offered to the AIEE editor in an attempt to prevent publication of Hayek a Collaborative Biography? Or the offer of an equivalent amount to someone else to work on a hagiographic volume and then—causally or coincidentally—not to submit the AIEE chapters that he had been commissioned to write? Or a lesser amount to a failed mathematician with a long history of behavioural issues to travel across America to petition university administrators to sack any economist who may threaten Austrian fund-raising.

A university is entitled to hire a teacher who is devoted to deifying a card-carrying Fascist—but must the taxpayer subsidize those who seek to deify someone who sought to overthrow the Constitution of the United States and replace it with a single sentence written by a dictatorship-supporting European aristocrat:

After all, the one phrase in the American Constitution, or rather in the First Amendment, which I think most highly of is the phrase, 'Congress shall make no law....' Now, that's unique, but unfortunately [it goes] only to a particular point. I think the phrase ought to read, 'Congress should make no law authorizing government to take any discriminatory measures of coercion.' I think this would make all the other rights unnecessary and create the sort of conditions which I want to see.⁸

David Gordon (2009) recalled that in 1969 at the University of California Los Angeles (UCLA), Hayek stated that he found it ‘an interesting historical coincidence that he was deaf in the left ear, and Karl Marx had been deaf in the right ear.’ The Austrian archival silence is deafening. Hayek was revealed to be a fraud in 1934, amoral in 1950, and mentally ill in 1961, 1969–1974, and 1985–: impressions that are reinforced by his 1978 UCLA oral history interviews and Cubitt’s (2006) biography.

Like prices for monopolists and unregulated polluters, Austria ‘knowledge’ is informationally efficient—for Austrians. When Arthur Seldon, the ‘founder-president’ of the Institute of Economic Affairs complained to Hayek that he had denigrated the quality of his think tank, Hayek (28 August 1975) was obliged to assure him that the IEA was superior to the ‘propaganda’ emanating from FEE, the Foundation for Economic Education (the Irvington ‘setup’).⁹ Seldon (1994) then described Hayek on Hayek (1994) as portraying ‘the perfectly fulfilled life of this man for all seasons and centuries.’

In the 1920s, British broadcasting began as a moralistic enterprise: to promote ‘All that is best in every department of human knowledge, endeavor and achievement ... The preservation of a high moral tone is obviously of paramount importance’ as John Reich, its first Director-General put it (cited by Mowat 1955, 23). In the United States, the Public Broadcasting Service began in 1970. Eighteen months after Ronald Coase’s (1959) seminal ‘The Federal Communications Commission’ was published in the University of Chicago’s *Journal of Law and Economics*, Kennedy’s FCC commissioner, Newton Minow (9 May 1961), delivered a famous address on ‘Television and the Public Interest’ describing the milieu: ‘a procession of game shows, formula comedies about totally unbelievable families, blood and thunder, mayhem, violence, sadism, murder, western bad men, western good men, private eyes, gangsters, more violence, and cartoons. And endlessly, commercials—many screaming, cajoling, and offending ... a vast wasteland.’¹⁰

Minow was describing the daily diet of the President of Hayek’s Mont Pelerin Society, Boettke:

*Buffy the Vampire Slayer, Seinfeld, Saprano*s [sic], and *NYPD Blue* (I believe I have seen every episode of these shows). As for movies, I am partial to

Adam Sandler movies, in particular *The Water Boy*, but also *The Wedding Singer*. Though I should note that I love the *Lord of the Rings* movies, *The Matrix*, and *The Godfather* trilogy [sic]; *Star Wars* less so, but still a big favorite. Other movies I have particularly liked over the year have been *Taxi Driver*, *Raging Bull*, and *Bang the Drum Slowly* with Robert DeNiro, and *The Right Stuff* and *Apollo 13* about the space program. I enjoy watching Tom Hanks movies as well. Given my interest in basketball it should not be a surprise that I loved *Hoosiers*, the story of Pistol Pete Maravich, *The Pistol: Birth of a Legend*, and even Robbie Benson in *One on One* ... I am an avid fan, watching hundred [sic] of games a year at the high school, college and pro level.¹¹

Hayek (1978a) was contemptuous of Americans: 'it was conspicuous that the Americans did no longer walk. My wife used to say that they would soon lose the capacity to walk ... I doubt whether the Americans are book readers. You see, if you go to a French provincial town, you'll find the place full of bookstores; then you come to a big American city and can't find a single bookstore. That suggests a very fundamental contrast.' That left Americans vulnerable to fraudsters: 'I began with a tone of profound conviction, not knowing how I would end the sentence, and it turned out that the American public is an exceedingly grateful and easy public ... what I did in America was a very corrupting experience. You become an actor, and I didn't know I had it in me. But given the opportunity to play with an audience, I began enjoying it [laughter]'¹² But although American-Austrians devoured Ayn Rand's contempt-filled novels, Hayek presumably assumed that they wouldn't cross check his inconsistent answers—in 1985, telling Skousen and the public stoning theocrat, North, that in 1931 he had 'expected nothing less' than the invitation to become a full LSE professor (cited by Ebenstein 2003, 54, n20). But Hayek (1978a) had told the Swede, Axel Leijonhufvud: 'You see, at the age of thirty-two, when you're offered a professorship in London you just take it. [laughter] I mean, there's no problem about who's competing. It was as unexpected as forty years later the Nobel Prize. It came like something out of the clear sky when I never expected such a thing to happen, and if it's offered to you, you take it. It was in '31, when Hitler hadn't even risen to power in Germany; so it was in no way affected by political considerations.'¹³

Hayek's mental illness appeared to render him incapable of distinguishing between self-promotional stories and reality: and his sycophantic disciples repeat whatever stories they were told—even when they know them to be false. Hayek systematically 'rectified' historical 'knowledge.' For example, *Hayek on Hayek* (1978a, 1994) contains the assertion that he had rejected an offer to become President of the Austrian National Bank:

Well, at that time I really wanted a job in which I could do scientific work on the side. That was the main problem. It was a little later that I formed an idea. I made a joke to my first wife, I think just before we married, that if I could plan my life I would like to begin as a professor of economics in London, which was the center of economics. I would do this for ten or fifteen years, and then return to Austria as president of the national bank, and ultimately go back to London as the Austrian ambassador. A most unlikely thing happened that I got the professorship in London, which I thought was absolutely a wish-dream of an unlikely nature. Even the second step—Not at the time but forty years later, I was once negotiating a possible presidency of the Austrian National Bank [laughter].¹⁴

Gottfried Haberler (3 May 1984) told Leube that he was 'baffled' about his statement (in a draft of a biographical essay on Hayek) about Hayek having received such an offer. Haberler had talked to Heinrich Schneider, the Austrian Alternative Director at the IMF, who then called the Bank President Hanns Koren. Haberler sent Leube the formal statement that Schneider (27 April 1984) provided him with: Hayek's name had not even been mentioned in the context of the Presidency of the Austrian National Bank.¹⁵ But in *The Essence of Hayek* published later that year, Leube (1984, xxvi) repeated Hayek's lie: 'During his years in Freiburg, he was invited by the Austrian government to discuss the possibility of taking over the Austrian National Bank, which he refused in order to complete his monumental *Law, Legislation and Liberty*.'

Haberler (to Herbert Stein, 23 April 1984) declined to participate in an American Economic Institute symposium on Hayek.¹⁶ Habeler (7 March 1988) told Leube and others that he was 'not' an Austrian economist in the sense in which the term is used in America: that is, a follower of Mises.¹⁷ As 'Academic Director' of the European Center of Austrian

Economics Foundation, Leube continues to organize the 'Gottfried von Haberler' annual conference in the Liechtenstein tax haven.¹⁸

The Austrian School of Economics is unlike any other allegedly scientific community that the *AIEE* editor has ever encountered. For example, Richard Ebeling, who is proud of having named successive dogs after a card-carrying Fascist ('Ludwig von Mises IV' etc.) appears to derive utility by uncritically consuming and repeating transparent fraud as Gospel Truth (Leeson 2015a). The gullible are magnets for story-tellers. The *Times* (17 December 1931) reported that 'von' Hayek had been appointed to the Tooke Professorship at the LSE. But according to Ebeling (2001), in 'the mid-1970s' Oskar Morgenstern told him that in spring 1931 he had told Hayek (who had just returned from the LSE) that 'We are going to enter the office, you are going to look through your mail, and you will find a letter inviting you to be a professor at the London School.' They 'both laughed' before Hayek opened a letter offering him the

position as the Tooke Professor of Economic Science and Statistics. Not saying a word, Hayek handed the letter to Morgenstern, and they looked at each other in a chilling silence. I must have looked incredulous after being told this story, because Morgenstern said to me with dead seriousness, 'It happened just that way.'

Morgenstern, who believed that Hayek was only 1/2 or 2/3 'Aryan,' recorded in his diary that a 1929 *Miseskreis* presentation by Hayek had been followed by an 'unpleasant discussion in this arrogant circle of Jews.' His 1935 diary entries reveals that he thought that Hayek was 'crazy' and 'never going to become anything' (Leonard 2010, 162, 168, n55, 108, n30; Klausinger 2013, 12, 2014, 198). Morgenstern became a clairvoyant about Hayek's job offer in the elevator in the Vienna Chamber of Commerce building where Mises' Austrian Institute of Business Cycle Research was located. As Hayek's successor as Director of the Institute, Morgenstern must have known that Hayek had *not* predicted the Great Depression (in the Institute's publication, as he had claimed)—for which in 1931 he had been recruited to the LSE and for which he was given the 1974 Nobel Prize. But 'in the mid-1970s' he began 'dining-out' on his Hayek-connections.

Fürth described Hayek's philosophy as being based on 'his conception of personal freedom.'¹⁹ Hayek's mental illness manifested itself in an obsession with fabricating stories about himself—had this elevator tall-story actually happened, he would surely have repeated it. It seems that those who derive revenue from selling ABCT may themselves be easy victims for the proverbial sellers of 'Arizona Coastal Real Estate' (ACRE).

North (1995, 72) caricatured Rothbard as a saintly member of one of the fantasy families of the Austrian wasteland:

He did not advocate libertinism in the name of libertarianism. He was the husband of one wife. He understood that widespread antinomian self-indulgence will eventually produce a social catastrophe. He believed deeply that a society without civil government must rest heavily on self-government, and that self-government is not a powerful personal motivation in a person who is debauched sexually, chemically, or both.

But Hans-Hermann Hoppe (1995, 36) recalled that Rothbard

liked good food and a vodka martini or two ... Unlike his mentor Mises, Murray did not like to walk, let alone hike. Nature for him was largely an untamed and dangerous foe. He was a man of culture. 'Where there is nature there should be civilization' was his motto.

In *I Chose Liberty*, Hamowy (2010, 144) recalled that as the men talked till dawn ('five or six in the morning'), Rothbard's wife, Joey, 'would bring out a tray laden with liquor and mixes.' At the Brussels Mont Pelerin Society meeting, 'Joey opened the room's minibar and we all helped ourselves to whatever was available. Needless to say, by the time we left the room the bar was completely empty.'

Block (1995, 21, 22) recalled that in the 1960s, Rothbard was a 'little fat man': when eating with Rothbard began to adversely affect his own weight, he was told that 'every calorie says "yea" to life. What could I say?' According to North (1995, 72), throughout his career Rothbard 'maintained one theme: men are responsible for their actions, and a state that tries to remove this responsibility through coercive action should not be trusted.'

Sennholz was 'fond' of telling his Grove City College students that academics 'don't typically get rich but they can leave behind a better world': they would 'have to choose between great wealth and immortality.' As promoter of Austrian economics and landlord to his students, Sennholz acquired a multi-million-dollar fortune plus 'immortality ... by the boatload.' Sennholz will be 'remembered for a very long time as a very great teacher of very essential economic and moral truths. We loved him, and we will miss him' (Reed 2007).²⁰

Hayek became rich by promoting morality and evading taxes—while Sennholz conspicuously consumed religion and morality:

Hans had integrity. He embraced lofty principles, and he lived by them ... A tireless preacher about the moral rot and economic destructiveness of government redistribution of wealth, in his personal life he never registered to receive Social Security benefits. He didn't even want to recover the Social Security 'contributions' that had been taken from him over the decades. He understood that those dollars had not been set aside in some mythical 'lockbox' with his name on it, but had been spent on other government programs; thus, any payments he received from Social Security would be funds taken from his fellow taxpayers, and that he regarded as an unacceptable infringement on the rights of his fellow man. The American taxpayer never had a better friend and a more consistent advocate than Hans Sennholz. (Hendrickson 2007)

'Western bad men, western good men': the lonesome Marlboro cowboy on the mythical frontier captures the self-image of followers of both Ayn Rand and Austrian economics. In *Atlas Shrugged*, Rand (1985 [1957], 65), who died of lung cancer, found 'liberty' in cigarettes: 'When a man thinks, there is a spot of fire alive in his mind—and it is proper that he should have the burning point of a cigarette as his one expression.' Rothbard found 'liberty' in obesity and died of heart disease at age 68. Boettke (2010, 64), who sits atop the Austrian food-chain, has pledged his life to the 'imitation' of Rothbard, whose 'far too early death' he bemoaned. This could be considered a relatively harmless, consenting adults issue—were it not for Austrian 'optimism': 'I am very optimistic ... From China to Latin America to Russia, the world is moving in our

direction ... our movement is growing, and freedom is on the march. That is why I am basically optimistic about the progress of mankind' (Sennholz 2002). Plus, of course, the role that Austrians played in the plutocratic neo-Feudal revolution in Russia of the Oligarchs and elsewhere (Haiduk 2015; Leeson 2015b, Chap. 1).

According to DiLorenzo (1995, 74), Rothbard's *America's Great Depression* 'is such a refreshing antidote to the propaganda that most other economic historians have published about that era that it deserves a Nobel Prize.' 'Deacon' McCormick's Austrian School fraud was based on bogus diaries (Leeson 2015a); Rothbard's (2000 [1963], 90) *America's Great Depression* appears to have been based on elementary statistical fraud: data mining to yield the Austrian Truth (by redefining the money supply so as to include the cash surrender value of insurance policies). At Columbia, Arthur Burns had blocked Rothbard's PhD, which left him 'almost in tears ... devastated at the prospect of having to rewrite major sections of his work.' He was awarded a doctorate only after Burns left for Washington (Raimondo 2000, 43–44). Burn's 'adopted' son-in-law, Friedman (16 March 1987 to Haberler), described Rothbard's 'desperate' efforts to find a magnitude that would correspond to that which the 'Hayek-Mises theory requires.'²¹

Austrians oppose 'Nanny State' 'truth-in-advertising' regulations. Rothbard (1988, 115, 2002a [1973]) proclaimed the fund-raising Truth: Mises was 'Unfailingly gentle'; Austrians were 'in love with the sweetness of his soul.' But Margit Mises (1976, 143) appeared to object to Rothbard's fund-raising lies: 'When friends talked about my husband, they spoke of him as being "gentle" ... actually, he was not gentle.' According to Joseph Salerno (1995, 75, 76–77), Rothbard was a

fearless seeker of truth ... Murray went beyond asserting the unfashionable proposition that *truth*, rather than merely 'nonfalsified hypotheses' or 'scientific consensus' or 'continuing conversation,' was attainable in political economy; he committed the unpardonable heresy of proclaiming that the laws of economics are knowable with *greater* certitude than even the laws of physics ... Murray logically and fearlessly concluded that 'all these elaborated laws [of economics] are absolutely true' and that, therefore, 'economics ... does furnish existential laws.' Needless to say, the courageous

expression of such heretical, ‘extreme apriorist’ methodological views, in conjunction with his unabashed advocacy of a purely free market economy, got Murray excommunicated from the respectable, i.e., positivist and interventionist, economics profession and forever disqualified him from consideration for the prestigious and remunerative job in academia his scholarship so richly merited ... Rising up in high dudgeon, Murray magnificently denounced and demolished the crazed and impious maunderings of this ‘post-modernist’ movement in economics [emphases in original].

For fund-raising purposes, Rothbard (2002a [1973]) gushed about Mises. And Austrians gush about Rothbard:

a person of the highest integrity, both in his personal life and conduct as well as his intellectual pursuits (Denson 1995, 104); Perhaps the only subject Murray Rothbard didn’t write about at length was personal morality. This would have been redundant, for he lived a life of exemplary moral character in his dealings with others. He surely understood that in this area it is far more important to live your principles than to merely espouse them ... But if we agree with his long-run optimism, truth will eventually triumph, then future generations will do nothing less than exalt and revere the work and life of Murray Rothbard (Herbener 1995, 87, 88); Rothbard was empirical proof that the Austrian theory is correct. In his professional and personal life, he always put classical virtues ahead of his private interest. (Rockwell 1995, 119)

In Austrian circles, Rothbard is known as ‘Robhard’ (Skousen 2000); an attendee of the 1974 Austrian revivalist meeting (18 June 1979) told Friedman that Rothbard was dishonest but not ‘more dishonest than Michael Jensen’ (Leeson 2017a).

The Lingering Dysfunction of Dynasties

Austrian intermediaries have dominated the ‘academic’ study of Hayek and malevolently influenced post-1974 public policy—their lobbying is directly responsible for two of the ‘Four Horsemen of the Apocalypse’:

financial crises and the acceleration of climate change. Both ‘Horsemen’ could be forced to ‘dismount’ if two employer trade unions—carbon polluters and the financial sector—were not protected by ‘crooks’ for ‘liberty.’ The other two ‘Horsemen’—nuclear weapons and religious wars—present a more complicated problem.

A secular United States of Arabia could—like Turkey—have emerged from the Ottoman Empire had the British and French not carved-out spheres of influence and reneged on the promises made by Colonel T.E. Lawrence (2013 [1922], 23–24): the British cabinet

raised the Arabs to fight for us by definite promises of self-government afterwards. Arabs believe in persons not in institutions. They saw in me a free agent of the British government, and demanded from me an endorsement of its written promises. So I had to join the conspiracy, and, for what my word was worth, assured the men of their reward ... I risked the fraud on my conviction that Arab help was necessary to our cheap and speedy victory in the east and that better we win and break our word than lose.

The Jewish diaspora was enforced by the Roman Empire; the return was prompted by Romanov pogroms and the Holocaust of the revived First Reich (962–1806). The 1919 ‘Peace’ Treaties provided ammunition for Ludendorff and Hitler; and the Islamic State of Iraq and the Levant (ISIL) recruits jihadists by claiming to seek the end of the 1916 Sykes–Picot ‘Peace’ Treaty. In a video called *End of Sykes-Picot*, an ISIL jihadist proclaimed: ‘This is not the first border we will break, we will break other borders’ (cited by Tran and Weaver 2014). ISIL’s leader, Abu Bakr al-Baghdadi, vowed that ‘this blessed advance will not stop until we hit the last nail in the coffin of the Sykes–Picot conspiracy.’²²

During the Third Reich, the Swedish diplomat, Folke Bernadotte (2009 [1945]), negotiated the release of about 31,000 prisoners from German concentration camps including 450 Danish Jews from the Theresienstadt camp. On 28 June 1948, as the UN Security Council mediator in the Arab-Israeli conflict, Bernadotte (1895–1948) proposed that Palestine and Transjordan be reformed as ‘a Union, comprising two Members, one Arab and one Jewish,’ with ‘Full protection of religious and minority rights,’ ‘Guarantees for Holy Places, religious buildings and

sites' and 'Return of residents, displaced by the conflict.' To sabotage the proposal, Yitzhak Shamir (a future Israeli Prime Minister) and others instructed the Stern gang to assassinate him (Hewins 1950).

The 1990–1991 Gulf War reversed Iraq's annexation of Kuwait: the following year, Yitzhak Rabin was elected as Israeli Prime Minister on a platform embracing the Israel-Palestinian peace process. On 19 April 1995, a Gulf War veteran, Timothy McVeigh, detonated a truck bomb in Oklahoma City; and on 4 November 1995, Rabin was assassinated by a peace-process-sabotaging Holy Terrorist, Yigal Amir.

Palestinian refugees refer to their expulsion as 'the catastrophe' (*Al Nakba*); Henry Kissinger (2013 [1957], 1) reflected: 'It is not surprising that an age faced with the threat of thermonuclear extinction should look nostalgically to periods when diplomacy carried with it less drastic penalties when wars were limited and catastrophe almost inconceivable.' In 2001, President George W. Bush warned that this 'Bring 'em on' ... crusade, this war on terrorism, is going to take awhile.' Religious wars usually end when the supply of heretics-to-be-slaughtered begins to run out. The Crusades (1095–1291) ended in stalemate; and the 1517–1648 'War of Confession' depopulated Europe. Even thwarted gunpowder plots leave an echo. Since 1605, the English have burnt effigies of Guy Fawkes; and the failed 1683 Ottoman attempt to 'sap' (undermine) Vienna still resonates with Austrian School economists who aspire to carry 'aloft the intellectual flag of Austria-Hungary': 'Lew Rockwell is not alone in judging the Habsburgs to have been guardians of European civilization (hint: it has something to do with the Turks)' (Raico 1997).

After numerous Klan bombing of Southern Baptist churches, shouldn't a Southern Baptist evangelical be reluctant to bless a bomber? But during the Terror-bombing of Southeast Asia, Billy Graham telephone-blessed Nixon: 'Well, God bless. You've got a lot of people praying for you and pulling for you.' Nixon: 'Well, believe me, Billy, it means an awful lot. And you keep the faith, huh?' Graham: 'You betcha.' Nixon: 'Keep the faith.' Graham: 'Yes, sir. Bye.' Nixon: 'Our folks, we're gonna win.'²³

When the Quaker Nixon asked the Methodist Governor of Alabama to 'intervene' to stop his 1972 presidential national campaign chair, Walter Flowers, from voting for impeachment, George Wallace replied: 'I'm praying for you. I wish this didn't have to be visited upon you, but

I think that if I were to call, it might be misinterpreted.’ Nixon immediately reported to Haig (H.R. Haldeman’s successor as his Chief-of-Staff): ‘Well, Al, there goes the presidency’ (cited by Frost 1978, 96). As his functionaries headed for prison, Nixon instructed them to ‘keep the faith’ (Haldeman 1994, 825; Kutler 1998, 474; Dean 2014).

Between 10 October 1973 and 9 August 1974, three religion-promoting ‘crooks’ for ‘liberty’ appeared to have been rendered ‘no longer operative’: Mises (through death), Hayek (through suicidal depression) and Nixon (through enforced resignation). Then on 4 September 1974, the gullible Alan Greenspan (accompanied by his amphetamine-driven cult-leader, Ayn Rand) was appointed Chair of President Gerald Ford’s Council of Economic Advisers. It was only after he retired as Chair of the Federal Reserve Board a third of a century later (31 January 2006) that he discovered the ‘flaw’ in his promotion of ‘market free play’ financial sector ‘liberty’: ‘Those of us who have looked to the self-interest of lending institutions to protect shareholders’ equity, myself included, are in a state of shocked disbelief’ (cited by Andrews 2008).²⁴

The 1968 decision by the Swedish Central Bank to establish a Nobel Prize for Economic Sciences has had a detrimental impact on knowledge construction, as Hayek (1974a) predicted it would: ‘I must confess that if I had been consulted whether to establish a Nobel Prize in economics, I should have decidedly advised against it ... the Nobel Prize confers on an individual an authority which in economics no man ought to possess.’ Hayek (1974a) then outlined how he intended to use this influence—to recruit ‘intermediaries’:

One reason was that I feared that such a prize, as I believe is true of the activities of some of the great scientific foundations, would tend to accentuate the swings of scientific fashion. This does not matter in the natural sciences. Here the influence exercised by an individual is chiefly an influence on his fellow experts; and they will soon cut him down to size if he exceeds his competence. But the influence of the economist that mainly matters is an influence over laymen: politicians, journalists, civil servants and the public generally.

Austrians regard intellectuals as corrupt sycophants. Rothbard, for example, stated that since ‘the existence of any State regime rests on public

opinion, it becomes important for the State to engineer that opinion with the aid of the professional opinion-moulding group: the intellectuals. This cozy coalition benefits the State rulers—kings, nobles, political parties, whatever—because the public is persuaded to obey the king or State; the intellectuals benefit from a share in the tax revenue, plus their ‘market’ being guaranteed by the government’ (cited by Higgs 1995, 58–59). According to Salerno (1995, 79–80):

So Murray fought against the encroachments of State power against liberty with all his might and to his dying day because, as a pious man, he so highly valued the specific cultural, as well as the economic, products of liberty—the John Wayne movies, the pop music and jazz of the Golden Age, the New York City of his youth, and the intact, loving, church-going nuclear families that constituted America. He could not bear to stand idly by while his beloved culture was slowly, deliberately and gleefully poisoned by the traitorous intellectuals who occupy Hollywood, ply the hallways of the *New York Times*, and glut the halls of academia. These he warmly detested, denouncing them as the well-compensated intellectual body-guard for the ruling elite that controls both established political parties and employs the staggering and historically unprecedented power of the American mega-State to harass and plunder the American masses.

Thomas Hazlett asked ‘In 1947 you founded the Mont Pelerin Society, an international group of free-market scholars. Has its progress pleased you?’ Hayek (1992b [1977]) was pleased:

Oh yes. I mean its main purpose has been wholly achieved. I became very much aware that each of us was discovering the functioning of real freedom only in a very small field and accepting the conventional doctrines almost everywhere else. So I brought people together from different interests. Any time one of us said, ‘Oh yes—but in the field of cartels you need government regulation,’ someone else would say, ‘Oh no! I’ve studied that.’ That was how we developed a consistent doctrine and some international circles of communication.

According to Hayek, Stigler had been awarded a Nobel Prize for work crudely plagiarized from Fritz Machlup.²⁵ In his 1982 Nobel Prize presentation speech, Lars Werin asserted that Stigler had ‘showed that the

possibilities for a group of firms to form a cartel with monopoly power are constrained by the member firms' costs of monitoring each other and enforcing sanctions on those who attempt to violate the agreement. These costs are usually high. This inspired Stigler to undertake a series of studies seeking to test a hypothesis, which, to paraphrase bluntly his own wording, reads: what you cannot achieve yourself, let the state do for you.' Stigler was the 'foremost creator of the new and vital field of research known as the "economics of regulation"'.²⁶ But according to the College of the Holy Cross Block (1995, 19), he was insufficiently Austrian: 'Unlike the reformist Stigler, Rothbard called for the total elimination of anti-trust law.' It was not Stigler but Rothbard who 'showed that regulatory agencies were set up not to protect the consumer from rapacious businessmen, but rather these selfsame businessmen from competition.'

Austrians promote small, limited government and large, unregulated corporations. Hayek was awarded the 1974 Nobel Prize because of his conclusion 'that only by far-reaching decentralization in a market system with competition and *free price-fixing* [emphasis added] is it possible to make full use of knowledge and information.'²⁷ In May 2015, 'liberty' traders—referring to themselves as members of 'The Cartel'—manipulated foreign exchange market and price-fixed a benchmark interest rate that affects the cost of loans to those whom Austrians maintain are 'sovereign consumers.' Five of the world's largest banks—Citicorp, JPMorgan Chase, Barclays, and Royal Bank of Scotland, pleaded guilty and agreed to pay chump-change (more than \$5 billion) in fines.

On 27 July 2012, the *Financial Times* revealed that London Interbank Offered Rate (Libor) had been manipulated since at least 1991. The previous month, Barclays Bank acknowledged significant fraud and collusion. On 25 September 2012, the British Bankers' Association agreed to transfer oversight of Libor to UK regulators. The Economist Intelligence Unit report on 'A crisis of culture: Valuing ethics and knowledge in financial services' discovered that 53 per cent of respondents stated that 'strict adherence' to ethical 'codes would make career progression difficult.'²⁸ And in 2016, the New South Wales Electoral Commission determined that the Australian Liberal Party had used the 'charitable' Free Enterprise Foundation to disguise incoming donations: 'In its ruling the commission concluded the Free Enterprise Foundation was used by senior Liberal

officials as a means of offering anonymity to donors including property developers, who are banned from making political donations to NSW campaigns.²⁹

On 9 October 1974, it was announced that the Nobel Prize for Economic Sciences would be awarded to the premier promoter of ‘market free play’ ‘liberty’—Hayek. Friedman was the first (largely innocent) victim of the new Nobel incentive structure (Leeson 2003a, b); while Hayek, having been rewarded for fraud, used his newly conferred authority to promote further fraud.

During a sabbatical at a North American think-tank, a member of the Nobel Prize selection committee reportedly told anyone who would listen that there had been pressure to reward the Swede, Gunnar Myrdal—but that he was intensely disliked by members of the selection committee (in addition to being a prominent opponent of war-crimes in Vietnam). In this highly charged political environment, a compromise was reached: Myrdal was both elevated and incensed by pairing him with Hayek, someone he detested. Gustav Jörberg (1927–1997), an associate member of the 1993 Nobel selection committee, told a Lund University seminar that it had been decided that Myrdal’s discomfort would be maximized by the pairing because Hayek had ‘paired’ with his wife, Alva, in an extra-marital affair.

These chapters explore the communities that Hayek encountered before and after his 1974 encounter with the Royal Swedish Academy of Sciences. For ‘von’ Hayek, ‘bowing,’ which had gone out of ‘fashion’ after the ‘Great’ War, would return.

Notes

1. Friedrich Hayek, interviewed by Armen Alchian 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
2. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
3. ‘Nazi Black List’ file. Hoover Institution Archives.

4. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
5. Friedrich Hayek, interviewed by Armen Alchian 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
6. <http://www.coordinationproblem.org/2014/06/robert-leeson-hayek-and-the-underpants-gnomes.html>
7. Hayek Papers Box 26.21.
8. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
9. <http://www.margaretthatcher.org/document/114609>. Hayek Papers Box 27.6.
10. <http://www.americanrhetoric.com/speeches/newtonminow.htm>
11. <http://econfaculty.gmu.edu/pboettke/sports.html>. Accessed 21 September 2016.
12. Friedrich Hayek, interviewed by Robert Chitester date unspecified (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
13. Friedrich Hayek, interviewed by Axel Leijonhufvud date unspecified (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
14. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
15. Haberler Archives Box 3.2.
16. Haberler Archives Box 3.2
17. Haberler Archives Box 2.2.
18. <http://ecaef.org/haberler-conference/gottfried-von-haberler-conference-2016/>
19. 'Gottfried Haberler a Sketch.' 3 February 1990. Haberler Archives Box 12. Fürth file.
20. 'We don't know about his wealth, though we strongly suspect he and his beloved wife Mary did just fine in that department' (Reed 2007).
21. Haberler Archives Box 12, Friedman folder.
22. http://www.liveleak.com/view?i=8da_1404587611
23. http://www.politico.com/pdf/PPM43_exc_nixon_graham.pdf

24. Like many others, Herbert Stein, Greenspan's predecessor as CEA Chair, was shocked by the Nixon that emerged from the tapes: Nixon was 'very good' to him: 'I have nothing but pleasant memories of him. I wept when he left. I regarded him as a friend' (cited by Frost 1978, 63).
25. Conversation with Leube, 27 June 2009.
26. http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1982/presentation-speech.html
27. http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1974/press.html
28. <http://www.economistinsights.com/analysis/crisis-culture>
29. <http://www.abc.net.au/news/2016-03-24/nsw-liberal-party-disguised-political-donations-free-enterprise/7272446>

Part I

Hayek's Austrian Background

2

The Hayekian Religion

Hayek's 'More Effective Form'

In the 1870s, the Neoclassical School diverged from the Classical School into three 'father'-led branches: Austrian (Carl Menger, 1840–1921), British (William Stanley Jevons, 1835–1882) and Swiss-Lausanne (Leon Walras, 1834–1910). Walras was followed by Vilfredo Pareto (1848–1923); and Jevons by Alfred Marshall (1842–1924), Pigou (1877–1959) and Keynes (1883–1946). Menger had two major second-generation disciples: Eugen Ritter von Böhm Bawerk (1851–1914) and Wieser. Mises was heir to the Böhm Bawerk tradition; Mayer was Wieser's 'favorite disciple' and, along with Spann, a chosen successor (Hayek 1978a; Schulak and Unterköfler 2011, 128).¹ In the fourth generation, Hayek was more in the Wieser/Mayer-Spann tradition, while Rothbard, the co-founder of the Ludwig von Mises Institute, was in the other. As the Jewish-born Mises (1985 [1927]) aspired to be the intellectual *Führer* of a Nazi/Classical Liberal Pact, so the Jewish-born Rothbard (1992a; 1994a) sought to be the intellectual *Führer* of a Neo-Nazi-Militia/Classical Liberal Pact.

Most epigone-generation Austrians (many of whom have been 'ennobled' through patronage) appear to defer (for institutional and funding

reasons?) to ‘Dr’ Leube, Caldwell, Rockwell, Boettke, and, to a lesser extent, Shenoy (who, like Leube, had numerous personal contacts with Hayek, and was his first official biographer). Habsburg *Österreich* (the Eastern Reich) thus spawned two ‘umbrella’ strands: Menger/Böhm-Bawerk/Mises/Rothbard/Rockwell-Redneck-Boettke-Shenoy and Menger/Wieser/Mayer-Spann/Hayek/Leube-Caldwell-Shenoy. Hayek (1978a) told James Buchanan that ‘the decisive influence’ was reading Menger’s *Principles of Economics* (*Grundsetze* 2007 [1871]). Menger’s *Methodenbuch* (1985 [1883]) was also influential ‘not for what it says on methodology but for what it says on general sociology. This conception of the *spontaneous generation of institutions is worked out more beautifully* [emphasis added] there than in any other book I know.’²

In his first UCLA oral history interview, Hayek (1978a) told an intellectual historian, Earlene Craver, that when he first arrived at the University of Vienna, ‘it was dreadful, but only for a year. There was *nobody* there...Böhm-Bawerk had died shortly before.’ Eugen von Philippovich, ‘another great figure, had died shortly before; and when I arrived there was *nobody* [emphases added] but a socialist economic historian,’ Carl Grünberg. Then ‘Wieser came back, and he became my teacher.’³ Hayek (1978a) told the same story to Robert Bork—‘von Wieser...was my real teacher’⁴—and Buchanan: ‘I was a direct student of Wieser, and he originally had the greatest influence on me. I only met Mises really after I had taken my degree.’⁵ But the evidence reveals that before meeting Mises in autumn 1921, Mayer and Spann played important roles in Hayek’s intellectual development: Hayek’s ‘nobody’ is false.

Since Austrians are suppressing the oral history interviews that Hayek wished to be made available posthumously, we can only speculate about the contents. Since both Spann and Mises sought to be the *sole* intellectual *Führer* of Fascism, what determined Hayek’s choice? Like Hayek’s family, Spann was a proto-Nazi; while Mises had reservation about some aspects of Nazi policies. After the fall of the Habsburgs, Spann promoted the idea that the individual finds meaning by surrendering to the deified and mysterious State: but on 13 March 1920, an attempt to overthrow the ‘republic of peasants and workers’ in Germany and replace it by an autocratic right-wing government (the Kapp Putsch) failed. For Hayek, it was only a short sideways step to promote the idea that the individual finds meaning by surrendering to Mises’ (1922) consumer sovereignty.

Referring to Mises' (1951 [1922]) *Socialism*, Hayek (1976b, 189–190) recalled

there can be no doubt whatever about the effect on us who have been in our most impressible age. To none of us young men who read the book when it appeared was the world ever the same again...Not that we at once swallowed it all. For that it was much too strong a medicine and too bitter a pill. But to arouse contradiction, to force others to think out for themselves the ideas which have led him, is the main function of the innovator. And though we might try to resist, even strive hard to get the disquieting considerations out of our system, we did not succeed. The logic of the argument was inexorable. It was not easy. Professor Mises' teaching seemed directed against all we had been brought up to believe.⁶

In 'The Socialist Roots of Naziism' and elsewhere, Hayek (2007 [1944], 189, n27; 1978a) distanced himself from Spann who, along with Carl Schmidt, he described as one of the 'intellectual leaders of the generation which has produced naziism.' Wieser had made 'rather poor appointments. The first one was Othmar Spann, a very curious mind, an original mind, himself originally still a pupil of Menger's. But he was a very emotional person who moved from an extreme socialist position to an extreme nationalist position and ended up as a devout Roman Catholic, always with rather fantastic philosophical ideas.'⁷

Frauds like 'Lieutenant' 'von' Hayek, the high-caste Shenoy and Naval Lieutenant Donald McCormick (aka Richard Deacon) invite scholarly curiosity: with Hayek, the use of 'special' or 'curious' was a dissembling device usually followed by lies. Hayek (1978a) was concerned to preserve what remained of the neo-Feudal 'market society': 'the curious thing is that in the countryside of southwest England, the class distinctions are very sharp, but they're not resented. [laughter] They're still accepted as part of the natural order.'⁸ Hayek (1978a) also sought to preserve the influence of the First Estate:

I still don't know what people mean by God. I am in a curious conflict because I have very strong positive feelings on the need of an 'un-understood' moral tradition, but all the factual assertions of religion, which are crude because they all believe in ghosts of some kind, have become completely unintelligible to me. I can never sympathize with it, still less explain it.⁹

Although Hayek (1978a) ‘didn’t believe a word’ of Christianity,¹⁰ he appealed to the deeply religious, such as Mrs. Thatcher (1978): ‘The Devil is still with us, recording his successes in the crime figures and in all the other maladies of this society, in spite of its relative material comfort.’

According to Harry Johnson (1975, 83–84), ‘Keynes was—without any intention of slurring him—an opportunist and an operator.’ Hayek (1978a) favourably compared his own manipulative ability to Keynes—‘who ‘had been so much an intuitive genius, not really a strict logical reasoned...I regard him as a real genius’¹¹; Curiously enough, I will say, Keynes was rather my type of mind...He was an intuitive thinker¹²; [who] had a supreme conceit of his power of playing with public opinion.’¹³

In his second UCLA interview, when Leijonhufvud asked about ‘intellectual influences...from your student days,’ Hayek (1978a) replied: ‘Well, I think the main point is the *accident* [emphasis added] of, curiously enough, Othmar Spann at that time telling me that the book on economics still to read was Menger’s *Grundsetze* [2007 (1871)]. That was the first book which gave me an idea of the possibility of theoretically approaching economic problems. That was probably the most important event.’ Using ‘curious,’ Hayek continued: ‘It’s a curious factor that Spann, who became such a heterodox person, was among my immediate teachers the only one who had been a personal student under Menger.’ The book which made Spann famous was ‘*Haupttheorien der Volkswirtschaftslehre* [Main Theories of Economics (1922)] which in its first edition was a very good popular handbook. It’s supposed to really have been a cribbed version of Menger’s lectures on the history of England. [laughter]’¹⁴

When Armen Alchian asked about the influence of Menger’s (2007 [1871]) *Principles of Economics*, Hayek (1978a) replied: ‘Yes. This was before I went to Wieser’s lectures.’ Again using ‘curious,’ Hayek continued: ‘It’s very curious; the man who drew my attention to Menger’s book was Othmar Spann. I don’t know if the name means anything to you. He was semicrazy and changed violently from different political persuasions—from socialism to extreme nationalism to Catholicism, always a step ahead of current fashions. By the time the Nazis came into power, he was suspect as a Catholic, although five years before he was a leading extreme nationalist. But he drew my attention to Menger’s

book at a very early stage, and Menger's *Grundsetze*, probably more than any other book, influenced me.'¹⁵

At the end of the 'Great' War, 'Lieutenant' Hayek (1994, 46; 1978a), 'then and for some years to come still a child,' 'fell for' Wieser when he 'came back' to the University of Vienna.¹⁶ Hayek's (1978a) implicitly explained how Mises attracted recruits: 'If I had come to him as a young student, I would probably have just swallowed his views completely. As it was, I came to him already with a degree. I had finished my elementary course; so I pushed him in a slightly more critical fashion.'¹⁷

Referring to Wieser's influence in the 'last year' of his degree (1920–1921), Hayek (1994, 54) described Spann's 'stronger though short-lived influence': he was 'at first most successful in attracting the students by his enthusiasm, unconventionality, and interest in their individual activities.' Hayek sought to establish a philosophical distance: 'I don't think I learnt much from Spann, certainly not in that seminar on methodology.' Plus a temporal distance: 'We did not get on together long, and after a short period in which I had been regarded as one of his favourites, he in effect turned me out of his seminar by telling me that by my constant carping criticism I confused the younger members.'

But at the University of Vienna, the backward-looking Spann appears to have been the *major* influence on the undergraduate Hayek. Indeed, Fürth (11 May 1984) told Haberler that it was the winter of 1921–1922 that he and Hayek had 'our "famous" encounter' with Spann—they were his two favourite students—which led to the foundation of the *Geistkreis* in spring 1922.¹⁸ According to Hayek (1978a), 'We formed it immediately after we left the university.'¹⁹ Thus Hayek, presumably, attended Spann's seminar throughout his time at the University of Vienna (1918–1921).

Restoration-obsessed Austrians (and their school of economists) were traumatized by their exclusion from the Second Reich and then by the collapse of over half-a-millennium of one-family rule. Hitler (1939 [1925], 17) insisted that 'German Austria must be restored to the Great German Motherland'; and in 1942, Mises promoted *Anschluss* while advising the Habsburg Pretender, 'Otto on how monarchy might be restored in Austria' (Raico 1997). In a confidential report requested by Otto, Mises described 'the conditions under which a restoration could be achieved...only an elected monarch enjoyed a secure basis for his

reign. Enthronement on the basis of legitimist claims against the will of the people could not last. It was likely to be resisted and eventually overthrown' (Hülsmann 2007, 804, 818–819).²⁰ Hayek (1975a [1974]; 1978a), who claimed that he wanted to 'restore the price mechanism,' offered a catchword: 'Why shouldn't—as a proper heading—the need for restoring the rule of law become an equally effective catchword, once people become aware of the essential arbitrariness of the present government.'²¹ Endgame for the Austrian nobility appeared to come with the 1918/1919 trauma of being exposed to equality before the law.

Is the Gospel Truth true? At least a dozen disciples—including the devout Mormon Skousen and the public stoning theocrat, North—made the pilgrimage to ring the doorbell labelled 'Prof. Dr Friedrich A. von Hayek' (Ebenstein 2003, 316) to be told by 'von' Hayek (1994, 107, 37) that he was 'a law abiding citizen and completely stopped using the title von.'

In Germany in November 1918, the Hohenzollerns were dispatched into exile following a naval revolt at Kiel. 'Von' Mises (1998a [1949], 297) explained that sailors need not revolt because they were already in control:

The consumers patronize those shops in which they can buy what they want at the cheapest price. Their buying and their abstention from buying decides who should own and run the plants and the land. They make poor people rich and rich people poor. They determine precisely what should be produced, in what quality, and in what quantities. They are merciless egoistic bosses, full-of whims and fancies, changeable and unpredictable. For them nothing counts other than their own satisfaction. They do not care a whit for past merit and vested interests. If something is offered to them that they like better or that is cheaper, they desert their old purveyors. In their capacity as buyers and consumers they are hard-hearted and callous, without consideration for other people.

According to Mises, suppliers must obediently adjust: the entrepreneur who adjusts most effectively would get the largest profits. The sovereignty-seeking suppliers (who were funding Mises) were 'bound to obey unconditionally the captain's orders. The captain is the consumer.' According to Mises (1998a [1949], 690), the choice lay between this order-obeying

captain and a variety of candidates who seek 'to be entrusted with the captaincy of the socialist ship of state.' The British Labour Government's Austrian-style austerity provoked the Invergordon Mutiny (15–16 September 1931); in the Preface to *Socialism*, dated January 1932, Mises (1951 [1932], 21) insisted: 'Every child who prefers one toy to another puts its voting paper in the ballot box, which eventually decides who shall be elected captain of industry.'

Mises (1922, 435; 1951, 443) first described this clever rhetorical trick—the origin of Austrian School one-dollar-one-vote 'democracy'—in the first edition of *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus* (*Socialism: An Economic and Sociological Analysis*), four years after the demise of the Habsburg Empire and their intergenerational entitlement programme: 'the Lord of Production is the Consumer' ('*Der Herr der Produktion ist der Konsument*'). Mises (1998a [1949], 271) insisted that 'on the market no vote is cast in vain'—unlike in a political democracy, where only the majority or plurality gets what it voted for, a market delivers election-day victory to every 'voter.'

According to the Austrian School philosopher, Kuehnelt-Leddihn (n.d.), during the Great War, Hayek and Mises fought 'to prevent the "world from being made safe for democracy"'²²; and in a taped interview, Hayek told Leube (2003a, 12) that he was 'consciously devoted to the vision and splendour of the Habsburg Empire.' Like Hayek, Mises (1985 [1927], 50) worried about the 'socialist program' exercising 'its power of attraction on the masses.' Mises (2007a[1958], 11) told Ayn Rand: 'You have the courage to tell the masses what no politician told them: you are inferior and all the improvements in your conditions which you simply take for granted you owe to the effort of men who are better than you.' Mises (1944, 88, 20) also informed these inferior masses that they were supreme: 'Profit is the reward for the best fulfillment of some voluntarily assumed duties. It is the instrument that makes the masses supreme. The common man is the customer for whom the captains of industry and all their aides are working.' He then described the system that they must defer to:

Free enterprise is the characteristic feature of capitalism. The objective of every enterpriser—whether businessman or farmer—is to make profit. The

capitalists, the enterprisers, and the farmers are instrumental in the conduct of economic affairs. They are at the helm and steer the ship. But they are not free to shape its course. They are not supreme, they are steersmen only, bound to obey unconditionally the captain's orders. The captain is the consumer.

The 'Pareto principle' was a generalization from an observation that in Italy in 1896 approximately 80 per cent of the land was owned by 20 per cent of the population. According to Pareto's '80-20 rule,' 80 per cent of consumer expenditure would be undertaken by the top 20 per cent—but Mises (2007a [1958], 11; 1998a [1949], 286) sought to persuade the 'inferior' 'lower orders' that a rational calculation would lead them to conclude that this 20 per cent provided them with 'sovereign' status: 'The consumer is not at the mercy of the shopkeeper. He is free to patronize another shop if he likes. Nobody must kiss other people's hands or fear their disfavor.'²³

According to Mises (1956, 2; 1951 [1922], 443–444; 1998b [1944], 16), 'In a daily repeated plebiscite in which every penny gives a right to vote the consumers determine who should own and run the plants, shops and farms; From this point of view the capitalist society is a democracy in which every penny represents a ballot paper. It is a democracy with an imperative and immediately revocable mandate to its deputies.' Therefore, the people who were funding him must have liberty: 'Special means of controlling [the entrepreneur's] behaviour are unnecessary. The market controls him more strictly and exactly than could any government or other organ of society; meddling with the conditions of competition is an authoritarian policy aimed at counteracting the democracy of the market, the vote of the consumer.'

Mises' propaganda stunt could have backfired—by assisting the ongoing subversion of Habsburg-style deference. In contrast, Hayek (1978a) hoped 'that if we can refute the intellectual influence, people may again be prepared to recognize that the traditional rules after all, had some value.'²⁴

In *The Constitution of Liberty*, Hayek (2011 [1960], 190–193) sought to persuade 'secondhand dealers in opinion' that the 'masses,' equipped with their 'consumer sovereignty,' had to be persuaded of the importance

of aristocratic entitlements: 'it is only *natural* that the development of *the art of living* [emphases added] and of the non-materialistic values should have profited most from the activities of those who had no material worries.'

Hayek (1978a), the co-father of behavioural economics (Franz and Leeson 2013), had an insight: 'we largely had learned certain practices which were efficient without really understanding why we did it; so that it was wrong to interpret the economic system on the basis of rational action. It was probably much truer that we had learned certain rules of conduct which were traditional in our society. As for why we did, there was a problem of selective evolution rather than rational construction.'²⁵ According to Hayek (1976a, 189, n25), one of these 'Old World' traditional rules of conduct was the existence of 'sharp social distinctions.'

These 'intellectual influence' reveals that the 'spontaneous' order is a tangled web. The 'consumers' of labour supply (employers) are not 'sovereign'—they compete with each other and labour unions; likewise, consumers of final goods and services are, to a greater or lesser extent, manipulated by suppliers' advertising.

Article 110 of John Locke's Fundamental Constitutions of Carolina (adopted in 1669) established a hereditary aristocracy ('cazique' and 'landgrave'), hereditary serfdom ('leetmen' and 'leetwomen'), and slaveholder life-and-death power over their 'property': 'Every freeman of Carolina shall have absolute power and authority over his negro slaves, of what opinion or religion soever.' Charleston, South Carolina, was the nation's slave capital. Rice planters purchased slaves from the rice-growing areas of Africa (Angola, Senegambia, the Windward Coast, the Gold Coast, Sierra Leone, and Madagascar, Mozambique, and the two Bights); and 'Gullah' emerged as a slave creole language. From his vantage point in North Carolina, Caldwell (2005) asserted that 'language' reflects 'a spontaneous order'; and according to the author of *The Scottish Enlightenment and the Theory of Spontaneous Order*:

Hayek became one of the twentieth centuries' most important social and political philosophers, well known for his elaboration and application of the notion of spontaneous order and his study of institutional solutions to the problem of knowledge; In sum, one does not need an orderer to have

order. Thus, language, law, morals, social conventions, and the exchange of goods and services are all instances of spontaneous orders. (Hamowy 1987; 2008, xxxvi; 1999a, 279)

Language, law, morals, social conventions and so on are formed through continuity, gradual evolution, and structural breaks—often associated with warfare, as the English (1642–1649), French (1789–1799), American (1765–1783) and Russian (1917–1922) revolutions illustrate. Hamowy and another of Hayek's University of Chicago Committee on Social Thought PhD students, Raico, devoted their careers to changing the 'spontaneous' order—law, morals and social conventions—associated with the impediments imposed on their 'gay liberationist' community (as expressed in discriminatory language and market exchanges).

One-dollar-one-vote had a major impact on the choice of language. English, which originated with West Germanic and then Norman invaders, became the official language of the United Nations, the European Union and almost 60 sovereign states (including most of the former British Empire). The widening international cash nexus created by the industrial revolution obliged 'suppliers' to learn the language of those who were 'consuming' their labour, resources and commodities: the representatives of the British Sovereign.

According to Hamowy (1999b), if 'there's one underlying principle' of most of Hayek's work, 'it is that the diffusion of knowledge in society is such that no one mind or group of minds can possibly plan either an economy or any other social institution which is viable. It will fall of its own weight. These institutions have to develop by evolution.' Yet Hamowy was employed by a viable social institution that shows no signs of falling under its own weight: the Cato Institute—planned in 1974 as 'The Charles Koch Foundation' by Charles Koch, Rothbard and Edward Crane III. In 1980, Crane became the Communications Director for the Edward Clark/David Koch Libertarian Party presidential election campaign; which led to him and Koch physically removing Rothbard from Cato and thus—according to Rothbard—revealing the libertarian 'cloven hoof' (Bessner 2014, 441). From Rothbard's (1992a, 12) perspective—'the "preppies" (or wannabee preppies) were the Koch-Crane machine'—Boettke, his self-appointed successor, 'sups with the devil' as the 2005

recipient of the 'Charles Koch Distinguished Alumnus, The Institute for Humane Studies.'²⁶

Hayek (1976a, 189, n25; 1978a) was apparently initially alarmed by the possible unintended consequences of Mises' mock-democratic rhetoric: the Habsburg 'spontaneous' order was already threatened by 'peasants and workers' who were being taught in Freud's Vienna that you could 'make yourself your own boss.'²⁷ Hayek (1994, 39, 78), whose maternal grandparents 'kept at least three servants,' was born atop this social order and was overwhelmingly concerned with preserving what remained of it.

Joseph Schumpeter insisted that 'a good servant was worth a thousand devices and that until he had come to America, he hadn't known what a mailbox was; until then, he claimed, he had always placed his outgoing letters on a silver tray in the hallway and found them gone the next morning' (Parker 2005, 46). Between 1910 and 1923, the proportion of the Viennese workforce employed as domestic servants fell from 9.3 to 6.3 per cent (Kirk 1996, 14, Table 0.2): 'By the early twentieth century, the rich were getting the uncomfortable sense that the foundations of the social order were shifting' (*Economist* 17 December 2011). The 'natural' order required that 'you just had to raise your finger' (Hayek 1978a²⁸; Leeson 2015b, Chap. 2). In Freiburg, Hayek had a 'Bedienerin' (servant), a cleaning woman, plus his secretary/soiled-bed nurse, Cubitt.

In 1975, Mrs. Thatcher famously interrupted a Conservative Party middle-roader:

'This,' she said sternly, 'is what we believe,' and banged Hayek [*The Constitution of Liberty*] down on the table. (Ranelagh 1991, xi)

In 'I BELIEVE—A speech on Christianity and Politics,' Mrs. Thatcher (1978) declared: 'As a Christian, I am bound to shun Utopias on this earth and to recognise that there is no change in Man's social arrangements which will make him perfectly good and perfectly happy. Therefore, I do not claim that the free-enterprise system of itself is automatically going to have these effects. I believe that economic freedom is a necessary but not a sufficient condition of our own national recovery and prosperity.' In contrast, in 'The Intellectuals and Socialism,' Hayek (1949, 432–433) outlined the socialist-imitating strategy of 'liberty': 'we must be able to

offer a new liberal programme which appeals to the imagination. We must make the building of a free society once more an intellectual adventure, a deed of courage. What we lack is a liberal Utopia...a truly liberal radicalism...the main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals.’

But there were also similarities. According to Mrs. Thatcher (1978),

Freedom will destroy itself if it is not exercised within some sort of moral framework, some body of shared beliefs, some spiritual heritage transmitted through the Church, the family and the school. It will also destroy itself if it has no purpose. There is a well-known prayer which refers to God’s service as ‘perfect freedom.’ My wish for the people of this country is that we shall be ‘free to serve.’

According to Hayek (2007 [1944], 78), there can be ‘no doubt that the promise of greater freedom has become one of the most effective weapons of socialist propaganda and that the belief that socialism would bring freedom is genuine and sincere. But this would only heighten the tragedy if it should prove that what was promised to us as the Road to Freedom was in fact the High Road to Servitude.’ Hayek (1978a) required—for the ‘inferior’ orders—‘The Road (Back) to Servitude’: he was ‘never quite happy’ with the title of *The Road to Serfdom*, which he ‘really adopted for sound. The idea came from Tocqueville, who speaks about the road to servitude; I would like to have chosen that title, but it doesn’t sound good. So I changed “servitude” into “serfdom,” for merely phonetic reasons.’²⁹

Freudian psychiatry flourished in Mises’ and Hayek’s Vienna. Mises was intensely right-Freudian; while the anti-Semitic Hayek (1978a) avoided ‘the purely Jewish [groups]—Freud and his circle I never had any contact with. They were a different world’³⁰; ‘I grew up in the non-Jewish society, which was wholly opposed to Freudianism.’³¹ Hayek (1978a)

even thought of becoming a psychiatrist³²; In a way, you see, I am arguing against Freud, but the problem is the same as in Freud’s [1930] *Civilization and Its Discontents* [*Das Unbehagen in der Kultur*]. I only don’t believe that you can remove these discontents...You can only become civilized by these

repressions which Freud so much dislikes³³; I think [Freud] is ultimately responsible for the modern trend in education, which amounts to an attempt to completely free people from habitual restraints.³⁴

'Free' market fundamentalists battle for market share against other religions. In 1947, Hayek proposed that what became known as the Mont Pelerin Society be named after two Catholics, Lord Acton and Alexis de Tocqueville. Mrs Thatcher (1978) cited de Tocqueville: 'Religion... is more needed in democratic countries than in any others. How is it possible that society should escape destruction if the moral tie is not strengthened in proportion as the political tie is relaxed. And what can be done with a people who are their own masters if they are not submissive to the Deity?' According to Hayek (1978a), who had received years, if not decades, of psychiatric 'treatment':

The change in morals due to permissiveness is in a sense anti-liberal, because we owe our freedom to certain restraints on freedom. The belief that you can make yourself your own boss—and that's what it comes to—is probably destroying some of the foundations of a free society, because a free society rests on people voluntarily accepting certain restraints, and these restraints are very largely being destroyed. I blame, in that respect, the psychologists, the psychoanalysts, as much as anybody else.³⁵

Hayek (1978a; 1994, 61–62), who spent his summers in the Alpine home of Eugenie Schwarzwald, who ran a progressive school which the second Mrs. Hayek attended, continued: the psychologists and psychoanalysts 'are really the source of this conception of a permissive education, of a contempt for traditional rules, and it is traditional rules which secure our freedom.'³⁶

In the same year as *The Road to Serfdom*, Hayek (2010 [1944], 154)—in line with his promotion of the organic State, or 'market society'—insisted:

It is essential for the growth of reason that as individuals we should *bow to forces and obey principles which we cannot hope fully to understand* [emphasis added], yet on which the advance and even the preservation of civilization depends. Historically this has been achieved by the influence of the various religious creeds... The most dangerous stage in the growth of civilisation

may well be that in which man has come to regard all these beliefs as superstitions and refuses to accept or to submit to anything which he does not rationally understand.

In contrast, Mises (1985 [1927], 47–48) insisted that in the long run, ‘a minority—even if it is composed of the most capable and energetic—cannot succeed in resisting the majority. The decisive question, therefore, always remains: How does one obtain a majority for one’s own party? This, however, is a purely intellectual matter. It is a victory that can be won only with the weapons of the intellect, never by force.’ With the exception of Alchian (who did not ask about Mises), Hayek emphasized to all his UCLA interviewers the reason why it had been a ‘very long struggle’ to accept the arguments in Mises’ (1922) *Socialism*. Hayek (1978a) told Jack High:

Being for ten years in close contact with a man with whose conclusions on the whole you agree but whose arguments were not always perfectly convincing to you, was a great stimulus...while I owe him a great deal, it was perhaps most important that even though he was very persuasive, I was never quite convinced by his arguments. Frequently, I find in my own explanations that he was right in the conclusions without his arguments completely satisfying me. In my interests, I’ve been very much guided by him: both the interest in money and industrial fluctuations and the interest in socialism comes very directly from his influence...in most instances I found he was simply right; but in some instances, particularly the philosophical background—I think I should put it that way—Mises remained to the end a utilitarian rationalist. I came to the conclusion that both utilitarianism as a philosophy and the idea of it—that we were guided mostly by rational calculations—just would not be true.³⁷

Hayek (1978a) told Leijonhufvud: ‘You see, I am neither a utilitarian nor a rationalist in the sense in which Mises was. And his introspection is, of course, essentially a rationalist introspection.’³⁸ Hayek (1978a) told Bork that the ‘engineer is the typical rationalist, and he dislikes anything which he cannot explain and which he can’t see how it works. What I now call constructivism I used to call the engineering attitude of mind, because the word is very frequently used. They want to direct the economy as an engineer directs an enterprise. The whole idea of planning is essentially an