

ARCHIVAL INSIGHTS INTO THE
EVOLUTION OF ECONOMICS

HAYEK: A COLLABORATIVE BIOGRAPHY

**Part X:
Eugenics, Cultural Evolution,
and The Fatal Conceit**

Robert Leeson



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Hayek: A Collaborative Biography

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and The Fatal Conceit

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Part I

The Gods of the 'Free' Market

1

Fighting to Prevent the ‘World from Being Made Safe for Democracy’

The *Österreichische* (Eastern Reich, Austrian) School of Economics was founded by Carl Menger (1840–1921) and developed in its second generation by Eugen Böhm Ritter von Bawerk (1851–1914) and Friedrich Freiherr von Wieser (1851–1926), neither of whom had been directly taught by Menger. The third generation was led by Othmar Spann (1878–1950), who had been one of Menger’s students, Hans Mayer (1879–1955), and Ludwig Elder von Mises (1881–1973); and the fourth generation (and its epigones) was presided over by Friedrich von Hayek (1899–1992) and Murray Rothbard (1926–1995). Included among the epigones are Hillsdale President, George Roche III (1935–2006), Walter Block (1941–), Hayek’s ‘closest collaborator,’ Kurt Leube (1943–), the co-founder of the Ludwig von Mises Institute and the suspected author of the racist and homophobic *Ron Paul Newsletters*, Llewelyn Rockwell Jr. (1944–), the academic fraud, Sudha Shenoy (1943–2008), the ‘free’ market monopolist of the Hayek Archives, Bruce Caldwell (1950–), two presidents of the Foundation for Economic Education, the Mormon founder of FreedomFest, Mark Skousen (1947–) and Richard Ebeling (1950–), plus two devout Presuppositionalists, the public stoning theorist, Gary North (1942–), and the Mont Pelerin Society President, Peter Boettke (1960–). Three—Shenoy, Leube, and Caldwell—are official

Hayek biographers as are two others, Hayek's secretary (1977–1992), Charlotte Cubitt (circa 1930–), and William Warren Bartley III (1934–1990).

The distinguished historian of economic thought, Terence Hutchison (1978, 176), noted that 'Revolutions depend upon and create their own myths. Sometimes the leader is responsible, or partly so, for starting such myths, and sometimes the followers build them up further in order to maintain revolutionary momentum and exclusiveness.'¹ Hayek (1994, 137) fabricated myths about the co-leaders of the British Neoclassical (market failure) School: 'it was only when I looked at a certain book by Richard Deacon [1979], which is a pseudonym, that it occurred to me why [Arthur Cecil] Pigou suddenly got interested in me. Deacon suggests that Pigou was interested in people who could cross frontiers. I had forgotten about the fact that ... Very soon after that, Pigou got interested in me, and the contrast of his sudden interest in me and then suddenly dropping me—after he had asked me to come up to the Lake District and stay with him, and climb with him—fits in so well with the Deacon story.'²

The transparent fraud, Donald 'Richard Deacon' McCormick (28 September 1984), was 'delighted' to have been invited to form a 'knowledge' pact with Hayek: 'though not an economist, I am not only a fervent admirer of what you preach, but probably in my enthusiasm for your code and rules that I almost go beyond it. I believe ... that we awakened too late to the insidious, if seemingly plausible doctrines of [John Maynard] Keynes, and that he spelt the doom of 19th century Radical Liberal free trade, free market economics, even ruining the Liberal Party of any credence in the process.' Hayek then confirmed the authenticity of the transparently fraudulent 1905 diary in which Pigou—implausibly—kept a coded record of his gun-running efforts on behalf of Stalin despite knowing that 'Deacon' McCormick (the possessor of the diary) 'may be sometime [sic] making things up. I suppose his exactitude is not that of a scholar, but of a journalist' (Leeson 2013, Chap. 9; 2015a).

In *The Fatal Conceit: The Errors of Socialism*, Hayek (1988, 57) also misrepresented Keynes' (1923, 79–80) famous dictum about the long-run and short-run effects predicted by the quantity theory of money: 'But this *long run* is a misleading guide to current affairs. *In the long run*

we are all dead. Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is long past the ocean is flat again.' Hayek asserted that Keynes—as an 'immoralist'—was referring to his

general belief in a management of the market order, on the grounds that 'in the long run we are all dead' (i.e., it does not matter what long range damage we do; it is the present moment alone, the short run—consists of public opinion, demands, votes, and all the stuff and bribes of demagoguery—which counts).

In George Orwell's *Nineteen Eighty Four*, the 'Ministry of Truth' was devoted to 'rectifying' historical records. Alive, Mises—who suffered from depression and hysterical malice—had been a liability; while dead, he could be marketed as a martyred saint: Rothbard only began planning the first Austrian revivalist conference when it was clear that Mises was incapacitated—it took place in June 1974, eight months after his death (Leeson 2017a). Rothbard (1973) was an Orwellian rectifier: Mises was 'unbelievably sweet'; he had a 'mind of genius blended harmoniously with a personality of great sweetness and benevolence. Not once has any of us heard a harsh or bitter word escape from Mises' lips'; he was 'Unfailingly gentle and courteous.' With respect to Mises' reputation for 'abrasiveness,' Rothbard (1990a) claimed that he 'never saw it.' Simultaneously, Rothbard (1990b) recalled that after a comment about monopoly theory, Mises called him a 'Schmollerite. Although nobody else in the seminar realized it, that was the ultimate insult for an Austrian.'

Mises and Hayek rectified 'knowledge' about the reason for Menger's withdrawal from both the Austrian School and academia. According to Mises (2003 [1969], 17), 'Menger, Böhm-Bawerk, and Wieser looked with the utmost pessimism upon the political future of the Austrian Empire.' Mises projected his own depressive tendencies onto 'all sharp-sighted Austrians.' Troy was both a factual and a legendary city. Mises compared Menger—and, implicitly, himself—to King Priam and the fall of Troy: 'Menger barely had the first half of his life behind him when he recognized the inevitability of the demise of his own Troy. This same pessimism consumed all sharp-sighted Austrians. The tragic privilege

attached to being Austrian was the opportunity it afforded to recognize fate.’

Hayek insisted that Menger was working on ‘wider and wider’ material but was defeated by old age (Leeson 2015c, Chap. 3). The archives tell a different story: according to Hayek, Menger, in his early 60s, fathered an illegitimate son, Karl Menger (1902–1985).³ According to Eugen Maria Schulak and Herbert Unterkofler (2011, 32), the mother was a journalist, Hermine Andermann (1869–1924), who was 29 years his junior, and according to J. Herbert Fürth, Karl’s mother was Menger’s Jewish housekeeper. Menger got his son legitimized by Imperial decree but Karl never forgave his father for not marrying his mother.⁴ According to Schulak and Unterkofler (2011, 32), fathering an illegitimate child violated Viennese social conventions: in 1903, Carl was forced into early retirement and withdrawal from public life. Austrian School economists maintained the ‘*esprit de corps*’ posture that he had taken voluntary retirement for the sake of further studies: a “true Viennese secret”—which everyone in Vienna knew but did not talk about in public.’

With respect to the second generation, Fürth (26 February 1992) reported to Gottfried Haberler that Wieser was anti-Semitic.⁵ According to Schulak and Unterköfler (2011, 42), Wieser was labelled a ‘Fascist’ because his magnum opus *Gesetz der Macht* (*The Law of Power*, 1983 [1926]) contains ‘anti-Semitic statements and an abstract *Führerkult* ... as well as sources indicating the contrary’ and Böhm Bawerk developed Austrian business cycle theory.

After Austria was excluded from the Second Reich (1871–1914), Austrian School economists used inflammatory language to denigrate the German Historical School, to which they had previously been deferential (Leeson 2015c, Chap. 2). Democracy represented an existential threat to their interests: in ‘The Cultural Background of Ludwig von Mises,’ the Austrian School philosopher, Erik Maria ‘Ritter von’ Kuehnelt-Leddihn (n. d.), dated the Austrian déluge:

1908, when the disastrous ‘one man-one vote’ principle was introduced.

Adolf Hitler (1941 [1925], 96–97) agreed: ‘The fate of the German nationality in the Austrian State was dependent on its position in the

Reichstag. Up to the introduction of general suffrage and the secret ballot, a German majority existed in Parliament.'

Wieser (1983 [1926], 293) described the 'spontaneous submission to the protection of the mighty one' in 'old Austria' and the 'Prussian part of Poland.'⁶ In Austria and Prussia, the 'spontaneous' neo-feudal order that emerged after the 1848 revolution had been consciously (intelligently) designed: a 'glaringly unequal' electoral system. Prussia had a three-class tax-based franchise for elections to the Lower House of the State Parliament: in this public, oral (i.e., not secret), males-only ballot, a first- (highest tax) class vote was worth 17.5 times the value of a third- (lowest tax) class vote (Dwyer 2001, 132; Ponting 1998; Taylor 1955, Chap. 5). Extension of the franchise and equal-weighted votes came during the Weimar Republic. Neoclassical theory predicts that incumbents will seek to deter entry to protect their privileged position; Hayek (1992a [1944], 208) promoted 'an affirmative attitude towards democracy without any superstitious deference to all its dogmatic applications, particularly without condoning the oppression of minorities any more than that of majorities.' Nobles and employers may have been the minorities he had in mind: until 1907, of 253 seats in the Lower House of the Habsburg Parliament, 85 were elected by 5000 nobles and 21 by the 500 members of the Chambers of Commerce (Bark 2007, 18, 21; Ponting 1998; Hülsmann 2007, 187–188, 851, n26). This corporate-style state could be described as a weak version of John Kenneth Galbraith's (1952) countervailing power.

In the years around Menger's death, Mises provided the third-generation foundations of Austrian economics:

- 1912, the further development of Austrian business cycle theory which Hitler embraced (so as to destroy democracy in Austria and Germany) and which Mises and Hayek used as a knowledge 'front' behind which to promote the deflation that assisted the Nazis rise to power (Leeson 2017a);
- 1922, a critique of socialism which explained why the lower orders did not need to vote ('consumer sovereignty');
- 1927, the foundations of the 'liberty': a 'knowledge' pact with property-protecting 'Fascists'; and

- The accepted mode of discourse: *argumentum ad hominem*, laced with sexual innuendo.

According to Rothbard (2006), a ‘shock troop of Yankee protestant and Jewish women and lesbian spinsters’ were responsible for the American Welfare State. And Hayek (1994, 85) implied that the founder of the modern British Welfare State suffered from erectile dysfunction—quoting William Beveridge’s future wife: ‘He isn’t man enough; he isn’t man enough. I know.’ Hayek—who wrote *Essays on the impotent price structure of Britain and monopoly in the labour market* (1984)—told Nadim Shehadi: ‘I personally believe that Beveridge was completely incapable of any sexuality’ (cited by Dahrendorf 1995, 156).

In *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus* (later translated as *Socialism: An Economic and Sociological Analysis*), Mises (1951 [1922], Chap. 4, 89, 100–101)—a middle-aged bachelor living with his piously religious, Jewish mother—devoted an entire chapter to sex and relationships: ‘the new science of psycho-analysis has laid the foundations for a scientific theory of sexual life.’ According to Mises: ‘To examine how far the radical demands of Feminism were created by men and women whose sexual character was not normally developed would go beyond the limits set to these expositions ... The radical wing of Feminism ... overlooks the fact that the expansion of woman’s powers and abilities is inhibited not by marriage, nor by being bound to a man, children, and household, but by the more absorbing form in which the sexual function affects the female body ... the fact remains that when she becomes a mother, with or without marriage, she is prevented from leading her life as freely and independently as man. Extraordinarily gifted women may achieve fine things in spite of motherhood; but because the function of sex have first claim upon woman, genius and the greatest achievements have been denied her.’

Mises (1951 [1922], 85, 87, 90) justified his type of behaviour: ‘In the life of a genius, however loving, the woman and whatever goes with her occupy only a small place ... Genius does not allow itself to be hindered by any consideration for the comfort of its fellows even of those closest to it.’ With respect to women, ‘the sexual function,’ the urge to ‘surrender to a man,’ and ‘her love for her husband and children consumes her best energies’—anything more was a ‘spiritual child of socialism.’

In 1948, using a term usually reserved for prostitutes, Mises (1974 [1948], 55) complained:

In resorting to the method of innuendo and trying to make their adversaries suspect by referring to them in ambiguous terms allowing of various interpretations, the camp-followers of Lord Keynes are imitating their idol's own procedures. For what many people have admiringly called Keynes' 'brilliance of style' and 'mastery of language' were, in fact, cheap rhetorical tricks.

Mises (1951 [1922], 87, 104, n1, 105) instructed Austrian economists to form themselves into a Right Freudian cult for *argumentum ad hominem* purposes:

Waking and dreaming man's wishes turn upon sex. Those who sought to reform society could not have overlooked it. This was the more to be expected since many of them were themselves neurotics suffering from an unhappy development of the sexual instinct. [The Utopian Socialist Charles] Fourier, for example, suffered from a grave psychosis. The sickness of a man whose sexual life is in the greatest disorder is evident in every line of his writings; it is a pity that nobody has undertaken to examine his life history by the psycho-analytical method.

In (apparently) for-posthumous-general-consumption oral history interviews, Hayek (apparently) confirmed the accuracy of Herman Finer's (1945) interpretation of *The Road to Serfdom* and its 'thoroughly Hitlerian contempt for the democratic man' (Leeson 2015b, Chap. 3). Caldwell (2007, 21; 2010a) referred to Finer's review as 'scabrous' (meaning: 'scabrous details included being regularly seen with a mistress') and (apparently) insisted that non-Austrians should wear condoms when discussing his icon: they 'could perhaps learn something from him: a little Austrian politesse is a nice prophylactic against stridency' (meaning: 'prophylactic North American a condom'). And Boettke (2010), the President of Hayek's Mont Pelerin Society, who tells his George Mason University (GMU) students to 'love Mises to pieces,' circulates an 'underpants video' accompanied by a discussion of 'masturbation.'⁷

The USA was founded by those who were apprehensive about inherited titles: this found expression in The Title of Nobility Clause—Article 1, Section 9, Clause 8 of the Constitution.⁸ Thomas Paine’s (2000 [1775]) ‘Reflections on Titles’ is part of *The Founders’ Constitution* (Kurland and Lerner 2000). Paine approved of the title ‘The Honorable Continental Congress’; but when reflecting

on the pompous titles bestowed on unworthy men, I feel an indignity that instructs me to despise the absurdity . . . The lustre of the *Star* and the title of *My Lord*, over-awe the superstitious vulgar, and forbid them to inquire into the character of the possessor: Nay more, they are, as it were, bewitched to admire in the great, the vices they would honestly condemn in themselves. This sacrifice of common sense is the certain badge which distinguishes slavery from freedom; for when men yield up the privilege of thinking, the last shadow of liberty quits the horizon [emphases in original].⁹

Paine’s ‘Reflections on Titles’ is available on the Ludwig von Mises Institute website.¹⁰

Hayek (1978) described himself as ‘neither a utilitarian nor a rationalist in the sense in which Mises was.’¹¹ In ‘The Future of Liberalism,’ ‘von’ Mises (1985 [1927], 193) proclaimed his rationalist credentials: ‘Rhetorical bombast, music and song resound, banners wave, flowers and colors serve as symbols, and the leaders seek to attach their followers to their own person. Liberalism has nothing to do with all this. It has no party flower and no party color, no party song and no party idols, no symbols and no slogans. It has the substance and the arguments. These must lead it to victory.’ Yet, the Habsburg Empire rested on ‘tradition, on dynastic rights’—in 1918, 85% of the population were illiterate (Taylor 1964, 166, 41, 35); and ‘von’ Mises (1985 [1927], 115) sought a continuation of the foundations of superstitious reverence: ‘There is, in fact, only one solution: the state, the government, the laws must not in any way concern themselves with schooling or education. Public funds must not be used for such purposes. The rearing and instruction of youth must be left entirely to parents and to private associations and institutions. It is better that a number of boys grow up without formal education than that they enjoy the benefit of schooling only to run the risk, once they have

grown up, of being killed or maimed. A healthy illiterate is always better than a literate cripple.'¹²

In order to restrict the masses' 'power to resist,' Wieser (1983 [1926], 154, 108) concurred: 'The great majority of individuals is [*sic*] being educated only for the narrow sphere which is appropriate for them in a society stratified and structured according to the division of labour. They obtain no insight into the play of the great powers of the state and the people, only learning through experience about the occasions when they meet them head-on and about the *ways in which they have to yield to them* [emphasis added] ... Knowledge never completely and deeply penetrates the masses, and therefore the power which follows in its wake does not penetrate all the way either. The time and cost of acquiring an education are more than the masses can afford; only the most strongly talented overcome these obstacles. The multitude must be satisfied with elementary education and the power to resist implicit in it. So long as the mass is live in economic circumstances which absorb the strength in working for their daily bread, the splitting of society into the two classes of the educated and the uneducated will be the necessary consequence. In addition, one must reckon with the selfishness of the educated class which derives its advantage in economic and social power from the fact that it retains its monopoly over education.'

Austrian 'logic' appears to consist of two plausible steps followed by a non-sequitur:

- Central planning and/or wage and price fixing are inefficient.
- Prices provide incentives and coordinate production and consumption.
- Therefore, full-cost pricing (externality taxes) must not be imposed on those who fund the Austrian School of Economics (the carbon lobby and the tobacco industry).

According to the *Wall Street Journal*, 'Roughly 75% of [Boettke's GMU] students have gone on to teach economics at the college or graduate level' (Evans 2010). In '10 Austrian Vices and How to Avoid Them,' Daniel B. Klein complained about the quality of his GMU students:

You are not a philosopher. Your reader can tell this ... Many Austrians have a tendency to think that economists they agree more with are ‘better’ economists than those they disagree more with. This is not true ... Most economists will have no idea what you’re talking about if you tell them you’re working on ‘capital theory’ ... you are not going to do this. Do not pretend otherwise. In fact, ‘grand theory’ or ‘treatises’ of all kinds should be avoided until you’re a full professor or 65, whichever ever comes first. Nearly all Austrians at one point have these delusions of grandeur, but they are just that—delusions.¹³

A sizeable portion of the Austrian School of Economics describe themselves as members of a Stone Age tribe (‘Paleolibertarians’); some are committed to administering theocratic, Bronze Age ‘justice’ to those they disapprove of. Arnold Harberger (1999), the original ‘Chicago boy,’ who observed Hayek and his disciples at close quarters, detected not a school of economics but a religion. Is faith in the market evidence-based or faith-based? In ‘High Priests and Lowly Philosophers: The Battle for the Soul of Economics,’ three GMU economists, Boettke et al. (2006), welcomed Robert Nelson’s (2001) *Reaching for Heaven on Earth* because ‘Nelson reasoned that since the economic way of thinking provides a way for us to understand and legitimate our *modern* [emphasis added] world, perhaps economics has become the modern theology that has come to replace traditional theology as the set of doctrines that give meaning to our social reality and hope to our endeavors for improvement in our lives.’

North (1985), Boettke’s fellow Presuppositionalist and the Mises Institute ‘Rothbard Medal of Freedom’ holder, provided the context for Mises and the socialist calculation debate: ‘Satan’s limited knowledge means that when Christians really begin to take the offensive against Satan’s kingdom, they will create unimaginably confusing problems for him’ (Chap. 4, below). Also, referring to the socialist calculation debate, Boettke and Rosolino Candela (2016, 3, 5, 10) insist that Hayek, one of the ‘leading representatives of classical liberalism,’ needed a ‘proper theoretical context’: ‘Misean roots.’

Mises (1985 [1927]) declared that *political* Fascism was the best defender of (the Austrian version of) *economic* Liberalism. Referring to Mises, Hayek (1978) reflected: ‘Being for ten years [1921–1931] 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.¹⁴ The British *Fascisti* was established in 1923; six years later, Hayek (1995 [1929] 68)—while praising Edwin Cannan's 'fanatical conceptual clarity' and his 'kinship' with Mises' 'crusade'—noted that he and the British-Austrians had failed to realize the necessary next step: 'Cannan by no means develops economic liberalism to its ultimate consequences with the same ruthless consistency as Mises.' According to Caldwell (1995, 70, n67), this was an apparent reference to *Liberalism in the Classical Tradition*, in which Mises (1985 [1927], 19, 51) stated:

The program of [Austrian] liberalism, therefore, if condensed into a single word, would have to read: *property* [Mises' emphasis] ... All the other demands of liberalism result from this fundamental demand ... The victory of Fascism in a number of countries is only an episode in the long series of struggles over the problem of property.

Hayek (1978) believed that he was 'the only one of his disciples who has never quarreled with him [Mises].'¹⁵ Why? Hayek 'just learned' that Mises 'was usually right in his conclusions, but I was not completely satisfied with his argument. That, I think, followed me right through my life. I was always influenced by Mises's answers, but not fully satisfied by his arguments. It became very largely an attempt to improve the argument, which I realized led to correct conclusions. But the question of why it hadn't persuaded most other people became important to me; so I became anxious to put it in a more effective form.'¹⁶ Hayek also described the 'more effective form' of Mises' preconceived conclusions: 'I'm now more or less coming to the same conclusions by recognizing that spontaneous growth, which led to the selection of the successful, leads to formations which look as if they had been intelligently designed, but of course they never have been intelligently designed nor been understood by the people who really practice the things.'¹⁷

Democracy—one-adult-one (equally weighted) vote—is a deliberately (intelligently) designed system that through cultural evolution became a 'spontaneous' order. Hayek (1978) explained to James Buchanan that he was promoting propaganda ('catchwords') to diminish democracy: 'After all, such a newfangled conception gradually spreads and begins to be understood. And, after all, in a sense, the conception of democracy was

an artifact which captured public opinion after it had been a speculation of the philosophers. 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.' James Buchanan asked, 'how would you see this coming about, though? Would you see us somehow getting in a position where we call a new constitutional convention and then set up this second body with separate powers? Or how would you see this happening?' Hayek replied that the spontaneous order would have to be reconstructed (or intelligently redesigned): 'I think by several experiments in new amendments in the right direction, which gradually prove to be beneficial, but not enough, until people feel constrained to reconstruct the whole thing.'¹⁸

Hayek's 'spontaneous' order had been 'intelligently designed' but never 'been understood by the people who' promote it. For the benefit of his parishioners, Hayek (1978) summarized his religion: 'I put it even as strong as that it's culture which has made us intelligent, not intelligence which has made culture. And that we are living all the time thanks to the system of rules of conduct, which we have not invented, which we have not designed, and which we largely do not understand. We are now forced to learn to understand them in order to defend them against the attempt to impose upon them a rationally designed system of rules, which we can't do because we don't even understand how our present system works, and still less how any designed rules would work. But it is in this context that I am now trying to develop and finally state the upshot of all my ideas.'¹⁹

Hayek (1978, 1997 [1949], 232) sought to recruit 'secondhand dealers in ideas. For some reason or other, they are probably more subject to waves of fashion in ideas and more influential in the American sense than they are elsewhere.' His recruiting model was derived from 'socialist thought' which 'owes its appeal to the young largely to its visionary character; the very courage to indulge in Utopian thought is in this respect a source of strength to the socialists which traditional liberalism sadly lacks.' *Prometheus*, the Journal of the Libertarian Futurist Society, was founded to 'recognize and promote libertarian science fiction. The LFS is a tax-exempt nonprofit group with an international membership of libertarians and freedom-loving science fiction fans who believe cultural change is as vital as political change in achieving freedom. After all,

imagination is the first step in envisioning a free future—and the peace, prosperity and progress that can take humankind to the stars ... People come to libertarianism through fiction.’²⁰ And according to many of the contributors to *I Chose Liberty* (Block 2010), Ayn Rand’s malevolent fantasies were the common recruiting denominator.

Many Austrians embrace a ‘free’ future plus a ‘free’ past. The unstable equilibrium that emerged from the French Revolutionary and Napoleonic Wars (1792–1802, 1803–1815) ended in the ‘Great’ War between the dynasties. The tenured economic ‘historian’ and freeloader, Shenoy (2003, 6), was nostalgic for a fantasy version of this ‘free’ neo-feudal century: there were ‘no major wars between 1815 and 1914. The world’s armies and navies did not know what to do. Yes, there were aberrations like the American Civil War and the Franco-Prussian War, but mostly it was a period of peace. Forty million people moved peacefully because they wanted a better life. There were no expulsions, no wars, no genocides, nothing.’

The ‘discipline of history’ is organized around the discipline of evaluating evidence—historians do not aspire to ‘do the bidding’ of deceased and declassed aristocrats, especially not Orwellian rectifiers such as Hayek and Mises. But according to Shenoy’s GMU Austrian School colleagues, *Revisiting Hayek’s Political Economy* has a specific function: ‘The entire project was done in the spirit of looking backwards with the purpose of figuring out the various ways forward’ to discover ‘what institutional patterns are conducive to productive specialisation and peaceful social cooperation’ (Boettke and Storr 2016, xvi).

One of the unintended consequences of the Plantagenet dynasty (which ruled England between 1154 and 1485) was anarcho-feudalism (private armies and popular uprisings). Rothbard (1992, 16)—an anarcho-capitalist—appeared to be motivated by nostalgia: ‘With Pat Buchanan as our leader, we shall break the clock of social democracy. We shall break the clock of the Great Society. We shall break the clock of the welfare state. We shall break the clock of the New Deal. We shall break the clock of Woodrow Wilson’s New Freedom and perpetual war. We *shall* repeal the twentieth century [emphasis in original].’

In a Republic, a country ceases to be the ‘property’ of the rulers, and offices of state are elected or appointed and no longer inherited. The

English Revolution was followed by a Republic, a Lord Protector, and the Stuart Restoration (1660–1688); and the French Revolution by a Republic, an Emperor, and—in both France (1814–1830) and Spain (1813–1868; 1874–1931)—the Bourbon Restoration. The First Spanish Republic (1873–1874) was followed by a constitutional monarchy, until, in 1923, Don Miguel Primo de Rivera y Orbaneja, 2nd Marquis of Estella, 22nd Count of Sobremonte, Knight of Calatrava (1870–1930), led a military coup which—with the support of King Alfonso XIII—installed a dictatorship.

Hayek (1978)—who sought to overthrow the Constitution of the USA and replace it by a single sentence written by a dictator-promoting European aristocrat (Chap. 10, below)—denigrated Republics of ‘peasants and workers.’²¹ The Second Spanish Republic (1931–1936), the First (Weimar) Republic (1919–1933), the First Austrian Republic (1919–1934), and the First Portuguese Republic (1910–1926) were overthrown by ‘Fascist’ dictators—as, in 1973, was the Chilean Republic: General Augusto Pinochet’s ‘Constitution of Liberty.’ The Austrian School of Economics was associated with four of these (Mises-defined) ‘Fascist’ coups (Leeson 2017a).

Hayek (1978) had been ‘taught by [Menger’s] immediate pupil, von Wieser, and that is my original background;’²² ‘I was a direct student of Wieser, and he originally had the greatest influence on me.’²³ After the demise of the House of Habsburg, Wieser ‘floated high above the students as a sort of God.’²⁴ It appears that Hayek was not the only beneficiary of the Habsburg intergenerational entitlement programme to have a ‘thoroughly Hitlerian contempt for the democratic man’: ‘On the bottom of every society is found the dregs of a *dead mass*, constituting the refuse of history. Next to the dregs is that stratum of the masses which remains almost entirely passive, being suited to *blind following* only and, strictly speaking, following its close surroundings rather than the leader with whose lofty heights it can’t be in touch at all. It constitutes the ballast for the movements of society and presents a special danger because it reinforces every movement to the point of absurdity and always tends to tip over. Only the *reflective searching* type of *following* is true following. It is by far not as widespread as is assumed by the impetuous democrat who fancies that the whole people share

his zeal, an error which is mainly responsible for the many setbacks of the democratic movement [emphases in original]' (Wieser 1983 [1926], 45).

Wieser (1983 [1926], 295) continued: in a 'notable reaction nationalism has brought fascism to the fore which tries to overcome the pernicious fragmentation of parties. If fascism were able to keep its theoretical purity, it would become a blessing for the country, but since it also moves in the rutted tracks of ardent nationalism, it remains an open question what consequences for the nation will flow from it.' As an undergraduate (1918–1921), Hayek (1994, 53) had formed a 'German Democratic Party' and somewhat mysteriously (19 April 1924) told Wesley Clair Mitchell—in confidence—that there were plans to make Wieser the president of the Austrian Republic.²⁵

Hayek (2009 [1979], 23) complained about Karl Marx: 'How little understanding he had of social problems.' Wieser (1983 [1926], 372) was complacent: 'Even in the old democracies one has become somewhat alarmed by the success of Fascism. There is no cause for this. A state like England, which possesses such strong liberal leaders and so firmly organized party masses, need not fear the usurpation of force in the course of its state affairs. The citizen of England or the United States of North America may observe the news of the Fascist turmoil with the contented feeling of the man who knows his own household is in good shape. National dictatorship is a concern for nations which have not completed their democratic structure.'

The following year, Mises (1985 [1927], 51, 49) issued a blunt 'eternal' instruction: '*It cannot be denied* [emphasis added] that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history.' The 'similar movements' of 'bloody counteraction' that Mises was referring to include the French anti-Semitic '*l'Action Française*' plus 'Germans and Italians.' 'Italians' obviously referred to Mussolini's *Il Duce* dictatorship (1922–1943); Mises' (1985 [1927], 44) reference to 'Germans' and 'Ludendorff and Hitler' refers, just as obviously, to the 1923 Ludendorff-Hitler Putsch, which was a prelude to the *Führer's* Third Reich (1933–1945).

Mises was then

completely taken by surprise ... Mises could hardly believe what he read in the newspapers. 'Belgium! Holland!' he exclaimed in his notebook on May 10 ... On June 14, Mises exclaimed again: 'Paris!' and three days later 'Armistice!' It was an ordeal. May 1940 was, as he later recalled, 'the most disastrous month of Europe's history.'

The Last Knight of Liberalism provided the Austrian Truth: 'It was the only time he was ever wrong in forecasting an important political or economic event' (Hülsmann 2007, 751).

Wieser (1983 [1926], 226) reflected on the consequences of the 'Great War: 'When the *dynastic keystone* [emphasis in original] dropped out of the monarchical edifice, things were not over and done with. The *moral* effect spread out across the entire society witnessing this unheard-of event. Shaken was the structure not only of the political but also of the entire social edifice, which fundamentally was held together not by the external resources of power but by forces of the *soul* [emphases added]. By far the most important disintegrating effect occurred in Russia.'

If 'God' sanctioned the 'entire social edifice' of Wieser's 'monarchical edifice,' what would legitimize its replacement? As Mises (1985 [1927], 44) promoted 'Germans and Italians,' so Wieser (1983 [1926], 371) promoted Italians and Spaniards: 'In Mussolini, Fascism had a leader of electrifying eloquence, eyes for the future, and determined energy. *The King lent his support to the movement* [emphasis added], which acknowledged its authority, and the army gave its consent. In Spain, the army with its officers was the backbone of the movement. The army had kept in perspective the state as an integral whole, and Primo de Rivera, who took the lead, could feel assured of its following. Mussolini and Primo de Rivera, much as they rely on the military power resources, are nevertheless far from bent on a military dictatorship, let alone a Caesarean rule. They do not want to rise against the idea of democracy, but only against its abuses, and they want to be guided by public opinion, whose following they take as an endorsement. The goal they are striving after would be attained once the old party leadership has been eliminated and the masses had been united under strong national leadership.'

According to Hayek (1978), 'Wieser was much more what one commonly would call an intuitive thinker.'²⁶ From the Russian Revolution to the collapse of the Soviet Union (1917–1991), fear of communist expansion dominated world history. Hitler legitimized the Russian colonization of Eastern Europe—of which the 1919 Hungarian Soviet Republic had been a prelude. But referring to Hitler's 1923 Munich Beer Hall Putsch, Wieser (1983 [1926] 370) asserted: '*If Russia and the experiences in Hungary and Munich are disregarded* [emphasis added], the upheaval after the World War may be said to have taken place without intervention of dictatorship. The revolutionary intensity was not high enough for that. To be sure, emergency powers had to be invoked in order to effect the transition to the new order after the collapse of the legitimate governments, but the overwhelming majority everywhere met quickly on the new legal foundation.'

Referring to the 1920-attempted Putsch that inspired Hitler's 1923 Putsch, Wieser (1983 [1926], 370) continued: 'For all that, there were still groups who resisted in words and even in deeds, as exemplified by the Kapp Putsch, not to mention the many people who resign themselves to the new state of affairs only with inner reservations. Little by little the sentiments of the opposition came more united, and the desire for regulating dictator became increasingly more fervent. But, strangely, the reaction against the democratic current did not openly come to the fore in the states directly involved in the upheaval, but in victorious Italy and neutral Spain.'

Until 1865, the American Republic contained an element of feudalism—slavery—and for almost a century after the 'Compromise of 1877' and the end of 'Reconstruction,' the Klu Klux Klan administered the protection of southern white 'property.'²⁷ According to Rockwell (2010 [1999], 289, 291; 2016): 'Everyone, both proponents and opponents, knew exactly what that [1964 Civil Rights Act] was: a statist, centralizing measure that fundamentally attacked the rights of property and empowered the state as mind reader: to judge not only our actions, but our motives, and to criminalize them. The good folks who resisted the civil-rights juggernaut were not necessarily ideologically driven. Mostly they resented horrible intrusions into their communities, the media smears, and the attacks on their fundamental freedoms that civil rights repre-

sented.’ President Lyndon Johnson, who steered the Civil Rights Act through Congress, was ‘evil.’ Before co-founding the Ludwig von Mises Institute, Rockwell worked for Arlington House, an ideology-based publishing company, named ‘after Robert E. Lee’s ancestral home, stolen by Lincoln for a Union cemetery. (I still hope to see it returned some day.)’ In ‘Break up the USA,’ Rockwell (2017) offered an alternative: ‘We can fight it out, or we can go our separate ways.’

In 1964 and 1980, Barry Goldwater and Ronald Reagan embraced ‘States’ Rights’; and in 1968 and 1972, Richard Nixon’s ‘Southern strategy’ helped realign the white vote as the Republican Party emerged as ‘the vehicle of white supremacy in the South’ (Apple 1996). As Nixon’s political strategist, Kevin Phillips, explained: ‘From now on, the Republicans are never going to get more than 10 to 20 percent of the Negro vote and they don’t need any more than that ...but Republicans would be shortsighted if they weakened enforcement of the Voting Rights Act. The more Negroes who register as Democrats in the South, the sooner the Negrophobe whites will quit the Democrats and become Republicans. That’s where the votes are. Without that prodding from the blacks, the whites will backslide into their old comfortable arrangement with the local Democrats’ (cited by Boyd 1970). Pat Buchanan—Nixon’s speech writer and Reagan’s White House Communication Director—was a populist protectionist: according to Rothbard (1992, 16), with his entry into the 1992 Presidential race, the ‘radical Right is back, all over the place, feistier than ever and getting stronger!’

Prometheus promises ‘peace, prosperity and progress’; Boettke and Virgil Storr (2016, xvi) offer ‘peaceful social cooperation’; Boettke and Candela (2016, 19) offer ‘peaceful social cooperation among free individuals’; and Rothbard (1992, 16) promised the road to ‘a twenty-first century of peace, freedom, and prosperity.’ According to Boettke and Candela (2016, 10, 12), Hayek (2007 [1944]) was ‘trying to render intelligible or explain why countries like Russia, Italy, and Germany had gone down the road to serfdom ... The worst of us, it seems, will end up on top, a result confirmed by the coincidence of the three leading political mass murders of the 20th century rising to the top of socialist systems – Hitler, Stalin, Mao.’²⁸ Yet, Mises (1985 [1927], 51, 49, 44) provided ‘eternal’ sanction for ‘Fascists’ marches in Rome, Berlin, and elsewhere,

while Rothbard (1994a, 6) insisted that 'the least' Austrians and their fellow travellers could do was 'accelerate the Climate of Hate in America, and hope for the best.'

According to Rothbard (1992, 6, 16), 'To a libertarian, it was a particularly wonderful thing to see unfolding before our very eyes, the death of a state, particularly a monstrous one such as the Soviet Union.' Austrians played a subversive role in 'the Demise of the Socialist System,' especially in Russia (Maltsev 2015). When Senator Joe McCarthy's aid (and later Donald Trump's lawyer), Roy Cohn, was discredited and dismissed, Rothbard continued the witch-hunt for Russian influence: New Dealers and communists were simply different brands of socialists, and while they may have their 'mild quarrels at times,' they are still 'blood brothers' (cited by Epstein n. d.). Austrian-promoted deflation led to the Third Reich, the Nazi-Soviet Pact, and World War II; Austrian-promoted privatization led to 'Russia of the Oligarchs' (Haiduk 2015), and during the 2016 Presidential election, Russian influence was widely acknowledged to have been exerted on Trump's behalf.

In response to President Barack Obama's second election victory, Trump (6 November 2012; 7 November 2012) tweeted: 'We can't let this happen. We should march on Washington and stop this travesty. Our nation is totally divided'; 'Lets fight like hell and stop this great and disgusting injustice! The world is laughing at us' (cited by Stone 2016). In support of Trump's populist protectionist 2016 Presidential campaign, Pat Buchanan advocated rolling the 'dice on a better, brighter and surely more exciting future' (cited by Cillizza 2016).²⁹ President Nixon had an 'enemies list'; and, using the language of Hitler, Stalin, and Mao, President Trump declared that the Fourth Estate (journalists) was 'the enemy of the people.'

Before the 1974 Nobel Prize for Economic Sciences, the Austrian School of Economics appeared to reach an inglorious fourth-generation end. In Austrian circles, Rothbard (born 1926) was known as 'Robhard' (Skousen 2000). After the William Volker Charities Fund closed in 1962, his only 'academic' employment was as a part-time teacher of (the Austrian version of) elementary economics to Brooklyn Polytechnic engineering students; he was given a 'windowless office the size of a coatroom' (Rockwell 1997, 90; Raimondo 2000). Hayek (1978) suggested

that the Prize had rescued his own status *within* the Austrian School. Referring to the ‘revival of interest in the Austrian school,’ he reflected: ‘I am now being associated with Mises, but initially I think it meant the pupils whom Mises had taught in the United States. Some rather reluctantly now admit me as a second head, and I don’t think people like Rothbard or some of the immediate Mises pupils are really very happy that they are not- [unfinished sentence].’³⁰

Hayek (17 April 1967) informed the Administrator of Manuscripts at Syracuse University that he would probably leave instructions that his correspondence and manuscripts be ‘destroyed.’³¹ Hayek (28 January 1971) declined to recommend anyone to Leland Yeager to fill one or two academic Hayekian openings at the University of Virginia because there seemed to be ‘hardly anyone’ with a training as an economist who takes ‘any’ interest in the problems on which he has been working for the previous two decades.³² In December 1971, Joan Robinson (1972), at President Galbraith’s invitation, delivered the American Economic Association Ely Lecture in which she described Hayek’s contribution to the Great Depression: ‘This pitiful state of confusion was the first crisis of economic theory.’ And then, in 1973, ‘von’ Hayek polled last (990 votes) as the Chancellor of St Andrews University, behind Baron Ballantrae, the last British-born Governor-General of New Zealand (3261 votes), and Sir Thomas Malcolm Knox, a Hegel scholar (1924 votes).³³

Simultaneously, the market failure paradigm had been advanced by George Akerlof’s (1970) analysis of the secondhand car market: the seller typically knows what the average buyer does not—that is, whether the car is a ‘peach’ or a ‘lemon.’ Hayek (1978) told Robert Bork: ‘I try to operate on political movements. You know, my general attitude to all of this has always been that I’m not concerned with what is now politically impossible, but I try to operate on opinion to make things politically possible which are not now.’³⁴ Hayek (1978) described his own secondhand dealers:

what I always come back to is that the whole thing turns on the activities of those intellectuals whom I call the ‘secondhand dealers in opinion,’ who determine what people think in the long run. If you can persuade them, you ultimately reach the masses of the people.³⁵

Hayek (1978) was a miracle-performing icon—through fraudulent recommendations, he could turn a library assistant (who he knew had been unable to obtain an undergraduate degree) into a 'Dr.' suitable for a full professorship at a public North American university:

That I cannot reach the public I am fully aware. I need these intermediaries, but their support has been denied to me for the greater part of my life. I did not teach ideas which, like those of Keynes, had an immediate appeal and whose immediate relevance for practical problems could be easily recognized. How much I was worried about these problems long ago you will see when you look into an article I wrote, oh, fully twenty-five years ago called 'The Intellectuals and Socialism.'³⁶

In '*The Intellectuals and Socialism*' and elsewhere, Hayek (1997 [1949], 231) appeared to describe his own disciples as lemons: 'it seems to be true that it is on the whole the more active, intelligent, and original men among the intellectuals who most frequently incline toward socialism, while its opponents are often of an inferior calibre.' Nobody 'who is familiar with large numbers of university faculties (and from this point of view the majority of university teachers probably have to be classed as intellectuals rather than as experts) can remain oblivious to the fact that the most brilliant and successful teachers are today more likely than not to be socialists, while those who hold more conservative political views are as frequently mediocrities.'

Hayek (1978) also told Bork: 'Of course, scientists are pretty bad, but they're not as bad as what I call the intellectual, a certain dealer in ideas, you know. They are really the worst part. But I think the man who's learnt a little science, the little general problems, lacks the humility the real scientist gradually acquires. The typical intellectual believes everything must be explainable, while the scientist knows that a great many things are not, in our present state of knowledge. The good scientist is essentially a humble person.'³⁷

Hayek is regarded by his devotees as a 'peach'—they appear to be unable to recognize or accurately report details of the product that they sell on his behalf. Akerlof's (2001) '*The Market for "Lemons": Quality Uncertainty and the Market Mechanism*' had earlier been rejected by the

University of Chicago's *Journal of Political Economy* because 'this was the killer—if this paper was correct, economics would be different.' The evidence about Hayek reveals that his aristocratic 'liberty' is significantly different from the democratic 'liberty' so beloved by Americans.

What is being sold by these Hayekian 'intermediaries' who 'reach the public'? In 2009, the Mormon Fox News conspiracy theorist, Glenn Beck, insisted that President Obama had a 'deep-seated hatred for white people or the white culture ... This guy is, I believe, a racist.'³⁸ The following year, Beck's promotion of the racist Hayek and his *Road to Serfdom* (2007 [1944]) may have provided Caldwell (2010b) with one million dollars in royalties in a single month (Leeson 2015a). If Austrian 'knowledge' is reliable, Caldwell's million should have grown to one billion dollars by about 2017, making him the world's richest person shortly thereafter—the Mormon Skousen offers 'high-income alert': 'average annualized return as 147%' and 'hot commodities alert': 'average annualized return as 124%.'³⁹

Hayek (1978) was 'a little doubtful' whether the deceased market socialist, Oskar Lange (1904–1965), was 'really intellectually completely honest. When he had this conversion to communism, as communism came to power, and was willing to represent his communist government in the United Nations and as ambassador, and when I met him later, he had at least been corrupted by politics. I don't know how far he had already been corrupted in the thirties when he wrote these things, but he was capable of being corrupted by politics.'⁴⁰ Seven years later, Hayek was blunter—telling North and Skousen: 'Lange was a fraud.'⁴¹

Like the founder of the Mormon religion, Joseph Smith, Jr. (1805–1844), the founder of the Hayekian religion was martyred for Truth. In the 'definite' version of *The Road to Serfdom* that Beck promoted, Caldwell (2007, 22) provided the Truth: 'It is notable, and characteristic, that Hayek's response' to Finer (1945) 'was not to lash out at his critics.' In a chapter for a GMU volume edited by Boettke and Storr, Caldwell (2016, 11) asserted that 'Hayek had throughout his career been known for keeping his disagreements with opponents on a professional level.' In his first part of his 'definitive' biography, Caldwell (2004, 147) reported that 'Hayek that made a point of keeping his disagreements with opponents on a professional level.' And in the Rothbard-founded,

Boettke-edited *Review of Austrian Economics*, Caldwell and Leonidas Montes (2014a, 17; 2014b; 2015, 275) reported that 'Hayek had throughout his career been known for keeping his disagreements with opponents on a professional level.' But the evidence reveals that with very few exceptions, Hayek (1994, 95) slurred both his competitors *and* his supporters: 'I don't keep my mouth shut; my stories about [Harold] Laski and Beveridge can be rather malicious.' In the *Washington Post*, Caldwell (2010b) also asserted that 'Hayek himself disdained having his ideas attached to either party'—yet the public and archival evidence (of which Caldwell is the 'free' market monopolist) reveals that Hayek was a party political operative who advised which of Mrs. Thatcher's Cabinet Minister must be sacked (Leeson 2017b).

The Hayeks were legally entitled to attach 'von' to their name during an identifiable episode of world history (1789–1919): they had been enlisted into the Lorraine (Habsburg) intergenerational entitlement programme in the year that feudalism was fatally weakened both by the French Revolution and the emergence of the president-led American Republic. During the neo-feudal century (1815–1914), two further challenges emerged: the expansion of the franchise and the emergence of labour trade unions and their political representatives. In 1919, 'von' Hayek—along with 'von' Mises, 'von' Wieser, and the Austrian School philosopher 'Ritter von' Kuehnelt-Leddihn—had been declassed by democracy.

Stripped of his 'von,' Hayek hoped to receive a Baronetcy from the House of Windsor—which, he told Cubitt (2006, 29), would 'solve that problem most elegantly.'⁴² According to an article in William J. Buckley Jr.'s *National Review*, the climax of the (post-Nobel Prize) Hillsdale College tax-exempt Mont Pelerin meeting was Roche III toasting the British monarchy—accompanied by

a mood of sheer bliss ... as if an Invisible Hand had prankishly arranged a sneak preview of Utopia ... Such fellowship is of course much enhanced in the vicinity of the bar, which was open three times a day ... What we could not expect was the pampering and elegant food that attended us from beginning to end ... One fellow disappeared into the service regions with a bottle of champagne for the staffers, and almost immediately a fresh bottle appeared on his table. It was magic ... Clearly, unseen benefactors had

picked up the tab; otherwise Hillsdale's budget would have rocketed into federal orbit ...It was lovely. (Wheeler 1975)

What is known by those who form 'knowledge' pacts with Hayek? Six months after Hayek died (and nine months after George Bush awarded Hayek the Presidential Medal of Freedom), Reagan (17 August 1992) told the Republican National Convention that 'In America, our origins matter less than our destinations and that is what democracy is all about.'⁴³ According to Kuehnelt-Leddihn (1992), 'with the exception of Fritz Machlup, the original Austrian school consisted of members of the nobility.' Hayek 'descended from a family ennobled at the end of the eighteenth century by the Holy Roman Emperor.' Also according to Kuehnelt-Leddihn (n. d.), during the 'Great' War, Hayek and Mises fought

to prevent the 'world from being made safe for democracy.'

A legitimate noble title requires a legitimate royal source: a *fons honorum* (the 'fountainhead' or 'source of honour'). Hayek (1978) reflected that the Great War was a 'great break in my recollected history.'⁴⁴ It also broke the Habsburg nobility: coats of arms and titles ('von,' 'Archduke,' 'Count,' 'Ritter,' etc.) were abolished on 3 April 1919 by the *Adelsaufhebungsgesetz*, the Law on the Abolition of Nobility. Violators face fines or six months jail. Republics transform 'subjects' into 'citizens': the status of "'German Austrian citizens" equal before the law in all respects' was forcibly imposed on Austrian nobles (Gusejnova 2012, 115). The Lorraine (Habsburg)-born, Austrian-educated Arthur Koestler (1950, 19) described some of the affected: "Those who refused to admit that they had become déclassé, who clung to the empty shell of gentility, joined the Nazis and found comfort in blaming their fate on Versailles and the Jews. Many did not even have that consolation; they lived on pointlessly, like a great black swarm of tired winter flies crawling over the dim windows of Europe, members of a class displaced by history.'⁴⁵

When Hayek (1978) was 'thirteen or fourteen my father gave me a treatise on what is now called genetics—it was then called the theory of evolution—which was still a bit too difficult for me. It was too early for me to follow a sustained theoretical argument. I think if he had given me

the book later, *I would have stuck to biology* [emphasis added]. In fact, my interests started wandering from biology to general questions of evolution, like paleontology. I got more and more interested in man rather than, in general, nature. At one stage I even thought of becoming a psychiatrist.⁴⁶ His 'interests very rapidly moved, then, to some extent already toward evolution, and for a while I played with paleontology ... Then somehow I got interested in psychiatry, and it seems that it was through psychiatry that I somehow got to the problems of political order.'⁴⁷

Rothbard (1992, 6) noted that in 'past centuries, the churches have constituted the exclusive opinion-molding classes in the society'—before adding a eugenics-style argument:

In the twentieth century, of course, the church has been replaced in its opinion-molding role, or, in that lovely phrase, the 'engineering of consent,' by a swarm of intellectuals, academics, social scientists, technocrats, policy scientists, social workers, journalists and the media generally, and on and on.⁴⁸

Deference to the religious and social hierarchy had been the glue that enforced the loyalty of 'subjects' to 'their' monarch—but with universal franchise, 'public opinion' emerged as a quasi-religious glue to be manipulated by sovereign knowledge producers. Hayek (1978) promoted economic theory for ulterior motives: 'The gold standard was good because it prevented a certain arbitrariness of government in its policy; but merely preventing even worse is not good enough, particularly if it depends on people holding certain beliefs which are no longer held ... I can't really defend the gold standard, because I think it rests—its effectiveness rested—in part on a superstition, and the idea that gold money as such is good is just wrong.'⁴⁹ Referring to Milton Friedman's use of the quantity theory, Hayek (1992b [1977]) stated that 'I wrote 40 years ago that I have strong objections against the quantity theory because it is a very crude approach that leaves out a great many things, but I pray to God that the general public will never cease to believe in it. Because it is a simple formula which it understands.'

According to Mises (2008 [1956], 2), 'Wealth can be acquired only by serving the consumers;' according to Wieser (1983 [1926], 153), 'Power

is *the real educator in life* [emphasis in original]'; and according to Hayek (1997 [1949], 224), there is a crucial distinction between the 'real scholar or expert and the practical man of affairs' and non-propertied intellectuals, who were a 'fairly new phenomenon of history,' and whose low ascribed status deprived them of what Hayek regarded as a central qualification: 'experience of the working of the economic system which the administration of property gives.'⁵⁰ Hayek administered property that he had stolen (by double-dipping) from tax-exempt educational charities, had been given (by the Swedish Central Bank and the Moonies), or had inherited: on more than one occasion, he faced prosecution for tax evasion (Leeson 2017b).

The 'disinterested pursuit of truth' and the critical evaluation of evidence and logic is the 'ideal' aspiration of the scientist. But according to Hayek (1978) they should, instead, aspire to hold a position within a faith-based 'knowledge' disseminating hierarchy and acquire 'a profound respect for the existence of other orderly structures in the world, which they admit they cannot fully understand and interpret.'⁵¹ As Hayek (2007 [1944]) was writing *The Road to Serfdom*, Kuehnelt-Leddihn (alias F.S. Campbell 1978 [1943]) published *The Menace of the Herd*. Austrian School economists and philosophers openly embraced 'natural aristocracy' (Rockwell 1994, 19), monarchy, or anything but democracy (Hoppe 2001) and a 'small, self-perpetuating oligarchy of the ablest and most interested' (Rothbard 1994b, 10).

Wieser (1983 [1926], 176–177) noted that by the 'historical education of the masses they had become so entrenched that the willingness of the masses to follow become commonplace and a matter of course. Mass technique again has contributed its share to this result. Every individual senses as a relief that by general custom he has been exempted from the need to do his own reasoning and whenever practicable is protected from social frictions and collisions.' Half a century later, Hayek's (1978) 'latest development' was 'the insight that 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.'⁵²

Hayek (1978) had 'two inventions in the economics field. On the one hand, my proposal for a system of really limited democracy; and on the other—also a field where present government cannot pursue a sensible policy—the denationalization of money, taking the control of money out of the hands of government.'⁵³ Presumably (implicitly) referring to both inventions, Hayek (1999 [1977], 132) stated in the Institute of Economic Affairs *Denationalization of Money An Analysis of the Theory and Practice of Concurrent Currencies*: 'I have often had occasion to explain, but may never have stated in writing that I strongly believe that the chief task of the economic theorist or political philosopher should be to operate on public opinion to make politically possible what today may be political impossible.' As Lawrence White (2008) unintentionally revealed, economic theory was for Mises and Hayek a respectable front behind which to promote the deflation that facilitated Hitler's rise to power.

In 'The Law of Small Numbers as the Innermost Problem of Power,' 'von' Wieser (1983 [1926], 1) implicitly provided the context of 'von' Hayek's 'liberty': 'Until the 18th century almost all the peoples of modern Europe willingly submitted to the law given to them by a small number of aristocratic families or even by a princely autocrat. The one or the few reigned over the many – the Law of Small Numbers was practically uncontested.' In 1984, Hayek told his Mont Pelerin 'secondhand dealers in opinion' that their Society should be concerned with 'changing opinion ... Its intellectuals who have really created socialism ... who have spread socialism out of the best intentions.' Hayek emphasized the

moral inheritance which is an explanation of the dominance of the western world, a moral inheritance which consists essentially in the belief in property, honesty and the family, all things which we could not and never have been able adequately to justify intellectually. We have to recognize that we owe our civilization to beliefs which I have sometimes have offended some people by calling 'superstitions' and which I now prefer to call 'symbolic truths' ... We must *return to a world* [emphasis added] in which not only reason, but reason and morals, as equal partners, must govern our lives, where the truth of morals is simply one moral tradition, that of the Christian west, which has created morals in modern civilization. (Cited by Leeson 2013, 197)

Belief in ‘property, honesty and the family’?

Economists—who are trained to search for ‘rationality’ beneath ‘the veil of money’—can be deceived by seeing the world in and through the veil of language, a language which often carries the residual legacy of previous societal structures. Neo-feudalism was, for some, a valued family tradition: Otto von Habsburg’s grandfather, Kaiser Franz Josef, presided over the Austrian version from 1848 until 1916. The Continental version began with the 1814 Bourbon Restoration; and although the British version began much earlier (with the 1660 Stuart Restoration), Second Estate (nobility) status could not be formally renounced until the 1963 Peerage Act.⁵⁴

Keynes (1978 [1938], Chap. 39) reflected on the quasi-religious underpinnings of the pre-1914 ‘spontaneous’ order: ‘We were not aware that civilisation was a thin and precarious crust erected by the personality of the will of the very few and only maintained by rules and conventions skilfully put across and guilefully preserved.’ Like the Second Estate, the First Estate (the clergy) were higher-up the feudal and neo-feudal hierarchy and, therefore, closer to ‘God’: accusations of child abuse remained a ‘true secret’ which ‘everyone knew but did not talk about in public.’ The evidence, however, presented by, for example, the Australian ‘Royal’ Commission into Institutional Responses to Child Sexual Abuse, suggests that the First Estate were a law unto themselves: widespread criminality, protected by cover-ups.⁵⁵

Hayek (1978) knew that in the ‘strict commercial sense, [aristocrats] are not necessarily honest.’⁵⁶ There is strong circumstantial evidence that ‘von’ Mises (who stole Frank A. Fetter’s intellectual property, Chap. 4, below) was a sexual predator whose victims appear to include a terrified single mother and her six-year-old daughter, Gitta (Leeson 2017a, Chap. 9). The tax-evading ‘von’ Hayek (1978), who stole from philanthropists to maintain his aristocratic lifestyle, is remembered for making smutty and sexually charged remarks about other people’s wives; he also abandoned his first wife and children to have unrestricted access to his cousin, whose conversation and cooking he could barely tolerate (Leeson 2015b, Chaps. 2, 3 and 5).

After the Mont Pelerin Society President, Bruno Leoni (1913–1967), was hacked to death by an underworld business associate, Roche III (1935–2006) emerged as the premier Austrian morality promoter and

fundraiser. Roche became a fundraising liability after Lissa Jackson Roche was either murdered or committed suicide after she confessed to her husband, George Roche IV, that for 19 years she had been having sex with his father (Rapoport 2000). In his Nobel Lecture, 'von' Hayek (1974) limited the aspirations of social scientists to 'pattern predictions': William Bennett, Reagan's Secretary of Education (1985–1988), resigned from the Roche replacement search committee because he suspected a Hillsdale College cover-up (Carson 1999).

Notes

1. Hutchison overlapped with Hayek at the LSE, 1947–1950.
2. 'But as late as July or August of 1939, I went to Austria very much in the awareness that I could risk it, even though it was likely that war might break out at any moment, I knew those mountains so well I could just walk out' (Hayek 1994, 137).
3. Hayek (2 February 1984) to William Johnson, Hayek Archives Box 29.38.
4. Seminar notes (16 February 1993). Fürth Archives Hoover Institution, Box 12.
5. Fürth Archives Hoover Institution Box 6.
6. Wieser also referred to 'European Turkey' and 'western Russia.'
7. <http://www.coordinationproblem.org/2014/06/robert-leeson-hayek-and-the-underpants-gnomes.html>
8. 'No title of nobility shall be granted by the United States: and no person holding any office of profit or trust under them, shall, without the consent of the Congress, accept of any present, emolument, office, or title, of any kind whatever, from any king, prince, or foreign state.'
9. http://press-pubs.uchicago.edu/founders/documents/a1_9_8s2.html
10. <http://mises.org/books/paine2.pdf>
11. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
12. Mises' (1985 [1927], 115) justification was that 'In all areas of mixed nationality, the school is a political prize of the highest importance. It cannot be deprived of its political character as long as it remains a public and compulsory institution.'

13. http://austrianeconomists.typepad.com/weblog/2007/03/austrian_vices_.html
14. Friedrich Hayek, interviewed by Jack High, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
15. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
16. Friedrich Hayek, interviewed by Earlene Craver, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
17. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
18. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
19. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
20. <http://www.lfs.org/index.htm>.
21. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
22. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
23. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
24. Friedrich Hayek, interviewed by Earlene Craver, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
25. Hayek Archives Box 38.28. Hayek asked Mitchell not to use this 'knowledge' in print.
26. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

27. The analogous post-1815 Vienna System had largely been administered by the Holy Alliance between the Kingdom of Prussia and the Austrian and Russian Empires.
28. Boettke is 'Koch Distinguished Alumnus, Institute for Humane Studies' (<http://www.peter-boettke.com/bio/>) and Candela is the Charles G. Koch Fellow (Suffolk University) and Koch Summer Fellow (Beacon Hill Institute). <https://asp.mercatus.org/rosolino-candela>.
29. As 'Democrats and a hostile media will seek to make Trump the issue, the Republicans should, if she is nominated, make Hillary the issue. Do we really want to go back through all that again, or roll the dice on a better, brighter and surely more exciting future?'
30. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
31. Hayek Archives Box 52.20.
32. Hayek Archives Box 55.22.
33. Hayek Archives Box 55.13.
34. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
35. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
36. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
37. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
38. <http://www.cbsnews.com/news/glenn-beck-obama-is-a-racist/>
39. <http://mskousen.com/online-press-kit/forecasts-strategies-trading-services-and-weekly-blog/> Accessed on 5 February 2017.
40. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
41. <http://contemporarythinkers.org/friedrich-hayek/multimedia/interview-hayek-gary-north-part-2/>

42. For Hayek's repeated use of the illegal 'von,' see Leeson (2015b, Chap. 1).
43. http://reagan2020.us/speeches/RNC_Convention.asp
44. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
45. Wieser (1983 [1926], xxxix) expressed similar sentiments: 'The inconceivability of the World War was followed by the inconceivability of inner decay ... How could this all have happened? Had life not lost all of its meaning?'
46. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
47. Friedrich Hayek, interviewed by Earlene Craver, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
48. There is a difference between an unflattering analogy—'like a great black swarm of tired winter flies' (Koestler 1950, 19)—and a purported description—'a swarm of intellectuals, academics, social scientists, technocrats, policy scientists, social workers, journalists and the media generally, and on and on' (Rothbard 1992, 6).
49. Friedrich Hayek, interviewed by Jack High, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
50. 'Though nobody will regret that education has ceased to be a privilege of the propertied classes, the fact that the propertied classes are no longer the best educated and the fact that the large number of people who owe their position solely to their general education do not possess that experience of the working of the economic system which the administration of property gives, are important for understanding the role of the intellectual.'
51. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
52. Friedrich Hayek, interviewed by Jack High, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
53. Friedrich Hayek, interviewed by Jack High, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

54. The Act allowed newly inherited hereditary peerages to be disclaimed.
55. <http://childabuseroyalcommission.gov.au/>
56. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

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2

Eugenics and the Austrian Third and Fourth Generation

Two of the five University of Vienna recipients of the Nobel Prize for Medicine had Nazi connections: Julius Wagner-Jauregg (1857–1940) and Lorenz (1903–1989). The university website has three links to ‘Konrad Lorenz and National Socialism,’ plus a link to a ‘controversial discussion’ about Wagner-Jauregg’s involvement with the Nazis. This ‘Exculpatory report’ states: ‘The conviction of the need for population policies was present in all political and social groups.’ A list of ‘social hygiene’- and ‘eugenics’-related organizations and associated individuals was provided, including two of Friedrich Hayek’s formative influences: ‘Ludwig von Mises, economist and founder of the Institute for Business Cycle Research (now the Austrian Institute for Economic Research), Othmar Spann, philosopher of history and a staunch opponent of Marxism.’¹

The second part of Bruce Caldwell’s nuanced hagiography will, apparently, be titled ‘Hayek: The Philosopher of Liberty.’ When Hayek (1978) arrived at the University of Vienna in 1918, ‘somebody put me on to Karl Menger and that caught me definitely.’² That somebody was ‘Othmar Spann: The Philosopher of Fascism’ (Polanyi 1934, 1935)—the dominant influence over Hayek’s student days.

When asked about ‘intellectual influences ... from your student days,’ Hayek (1978) replied: ‘Well, I think the main point is the *accident of*

curiously enough [emphasis added], Othmar Spann at that time telling me that the book on economics still to read was [Carl] 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.' Again using his dissembling word, '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.'³

Hayek (1994, 53–54) reflected that 'the main people who taught were absolutely first-class people. Every lecturer, nearly every one, was intelligent and had contributed.' Referring to Friedrich 'von' Wieser's influence in the 'last year' of his undergraduate degree (1920–1921), Hayek 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 the backward-looking Spann must have been the *major* influence on Hayek's studies. Indeed, J. Herbert Fürth (11 May 1984) told Gottfried 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 1922.⁴ According to Hayek (1978), 'We formed it immediately after we left the university.'⁵ Thus Hayek, presumably, attended Spann's seminar throughout his undergraduate years. Spann—who was 'to become one of Austria's most prominent fascist theoreticians' (Rothbard 2008 [1973], 69)—aspired to be the Nazi's *premier* theoretician (Leeson 2017a).

At the University of Vienna, Hans Mayer—later described by Hayek as 'a ferocious Nazi'—steered 'his protégés through the *habilitation* procedures: Haberler (1927), [Oskar] Morgenstern (1929) and Hayek (1929)' (Klausinger 2014, 198; 2015). Mises (2009 [1978 (1940)], 83)

reported that after *Anschluss*, ‘Mayer wrote to all members issuing notice that all non-Aryan members were to take leave of the *Nationalökonomische Gesellschaft*, [Austrian Economic Association] “in consideration of the changed circumstances in German Austria, and in view of the respective laws now also applicable to this state.” This was the last that was heard of the society.’

Newspapers reports of the 1923 Ludendorff and Hitler Munich Beer Cellar Putsch stated that as a prelude to a march on Berlin, ‘Hitlerites stormed through the town and invaded first class restaurants and hotels in search of Jews and profiteers’ (Walsh 1968, 289). Two years later, Adolf Hitler (1939 [1925], 518) asserted in *Mein Kampf*: ‘At the beginning of the war, or even during the war, if 12,000 or 15,000 of these Jews who were corrupting the nation had been forced to submit to poison gas ... then the millions of sacrifices made at the front would not have been in vain.’ In 1926, Mises established the Institute for Business Cycle Research primarily to provide ‘academic’ employment for Hayek (Hülsmann 2007, 454). The following year, Mises’s (1985 [1927], 51, 49) *Liberalism in the Classical Tradition* issued a blunt ‘eternal’ instruction: ‘*It cannot be denied* [emphasis added] that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history.’ The ‘similar movements’ of ‘bloody counteraction’ that Mises was referring to include the French anti-Semitic *l’Action Française* plus ‘Germans and Italians.’ ‘Italians’ obviously referred to Mussolini’s *Il Duce* dictatorship (1922–1943); Mises’s (1985 [1927], 44) reference to ‘Germans’ and ‘Ludendorff and Hitler’ refers, just as obviously, to the 1923 Ludendorff-Hitler Putsch, which was a prelude to the *Führer’s* Third Reich (1933–1945).

According to Caldwell and Leonidas Montes (2014a, 3, n8; 2014b, 263, n8): ‘We might simply point out the other obvious fact that, as a Jew and a classical liberal, Mises was *persona non grata* among both the Nazi and Stalinist regimes ... He is as unlikely a candidate for being considered a fascist as he is for being a communist.’ The Austria *Heimwehr* (‘Home Defence Guard’), a private military organization similar to the Nazi SS (*Schutzstaffel*: ‘Protective Front’), split into Austro-Fascist and

Nazi wings. In September 1933, the Austro-Fascist wing joined the new *Vaterländische Front* ('Patriotic Front'). On 1 March 1934, at the Austrian Chamber of Commerce (*Kammer*) where he worked as a business sector lobbyist, Mises became member number 282632 of the Patriotic Front and member number 406183 of *Werk Neues Leben*, the official Fascist social club (Hülsmann 2007, 677, n149). Mises was also the quasi-official theoretician of the Austro-German business sector—many of whom funded the Nazis (Leeson 2017a). The day after *Anschluss*, several Chamber of Commerce 'employees greeted each other with "Heil Hitler"' (Ebeling no date, 67).

'Von Mises (1985 [1927], 49–51) declared that Classical Liberals and Fascists were allies but differed in tactics: 'What distinguished liberal from Fascist political tactics is not a difference of opinion regarding the use of armed force to resist armed attackers, but a difference in the fundamental estimation about the role of violence in a struggle for power.' Violence was the 'highest principle' and must lead to 'civil war. The ultimate victor to emerge will be the faction strongest in number ... The decisive question, therefore always remains: How does one obtain a majority for one's own party? This however is purely an intellectual matter.'

The previous year, 'von' Wieser (1983 [1926], 38, 45) had expressed similar sentiments: 'traces of true leadership may be perceived only when the despot rallies the masses in order to have them fight and work for himself. When despotic leadership thus turns into *lordly leadership* [emphasis in original], the function of leading the way is performed more efficaciously; compliance with the commands imposed by the lord on his subject is already genuine following ... Every truly active following by the masses must be borne by spiritual and moral forces – how else could a sense for law and ethics, true culture, and *a strong sense of liberty* [emphasis added] endure with the populace.'

From the Collapse of Communism to the Global Financial Crisis (1989–2007), 'liberty' and the 'free' market appeared to be on the road to victory. Michael Prowse (2014 [1996]), the American economics correspondent for the *Financial Times*, believed 'that Mises, were he still alive, would be immensely gratified by the extent to which market capitalism has become the watchword and catchword of our day.' In Nobel citations

prior to 1990, the word 'finance' was more likely to be attached to the word 'public,'⁶ which is consistent with the definition of economics as a branch of social philosophy. In contrast, private or business finance have always been perceived (in the British neo-classical tradition) as having *some* potentially anti-social aspects. In the 1990s, five Nobel Prizes for Economic Sciences were awarded to pioneers of the financial risk-management revolution. Harry Markowitz, Merton Miller, and William Sharpe (1990) were rewarded 'for their pioneering work in the theory of financial economics'⁷ and Myron Scholes and Robert Merton (1997) for their 'pioneering formula for the valuation of stock options. Their methodology has paved the way for economic valuations in many areas. It has also generated new types of financial instruments and facilitated more efficient risk management in society.'⁸ Between the 1997 Nobel Prizes and the 1999 repeal of the 1933 Glass Steagall Act, Long-Term Capital Management (a hedge fund of which Scholes and Merton were directors) received a US\$3.6 billion bailout under the supervision of the Federal Reserve.

In the Boettke-edited volume of the Elgar *Companion* series, Skousen (1994, 242, 243) provided the definitive Austrian version of 'Financial Economics': 'It is important to point out that the New York Stock Exchange and major brokerage houses had already begun to take measures prior to the Securities Act of 1933 to eliminate fraud and stock manipulation.' Citing his own *Investor's Bible* (1992), Skousen continued: 'Even when government rules and regulations are deemed necessary in the financial industry, the high cost of regulation, both apparent and hidden, should be considered ... Austrians emphasise the unique ability of entrepreneurs in forecasting and profiting in the competitive marketplace and are critical of academic theories that ignore the role of risk-taking entrepreneurs in the investment market and their ability to predict the future and earn above average returns.'

The resulting re-feudalization produced a populist backlash which benefited the Republican Party's Freedom Caucus, Geert Wilder's Dutch Party for Freedom (*Partij voor de Vrijheid*, PVV), the Freedom Party of Austria (*Freiheitliche Partei Österreichs*, FPÖ), Marine Le Pen's National Front, Brexit, and Pauline Hanson's One Nation. How closely do they resemble those which Mises asserted had 'saved European civilization'?

In 2016, Donald Trump rode to the White House on a ‘Make America Great Again’ populist wave that Rothbard (1994c) had earlier sought to ride: does Trump’s use of evidence resemble Hayek’s?

The President of the tax-exempt Mises Institute described the Austrian war on democracy in America and elsewhere: ‘democracy is a sham that should be opposed by all liberty-loving people ... Democracy was always a bad idea, one that encourages mindless majoritarianism, political pandering, theft, redistribution, war, and an entitlement mentality among supposedly noble voters’ (Deist 2017). The *Daily Bell* told the co-founder of the Mises Institute: ‘You have almost singlehandedly led a revolution in thought that has changed the world. How does that make you feel? ... Did you ever dream of this level of success?’ Rockwell (2010) replied: ‘Neither I nor any of my mentors, like Rothbard, nor influences, like Mises, could have imagined such a thing. Of course, reaching minds is what liberty is all about. The default position of the world is despotism. In the sweep of things, liberty is the exception. What makes the exception possible is ideological work, that is, spreading the ideas through every possible means.’

Hayek (1978) ‘came to admire’ ‘von Wieser’ ‘very much, I think it’s the only instance where, as very young men do, I fell for a particular teacher. He was the great admired figure, sort of a grandfather figure of the two generations between us ... He took me into his family; I was asked to take meals with him and so on. So he was for a long time my ideal in the field, from whom I got my main general introduction to economics;’⁹ ‘personally I ultimately became very friendly with him; he asked me many times to his house. How far that was because he was a contemporary and friend of my grandfather’s, I don’t know.’¹⁰ Wieser (1983 [1926] 363) described how ‘at their peak the great capitalists form of plutocracy which appears alongside the aristocracy by birth or penetrates it.’ In the eighteenth century, the first ‘von Hayek’ acquired a ‘substantial fortune’; while Hayek’s (1994, 37, 39) mother’s parents ‘were definitely upper-class bourgeois and wealthier by far’: with ‘at least three servants,’ his maternal grandfather ‘was able to support an appropriate standard of life by what must have been a nice fortune of his wife.’ Hayek (1978) told Robert Chitester: ‘The whole traditional concept of aristocracy, of which I have a certain conception – I have moved, to some extent, in aristocratic circles, and I like their style of life.’¹¹

Wieser (1983 [1926], 257, 363) described ‘The Modern Plutocracy’: ‘The Law of Small Numbers found in the economy a field of application of equally great effect as it once had in the victory of arms. While the multitude of the weak was pressed down, out of the bourgeois middle class there arose to dizzying heights the elite of the capitalists, joining the rulers of earlier times and exceeding them still in wealth and finally even in social influence. The great economic rulers had won under *the slogan of liberty* [emphasis added], which opened for them the road to unchecked activity. They demanded ever more impetuously the green light for themselves, but the uninhibited unfolding of their energies meant coercion for all the weak who stepped into their way. Could the liberals still talk about freedom?’

When asked by Thomas Hazlett whether the Institute for Economic Affairs was ‘really the solution, to stimulate intellectual discourse from a free-market standpoint,’ Hayek (1978) replied: ‘Oh, I’m sure you can’t operate any other way. You have to persuade the intellectuals, because they are the makers of public opinion. It’s not the people who really understand things; it’s the people who pick up what is fashionable opinion. You have to make the fashionable opinion among the intellectuals before journalism and the schools and so on will spread it among the people at large. I oughtn’t to praise them because the suggestion of the Institute came from me originally; so I let them on the job, but I’m greatly pleased that they are so successful.’ Hazlett then asked:

So if a businessman says to you, ‘What can I do?’ from the state down, your suggestion is to send a check to the IEA or a reasonable facsimile.

Hayek (1978) replied: ‘Oh, yes. Of course, do the same thing here.’¹²

Half a century earlier, Wieser (1983 [1926], 363) had described an almost identical strategy: ‘Plutocracy does not have a constitutional claim on participation in control. It is only weakly represented in the houses of the legislatures. It does not become an organised political party of its own, but exercises its influence on the existing political parties and through them, or also alongside them, on the governments, the offices, and sometimes also the dynasties. Through the press and through public opinion it also exercise it on the sovereign people. It enjoys its power

without having to become conspicuous in the external arrangements of the state. It does not like it at all to stand out in this way, for as a shadow government it can wield more power than the official government. Without himself being a state functionary, the financial baron makes the representatives of the state dependent on him, so they act as he wants them to, as the Jesuits at the time when they held power educated the princes in their way and managed to place their products into the decisive positions, or as [Richard Neville, 16th Earl of] Warwick [1428–1471], the last of the barons, was a king maker rather than being a king himself. Plutocracy exercises its power in the *modern form of control* [emphasis in original], and in doing so one resorts to any means suitable to wielding power over the minds. The secret of the power of capital is its ability at all times to change into that shape which, depending on the situation at hand, allows it to exert its strongest effort.’

Ronald Hamowy (2003), the devout Austrian editor of the *Definitive Edition* of Hayek’s (2011 [1960]) *Constitution of Liberty*, described those who funded Austrian ‘liberty’: ‘As is customary, the Mt. Pelerin meetings were held in one of the most expensive hotels in the city as befitted the fact that almost all attendees were either think-tank executives traveling on expense accounts, South American latifundia owners, for whom hundred-dollar bills were small change, or the officers of the Society itself, a self-perpetuating oligarchy who, thanks to its members’ dues, traveled around the world in first-class accommodations.’ Three years before declaring war on the ‘Fascists’ whom Mises had recently praised, President Franklin Delano Roosevelt declared war on some of those who were funding Mises: ‘The first truth is that the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism – ownership of Government by an individual, by a group, or by any other controlling private power.’¹³ Presumably referring to Llewellyn Rockwell Sr., the *Daily Bell* asked Llewellyn Rockwell Jr. (born 1 July 1944): ‘You attribute some of your success to your father. Can you tell our readers about this unique man?’ Rockwell (2010) replied: ‘He was a surgeon and a man of great strength of character, a man of the Old World of the sort we hardly meet anymore ... He was a man of the Old Right who despised FDR, in whose deliberate war my older brother was killed.’¹⁴

According to the website of the Rothbard co-founded Charles Koch Foundation/Cato Institute: 'Perhaps more than any other intellectual in the twentieth century, Hayek has inspired Cato and its researchers to develop policies that ensure a free society. When Cato moved into its current location in 1992, its auditorium was named in Hayek's honor.'¹⁵ In 'Hitler, Mussolini, Roosevelt,' David Boaz (2007), Cato's Executive Vice President, stated that

Roosevelt himself called Mussolini 'admirable' and professed that he was 'deeply impressed by what he has accomplished.'

Boaz's source is a letter to the American Ambassador to Italy, Breckinridge Long, as cited by Wolfgang Schivelbusch's (2006, 31) *Three New Deals: Reflections on Roosevelt's America, Mussolini's Italy, and Hitler's Germany, 1933–1939*: 'There seems to be no question that [Mussolini] is really interested in what we are doing and I am much interested and deeply impressed by what he has accomplished and by his evidenced honest purpose of restoring Italy.' Yet according to John Diggins (1972, 279), Roosevelt actually wrote: 'There seems to be no question that [Mussolini] is really interested in what we are doing and I am much interested and deeply impressed by what he has accomplished and by his evidenced honest purpose of restoring Italy *and seeking to prevent general European trouble* [emphasis added].'

Boaz neither mentions Long nor his controversial status: Ambassador Long advised Roosevelt not to impose an oil embargo on Italy in retaliation for Mussolini's invasion of Ethiopia; and Assistant Secretary of State Long wrote in an intra-department memo circulated in June 1940: 'We can delay and effectively stop for a temporary period of indefinite length the number of immigrants into the United States. We could do this by simply advising our consuls to put every obstacle in the way and to require additional evidence and to resort to various administrative devices which would postpone and postpone and postpone the granting of the visas' (cited by Tucker 2016, 2035).

The *Voyage of the Damned* of the 1939 *St Louis* ocean liner (Gordon and Morgan-Witts 1974) immortalized the Americans refusal to admit Jewish refugees fleeing from those who according to Mises (1985 [1927],

51, 49) had ‘saved European civilization.’ But Assistant Secretary of State Long—who ‘had come to the unshakeable conclusion that the admission of refugees would endanger national security’ (Goodwin 1994, 100–103)—was prepared to help one Jewish refugee, a card-carrying Austro-Fascist and member of the official Fascist social club: ‘The whole first year of our stay in America, while Lu developed various plans for the future, I tried to help [daughter] Gitta get out of occupied France. It was an almost impossible task, for there was no way of getting in touch with her. For the first time I saw that [Henry] Hazlitt’s friendship consisted not only of enthusiasm for Lu’s ideas and thoughts, but also included a warm and personal regard. Hazlitt was the one who helped us get Gitta a visa for the United States. He was on friendly terms with the assistant secretary of state, Breckinridge Long, and only through diplomatic channels could Gitta be reached and given the necessary papers. It was a very, very complex procedure’ (Margit Mises 1984, 69).¹⁶

Hayek (1978) reflected: ‘It has long been a puzzle to me why what one commonly calls the intellectuals, by which I don’t mean the original thinkers but what I once called the secondhand dealers in ideas, were so overwhelmingly on the Left.’¹⁷ Mises (1985 [1927], 50) sought to recruit secondhand dealers in ideas from the extreme Right: ‘Fascists,’ he insisted, would have to embrace Austrian *Liberalism* to achieve their common aims. If Fascism ‘wanted really to combat socialism it would oppose it with ideas’ which Mises would provide: ‘There is, however, only one idea that can be effectively opposed to socialism, viz, liberalism.’ Mises provided a justification based on historicism (or historical inevitability): ‘Fascism will never succeed as completely as Russian Bolshevism from freeing itself from the power of liberal ideas ... The next episode will be the victory of communism.’

Mises (1985 [1927]) apparently aspired to become the intellectual *Führer* of a Nazi-Liberalism Pact. Political operatives masquerading as ‘scholars’ pursue a distinct agenda; and ‘knowledge’ that is constructed to form alliances (with Nazis and, later, with the Chicago School of Economics and Neo-Nazis) has a different epistemological status to that which derives from the ‘disinterested pursuit of truth’ or from intellectual curiosity. In cults, conclusions precede propaganda: Hayek (1978) ‘just learned’ that Mises ‘was usually right in his conclusions, but I was not

completely satisfied with his argument. That, I think, followed me right through my life. I was always influenced by Mises's answers, but not fully satisfied by his arguments. It became very largely an attempt to improve the argument, which I realized led to correct conclusions. But the question of why it hadn't persuaded most other people became important to me; so I became anxious to put it in a *more effective form* [emphasis added].'¹⁸

To use (possibly inappropriate) biological analogies: Austrian School ideology appears to be a variable which is actively regulated by its leaders so that it remains as close to constant as possible as outside conditions change (homeostasis). And Hayek's 'more effective form' is analogous to the hunting operations of chameleons. In *The Road to Serfdom* (1944), Hayek (1978) 'just had to restrain myself to get any hearing. Everybody was enthusiastic about the Russians at that time, and to get a hearing, I just had to tune down what I had said about Russia;¹⁹ I had to tame down what I said about communism. I may have perhaps overemphasized the totalitarian developments of the Nazi kind, while not saying much about the other.'²⁰ Three years later, a similar 'knowledge' pact (the Mont Pelerin Society) was constructed with Henry Simons-inspired University of Chicago economists: Hayek's (2011 [1960], 381) *Constitution of Liberty* contained no 'systematic discussion of enterprise monopoly. The subject was excluded after careful consideration mainly because it seemed not to possess the importance commonly attached to it. For liberals antimonopoly policy has usually been the main object of their reformatory zeal. I believe I have myself in the past used the *tactical* [emphasis added] argument that we cannot hope to curb the coercive powers of labor unions unless we at the same time attack enterprise monopoly' (see Leeson 2015a, Chap. 1).

Two-thirds of a century after Mises (1985 [1927]) embraced *political* Fascism, Rothbard (1994a, b) defended Byron De La Beckwith Jr. (the Klu Klux Klan assassin of the voter registration activist, Medgar Evers, who was convicted because he was politically 'incorrect'), the tax-evading, quasi-monopolist, and media baron, Silvio Berlusconi (a 'dedicated free-marketeer'), Mussolini (because he had a reluctant 'anti-Jewish policy'), Islamo-Fascists, and those described as 'neo-Fascists.' The World Trade Center was bombed on 26 February 1993, killing six and injuring

hundreds; the ‘Blind Sheik,’ Omar Abdel-Rahman (apparently an al-Qaeda affiliate who inspired Osama Bin Laden), was sentenced to life imprisonment. Six months after the attack, Rothbard (1993) declared: ‘the “A-rabs” under investigation ‘haven’t done anything yet. I mean, all they’ve done so far is not assassinate former President George Bush, and not blow up the UN building or assassinate [US Senator] Al D’Amato’; adding: ‘I must admit I kind of like that bit about blowing up the UN building, preferably with [UN Secretary General] Boutros Boutros-Ghali inside.’

Mises (1963, 282; 1966, 282; 1985 [1927], 39)—a lobbyist for the ‘military industrial complex’—insisted that ‘Liberalism’ is ‘far from disputing the necessity of a machinery of state, a system of law, and a government. It is a *grave misunderstanding* to associate it *in any way* [emphases added] with the idea of anarchism. For the liberal, the state is an absolute necessity, since the most important tasks are incumbent upon it: the protection not only of private property, but also of peace, for in the absence of the latter the full benefits of private property cannot be reaped.’ When Rothbard (no date) disagreed with Mises at New York University, ‘The discussion ended when he accused me of being a Schmollerite. The interesting thing is that nobody else in the room, I think, understood what he was talking about and understood this was the ultimate insult an Austrian could level at a critic.’ Mises also condemned Rothbard’s proposal for private law courts and police forces: ‘such a plan would destroy a thousand years of Western civilization.’ The Mises Institute Rothbard ‘Medal of Freedom’ holder agreed: ‘The sovereignty of autonomous, acting man is as diabolical a goal as the sovereignty of the state ... Full sovereignty, like perfection, belongs only to God.’ Rothbard’s proposal would ‘reduce our legal system to the level of the Chinese war lord system of government’ (North 1971, 141, n13).²¹

In ‘A New Strategy for Liberty,’ Rothbard (1994c)—an anarcho-anarchist and Mises Institute ‘Academic Vice President’—solved the ‘coordination problem’ between Austrian economists and ‘Redneck’ militia groups:

A second necessary task is informational: we can’t hope to provide any guidance to this marvellous new movement until we, and the various parts of the movement, find out what is going on. To help, we will feature a

monthly report on 'The Masses in Motion.' After the movement finds itself and discovers its dimensions, there will be other tasks: to help the movement find more coherence, and fulfil its magnificent potential for overthrowing the malignant elites that rule over us.

In 'The Future of Liberty Lets Not Give Into Evil,' Rockwell (1997, 92) stated that 'at the Mises Institute, we seek to create a seamless web between academia and popular culture, so as to influence the future in every possible way.' The Mises Institute Senior Fellow, Walter Block (2000, 40), described the Austrian School 'united front' with Neo-Nazis:

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' ... 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. 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.

The year after Hayek arrived at the LSE, Sir Oswald Ernald Mosley, the sixth Baronet, founded the British Union of Fascists; coincidentally, perhaps, Hayek aspired to a House of Windsor Baronet: 'Sir Friedrich' or, better still, 'Sir Fredrick' (Cubitt 2006, 29). In 1781, King George III established the first Baronet Mosley of Ancoats for Mosley's (1972, 2–3) 'great-great grandfather'; and in 1789, Kaiser Josef II ennobled Hayek's

(1994, 37) ‘great-great-grandfather’: the ‘minor title of nobility (the “von”) which the family since bears.’ Until 1919, Hayek was legally, in effect, ‘von Hayek V.’ Hayek III was a ‘bit of a young navel dandy’ (Hayek 1994, 38), while the first Mosley Baronet started life as a ‘debauched dandy’ (Skidelsky 1975, 35–36).

At Winchester College, Mosley was offered an (pre-AIDS) initiation ritual into the British ruling class: ‘Apart from games, the dreary waste of public school existence was only relieved by learning and homosexuality’ (cited by Skidelsky 1975, 37). What—from Mises’s Right Freudian *argumentum ad hominem* perspective—is revealed by Hayek’s (1978) statement is that ‘innate instincts are really based on a face-to-face society where you knew every other member and every outsider was an enemy. That’s where our instincts come from ... It’s really—we have no word for this—morals which existed in the small face-to-face band that determined our biologically inherited instincts, which are still very strong in us. And I think all civilization has grown up by these natural instincts being restrained. We can use even the phrase that man was civilized very much against his wishes. He hated it. The individual profited from it, but the general abandoning of these natural instincts, and adapting himself to obeying formal rules which he did not understand, was an extremely painful process. And man still doesn’t like them.’²²

Arnold Harberger (1999) observed that Austrians approach economics

from the angle of philosophy: They derived the principles of free market economics from what they saw as ‘the nature of man’ and other fundamental principles.

During Hayek’s time in America, sodomy was a ‘crime against nature’ felony punishable by imprisonment and/or hard labour. William Warren Bartley III (1934–1990)—Hayek’s third official biographer who, according to Julian Simon (2003, 67) and others (Cubitt 2006, 360–361), died of AIDS-related cancer—spoke openly about his interview-based conclusion: Hayek was a ‘closet homosexual’ whose sexual activities with his cousin (but not, presumably, his first wife) resembled his own. Roy Harrod (1951) obliquely hinted at Keynes’ homosexuality—why are fund-raising Austrians so ‘anal retentive,’ so to speak, about this matter?

At boarding school, Mosley had been sustained by ‘almost daily letters from his mother,’ who described him as ‘my man-child’—the ‘man of the house.’ Attracted to ‘glamour, spectacular danger, modernity,’ in 1914, Mosley enlisted in the Royal Flying Corps: ‘an elite of the brave, the reckless, the versatile. On the ground massive armies of unknown soldiers were locked in anonymous slaughter; high above them the knights of the skies jousting in single combat.’ In 1915, ‘showing off before his mother and admiring relatives,’ Mosley crashed his plane which ended his career as a wartime pilot (Skidelsky 1975, 32, 38, 135, 63).

Hayek (1978) described his own experience as a ‘Great’ War hero: ‘It’s a very complicated story. I had decided to enter the diplomatic academy, but for a very peculiar reason. We all felt the war would go on indefinitely, and I wanted to get out of the army, but I didn’t want to be a coward. So I decided, in the end, to volunteer for the air force in order to prove that I wasn’t a coward. But it gave me the opportunity to study for what I expected to be the entrance examination for the diplomatic academy, and if I had lived through six months as an air fighter, I thought I would be entitled to clear out. Now, all that collapsed because of the end of the war. [tape recorder turned off] In fact, I got as far as having my orders to join the flying school, which I never did in the end. And of course Hungary collapsed, the diplomatic academy disappeared, and the motivation, which had been really to get honorably out of the fighting, lapsed. [laughter]’²³

Using his dissembling word, Hayek recalled: ‘its very curious. I am hardly capable of restating the ideas of another person because I read and embody what I like to my own thought. I cannot read a book and give an account of its argument. I can perhaps say what I have learnt from it. But that part of the argument which is not sympathetic to me, I pass over’ (cited by Ebenstein 2003, 30). To impress his gullible disciples, did Hayek ‘embody’ what he liked from Robert Skidelsky’s (1975) biography of Mosley or from Mosley’s (1972) Arlington House *My Life*? Who suggested to Margit Mises (1976) that she call her Arlington House biography, *My Life with Ludwig von Mises*? Rockwell (2010) ‘had been Mises’s editor at Arlington House Publishers in the late 1960s.’

Mosely described his ‘Great’ War motives: ‘How to get to the front was the burning question of the hour’ (Skidelsky 1975, Chap. 5, 62); and

Hayek allegedly told Leube (2003, 12) in a taped interview that he ‘never doubted that there are things in life worth fighting for and risking one’s own life for.’ Leube added that Hayek had been ‘born into an aristocratic family that could not only lay claim to a long academic tradition but also to a long and dutiful service to the Empire ... Thus, consciously devoted to the vision and splendour of the Habsburg Empire he joined up in March 1917 ... he was anxious to be sent as an artillery sergeant cadet to the intensely embattled Italian front ... much to his dislike he missed by a few days the Battle of Caporetto in October/November 1917 that left many dead and wounded.’

Three years after Skidelsky’s biography, Jack High asked Hayek about his experiences as a teenager ‘lieutenant’ in the ‘Great’ War: ‘I seem to recall you telling a story in Claremont. You presided over the retreat of some troops. You were a lieutenant and ran into quite an interesting.’ Hayek cut him off: ‘Well, it wasn’t very interesting. On the retreat from the Piave [River], we were first pursued by the Italians. Since I was telephone officer of my regiment (which meant that I knew all the very few German-speaking men, who were the only reliable men in these conditions), I was asked to take a little detachment for the artillery regiment, first as a rear guard against the Italians following us and then as an advance guard as we were passing the Yugoslav part, where there were irregular Yugoslav cadres who were trying to stop us and get our guns. On that occasion, after having fought for a year without ever having to do a thing like that, I had to attack a firing machine gun. In the night, by the time I had got to the machine gun, they had gone. But it was an unpleasant experience. [laughter]’²⁴

Before obtaining his pilot’s certificate,’ Lieutenant Mosley flew as an ‘observer. Referring to Manfred Albrecht Freiherr von Richthofen (1892–1918), Skidelsky (1975, 61–63) reported:

Pilots and observers were armed only with rifles and revolvers, exchanging small-arms fire through the riggings with any enemy plane whose path they happened to cross: this was how the famous duels in the air which were to immortalize such names as ‘Johnny’ Hawker and on the German side Richthofen started, though later planes were fitted with machine guns firing through the propeller arc.

Sometime between 1984 and 1988, Hayek (1994, 153) drew an unusual analogy between his mother and his—alleged—teenage experiences as a Great War airplane artillery spotter: ‘Once the Italian practically caught us. One in front, firing through the propeller. When they started firing, my pilot, a Czech, spiralled down. I unbelted myself, climbed on the rail. My pilot succeeded in correcting the spin just above the ground. It was exciting ... I lack nerves. I believe this is a thing I inherited from my mother.’ His mother was known in the family as *Eisentante*, the ‘iron aunt,’ because she was free of what Hayek described as the ‘female evil of hysteria’ (Cubitt 2006, 64, 77).

Both Hayek and Mosley had controversial second marriages: in 1936, the adulterous Mosley secretly married his mistress, Diana Guinness, née Mitford, in Josef Goebbels’ Berlin home with Hitler in attendance (Mitford 2003, 130–132, 263; Jones 2004, 117; De Courcy 2004, 170–174; Skidelsky 1975, 341). For Mosley (1896–1980), ‘politics and sexual domination were inextricably intertwined (later, he far preferred Mussolini to Hitler because the Italian leader was far more virile)’ (De Courcy 2004, xiii). Hayek (1994, 85) implied that the founder of the modern British Welfare State suffered from erectile dysfunction—quoting William Beveridge’s future wife: ‘He isn’t man enough; he isn’t man enough. I know.’ Hayek (1899–1992)—who wrote *Essays on the impotent price structure of Britain and monopoly in the labour market* (1984)—told Nadim Shehadi: ‘I personally believe that Beveridge was completely incapable of any sexuality’ (cited by Dahrendorf 1995, 156).

Hayek’s childhood friend, J. Herbert Fürth (20 April 1984), informed Haberler that Hayek’s family ‘adhered to Nazism long before there was an Adolf Hitler.’²⁵ In 1918, Mosley was elected a Conservative MP. After becoming an independent MP and then a Labour MP, in 1931, Mosley founded the ‘New Party’ (which in 1932 became the British Union of Fascists). As a student (1918–1921), Hayek (1994, 53) had founded a ‘German Democratic party ... in order to have a middle ground between Catholics on one side and the socialists and communists on the other.’

In 1902, Sidney Webb, the Fabian socialist and co-founder of the LSE, established the ‘Coefficients’ dining club which provided the ‘political ancestry of the inter-war projects with which Mosley was involved – the Centre Party idea of the 1920s, the New Party, the British Union of

Fascists' (Skidelsky 1975, 58). In 1923, referring to Mosley, Beatrice Webb wrote in her diary 'We have made the acquaintance of the most brilliant man in the House of Commons' (Jones 2004, 27; Dalley 2000). Simultaneously, Hayek (1978) 'never was a social democrat formally, but I would have been what in England would be described as a Fabian socialist.'²⁶ *The Road to Serfdom* had been written 'for a very specific purpose: persuading my English – what you would call liberals – Fabian colleagues that they were wrong. That the book caught on in America was a complete surprise to me; I never thought the Americans would be the least interested in that book.'²⁷ Hayek (1978) had been a 'direct student of Wieser, and he originally had the greatest influence on me'²⁸; Wieser 'was slightly tainted with Fabian socialist sympathies.'²⁹

Mosley was 'undoubtedly vain ... He believed that he alone had the answer to Britain's problems' (Skidelsky 1975, 18). Hayek (1975) described his own 'knowledge' construction model: 'You might object that I have left out some facts, and that the result would have been different if I had not neglected those other facts. Well, my answer to this objection would be: quote the facts, please, and I shall be willing to consider them.' Hayek had been transformed from Messiah to King: 'For forty years I have preached that the time to prevent a depression is during the preceding boom.' After his 'prediction had come true,' he was tempted to tell the public: 'Well, if you had listened to me before you wouldn't be in this mess.'

Mises was a member of the Austro-Fascist *Vaterländische Front*, the 'Fatherland Front' (Hülsmann 2007, 677, n149). In *Das Gesetz Der Macht* (*The Law of Power*), Wieser (1926, ix; 1983 [1926], xli) referred to '*vaterländisches Gefühl*' which was translated as 'patriotic sentiment' and '*Kulturvölkern treibende*' which could be interpreted as 'civilized nations' but was translated as 'culture people': 'the preponderance majority of the peace seekers are tired and feeble and will ruin the high cause of peace. Within the culture people the prime movers, except for those few excellent men, are to some extent still to be found in the ranks of the party of war, or they will again rally under the flag if the fatherland should call them. I can say with full conviction that on my part I do not view with hostility those resolute men who are driven into battle by their patriotic sentiment – I yield to their bravery and their spirit of sacrifice. I see in the

millions who gave their lives in the World War heroic matters of the historical work of mankind. May the heroic spirit with which they met their death in order to discharge the duty imposed on them also inspire those who undertake to fight for the peace! I always had them in the forefront of my mind while working of this book. The latter is dedicated to their memory.’ Hayek (19 April 1924) told Wesley Clair Mitchell—in confidence—that there were plans to make Wieser President of the Austrian Republic (Chap. 1, above).

Mosley—who saw himself as an ‘agent’ of ‘becoming’—believed that the coming societal change would result from a pact between the ‘new men’ (veterans of the ‘Great’ War) and ‘an earlier, aristocratic epoch’ (Skidelsky 1975, 135). The aristocratic Hayek (1997 [1949], 224) sought a pact with ‘the intellectuals’ who are a ‘fairly new phenomenon of history.’ Hayek (1978) recruited these disciples to do his bidding: ‘what I call the intellectuals, in the sense in which I defined it before – the secondhand dealers in ideas – have to play a very important role and are very effective. But, of course, in my particular span of life I had the misfortune that the intellectuals were completely conquered by socialism. So I had no intermediaries, or hardly any, because they were prejudiced against *my* ideas by a dominating philosophy. That made it increasingly my concern to persuade the intellectuals in the hopes that ultimately they could be *converted* and transmit *my* [emphases added] ideas to the public at large.’³⁰ In the first volume of tax-exempt *The Collected Works of F.A. Hayek*, one of Hayek’s (1994, 50) ‘converted’ was silently corrected to ‘dissuaded’ (Chap. 3, below).

Hayek also formed a ‘knowledge’ pact with the fraudulent author of *Taken for a Ride: The History of Cons and Con-men* (‘Deacon’ McCormick 1976, 189–190): the philosophy of one his subjects was that ‘you can never cheat an honest man. A truly honest man would never have fallen for any of my schemes. I never fleeced anyone who could not afford my price for a lesson in honesty.’ Hayek (1978) appeared to be contemptuous of the Americans who funded his divorce and his post-divorce aristocratic lifestyle: ‘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.’³¹ Hayek (1978) made

almost one million 2017 dollars from sales of *The Road to Serfdom* (Chap. 10, below) and in the United States received ‘unmeasured praise from people who probably never read it.’³²

Hayek (1978) claimed that he needed ‘intermediaries’: ‘That I cannot reach the public I am fully aware.’ Yet on an American *Road to Serfdom* promotional tour, he ‘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. You can see from their faces whether they’re interested or not ... I went through the United States for five weeks doing that stunt [laughter] everyday, more or less ... the New York audience apparently was a largely favorable one, which helped me. I didn’t know in the end what I had said, but evidently it was a very successful lecture ... I think I ought to have added that 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]’³³

Hayek ended his Nobel Lecture with a ‘dramatic thundering peroration’ (Caldwell 2016, 7); and one of LSE colleagues, Anne Bohm, recalled that he ‘was always, so far as I can remember, in riding boots, striding across a common’ (cited by Ebenstein 2003, 111). Anne De Courcy (2004, 115) reported that at British Union of Fascist rallies,

Mosley, dramatic in black shirt, breeches and riding boots strode alone to the platform to the strains of ‘Salutation to the Leader,’ gazed round with an air of arrogant, commanding menace, until the shouts of the crowd died down, and then launched into a rousing oration.

According to Wieser (1983 [1926], 76), the ‘English people very closely resembles the Roman people as far as the pursuit of world domination is concerned.’ Hayek (1997 [1949] 232) sought to recruit those with ‘the very courage to indulge in Utopian thought’ and Mosley combined nostalgia with Fascism: ‘I claim that in the ranks of our Blackshirt legions march the mighty ghosts of England’s past and their strong arms around us and their voice echo down the ages saying Onwards!’ (cited by Stridiron 2013, 59). Hayek (1978)—who told Charlotte Cubitt (2006, 15) that of the two Empires he had watched

decline, 'England's downfall had been the more painful to him'—also told the 'inveterate Anglophile' (Bermant 1997), Leo Rosten, 'there have been good dictators in the past.'³⁴

Hayek appeared to have been considering apartheid South Africa as his post-Chicago home (Leeson 2015b, Chap. 3). As South Africa became increasingly isolated, the newly founded Monday Club and the National Front rallied with Mosley in support. Internationally, Mosley followed the post-war 'familiar neo-fascist trail to Franco's Spain, Peron's Argentina and Verwoerd's South Africa, as well as to Italy where a neo-fascist movement was established soon after the war' and domestically provided 'sport' for his followers by wearing a 'white military-looking raincoat' to lead a raid on an anti-apartheid rally in Trafalgar Square (Skidelsky 1975, 492). The Monday Club, with conspicuous National Front support, held a 1970 Trafalgar Square May Day 'Law and Liberty' rally to support the 1970 South African cricket tour and oppose the 'Stop the Seventy Tour' campaign (Walker 1977, 120).

The British, Mosley (1972, 477–484) argued, should have imposed apartheid on the entire African continent. Mosley could see the future: 'equal pay for equal work ... I believe this reform will soon be completed.' He also insisted that 'It is necessary to face facts as they are. The present form of government in South Africa will not be overthrown ... Present tendencies will therefore continue ...' The British Government were responsible for importing two disasters: less-than-total apartheid into Africa and 'the American problem' (coloured immigration) into Britain. 'Friends of South Africa' was established as an 'information service to tell the truth to the people of Britain about the Nationalists in South Africa' (cited by Dorril 2006, 622, 629, 632).

Wieser (1983 [1926], 1, 260) implicitly provided the context of Hayek's 'liberty': 'Until the 18th century almost all the peoples of modern Europe willingly submitted to the law given to them by a small number of aristocratic families or even by a princely autocrat. The one or the few reigned over the many – the Law of Small Numbers was practically uncontested' (Chap. 1, above). Wieser also noted that Classical (i.e. Austrian) Liberalism had been overtaken by democracy: 'Liberalism had been hailed by its faithful adherents as the final stage of society, guaranteeing the supreme general welfare. Instead it became a transitional stage

which, by historical standards of time, was overcome very quickly. The outcome couldn't be any different. Under the impact to the forces which had been released and nurtured during the liberal era, the mass of the people gained in numbers and in weight within the short span of two or three generations, and now the populace to which liberalism had opened the gates of the political world flooded in unchecked. One had merely invoked the name of the people, and now it was here. Liberalism expanded into democracy.'

In *Liberalism in the Classical Tradition*, Mises (1985 [1927], 41) also perceptively noted that 'Government by a handful of people – and the rulers are always as much in the minority as against those ruled as the producers of shoes are as against the consumers of shoes – depends on the consent of the governed ... In the long run no government can maintain itself in power if it does not have public opinion behind it.' Rosten asked Hayek about the implications of 'the fact that people need to have some kind of religious structure ... Do you find that in societies which have a different religious structure, or a different ethos, that it is permissible to run the society without such values? Or that power is in and of itself sufficient?' Hayek (1978) replied: 'Well, that's a very long story; I almost hesitate to talk about it'—before referring to the pre-democratic age:

After all, *we had succeeded* [emphasis added], so long as the great mass of the people were all earning their living in the market, either as head of a household or of a small shop and so on. Everybody learned and unquestionably accepted that what had evolved was – the capitalist ethic was much older than capitalism – the ethics of the market. It's only with the growth of the large organizations and the ever-increasing population that we are no longer brought up on this ethic. At the same time that we no longer learned the traditional ethics of the market, the philosophers were certainly telling them, 'Oh, you must not accept any ethical laws which are not rationally justifiable.' These two different effects – no longer learning the traditional ethics, and actually being told by the philosophers that it's all nonsense and that we ought not to accept any rules which we do not see have a visible purpose – led to the present situation, which is only a 150-year event. The beginning of it was 150 years ago. Before that, there was never any serious revolt against the market society, because every farmer knew he had to sell his grain.

Hayek (1978) initially wanted the Mont Pelerin Society to be ‘called the Acton-Tocqueville Society, after the two most representative figures,’ but

Frank Knight put up the greatest indignation: ‘You can’t call a liberal movement after two Catholics!’ [laughter] And he completely defeated it; he made it impossible.³⁵

In *Democracy in America*, Alexis de Tocqueville (2007 [1838], Chap. 5) had—140 years previously—described the ‘spontaneous’ order associated with the ‘ethics of the market’: ‘Amongst an aristocratic people the master gets to look upon his servants as an inferior and secondary part of himself, and he often takes an interest in their lot by a last stretch of egotism. Servants, on their part, are not averse to regard themselves in the same light; and they sometimes identify themselves with the person of the master, so that they become an appendage to him in their own eyes as well as his. In aristocracies a servant fills a subordinate position which he cannot get out of; above him is another man, holding a superior rank which he cannot lose.’

According to his biographer, Mosley had what George Eliot called ‘the spontaneous sense of capability.’ In 1928, prior to becoming Chancellor of the Duchy of Lancaster in the 1929–1931 Labour Government, Mosley reflected on the ‘order’ that aristocrats should aspire to impose: ‘Feudalism worked in its crude and inequitable fashion until the coming of the Industrial Age. Today the feudal tradition and its adherents are broken as a political power and in most cases are ignobly lending their prestige and their abilities to the support of the predatory plutocracy which has gained complete control of the Conservative Party. In modern times the old regime is confronted with two alternatives. The first is to serve the new world in a great attempt to bring order out of chaos and beauty out of squalor. The other alternative is to become flunkies of the bourgeoisie. It is a matter of constant surprise and regret that many of my class have chosen the latter course’ (cited by Skidelsky 1975, 135, 134).

Hayek (1992 [1963], 29–30) described his LSE colleagues, Cannan and Theodore Gregory, as Mises’s ‘kindred spirits.’ Before Hayek (1978) arrived in 1931, the LSE ‘was half-Austrian already. [laughter]’³⁶ What was the missing half?

The crucial distinction between *Edwin Cannan: Liberal Doyen* (Ebenstein 1997) and *Mises: The Last Knight of Liberalism* (Hülsmann 2007, 677, n149) is that only one was a card-carrying Fascist (and member of the official Fascist social club) and only one promoted Fascist violence to achieve Austrian School ends. According to ‘von’ Mises (1985 [1927], 47–48), a business-sector lobbyist: ‘The militaristic and nationalistic enemies of the Third International felt themselves cheated by liberalism’ because of the exclusion of ‘murder and assassination from the list of measures to be resorted to in political struggles.’

The British *Fascisti* was established in 1923; and in 1934, Harold Soref (Conservative Monday Club M.P. Ormskirk 1970–1974), Hayek’s fellow Reform Club member and ‘Deacon’ McCormick promoter, was a standard bearer at the British Union of Fascists Olympia rally (Leeson 2015c). Mid-point, Hayek (1995 [1929], 68)—while praising Cannan’s ‘fanatical conceptual clarity’ and his ‘kinship’ with Mises’s ‘crusade’—noted that he and the British–Austrians had failed to realize the necessary next step: ‘Cannan by no means develops economic liberalism to its ultimate consequences with the same ruthless consistency as Mises.’ According to Caldwell (1995, 70, n67), this was an apparent reference to *Liberalism in the Classical Tradition*, in which Mises (1985 [1927], 19, 51) stated:

The program of [Austrian] liberalism, therefore, if condensed into a single word, would have to read: *property* [Mises’ emphasis] ... All the other demands of liberalism result from this fundamental demand ... The victory of Fascism in a number of countries is only an episode in the long series of struggles over the problem of property.³⁷

Hayek (1978) promoted dictatorship constrained by property-protecting rules: ‘We can even describe a desirable state of affairs in the form of rules. They should not be rules of conduct; rules of conduct [should be] only for a dictator, not for the individuals. Rules of individual conduct which lead to a peaceful society require private property as part of the rules.’³⁸

In Pinochet’s Chile, Hayek promoted dictatorship as a

means of establishing a stable democracy and liberty, clean of impurities ... democracy needs 'a good cleaning' by strong governments. (Cited by Farrant, McPhail and Berger 2012, 533, n23)

How long would it take Mises's (1985 [1927], 154) 'knout' and 'prison camp' to 'clean' the United States and other countries (Chap. 5, below)? According to Hayek (1978), 'a very long period':

You see, I believe [Josef] Schumpeter is right in the sense that while socialism can never satisfy what people expect, our present political structure inevitably drives us into socialism, even if people do not want it in the majority. That can only be prevented by altering the structure of our so-called democratic system. But that's necessarily a very slow process, and I don't think that an effort toward reform will come in time. So I rather fear that we shall have a return to some sort of dictatorial democracy, I would say, where democracy merely serves to authorize the actions of a dictator. And if the system is going to break down, it will be a very long period before real democracy can reemerge.³⁹

A few weeks before the announcement of his Nobel Prize for Economic Sciences, Hayek implied to Seigen Tanaka (1974) that only *permanent* dictatorships could protect his property: 'It may be said that effective and rational economic policies can be implemented *only* [emphasis added] by a superior leader of the philosopher-statesman type under powerful autocracy. And I do not mean a communist-dictatorship but rather a powerful regime following democratic principles.' Hayek (1978) explained what democratic principles meant: 'I believe in democracy as a system of peaceful change of government; but that's all its whole advantage is, no other. It just makes it possible to get rid of what government *we* [emphasis added] dislike.'⁴⁰

Mises (1985 [1927], 50)—who sought to be the intellectual *Führer* of a Nazi-Classical Liberal Pact—advised Fascists how to hold power permanently: 'The great danger threatening domestic policy from the side of Fascism lies in its *complete* faith in the decisive power of violence. In order to assure success, one must be imbued with the will to victory and always proceed violently. This is its highest principle ... The suppression of all opposition by sheer violence is a most unsuitable way to win adherents to

one's cause. Resort to naked force—that is, without justification in terms of *intellectual arguments accepted by public opinion*—merely gains new friends for those whom one is thereby trying to combat. In a battle between force and an idea, the latter always prevails [emphases added].'

Hayek (1978) believed that he was 'the only one of his disciples who has never quarreled with [Mises].'⁴¹ Mises (1985 [1927], 49) insisted: 'Now it cannot be denied that the only way one can offer effective resistance to violent assaults is by violence. Against the weapons of the Bolsheviks, weapons must be used in reprisal, and it would be a mistake to display weakness before murderers. No liberal has ever called this into question.' Six years later, President Paul von Hindenburg agreed to Chancellor Hitler's request to dissolve the Reichstag, and new elections were scheduled for 5 March 1933. On 31 January 1933, Josef Goebbels wrote in his diary: 'In a conference with the Leader we establish the directives for the struggle against the red Terror. For the present we shall dispense with direct counter-measures. The Bolshevik attempt at revolution must first flare up. At the proper moment we shall then strike' (cited by Heiden 1944, 544). On 27 February 1933, Marinus van der Lubbe, a disturbed Dutch pyromaniac, was found in the smoking ruins of the Reichstag. *Cui bono?* No consensus has yet emerged about responsibility for the fire—but there is no doubt about the beneficiary. Shortly afterwards, von Hindenburg signed the Reichstag Fire Decree into law: civil liberties were suspended and the Nazi dictatorship began.

Four decades later, General Augusto Pinochet pulled a similar stunt to justify the overthrow of Salvador Allende's democratically elected government. The CIA documented '**Propaganda in Support of Pinochet Regime** [bold in original]':

After the coup in September 1973, CIA suspended new covert action funding but continued some ongoing propaganda projects, including support for news media committed to creating a positive image for the military Junta. Chilean individuals who had collaborated with the CIA but were not acting at CIA direction assisted in the preparation of the 'White Book,' a document intended to justify overthrowing Allende. It contained an allegation that leftists had a secret 'Plan Z' to murder the high command in the months before the coup, which CIA believed was probably disinformation by the Junta.

The CIA also documented '**Knowledge of Human Rights Violations** [bold in original]':

CIA officers were aware of and reported to analysts and policymakers in 1973 that General Pinochet and the forces that overthrew the Allende Government were conducting a severe campaign against leftists and perceived political enemies in the early months after the coup. Activities of some security services portended a long-term effort to suppress opponents. In January 1974, CIA officers and assets were tasked to report on human rights violations by the Chilean government.⁴²

Hayek (1978)—who was contemptuous of what he dismissed as Amnesty International's 'bunch of leftists' who publicized evidence about Pinochet's human rights abuses (Farrant and McPhail 2017)—provided the 'intellectual arguments' that justified his White Terror: 'You have to persuade the intellectuals, because they are the makers of public opinion. It's not the people who really understand things; it's the people who pick up what is fashionable opinion. You have to make the fashionable opinion among the intellectuals before journalism and the schools and so on will spread it among the people at large.'⁴³ Having been recruited (unwittingly or otherwise) to make Hayek's promotion of dictatorship 'fashionable' and 'accepted by public opinion,' Caldwell and Montes (2014a, 50, 52, b; 2015, 304) referred to 'the uncomfortable question of why Hayek chose to remain silent about the human rights abuses that took place under [Pinochet's] junta, a question about which we can only offer conjectures'—without mentioning the evidence: Hayek's defence of the 'civilization' of police state apartheid from the American 'fashion' of 'human rights' (Chap. 5, below) and his praise of Mises's 'ruthless consistency.'

Referring to Richard Herrnstein and Charles Murray's (1994) *The Bell Curve*, Rothbard (1994d) sought to rehabilitate the framework upon which eugenics rested: 'Until literally mid-October 1994, it was shameful and taboo for anyone to talk publicly or write about, home truths which everyone, and I mean *everyone* [emphasis in original], knew in their hearts and in private: that is, almost self-evident truths about race, intelligence, and heritability.' What used to be widespread shared public knowledge

about race and ethnicity among writers, publicists, and scholars was suddenly driven out of the public square by communist anthropologist Franz Boas and his associates in the 1930s, and it has been taboo ever since. Essentially, I mean the almost self-evident fact that individuals, ethnic groups, and races differ among themselves in intelligence and in many other traits and that intelligence, as well as less controversial traits of temperament, is in large part hereditary.

After Hitler's defeat, William Buckley Jr., Frank Meyer, and M. Stanton Evans sought to provide more respectable foundations for the political right by replacing overt white supremacy and anti-Semitism with a 'fusion' of economic libertarianism, social traditionalism, and militant anticommunism (Leeson 2017b). David Brooks (2016) feels 'very lucky to have entered the conservative movement when I did, back in the 1980s and 1990s. I was working at National Review, The Washington Times, The Wall Street Journal's editorial page ... The Buckley-era establishment self-confidently enforced intellectual and moral standards. It rebuffed the nativists like the John Birch Society, the apocalyptic polemicists who popped up with the New Right, and they exiled conspiracy-mongers and anti-Semites, like Joe Sobran, an engaging man who was rightly fired from National Review.'

Sobran (1999) referred to one of the 'principal incitements to anti-Semitism in this century: Jewish participation in Communism, with its terrifying persecution of Christians':

might the Talmudic imprecations against Christ and Christians have helped form the Bolshevik Jews' anti-Christian animus? Did the Talmud help form the 'cultural framework' for the persecution of Christians, and for the eradication of Christian culture in America today? ... In intellectual life, Jews have been brilliantly subversive of the cultures of the natives they have lived amongst. Their tendencies, especially in modern times, have been radical and nihilistic. One thinks of Marx, Freud, and many other shapers of modern thought and authors of reductionist ideologies. Even Einstein, the greatest of Jewish scientists, was, unlike Sir Isaac Newton, no mere contemplator of nature's laws; he helped inspire the development of nuclear weapons and consistently defended the Soviet Union under Stalin. Jews have generally supported Communism, socialism, liberalism, and secularism; the agenda of major Jewish groups is the de-Christianization of

America, using a debased interpretation of the 'living Constitution' as their instrument.

In *SOBRAN'S —The Real News of the Month—* Sobran (2002) asserted:

Sometimes a government propaganda campaign can create prejudice and hatred against a racial group or social class, though it helps if there is antagonism to begin with. But unfavorable popular views about minorities also survive the most strenuous efforts of the state to eliminate them, because they so often spring from the direct personal experience of countless people. Jews often complain of the prejudice they have met in country after country – England, Spain, France, Germany, Poland, Russia, Ukraine, and now throughout the Arab world. But how could the same 'prejudice' be shared by so many cultures? We're entitled to suspect that Jewish conduct has had at least something to do with causing such persistent unpopularity ... And may God also bless the Ludwig von Mises Institute, which for 20 years now has been promoting freedom without compromise. I make it my habit to start the day by reading its excellent website, lewrockwell.com. Congratulations to Lew Rockwell for carrying on the work of von Mises and the late, great Murray Rothbard, both of whom would be justly proud of their brilliant, dauntless disciple.

In the Holocaust-denying *Institute for Historical Review*, the Jewish-born Rothbard was described as a

zealous champion of individual liberty and a fierce enemy of the 'welfare-warfare' state. Early on he enlisted with the 'Old Right' opponents of Franklin Roosevelt's New Deal, and with the 'America First' foes of foreign military intervention ... Along with Garet Garrett, John T. Flynn and Harry Elmer Barnes, he continued steadfastly to oppose the US military-industrial complex and the military adventurism that is an integral part of its 'perpetual war for perpetual peace' policy ... Rothbard embraced historical revisionism in all its facets, including taboo issues of the Second World War. He was a colleague of Harry Elmer Barnes, whose last published work, 'Pearl Harbor After a Quarter Century,' appeared in a journal co-edited by Rothbard. He also contributed an essay to the magnificent anthology, *Harry Elmer Barnes: Learned Crusader* ... In a just world, Murray Rothbard would have received a Nobel Prize. (Weber 1995)

According to Rothbard, Barnes ‘fought and suffered all of his life’ for ‘the cause of peace and justice and historical truth.’ But Barnes was a Holocaust denier; and his Great War revisionism was funded by the German Foreign Ministry and the Centre for the Study of the Causes of the War, a pseudo-historical think-tank founded by Major Alfred von Wegerer (a former *völkisch* activist) and secretly funded by the German government. The exiled Kaiser Wilhelm II thanked Barnes for not blaming him for ‘starting’ the Great War—adding that the ‘villains of 1914 were the international Jews and Free Masons who, he alleged, desired to destroy national states and the Christian religion’ (Lipstadt 1993, Chap. 3).

According to Barnes, the historical ‘blackout’ relating with regard to World War II had evolved into a ‘smotherout’ as a result of Eichmann’s 1961 trial which, he asserted, showed an ‘almost adolescent gullibility and excitability on the part of Americans relative to German wartime crimes, real or *alleged*. The charges against Eichmann rested on ‘fundamental but *unproved* assumptions that what Hitler and the National Socialists did in the years *after* Britain and the United States entered the war revealed that they were ... vile, debased, brutal and bloodthirsty gangsters [emphases in original].’ The American media had published ‘sensational’ articles about ‘exaggerated National Socialist savagery.’ Certain (unnamed) ‘court historians’ had manufactured evidence about gas chambers to ensure that Allied war crimes were never ‘cogently and frankly placed over against the doings, *real or alleged*, at Auschwitz [emphases in original].’ There had been concentration camps in Nazi Germany but not, Barnes insisted, death camps (Lipstadt 1993, Chap. 3).

According to Rothbard (1994d)

the ruling tactic of the left was to engage in what Harry Elmer Barnes, in another connection, called ‘the blackout,’ and for the rest to smear the heretic relentlessly with the usual PC smear labels we have come to know and love so well: ‘racist,’ ‘fascist,’ ‘Nazi,’ ‘sexist,’ ‘heterosexist,’ and so on. Better to black out and smear, to marginalize the heretic into shame and oblivion ... The political situation of the 1930s and 40s was used to cunning effect by the egalitarian left to stamp out all opposition. Any expression of racial home truths was automatically lambasted as ‘fascist,’ ‘Nazi,’ and therefore ultra-rightist. In fact, all of this was a fabrication. The leading ‘racial scientists’ from the 1890s until the 1930s were in agreement across

the ideological and political spectrum. In fact, most of the leading racial scientists were Progressives, left-liberals, and New Dealers. In that period, only Communists and other Marxists were egalitarians, for ideological reasons. But the Commies were able to use their extensive ideological and propaganda machine during that era to somehow link Nazi persecution of Jews to racism, and with doctrines of racial superiority and inferiority. In that way, the Commies were able to bully or convert all manner of liberals and leftists, including those ex-Trotskyites and liberals who would much later become neoconservatives. This left the conservatives, who were the least amenable to Marxist influence, but who in turn were bullied into submission by being smeared savagely as ‘Hitlerite’ for any expression of racialist views.

Hayek described his disciples as the ‘worst ... inferior ... mediocrities’ (Chap. 1, above). The overwhelming majority of market success advocates appear to be market failures: as students (and later as tenured academics) they are unable to thrive when examined (and later refereed) by non-Austrians or their fellow travellers. After five years of studying undergraduate economics, Shenoy obtained a lower second-class degree in economic history—which is below the conventional cut-off for entry into graduate school: she obtained lifetime tenure—not through the academic market process but by special pleading by the National Tertiary Education Union (of which she was a member) and Hayek. She was also ‘trained’ at the George Mason University (GMU) ‘Market Process Centre.’

The GMU-trained Misesian, Steven Horwitz (2011), reported that the Mises Institute maintains ‘numerous connections with all kinds of unsavory folks: more racists, anti-Semites, Holocaust deniers, the whole nine yards.’ In 2011, inspired by the frenzy distilled from 9–11 religiosity and the Austrian School of Economics, the 22-year-old Anders Breivik bombed government buildings in Oslo and shot dead 69 Workers’ Youth League summer camp participants (Tietze 2015). In 2011, the fundraising *Ron Paul Newsletters* began to sink Paul’s 2012 Presidential campaign: the press reported that in 1992, ‘Paul’ had written that ‘even in my little town of Lake Jackson, Texas, I’ve urged everyone in my family to know how to use a gun in self defence ... for the animals are coming.’ It was widely suspected that North, Rothbard, and Rockwell (Paul’s chief of staff) had written the *Newsletters* (Leeson 2017c).

According to Caldwell (1997, 2), Hayek provided a ‘knowledge-based’ critique of socialism. In 2011, a ‘knowledge-based’ non-aggression pact between the Mises Institute and GMU Miseans was imposed—and a formal ‘truce’ was signed (Murphy 2011).⁴⁴ The First Amendment protects ‘freedom of speech’—but should tax-exempt status be granted to ‘scholars’ who accept a code of silence imposed by their employers and intellectual leaders? And who suppress the oral history interviews that Hayek wished to be posthumously available (Leeson 2015b, Chap. 2)?

Hayek (1978) described socialism as a ‘new infection.’⁴⁵ Since the *Ron Paul Newsletters* contains racist sentiments that could be interpreted as eugenics inspired, this raises a question: was Hayek—Rothbard’s fourth-generation co-leader—an Austrian School outlier? Or was he a nuanced eugenicist (Part Two, below)? Hayek (1978) told Chitester: ‘I hate offending people on things which are very dear to them and which doesn’t do any harm.’⁴⁶ Yet Hayek repeatedly made offensive remarks about Jews, non-whites, and ‘negroes’—promoting denationalized money along with anti-Semitic stereotypes: he ‘laughed when he said it would probably be a Jewish banker who would go for it and make a pile of money’ (Cubitt 2006, 146, 51). Hayek (5 March 1975) implied to Neil McLeod at The Liberty Fund that he didn’t want negroes to touch his money—he wished to find an alternative to his ‘gone negro’ Chicago bank.⁴⁷

The former Soviet spy, Whittaker Chambers (1901–1961), became a Senior Editor at the *National Review* (1957–1959) and in 1984 was awarded the Medal of Freedom by Ronald Reagan. Having been a fellow traveller for ‘Big Brother,’ he could not tolerate ‘Big Sister’—Ayn Rand. Chambers (2005 [1957]) detected a eugenics agenda:

So much radiant energy might seem to serve a eugenic purpose. For, in this story as in Mark Twain’s, ‘all the knights marry the princess’ – though without benefit of clergy. Something of this implication is fixed in the book’s dictatorial tone, which is much its most striking feature. Out of a lifetime of reading, I can recall no other book in which a tone of overriding arrogance was so implacably sustained. Its shrillness is without reprieve. Its dogmatism is without appeal. In addition, the mind which finds this tone natural to it shares other characteristics of its type. 1) It consistently mistakes raw force for strength, and the rawer the force, the more reverent the posture of the mind before it. 2) It supposes itself to be the bringer of a

final revelation. Therefore, resistance to the Message cannot be tolerated because disagreement can never be merely honest, prudent, or just humanly fallible. Dissent from revelation so final (because, the author would say, so reasonable) can only be willfully wicked. There are ways of dealing with such wickedness, and, in fact, right reason itself enjoins them. From almost any page of *Atlas Shrugged*, a voice can be heard, from painful necessity, commanding: ‘To a gas chamber – go!’

According to Hitler, ‘The Earth has received its culture from elite people; what we see today is ultimately the result of the activity and the achievements of the Aryans’ (cited by Fischer 2002, 152). In *Atlas Shrugged*, Rand (1958)—*The Goddess of the Market* (Burns 2009)—described history as a heroic struggle by the Lords of Production *against defeat* at the hands of consumers (who she denigrated as ‘looters’ and ‘parasites’). Having declared that ‘the Lord of Production is the Consumer,’ Mises (1922, 435; 1951, 443–444)—in public—described history as a heroic *victory* for those Rand denigrated: ‘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 ... 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.’

During the ‘Great’ War, Mises promoted Austro-German *Lebensraum* (Leeson 2017a); but after the ‘dynastic keystone dropped out of the monarchical edifice’ (Wieser 1983 [1926], 226), Mises (1985 [1927], 50) reflected on its replacement, ‘public opinion’: ‘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.’ In private celebration of *Atlas Shrugged*, Mises (2007 [1958], 11) told 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.’ With respect to intergenerational inferiority, in 1943 Mises informed a correspondent that he did ‘not believe that a member of the Hitler youth

or of the equivalent groups in Italy, Hungary or so on can ever turn toward honest work and non-predatory jobs. *Beasts cannot be domesticated within one or two generations* [emphasis added]' (cited by Hülsmann 2007, 817).

Yet in 1950 in the Epilogue to second English edition of *Socialism*, Mises (1951, 581)—for public consumption—opposed eugenics:

The Nazi plan was more comprehensive and therefore more pernicious than that of the Marxians. It aimed at abolishing *laissez-faire* not only in the production of material goods, *but no less in the production of men*. The Führer was not only the general manager of all industries; he was also the general manager of the breeding-farm intent upon rearing superior men and eliminating inferior stock. A grandiose scheme of eugenics was to put into effect according to 'scientific' principles.

It is vain for champions of eugenics to protest that they did not mean what the Nazis executed. Eugenics aims at placing some men, backed by the police power, in complete control of human reproduction. It suggests that *the methods applied to domestic animals be applied to men* [emphases added]. This is precisely what the Nazis tried to do. The only objection which a consistent eugenist can raise is that his own plan differs from that of the Nazi scholars and that he wants to rear another type of men than the Nazis. As every supporter of economic planning aims at the execution of his own plan only, so every advocate of eugenic planning aims at the execution of his own plan and wants himself to act as the breeder of human stock.

In 1954, Rothbard insisted that the only thing that Senator Joe McCarthy and Roy Cohn did wrong was to be 'too kind, too courteous, too considerate, too decent to realize the full extent of the viciousness of and venom of the Left Smear Bund that is dedicated to drive out every effective anti-Communist from public life.' New Dealers and communists were simply different brands of socialists and while they may have their 'mild quarrels at times,' they are still 'blood brothers' (cited by Epstein, no date).

In September 1932, Mises informed Hayek (1995 [1976], 145–6) that 'after twelve months Hitler would be in power.' The following month—and three months before Hitler won power—Hayek promoted a non-response to the Great Depression which he had sought to deepen: 'Under

modern conditions the security markets are an indispensable part of the mechanism of investment. A rise in the value of old securities is an indispensable preliminary to the flotation of new issues' (Gregory et al. 1932).

In 1932, who else but Hitler could Hayek and Mises have supported (Leeson 2017a, Chap. 8)? In the March 1932 German Presidential election, Hitler won 30.1 % of the vote and 36.8 % of the April 1932 run-off vote (the Communist Party won 13.2 % in the first round and 10 % in the run-off). In the preface to the second German edition of *Socialism*, dated January 1932, Mises (1951 [1932], 13) echoed earlier sentiments: 'The world is split today into two hostile camps, fighting each other with the utmost vehemence, Communists and anti-Communists.' According to Mises (2006 [1950]), 'Middle-of-the-Road Policy Leads to Socialism'—he had a broad definition of communism:

the Welfare State is merely a method for transforming the market economy step by step into socialism. The original plan of socialist action, as developed by Karl Marx in 1848 in the Communist Manifesto, aimed at a gradual realization of socialism by a series of governmental measures. The ten most powerful of such measures were enumerated in the Manifesto. They are well known to everybody because they are the very measures that form the essence of the activities of the Welfare State, of Bismarck's and the Kaiser Wilhelm's German Sozialpolitik as well as of the American New Deal and British Fabian Socialism. The Communist Manifesto calls the measures it suggests 'economically insufficient and untenable,' but it stresses the fact that 'in the course of the movement' they outstrip themselves, necessitate further inroads upon the old social order, and are unavoidable as a means of entirely revolutionizing the mode of production.' (Mises 1960)

Mises (1951 [1932], 23) used the concept of 'consumer sovereignty' to denigrate democracy: 'The average man is both better informed and less corruptible in the decisions he makes as a consumer than as a voter at political elections. There are said to be voters who, faced with the decision between Free Trade and Protection, the Gold Standard and Inflation are unable to keep in view all that their decision implies. The buyer who has to choose between different sorts of beer or makes of chocolate has certainly an easier job of it' (see Leeson 2015b, Chap. 7). Referring to Hitler's Munich Beer Hall Putsch and

other attempts to replace democracy with dictatorship, Mises (1985 [1927], 44) stated: ‘Many arguments can be urged for and against these doctrines, depending on one’s religious and philosophical convictions, about which any agreement is scarcely to be expected. This is not the place to present and discuss the arguments pro and con, for they are not conclusive.’

Rothbard (1992, 6) denigrated his opponents as a ‘*swarm* [emphasis added] of intellectuals, academics, social scientists, technocrats, policy scientists, social workers, journalists and the media generally.’ In *Liberalism in the Classical Tradition*, Mises (1985 [1927], 48) described the eugenicist agenda of those he was seeking to lead: ‘The fundamental idea of these movements—which, from the name of the most grandiose and tightly disciplined among them, the Italian, may, in general, be designated as Fascist—consists in the proposal to make use of the same unscrupulous methods in the struggle against the Third International as the latter employs against its opponents. The Third International seeks to exterminate its adversaries and their ideas in the same way that the hygienist strives to exterminate a pestilential bacillus; it considers itself in no way bound by the terms of any compact that it may conclude with opponents, and it deems any crime, any lie, and any calumny permissible in carrying on its struggle. The Fascists, at least in principle, profess the same intentions.’

Notes

1. <http://www.univie.ac.at/archiv/tour/21.html>.
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. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
4. Haberler Archives Box 3.2.
5. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

6. Before 1990, 'finance' was mentioned only twice in the Nobel citations: James Tobin (1981) 'for his analysis of financial markets and their relations to expenditure decisions, employment, production and prices' and Franco Modigliani (1987) 'for his pioneering analyses of saving and of financial markets.' 'Public finances' are mentioned in James Buchanan's 1986 citation.
7. http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1990/press.html
8. http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1997/press.html
9. Friedrich Hayek, interviewed by Earlene Craver, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
10. Friedrich Hayek, interviewed by Armen Alchian, 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
11. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
12. Friedrich Hayek, interviewed by Thomas Hazlett, 12 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
13. <http://www.presidency.ucsb.edu/ws/?pid=15637>
14. Rockwell (2010) continued: 'He was incredibly smart, and he loved liberty in the way that the men of the Enlightenment loved liberty: he didn't believe that the state could do anything better than people can do for themselves ... and he was an admirer of Robert Taft, not least because of his noninterventionist foreign policy. My father worked hard until the last moment he possibly could. So should we all.'
15. <https://www.cato.org/people/nobel-index.html>
16. Long became responsible for visas in January 1940.
17. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
18. Friedrich Hayek, interviewed by Earlene Craver, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
19. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

20. Friedrich Hayek, interviewed by Armen Alchian, 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
21. The Mises Institute was established in 1982.
22. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
23. Friedrich Hayek, interviewed by Earlene Craver, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
24. Friedrich Hayek, interviewed by Jack High, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
25. Fürth Archives. Hoover Institution. Box 5.
26. Friedrich Hayek, interviewed by Earlene Craver, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
27. Friedrich Hayek, interviewed by Armen Alchian, 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
28. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
29. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
30. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
31. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
32. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
33. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

34. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
35. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
36. Friedrich Hayek, interviewed by Jack High, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
37. Mises (1985 [1927], 19) defined property as the ‘private ownership of the means of production (for in regard to commodities ready for consumption, private ownership is a matter of course and is not disputed even by the socialists and communists).’
38. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
39. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
40. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
41. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
42. <https://www.cia.gov/library/reports/general-reports-1/chile/>
43. Friedrich Hayek, interviewed by Thomas Hazlett, 12 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
44. ‘A while ago I was a signatory to a truce between (for lack of better terms) the GMU Austro-libertarians and the Auburn Austro-libertarians. I pledged that not only would I not engage in conflict escalation between the two camps, but that I wouldn’t even make any internet comments that would likely induce *others* to do so [emphasis in original]’ (Murphy 2011).
45. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

46. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
47. Hayek Archives Box 34.17.

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3

Das Hayek Problem and Solution

The 'Presuppositions' of Hayek's Nazi Family

Using one of his dissembling words, 'curious,' Friedrich Hayek (1978) reflected:

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.

In response, Robert Chitester encouraged Hayek to penetrate beneath the veil of the 'free' market religion that he had constructed:

That's fascinating because one of the things that has occurred to me—it's an irritant, a frustration—because of my own personal desires to communicate certain precepts, is that the sense that motivates the 'religious' person is something that is very powerful. In a way, if one could find a way to use that motivation as a basis of support and understanding for, say, the precepts of a liberal free society, it could be extremely effective.

Hayek (1978) side-stepped the question:

In spite of these strong views I have, I've never publicly argued against religion because I agree that probably most people need it. It's probably the only way in which certain things, certain traditions, can be maintained which are essential. But I won't claim any particular deep insight into this. I was brought up essentially in an irreligious family. My grandfather was a zoologist in the Darwinian tradition. My father and my maternal grandfather had no religious beliefs. In fact, when I was a boy of I suppose eight or nine, I was presented with a children's Bible, and when I got too fascinated by it, it somehow disappeared. [laughter] So I have had little religious background, although I might add to it that having grown up in a Roman Catholic family, I have never formally left the creed. In theory I am a Roman Catholic. When I fill out the form I say 'Roman Catholic,' merely because this is the tradition in which I have grown up. I don't believe a word of it. [laughter]

Chitester tempted Hayek with a rephrase: 'Do you get questions about religion? I would assume a lot of people confuse your interest in a moral structure with religion.' Hayek (1978) replied by referring to the 35-year-old Sudha Shenoy:

Very rarely. It so happens that an Indian girl, who is trying to write a biography of myself, finally and very hesitantly came up with the question which was put to Faust: 'How do you hold it with religion?' [laughter] But that was rather an exceptional occasion. Generally people do not ask. I suppose you understand I practically never talk about it. I hate offending people on things which are very dear to them and which doesn't do any harm.

Chitester pushed further: 'Doesn't your thinking in terms of a moral structure – the concept of just conduct – at least get at some very fundamental part of religious precepts?' Hayek (1978) then described the religious structure of his 'knowledge': 'Yes, I think it goes to the question which people try to answer by religion: that there are in the surrounding world a great many orderly phenomena which we cannot understand and which we have to accept. In a way, I've recently discovered that the polytheistic religions of Buddhism appeal rather more to me than the monotheistic religions of the West. If they confine themselves, as some

Buddhists do, to a profound respect for the existence of other orderly structures in the world, which they admit they cannot fully understand and interpret, I think it's an admirable attitude.¹

According to Hayek (1978), the composition of Viennese intellectual groups was 'connected with what you might call the race problem, the anti-Semitism. There was a purely non-Jewish group; there was an almost purely Jewish group; and there was a small intermediate group where the two groups mixed.'² Hayek's (1994, 61) own family was in the 'purely Christian group; but in the university context I entered into the mixed group.' Since Hayek's (1978) family was 'essentially ... irreligious,'³ the phrase 'purely Christian' appears to mean proto-Nazi (or at least anti-Semitic).

According to Hayek (1967, 138), the ideas of Werner Sombart, the head of the 'Youngest' German Historical School of Economics, were for 'all intents and purposes are the same as the later Nazi doctrines.' Hayek's childhood friend, J. Herbert Fürth (20 April 1984), informed Gottfried Haberler that Hayek's family 'adhered to Nazism long before there was an Adolf Hitler.'⁴ Fürth (23 March 1992) also told Paul Samuelson that Hayek's father was the president of a 'highly nationalistic society of "German" physicians' who competed with the politically neutral General Medical Association. Hayek's mother was 'equally nationalistic, and mad at me because I had "seduced" her son from nationalism.'⁵ Hayek told Charlotte Cubitt (2006, 17, 51) that his mother was 'converted to Nazism by a woman friend'; Hitler's success was due to his appeal to women, 'citing his mother as another example.' To 'his certain knowledge,' Nazism 'had been actively upheld [in Austria] long before it had reached Germany.'

In 'The Youth Movement,' Wieser (1983 [1926], 401) noted that the

catchword issued by the genuine core of the youth movement is '*independence*' and '*service*' – the appropriate *catchword for the emerging leader* whose task it is to serve the masses by walking ahead of them with self-reliance [emphasis in original].

As a teenager, Hayek (1978) was recruited to the Austrian School of Economics and (what appears to be) the *Wandervogel* by Othmar Spann who 'being a young and enthusiastic man, for a very short time had a

constant influence on all [emphasis added] these young people. Well, he was resorting to taking us to a midsummer celebration up in the woods, where we jumped over fires and—It's so funny [laughter], but it didn't last long, because we soon discovered that he really didn't have anything to tell us about economics.⁶ One of Hayek's Austrian *Wandervogel* comrades was Adolf Eichmann (Cesarani 2005, 21; Stachura 1981, 3)⁷ whose trial and execution was documented by Hayek's Committee on Social Thought colleague, Hannah Arendt (1963), in *Eichmann in Jerusalem: A Report on the Banality of Evil*.

Leo Rosten asked Hayek about Mises' (1944, 94–96) description of the *Wandervogel* most of whom 'had one aim only: to get a job as soon as possible with the government. Those who were not killed in the wars and revolutions are today pedantic and timid bureaucrats in the innumerable offices of the German *Zwangswirtschaft*. They are obedient and faithful slaves of Hitler.' Hayek (1978) replied 'Oh, I saw it happen; it was still quite active immediately after the war. I think it reached the highest point in the early 20s, immediately after the war. In fact, I saw it happen when my youngest brother was full time drawn into that circle; but they were still not barbarians yet. It was rather a return to nature. Their main enjoyment was going out for walks into nature and living a primitive life. But it was not yet an outright revolt against civilization, as it later became.'⁸ Since Erich (1904–1986) was five years younger, it seems likely that he first experienced the *Wandervogel* vicariously through his eldest brother.

Hayek was 'at pains to point out and was to repeat this many times, that his family could not have Jewish roots ... when I asked him whether he felt uncomfortable about Jewish people he replied that he did not like them very much, any more than he liked black people' (Cubitt 2006, 51). Hayek's (1994, 61–62) obsession about his own 'Aryan' ancestry derived from an overheard conversation about his middle brother, Heinz, looking Jewish (Leeson 2017a). Erich had been a Professor of Chemistry; Heinz (1900–1969), a Professor of Anatomy, had become enthusiastic about Hitler, joined the German Nazis and spent the Third Reich injecting chemicals into freshly executed victims—for which he was temporarily barred from post-war university employment under de-Nazification laws. Interned by the Americans in the Würzburg de-Nazification camp, Heinz was set free after informing his interrogators that

he was the brother of the author of the *Reader's Digest* version of *The Road to Serfdom* (Chap. 5, below).

Robert Bork asked ‘When did you first begin to think about the relationship between legal philosophy and the problem of maintaining a free society?’ Hayek (1978) replied: ‘I began to think about this problem in the late thirties in a general way, and I think it began with the general problem of the genesis of institutions as not designed but evolving. Then I found, of course, that law was paradigmatic for this idea. So it must have been about the same time that I wrote the counterrevolution of science [2010 (1952)] thing, when I was interested in the evolution of institutions, that my old interest in law was revived – as paradigmatic for grown institutions as distinct from designed institutions.’ Bork asked: ‘Your interest in grown institutions, or evolving institutions, came out of your work in biology? ... your approach to these matters has been largely affected by the fact that you were familiar with Darwin and the evolutionary hypothesis from an early age?’ To which Hayek answered: ‘Yes’—adding: ‘My brother [Heinz] was an anatomist, incidentally; so the tradition is wholly biological. I’ve never studied biology, but I think by the time I became a student of law, I knew more biology than any other subject.’⁹

Hayek (1978) also told Chitester: ‘I grew up with biology in my background, I think it was *purely an accident* [emphasis added] that I didn’t stick to it. I was not satisfied with the sort of taxonomic work in botany or zoology. I was looking for something theoretical at a relatively early stage.’¹⁰ Hayek had had a ‘growing interest in physiological psychology. I had easy access. My brother was studying in the anatomy department; so I just gate-crashed into lectures occasionally and even in the dissecting room.’¹¹ It was, perhaps, purely by accident that Friedrich didn’t spend the Third Reich operating on freshly executed victims, and Heinz didn’t devote his career to ‘operating on public opinion.’¹²

Hayek’s obsession with what later became known as the *Ahnenpaß*, or ancestor passport—the Nazi certification of ‘Aryan’ lineage—preceded Hitler’s. The 1933 Law for the Restoration of the Professional Civil Service, signed by Hitler and Count Schwerin von Krosigk, excluded those with one non-‘Aryan’ parent or grandparent (Stackelberg and Winkle 2002, 150–152). Genealogical ‘research’ flourished during the

Third Reich; a third-of-a-century later, Hayek (1978) stated: ‘Now, see, the Wittgensteins themselves were three-quarters Jewish, but Ludwig Wittgenstein’s grandmother was the sister of my great grandfather; so we were again related.’¹³

Hitler acquired anti-Semitism in the Viennese culture co-created by prominent proto-Nazis such as the von Hayeks (Leeson 2017a). Hayek’s (1978) father

was by profession a doctor. He became a botanist, and his main interest became botany. He became ultimately what’s called an ‘extraordinary professor’ at the University [of Vienna].¹⁴

According to Bruce Pauley (1992, 31), ‘The origins of racial anti-Semitism among students at the University of Vienna can be traced to Dr. Theodore Billroth, a world famous German-born surgeon and professor at the Medical College of the University of Vienna. Jewish enrolments at the Medical College had been high since before the Revolution of 1848 and about half the teaching staff were also Jewish.’ Including Hayek (1974), nine Nobel laureates taught at the University of Vienna: Robert Bárány (Medicine 1914), Julius Wagner-Jauregg (Medicine 1927), Hans Fischer (Chemistry 1930), Karl Landsteiner (Medicine 1930), Erwin Schrödinger (Physics 1933), Viktor Hess (Physics 1936), Otto Loewi (Medicine 1936), and Konrad Lorenz (Medicine 1973, shared with the Viennese born and trained, Karl Frisch). Hayek (1978) had family ties to at least four of these laureates: when asked to go through the ‘list’ of ‘famous people of Vienna,’ he found he

knew almost every one of them personally. And with most of them I was somehow connected by friendship or family relations and so on. I think the discussion began, ‘Did you know Schrödinger?’ ‘Oh, yes, of course; Schrödinger was the son of a colleague of my father’s and came as a young man in our house.’ Or, Frisch, the bee Frisch?’ ‘Oh, yes, he was the youngest of a group of friends of my father’s; so we knew the family quite well.’ Or, Lorenz?’ ‘Oh, yes, I know the whole family. I’ve seen Lorenz watching ducks when he was three years old.’ And so it went on. Every one of the people who are now famous, except, again, the purely Jewish ones—[Sigmund] Freud and his circle I never had any contact with. They were a different world.¹⁵

Hayek's (1978) 'interests started wandering from biology to general questions of evolution, like paleontology. I got more and more interested in man rather than, in general, nature. At one stage I even thought of becoming a psychiatrist.' This presumably reflected an influence from his proto-Nazi family: he 'grew up in an atmosphere which was *governed* [emphasis added] by a very great psychiatrist who was absolutely anti-Freudian: Wagner-Jauregg, the man who invented the treatment of syphilis by malaria and so on, a Nobel Prize man.'¹⁶ Two of the five University of Vienna recipients of the Nobel Prize for Medicine had Nazi connections: Wagner-Jauregg and Lorenz (Chap. 2, above).

Das Hayek Problem

'Das Adam Smith Problem' relates to the (largely) German dispute concerning the apparent inconsistencies between Smith's broad conception of human nature in *Theory of Moral Sentiments* (1759) and the narrower conception—based on self-interest and the invisible hand—contained in the *Wealth of Nations* (1776). 'Das Hayek Problem' is easier to resolve—it relates to the inconsistencies between what he asserted and the evidence.

There appear to be four conflicting categories of Austrian 'knowledge':

- what Hayek wrote and what he asserted in oral history interviews
- what he eluded to in interviews and correspondence
- what he did *not* write about but apparently spoke about in other oral history interviews that he may not have known were being taped (and which are being suppressed by disciples)
- the assertions made about him by fund-raising disciples

Austrian School frauds and Orwellian rectifiers—Hayek, Mises, 'Deacon' McCormick, Shenoy, and so on—are easy to detect (Leeson 2013, 202; 2015a, Chap. 3; b). For example, in researching *William F. Buckley Jr.: Patron Saint of the Conservatives* (1988), John Judis (15 May 1984) asked Hayek why in 1955 he refused to let his name be listed on the *National Review* masthead (Judis had only Buckley's side of the

correspondence). Hayek (27 May 1984) replied that he did not ‘preserve’ the correspondence of so long ago.¹⁷ But simultaneously, Hayek was negotiating to send all his correspondence—including the letters that Judis wished to see—to the Hoover Institution.¹⁸ Hayek thus simultaneously lied and left the evidence that exposed his lies: as soon as the Hayek Archives became ‘public’ (open to scholars), Judis could have uncovered the lie and found the answer to his question.

Hayek (1978) was ‘so extremely fortunate to get, at the age of thirty-two, as good a professorship as I could ever hope to get. I mean, if you are at thirty-two a professor at the London School of Economics [LSE], you don’t have any further ambitions [laughter]’.¹⁹ His ‘determination to become a scholar was certainly affected by the unsatisfied ambition of my father to become a university professor ... I was very much aware that in my father the great ambition of his life was to be a university professor.’²⁰ In 1931, he achieved this ambition at the LSE by fraudulently claiming to have predicted the Great Depression (in an Institute for Business Cycle Research publication)—which also led to him being awarded the 1974 Nobel Prize for Economic Sciences.²¹

Shortly after winning the Nobel Prize, Hayek repeated the assertion:

I was one of the only ones to predict what was going to happen. In early 1929, when I made this forecast, I was living in Europe which was then going through a period of depression. I said that there [would be] no hope of a recovery in Europe until interest rates fell, and interest rates would not fall until the American boom collapses, which I said was likely to happen within the next few months ... What made me expect this, of course, is one of my main theoretical beliefs that you cannot indefinitely maintain an inflationary boom. Such a boom creates all kinds of artificial jobs that might keep going for a fairly long time but sooner or later must collapse. Also, I was convinced after 1927, when the Federal Reserve made an attempt to stave off a collapse by credit expansion, the boom had become a typically inflationary one. So in early 1929 there was every sign that the boom was going to break down. I knew by then that the Americans could not prolong this sort of expansion indefinitely, and as soon as the Federal Reserve was no longer willing to feed it by more inflation, the thing would collapse. In addition, you must remember that at the time the Federal Reserve was not only unwilling but was *unable* to continue the expansion

because the gold standard set a limit to the possible expansion. Under the gold standard, therefore, an inflationary boom could not last very long [emphasis in original]. (Cited by Skousen 1993, 266–267)

Mark Skousen (1993, 267), a Mormon CIA ‘intelligence officer,’ added: ‘Hayek’s report appeared in *Monatsberichte des Osterreichischen Instituts fur Konjunkturforschung* (1929). Lionel Robbins refers to Hayek’s prediction of the depression in America in the Foreword to Hayek’s *Prices and Production*.’ Kurt Leube (1984, xix), in a biographical essay which Hayek read before publication, also asserted that in February 1929 ‘Hayek became the first to predict the coming crisis in the United States.’ Hayek held his disciples in a sociopathic trance—and like Fritz Machlup (1974), Robbins (2012 [1931], 172–173) did not have ‘blue blood’ and so, presumably, did not feel that it was necessary to check assertions made by someone who did (while denigrating the ‘vain delusions’ of non-Austrian monetary theorists). However, referring to the 1929 American crash, Hansjörg Klausinger (2012, 172, n10; 2010, 227), the editor of *Business Cycles*, the seventh volume of Hayek’s *Collected Works*, confirmed: ‘there is no textual evidence for Hayek predicting it as a concrete event in time and place’: we lack ‘convincing evidence of a prediction that conformed to what Robbins suggested in his foreword.’

Das Hayek Solution: ‘Financial Considerations’ and the Use of Propaganda in Society

According to Hayek (1997 [1949], 224), there was a crucial distinction between the ‘real scholar or expert and the practical man of affairs’ and non-proprietary intellectuals, who were a ‘fairly new phenomenon of history,’ and whose low ascribed status deprived them of what Hayek regarded as a central qualification: ‘experience of the working of the economic system which the administration of property gives.’ The quantity of property administered by those who fund the Austrian School of Economics is dependent on whether or not they have policy-induced full-cost pricing imposed upon them through Pigouvian externality taxes. Austrian economists have been provided with hundreds of millions of

tax-exempt dollars for their ‘definite,’ ‘scholars’ editions. In *Human Action*, Mises (1963, 282; 1966, 282) lobbied for the Warfare State: ‘He who in our age opposes armaments and conscription is, perhaps unbeknown to himself, an abettor of those aiming at the enslavement of all.’ But in *Human Action: The Scholars Edition* (Mises 1998), this was silently corrected through deletion.

When Mises (1985 [1927], 51) stated that ‘The victory of Fascism in a number of countries is only an episode in the long series of struggles over the problem of property,’ he must have been referring (among other countries) to the 1926 *coup d’état* (28 May) which ended the First Portuguese Republic and which later facilitated the rule (1932–1968) of the dictator António de Oliveira Salazar. In Duke University’s *History of Political Economy*, Ronald Hamowy (2002) described the anti-Semitic Hayek as ‘pro-Semitic’; and Duke University’s Bruce Caldwell then recruited Hamowy to edit *The Constitution of Liberty the Definite Edition* (2011 [1960]) in which Hayek’s motive for writing the book—to market to dictators such as Salazar—was silently corrected through deletion (Farrant et al. 2012).

James Buchanan (1992, 130) observed that at Mont Pelerin Society meetings there was ‘too much deference accorded to Hayek, and especially to Ludwig von Mises who seemed to demand sycophancy.’ With what appears to be sycophantic gibberish, the Hillsdale College ‘Ludwig von Mises Professor of Economics,’ Richard Ebeling (1992), reviewed *The Collected Works of F.A. Hayek, Volume 4: The Fortunes of Liberalism, Essays on Austrian Economics and the Ideal of Freedom*: ‘Hayek, unfortunately, is now gone. But luckily he continues to speak to us in this collection. And we should want to listen, because what he has to say will have value for the preservation of the how society [sic] long after we ourselves, his listeners, are gone.’ Ebeling (1994) then uncritically repeated Hayek’s fraud about Arthur Cecil Pigou being a Soviet spy; and Caldwell then recruited Ebeling to edit *The Collected Works of F. A. Hayek: Hayek and the Austrian Economists: Correspondence and Related Documents* (Hayek forthcoming).

War (I, inter-, II, and Cold) plus nostalgia for the neo-feudal pre-War defined and delineated Hayek’s life: Cubitt (2006, 50, 119, 211) reported that he and his cousin (and second wife) were ‘at peace’ with each other

only when they reminisced about the ‘shared time of their early’ lives. Laurence Hayek (1934–2004) reported that as communism collapsed, his father ‘thoroughly enjoyed watching the television pictures from Berlin, Prague, and Bucharest’: he ‘would beam benignly’ while adding ‘I told you so’ (cited by Cassidy 2000).

The Austrian School of Economics maintains a ‘United Front’ with ‘Neo-Nazis’ (Block 2000, 40) and a ‘respectful’ ‘knowledge’ pact with those Peter Boettke describes as ‘gullible’ historians of economic thought.²² Historians are trained to (representatively) select, (accurately) report, and (judiciously) interpret evidence; but those ‘trained’ in the George Mason University/New York University Austrian nexus appear to have idiosyncratic notions of this process.

Do Austrians produce evidence-based knowledge or faith-based Truth? In ‘Recovering Popper: For the Left?’ Caldwell (2005, 64, 65)—the third General Editor of *The Collected Works of F.A. Hayek*—objected to what he alleged was Malachi Hacoheh’s (2000) portrayal as Hayek as a ‘stick figure, a bogeyman of the Right, a corrupter whose seductive powers are never explained.’ Caldwell then provided ‘An Alternative Account’ to this allegedly ‘skewed’ ‘story.’ Mises (1881–1973) and Popper (1902–1994) lived almost parallel lives: coming from wealthy Jewish Viennese families, both left Vienna (1934 and 1937, respectively) to become permanent expatriates; both were founding members of the Mont Pelerin Society; both had an intense interest in Freudian psychology.²³ Popper, who inherited his father’s library of 15,000 books, described his childhood as ‘decidedly bookish’ (Raphael 2011, 1; Thornton 2016), and, like Mises, was intensely interested in epistemological issues—his *The Logic of Scientific Discovery* (2002 [1935]) contains dozens of references to Mises’ brother (Richard). Ludwig ‘was considered to be the greatest living mind in [inter-war] Austria’ (Margit Mises (1984, 22); and his critique of socialism and Marxism (1922) was published three years after Popper’s somewhat traumatic retreat from Marxism.

In *Karl Popper—The Formative Years, 1902–1945: Politics and Philosophy in Interwar Vienna*, Hacoheh (2000, 478) reported that ‘In 1992, Popper claimed to have accepted Mises’ free market principle’; and six decades earlier, Popper had been ‘familiar with the early [socialist] calculation debate – [Karl] Polanyi’s seminar discussed it – but not much

taken by it.’ Popper ‘knew of Mises and his circle, but it is unlikely that he read Mises *closely* [emphasis added].’

Evidence and reasoning are required before asserting that Popper was unfamiliar with Mises or had not read his work. But according to Caldwell (1997, 2; 2005, 65, 56):

- Hayek provided a ‘knowledge-based’ critique of socialism.
- ‘Popper did not read Mises.’
- From this unknowable known a *non sequitur* follows: therefore, ‘any similar influence on him [Popper] probably would have come from Hayek.’
- All as part of an (Orwellian?) oxymoron: ‘definitive’ history.

In *Studies on the Abuse and Decline of Reason*—which Caldwell edited—Hayek (2010 [1952], 91) insisted that ‘the facts of the social sciences are merely opinions [emphasis added], views held by the people whose actions we study. They differ from the facts of the physical sciences in being beliefs or opinions held by particular people, beliefs which as such are our data, irrespective of whether they are true or false, and which, moreover, we cannot directly observe in the minds of the people but which we can recognise from what they do and say merely because we have ourselves a mind similar to theirs.’ This requires that ‘what they say’ is accurately reported.

According to Caldwell (2005, 56), Otto Neurath ‘is known among students of Austrian economics as the man who “provoked” Ludwig von Mises into initiating the socialist calculation debate.’ *The Collected Works Hayek on Hayek* (1994, 50) provided an alleged verbatim quote: ‘What *dissuaded* [emphasis added] me is that the social scientists, the science specialists in the tradition of Otto Neurath, just were so extreme and so naive on economics that it was through them that I became aware that positivism was just misleading in the social sciences. I owe it to his extreme position that I soon recognized it wouldn’t do.’

Yet Hayek’s (1978) actual words were: ‘Well, what *converted* [emphasis added] me is that the social scientists, the science specialists in the tradition of Otto Neurath, just were so extreme and so naive on economics that it was through [Neurath] that I became aware that positivism was

just as misleading as the social sciences. I owe it to his extreme position that I soon recognized it wouldn't do.²⁴ In *The Collected Works of F.A. Hayek*, Caldwell (1997, 2–10) devoted an entire section to Neurath without mentioning the silent correction.

Caldwell on Hayek bears little or no resemblance to *Hayek on Hayek* (1994). His 'Introduction' to *Socialism and War: Essays, Documents, Reviews* is riddled with errors—two howlers, for example, on page 11 alone. In one, Caldwell (1997, 11) insisted that 'Hayek wrote nothing about socialism during the 1920s'—yet Hayek (1925) proposed that Mises' (1922) *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus* be translated into English.²⁵ Jacques Kahane undertook the translation which was published in 1936 as *Socialism: An Economic and Sociological Analysis*. Mises' (1922) German language version had elicited vigorous responses (the 'socialist calculation debate') from Oskar Lange, the author of *On the Economic Theory of Socialism* (1938), and others; while in the *New York Times*, Henry Hazlitt (1938) stated that Mises' (1936 [1922]) 'book must rank as the most devastating analysis of socialism yet penned ... an economic classic in our time.' According to the co-founder of the Mises Institute, Hazlitt's 'review of Mises's first book to be translated into English ... made Socialism an instant hit' in the United States (Rockwell 2016).

Hitler embraced Mises' business cycle theory for the same reason that it was promoted—to undermine democracy and trade unions (Leeson 2017a). Ebeling (1992) correctly identified the 'profound impact that Mises's contributions had on several generations of economists on both sides of the Atlantic—and just how much of Hayek's own ideas owed to the influence of his teacher and friend'; while Caldwell (1997, 2–10) correctly identified Mises (1922) as the definitive Austrian School critic of socialism. Five years after *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus*, Mises (1985 [1927], 49–51) provided the definitive version of *Liberalism in the Classical Tradition* in which he insisted that 'Fascists' would have to embrace the Austrian School of Economics to achieve their common aims. If Fascism 'wanted really to combat socialism it would oppose it with ideas'—which Mises would provide: 'There is, however, only one idea that can be effectively opposed to socialism, viz, liberalism.'

It was domestic (war-based) political ‘Fascism’—not its international (war-based) equivalent—that impressed Mises (1985 [1927], 51): ‘It cannot be denied that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history. But though its policy has brought salvation for the moment, it is not of the kind which could promise continued success. Fascism was an emergency makeshift. To view it as something more would be a fatal error.’

Mises (1985 [1927], 49, 51)—who knew that he was proposing a ‘knowledge’ pact with national socialists (see below)—also provided a perceptive critique of the international aspect of ‘Fascism’: ‘That its foreign policy, based as it is on the avowed principle of force in international relations, cannot fail to give rise to an endless series of wars that must destroy all of modern civilization requires no further discussion.’ In his wartime *Road to Serfdom*, Hayek (2007 [1944]) blamed Nazism—not on the proto-Nazi Viennese environment to which his family contributed and which Hitler absorbed—but on ‘The socialist of all parties.’ Through the Mont Pelerin Society, Hayek sought a ‘knowledge’ pact with those Mises dismissed as ‘a bunch of socialists’ (Friedman and Friedman 1998, 161; Howson 2011, 622–623); but was contemptuous of the American ‘fashion’ of ‘human rights’—especially when the victims of human rights abuses were socialists (see Chap. 5, below). Caldwell (2011, 301) cited Hayek—‘The tracing of influences is the most treacherous ground in the history of thought’—yet his *Socialism and War: Essays, Documents, Reviews* (devoted to tracing the influences upon (and influence of) Hayek’s thought) is silent on these issues.

On 1 September 1939, one Austrian ‘Big Lie’ was exposed; simultaneously, the British government enacted Defence Regulation 18B (which, after the ‘Phoney War,’ led to Mosley’s internment) (Skidelsky 1975, 447, 449). Also simultaneously, ‘von’ Hayek (2010 [1939], Appendix, 305–311) sought employment as a government propagandist: he emphasized that Germans were ‘exceedingly quick in recognizing Jewish accents’—which must therefore be avoided. The Eastern Reich joined the Third Reich (*Anschluss*) in March 1939; and Robbins reported that Hayek ‘greatly daring on the strength of his Nazi relatives’ had visited Austria to

uncover ‘news’ about the fate of their fellow Austrian School economists (Howson 2011, 319). Hayek (1994, 137) must have forgotten what he had told Robbins: ‘in 1939 I wanted to visit Austria, and I didn’t want to be suspected of having any special privileges with the Germans. In fact I was visiting my present wife.’

Hayek (1994, 126, 98, 131) explained ‘I should never have wished to leave England, especially if I could have continued to live at Cambridge ... English ways of life seemed so naturally to accord with all my instincts and dispositions that, if it had not been for very special circumstances, I should never have wished to leave the country again.’ In 1950, he disappeared from the LSE and re-emerged in Arkansas and then the University of Chicago: although ‘I never came to feel at home in the United States as I had done in England.’ His ‘bootleg’ divorce led Robbins to worry about the prospect of ‘damage to causes with which Hayek had been associated’ (Cubitt 2006, 67). Another Professor of Economics, Lange, disappeared from the University of Chicago and re-emerged on the front page of American newspapers meeting with Stalin—before becoming the Polish communist regime’s first Ambassador to the United States (Patinkin 1981, 9). Hayek (1978) wanted ‘ultimately’ to ‘go back to London as the Austrian ambassador.’²⁶ Since 1934, Hayek had (apparently) pressured his first wife to return to Vienna (and take their two children with her): in 1939, did he try (with the help of his Nazi relatives?) to obtain employment in Vienna?

For Hayek, his own status and income out-trumped ideology: a position perfectly consistent with Austrian perceptions about *Human Action* (Mises 1998 [1949]). The neo-feudal century culminated in the ‘Great’ War, which left 17 million dead and 20 million wounded—many were conscripts; and many were (in Hayek’s terms) ‘peasants and workers.’ On 2 April 1917, President Woodrow Wilson sought a Congressional Declaration of War against Germany to make the world ‘safe for democracy.’ This was a direct assault on the ‘spontaneous’ neo-feudal order of which Hayek and Mises were beneficiaries: during the ‘Great’ War, Hayek and Mises fought

to prevent the ‘world from being made safe for democracy’ (Kuehnelt-Leddihn n.d.).

Hayek (1978) insisted that ‘spontaneous growth, which led to the *selection of the successful* [emphasis added], leads to formations which look as if they had been intelligently designed, but of course they never have been intelligently designed nor been understood by the people who really practice the things.’²⁷ At the outbreak of the ‘Great’ War between the inbred dynasties, the grandchildren of Queen Victoria (the ‘grandmother of Europe’) and Christian IX of Denmark (the ‘Father-in-law of Europe’) occupied eight European thrones. Kaiser Wilhelm II (Germany) then fought against his sister, Queen Sophia (Greece), and four first cousins: Emperor Nicholas II and Empress Alexandra (Russia), King George V (the United Kingdom), and Queen Marie (Romania). Three other first cousins remained neutral: King Christian X (Denmark), Queen Victoria Eugenie (Spain), and King Haakon VII (Norway).

To the Habsburg-Lorraine double Pretender, political aristocrats, like the Kennedy and Bush dynasties, were acceptable: ‘It isn’t bad for a country to have people with a certain tradition, where the father gives the son the same outlook and training’ (Watters 2005). Defeat in the ‘Great’ War drove both Otto and Wilhelm into exile. In the 1932 German presidential election run-off, Wilhelm’s eldest son, former Crown Prince Frederick announced: ‘Since I regard it as absolutely necessary for the national front to close its ranks, I shall vote for Adolf Hitler’ (cited by Heiden 1944, 449). When his adopted country surrendered in May 1940, the ex-Kaiser wrote to Hitler: ‘My Fuhrer, I congratulate you and hope that under your marvelous leadership the German monarchy will be restored completely’ (cited by Beevor 2013, 92–93). When Paris fell, he told Hitler that he was comparable to Frederick the Great (van der Kiste 1999, 223). Hitler responded by exclaiming: ‘What an idiot!’ (Beevor 2013, 92–93).

Hayek’s *Great Society of Free Men* was consistent with slavery (Leeson 2015c); and starting in the Bronze Age, warriors (and later aristocrats) wore swords to symbolized their status as ‘free men.’ But with the nineteenth century demise of the practice of duelling, the dress sword ceased to be an indispensable part of a *gentleman’s* wardrobe. Although the last legitimate Lorraine (Habsburg) Emperor, the Pretender’s father, Karl I, outlawed duelling in 1917, the practice continued at the University of Vienna: Otto Skorzeny (1908–1975), an engineering student who later

joined the Austrian Nazi Party, engaged in fifteen personal combats (Schindler 1995; Oakeshott 1980, 255; Mitcham 2006, 27; Foley 1999, 30). Hayek (1994, 52–53) reflected that the university was ‘a world to itself: ‘the contrast’ between the ‘University of Vienna as I knew it and the present is such that I avoid going to Vienna.’ His nostalgia, he reported, related to intellectual quality: ‘I’ve been very much out of contact with that university. In more than one respect, it’s not what it used to be.’²⁸

Hayek (1978) reflected about the ‘great break of the First World War. I grew up in a war, and I think that is a great break in my recollected history. The world which ended either in 1914 or, more correctly, two or three years later when the war had a real impact was a wholly different world from the world which has existed since. The tradition died very largely; it died particularly in my native town Vienna, which was one of the great cultural and political centers of Europe but became the capital of a republic of peasants and workers afterwards ... watching the dissolution of the Austro-Hungarian Empire turned my interest to politics and political problems.’²⁹

Hayek (1978) came from a biological family: ‘my interests started wandering from biology to general questions of evolution, like paleontology. I got more and more interested in man rather than, in general, nature. At one stage I even thought of becoming a psychiatrist.’ Hayek told Cubitt (2006, 17, 51) that to ‘his certain knowledge,’ Nazism ‘had been actively upheld [in Austria] long before it had reached Germany.’ Hayek (1978) was contemptuous of the scientific credential of one of the careers that he had considered pursuing: ‘I admit that while apart from many good things, some not so good came from Austria; much the worst of it was psychoanalysis. [laughter] ... I think that it has no scientific standing, but I won’t enter into this. It becomes a most destructive force in *destroying traditional morals* [emphasis added], and that is the reason I think it is worthwhile to fight it.’³⁰

Hayek (1999 [1977], 132) appeared equally contemptuous of the scientific credentials of the career that he did choose: ‘I have often had occasion to explain, but may never have stated in writing that I strongly believe that the chief task of the economic theorist or political philosopher should be to operate on public opinion to make politically possible what today may be political impossible.’ According to Hayek (1978),

‘purely abstract theoretical work’ was an appendage to a preconceived ideological agenda: ‘The economists whom we train who do not become academics also do economics. After all, we are training, unfortunately, far too many and certainly many more than ought to go into academic life. And I don’t mind even people of first-class quality going into politics. All I’m saying is they no longer have the right approach to the purely abstract theoretical work. They are beginning to think about what is politically possible, while I have made it a principle never to ask that question. My aim is to make politically possible what in the present state of opinion is not politically possible.’³¹ As Lawrence White (2008) unintentionally revealed, for Mises and Hayek, ‘purely abstract’ economic theory was a respectable front behind which to promote the deflation that facilitated Hitler’s rise to power.

Hayek (1978) became an economist for the (neoclassical) reason of self-interest: ‘I came back to study law in order to be able to do economics, but I was about equally interested in economics and psychology. I finally had to choose between the things I was interested in. Economics at least had a formal legitimation by a degree, while in psychology you had nothing. And since there was no opportunity of a job, I decided for economics.’³²

After enrolling as an undergraduate at the University of Vienna in 1918, a committed communist (or Fascist, Protestant, or Catholic, etc.) might find it ‘wholly satisfactory’ to be taught communist (or Fascist, Protestant, or Catholic, etc.) economics—it would reinforce existing prejudices. Likewise, although the Second Estate don’t have ‘blue blood,’ their childhood attitudes tend to be shaped by their intergenerational entitlements and their privileged place in the social pecking order: an aristocratic undergraduate would, presumably, find it ‘wholly satisfactory’ to be taught a version of economics that reinforced an aristocratic social hierarchy or assisted in the reconstruction of one that had been overturned.

Hayek (1978)—who in 1919 was stripped of his legal aristocratic status—told Chitester that he self-identified as part of a ‘tradition’: ‘The whole traditional concept of aristocracy, of which I have a certain conception – I have moved, to some extent, in aristocratic circles, and I like their style of life.’ He ‘got definitely hooked by economics by becoming acquainted with a particular tradition through the textbook of Karl [sic]

Menger, which was wholly satisfactory to me. I could step into an existing tradition, while my psychological ideas did not fit into any established tradition. It would not have given me an easy access to an academic career.³³ There was also an ideological dimension—the elevation of the ‘spontaneous’: ‘I now realize – I wouldn’t have known it at the time – that the decisive influence was just reading Menger’s *Grundsetze* (2007 [1871]). I probably derived more from not only the *Grundsetze* but also the *Methodenbuch* (1985 [1883]) 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 there than in any other book I know.’³⁴

With respect to ideology, Hayek (1978) described the problem: ‘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 engineering approach to the economic world.’³⁵ In 1948, in *Individualism and Economic Order* ‘Socialist Calculation I. The Nature and History of the Problem,’ Hayek (2009a [1948], 121) also reflected: ‘The increasing preoccupation of the modern world with problems of an engineering character tends to blind people to the totally different character of the economic problem and is probably the main cause why the nature of the latter was less and less understood.’

In 1948, while marketing *The Road to Serfdom* in America, Hayek delivered a Mises-organized lecture on ‘Why I am not a Keynesian.’³⁶ In 1948, Mises (1974 [1948], 54) summarized Seymour Harris’ (1947) *The New Economics Keynes’ Influence on Theory and Public Policy*: non-Keynesians are ‘just a bunch of bribed sycophants, unworthy of attention.’ Two years later, Hayek became the American sales agent for the engineering-derived Keynesian Phillips Machine.³⁷ Machlup, who he recruited as a subagent, suggested that Harris might be interested in purchasing the Machine for Harvard University.³⁸ And during the Keynesian era of fixed exchange rates (the Bretton Woods system), Hayek (1978) ‘was once negotiating a possible presidency of the Austrian National Bank. [laughter]’³⁹

Rothbard (1992a, 12; 1992b, 16)—Hayek's fourth generation Austrian School co-leader—promoted both 'Redneck' militia groups and the populist protectionist, Pat Buchanan—whose entry into the 1992 Presidential race demonstrated that the 'radical Right is back, all over the place, feistier than ever and getting stronger!' According to Mises (1985 [1927], 49), 'Many people approve of the methods of Fascism, even though its economic program is altogether anti-liberal and its policy completely interventionist, because it is far from practicing the senseless and unrestrained destructionism that has stamped the Communists as the archenemies of civilization. Still others, in full knowledge of the evil that Fascist economic policy brings with it, view Fascism, in comparison with Bolshevism and Sovietism, as at least the lesser evil. For the majority of its public and secret supporters and admirers, however, its appeal consists precisely in the violence of its methods.' Hayek told Cubitt (2006, 48) that although there was 'no difference between Communist and Fascist states he would prefer to live under Fascism if he were forced to decide.'

A generation after being refused wartime employment as a propagandist, Hayek became, in effect, a Cold War propagandist for General Augusto Pinochet. Hayek (1992a [1945], 223) promoted 'shooting in cold blood' (Chap. 5, below): under Pinochet, 3,197 Chileans were murdered by the Junta, 20,000 were officially exiled (their passport marked with an 'L'), and around 180,000 fled the country (Montes 2015, 7; Wright and Oñate 2005, 57). Hayek was contemptuous of what he dismissed as Amnesty International's 'bunch of leftists' who provided evidence about the Junta's human rights abuses (Farrant and McPhail 2017).

Both the Third Reich and Britain employed war socialism—but, from Hayek's (2013 [1979], 483) perspective, the former had an advantage over the latter: 'A constitution like the one here proposed would of course make all socialist measures for redistribution impossible.' Like Pinochet (on whom Hayek had pressed his constitution), Hitler believed he had eliminated socialism; while in July 1945, a parliamentary majority of 145 seats was won on a platform which proclaimed: 'The Labour Party is a Socialist Party, and proud of it. Its ultimate purpose at home is the establishment of the Socialist Commonwealth of Great Britain – free, democratic, efficient, progressive, public-spirited, its material resources organised in the service of the British people.'⁴⁰ Their socialist measures

for redistribution—Keynesian full-employment policies, a tax-funded universal National Health Service, plus a cradle-to-grave Welfare State—were what Mises (2006 [1950]; 1960) described as stepping-stones on the road to communism.

Having heaped ‘eternal’ praise on ‘Fascists,’ ‘Germans and Italians,’ ‘Ludendorff and Hitler,’ Mises (2010 [1944], 178) then blamed Fascism on the founders of LSE: ‘the success of the Lenin clique encouraged the Mussolini gang and the Hitler troops. Both Italian Fascism and German Nazism adopted the political methods of Soviet Russia ... Few people realize that the economic program of Italian Fascism, the *stato corporativo*, did not differ from the program of British Guild Socialism as propagated during the first World War and in the following years by the most eminent British and by some continental socialists. The most brilliant exposition of this doctrine is the book of Sidney and Beatrice Webb (Lord and Lady Passfield), *A Constitution for the Socialist Commonwealth of Great Britain*, published in 1920.’

At the University of Vienna, Hans Mayer—later described by Hayek as ‘a ferocious Nazi’—steered ‘his protégés,’ Hayek and Oskar Morgenstern, ‘through the *habilitation* procedures (Klausinger 2015, 2014, 198). In the Austro-Fascist corporate state (*Ständestaat*), Morgenstern, Hayek’s successor as Director of Mises’ Institute of Business Cycle Research, made anti-Semitic comments while presenting himself as the leader of the Austrian School of Economics (Leonard 2010, 2011). The support provided by Morgenstern for a ‘strong state’ would, according to Stephanie Braun, lead to him being ‘much misunderstood; for he will be reproached for favoring political fascism for the sake of sound economic policies’ (cited by Klausinger 2006, 31, n26).

Earlene Craver asked: ‘when you returned to Vienna after the war in 1918, what sorts of opportunities were there for a young man of talent, or a young man who thought he had talent?’ Hayek (1978) replied: ‘Well, immediately it was absolutely uncertain, you know. The world changed – the great collapse of the old Austrian Empire. I hadn’t any idea [what to do].’⁴¹ Hayek told Cubitt (2006, 15) that of the two Empires he had watched decline, ‘England’s downfall had been the more painful to him.’ Based on ‘Conversations and interviews with Hayek I, Salzburg, 1971–77. Tapes in my possession (my translation),’ Leube (2003, 12, n1, 13)

reported that Hayek, Mises *et al.* ‘had clearly assumed that their primary tasks were attached to a vast empire’ (the Habsburg’s) and so became

convinced advocates of the ‘*Anschluss*’ to Germany. They advocated the annexation not so much for emotional reasons, rather it seemed for them the only way the little Austria could economically survive. Their society had disappeared and the new Austria was simply unable to offer the type of *opportunities for leadership which Hayek and his social class had come to expect* [emphasis added].

Had Robbins checked and rejected Hayek’s job-interview assertion about having predicted the Great Depression, would a Vienna-based Hayek have become a Nazi (like his family)? Or an Austro-Fascist (like Mises)? Hayek told Cubitt (2006, 47, 128) that he found war ‘exciting’ and that ‘pacifism was the cause of war.’ He also ‘scorned his fellow officers for going home or escaping to Vienna at the slightest excuse. He resolutely stayed put even when he had caught influenza, because he felt it was his duty to remain at the front’ (whilst consuming large amounts of Vermouth). Hayek (1978) told Armen Alchian that in Britain he had not been ‘drawn into any war job’ because he was ‘an ex-enemy’; but in 1980, told Cubitt (2006, 47) that ‘if he had stayed in England, or for that matter Austria, he would probably have taken up some government post.’⁴² After *Anschluss* and after 13 years as Director of Mises’ Austrian Institute for Business Cycle Research (1926–1939) would Hayek have sought a wartime propaganda position within the Third Reich?

During World War I, Hayek (1978) had been ‘especially influenced – in fact the influence very much contributed to my interest in economics – by the writings of a man called Walter Rathenau, who was an industrialist and later a statesman and finally a politician in Germany, who wrote extremely well. He was *Rohstoffdiktator* [raw materials dictator] in Germany during the war, and he had become an enthusiastic planner. And I think his ideas about how to reorganize the economy were probably the beginning of my interest in economics. And they were very definitely mildly socialist ... But of the mild kind, I think German *Sozialpolitik*, state socialism of the Rathenau type, was one of the inducements which led me to the study of economics.’⁴³

At the start of World War II, Hayek (2010 [1939], Appendix, 311) advised that the ‘recent broadcasts by some French stations specifically directed to Austrians have almost certainly been deprived of all effects and have perhaps even done harm by being spoken by a person with a pronounced Jewish accent.’ Not included in the *Collected Works* is the letter that ‘von’ Hayek (9 September 1939) sent to the BBC about a ‘blemish’ in their broadcast into Germany: ‘for the last five minutes (10.40-10.45) again the voice came on which I have noticed several times before (the last time on the preceding Tuesday) which, whoever the speaker be, will inevitably be taken by most German listeners as that of a Jew and in consequence deprived the broadcast, and even what preceded it, of most of its effect. I am personally convinced that it actually was a Viennese Jew speaking, but whether that is correct or not, what matters is that the listener will believe this is so. I trust that you will not misunderstand me. The person in question may be of the kind whom I should have with pleasure as a friend and I should be extremely sorry to help deprive a refugee of his job. But I am sure you will be able to make some other use of him where his voice is not heard – which in addition is a very unpleasant voice’ (cited by Leeson 2015a, Chap. 2).⁴⁴

Hayek (9 September 1939) explained that ‘being neither a Jew nor a socialist, but having lived long in the midst of that Austrian intelligentsia which is still so largely deluded by Hitlerism, and having been able to travel freely in Germany until the immediate past, I have probably a truer picture of the present state of the German mind than would be possible for a refugee.’⁴⁵ Hayek (15 October 1939) proposed the establishment of a Propaganda Commission to aid the war effort: it was however ‘important, in view of the prejudices existing not only in Germany, not to have a person of Jewish race or descent on the commission’ (cited by Leeson 2015a, Chap. 2).⁴⁶

According to Hayek (1978), ‘Government work corrupts. I have observed in some of my best friends, who as a result of the war got tied up in government work, and they’ve ever since been statesmen rather than scholars.’⁴⁷ Caldwell (2010a, 2) reported that the British Ministry of Information ‘failed to ask for his assistance. Instead of working for the government as a propagandist, Hayek ‘would begin writing’ *The Road to Serfdom*. In that brilliant piece of propaganda, Hayek (2007 [1944], v) protested:

When a professional student of social affairs writes a political book, his first duty is plainly to say so. This is a political book ... But, whatever the name, the essential point remains that all I shall have to say is derived from certain ultimate values. I hope I have adequately discharged in the book itself a second and no less important duty: to make it clear beyond doubt what these ultimate values are on which the whole argument depends. There is, however, one thing I would like to add to this. Though this is a political book, I am as certain as anybody can be that the beliefs set out in it are not determined by my personal interests.

In for posthumous consumption oral history interviews, Hayek explained what these ‘ultimate values’ were: fraud. *The Road to Serfdom*, he explained, had been written for personal interests: to allow the ‘old aristocracy’ to resume their ascribed status and to drive the ‘new aristocracy’—labour trade unionists and elected politicians—back down the road back to serfdom (Leeson 2015a, Chap. 3).

Hayek (1978) told James Buchanan that he sought to overthrow the Constitution of the United States and replace it by a single sentence written by a dictator-promoting European aristocrat (Chap. 10, below). When Buchanan raised the issue of restricting the franchise, Hayek explained that he preferred his club-based, one-man-one-vote-once electoral college, which he had just tried to persuade Pinochet to adopt (Hayek 2013 [1979], 483).⁴⁸

When the Eastern Reich joined the Third Reich in 1938 (*Anschluss*), Austrians—who comprised only 8% of the total population—rapidly became disproportionately represented as SS members (13%), concentration camp staff (40%), and concentration camp commanders (70%). Austrian territory was the road to serfdom for the 800,000 victims who were compelled to work as war-time slave labourers—many of whom were murdered as the Allies advanced (Berger 2012, 84). Some Germans regard their southern neighbours as storytellers and fantasists: ‘Österreicher! Who will remember tomorrow [the lies told today]?’ In 1938, Hitler described his ‘last territorial demand in Europe’ by thanking the British Prime Minister, Neville Chamberlain, ‘for all his trouble and I assured him that the German people wants nothing but peace, but I also declared that I cannot go beyond the limits of our patience. I further

assured him and I repeat here that if this problem [Czechoslovakia] is solved, there will be no further territorial problems in Europe for Germany' (cited by Copeland et al. 1999, 483–484). The promises of one Austrian allowed Chamberlain to proclaim 'Peace for our time'; whilst another Austrian offered 'liberty' for all time. On 3 September 1939, Chamberlain reflected on the deception: 'It is evil things that we will be fighting against—brute force, bad faith, injustice, oppression and persecution.'

George Akerlof's (1970) professional secondhand dealers in cars possess higher quality knowledge than amateur buyers and so can reduce asymmetric information; but with very few exceptions, Hayek 'secondhand dealer in opinions' appear ignorant of the product they have been recruited to sell. The second General Editor of *The Collected Works of F. A. Hayek* began *Socialism and War: Essays, Documents, Reviews* with a reference to 'F. A. Hayek's heroic achievement': 'the consistent argument that these are the very times when liberty is most necessary' (Kresge 1997, ix). In *The Road to Serfdom*, Hayek (2007 [1944], 156) cited approvingly Benjamin Franklin persuasive aphorism: 'Those who would give up essential liberty to purchase a little temporary safety deserve neither liberty nor safety.' Hayek (1978) revealed to Rosten that this, too, was Austrian propaganda: it 'will be a very slow process' to reconstruct the spontaneous order:

I rather fear that before we can achieve something like this, we will get something like what [J. L.] Talmon [1960] has called 'totalitarian democracy'—an elective dictatorship with practically unlimited powers. Then it will depend, from country to country, whether they are lucky or unlucky in the kind of person who gets in power. After all, there have been good dictators in the past; it's very unlikely that it will ever arise. But there may be one or two experiments where a dictator restores freedom, individual freedom.⁴⁹

Hayek's (1978) 'secondhand dealers in ideas' – have to play a very important role and are very effective. But, of course, in my particular span of life I had the misfortune that the intellectuals were completely conquered by socialism.⁵⁰ Rosten was horrified to discover—apparently for the first time—what he had been conquered by:

I can hardly think of a program that will be harder to sell to the American people. I'm using 'sell' in the sense of persuade. How can a dictatorship be good?

Hayek (1978) replied: 'Oh, it will never be called a dictatorship; it may be a one-party system.' Somewhat pathetically, Rosten whimpered to his fellow Reform Club member: 'It may be a kindly system?' As if to reassure a child, Hayek replied:

A kindly system and a one-party system. A dictator says, 'I have 9 percent support among the people.'⁵¹

Christine Hayek 'hardly knew' her father; during her childhood, he was the absent 'professor in his study' (Leeson 2015a, Chap. 7). What do his disciples know about what lay behind the propaganda cooked-up in this professor's 'study'? The story that Caldwell (2010b) told readers of the *Washington Post* was that Hayek 'provided arguments about the dangers of the unbridled growth of government.' In reality, a few weeks before the announcement of his Nobel Prize, Hayek told in an interview that autocratic government power must be used for purposes of which he approved: 'It may be said that effective and rational economic policies can be implemented only by a superior leader of the philosopher-statesman type under powerful autocracy. And I do not mean a communist-dictatorship but rather a powerful regime following democratic principles' (cited by Tanaka 1974). After praising 'Fascists,' Mises (1985 [1927], 44) implausibly added: 'The only consideration that can be decisive is one that bases itself on the fundamental argument in favor of democracy.' Hayek (1978) delineated the limits of the Austrian commitment to democracy: 'I believe in democracy as a system of peaceful change of government; but that's all its whole advantage is, no other. It just makes it possible to get rid of what government we dislike.'⁵²

Wieser (1983 [1926], 257, 363) described 'The Modern Plutocracy': 'The great economic rulers had won under the slogan of liberty, which opened for them the road to unchecked activity. They demanded ever more impetuously the green light for themselves, but the uninhibited unfolding of their energies meant coercion for all the weak who stepped

into their way.’ According to the entrepreneur-funded Mises (1985 [1927], 193; 2008 [1956], 2), ‘Liberalism has ... no slogans’; and entrepreneurs were caught in an inescapable serfdom trap: ‘The control of the means of production is a social function, subject to confirmation or revocation by the sovereign consumer.’ According to Cubitt (2006, 122, 10, 264), when Hayek was caught in the ‘cheating matter’—stealing, or double-dipping, from ‘educational charities’—to maintain his tax-subsidized, aristocratic lifestyle: ‘he just laughed, said he did not mind in the least, that all his professional considerations had been based on financial considerations.’ When Walter Morris, the entrepreneur/donor of *The Collected Works of F.A. Hayek*, complained to Cubitt about being ‘deceived Hayek laughed, and told me that he had wanted to have nothing to do with this but did not mind being told about it as an anecdote.’

According to Hayek (1948 [1947], 113–114), ‘freedom’ and ‘liberty’ required that ‘the people’ acquiesce: ‘We can either have a free Parliament or a free people. Personal freedom requires that all authority is restrained by long-run principles which the opinion of the people approves.’ If Austrian School opinion was resisted by ‘the people,’ this would, according to Hayek (1960), lead to dictatorship: ‘In a nation where there is not yet a tradition of compromise ... almost any attempt to put upon the government a great many tasks is bound to lead to dictatorial regimes.’

Hayek promoted both the ‘one-party’ State and the one-party economics department. Referring to ‘the Hayek-Robbins line,’ Brinley Thomas (1991, 390) recalled that at the interwar LSE, the ‘ruling powers were passionate believers in freedom, and this included freedom to adjust the constraints within which freedom was exercised by nonfavourites. The main type of adjustment was the postponement of tenure. In my own case I did not receive tenure until, on the advice of Sir Alexander Carr-Saunders [LSE Director, 1937–1957], I moved from monetary theory to migration and economic growth.’

Maurice Dobb reflected that the LSE economics department was ‘firmly regimented under the Robbins-Hayek banner’ where academics were ‘mouthing old platitudes about the blessings of a price mechanism and the beneficence of capitalist speculators’ (Shenk 2013, 130–131). According to Nadim Shehadi (1991, 385–7), Hayek and Robbins ‘tried to restrict the divulgence’ of non-Austrian ideas: ‘the LSE at the time was

described as a court where the favourites were the ones who adhered to Neo-classical principles and the non-favourites were those who had affinities to Keynesian ideas. The former got promotion, the latter were weeded out gradually.'

Paul Einzig (1937, 204) reported that at the LSE, Robbins and his collaborators 'set up a cult of the Austrian economist, Professor Ludwig von Mises, with his fanatic belief in cutting down prices, and especially wages, as a remedy for all evil [in the Great Depression]'. In his *Memoirs*, Hugh Dalton (1953, 115) concluded that Robbins, his LSE colleague, became an 'addict of the Mises-Hayek anti-Socialist theme': 'variety' tended to disappear, and the LSE began to teach a 'more uniform brand of right wing economics.' In 1932, Dalton wrote to a friend that the 'Robbins-Hayek tendency (and they have several echoes on the staff) is very retrograde' (cited by Pimlott 1985, 215). After a visit to Nazi Germany in spring 1933, 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 school of economics' (cited by Durbin 1985, 103).

Hayek (1992b [1977]) explained the Mont Pelerin achievement: 'a consistent doctrine and some international circles of communication.' To achieve consistency, Hayek began targeting academics for liquidation within week of arriving at the University of Chicago—Lawrence Klein appears to have been one of the Austrian victims (Leeson 2017b).

Hayek (1992b [1977]) asserted:

In the last conversation I had with [John Maynard Keynes, 1883–1946] (about three weeks before his death in 1945), I asked him if he wasn't getting alarmed about what some of his pupils were doing with his ideas. And he said, 'Oh, they're just fools.'

At the University of Cambridge in 1931, these 'fools,' Joan Robinson (1972) and Richard Kahn (1984, 181), described Hayek's role at the LSE as 'an idol to serve as an antidote to Keynes.' When asked if buying a new overcoat would increase unemployment, Hayek told his Cambridge audience: 'Yes,' but, pointing to the Hayek triangles on the board, 'it would take a very long mathematical argument to explain why.' At the

Hoover Institution, Hayek is remembered for being worsted in debate by Milton Friedman over his proposal to denationalize money; and later told his disciples, ‘I want nothing less than the whole Friedman group would leave the Mont Pelerin Society’ (cited by Ebenstein 2003, 271).

Hayek (1994, 95; 1978), who described himself as ‘malicious’ (at John Kenneth Galbraith’s invitation), had again been ridiculed before the American Economic Association by Robinson (1972). Shortly afterwards, he reflected: ‘I don’t think there could ever be any communication between Mr. Galbraith and myself.’⁵³ Myrdal’s criticisms of Hayek (2009b [1979], 21) ‘confirmed for me that it seems to be impossible to penetrate the minds of those who start their analysis with certain socialist prejudices’—Hayek’s animosity dated back to the 1930s (Leeson 2015a, Chap. 6).

Hayek (1975) insisted that his opponents had ‘forfeited their right to be heard’—did he repudiate any component of the ‘presuppositions’ of his proto-Nazi and later card-carrying Nazi family? Referring to the constitution that he had sent Pinochet the previous year, Hayek (1978) reflected: ‘Whether it’s possible to persuade people to accept such a constitution, I don’t know. But there, of course, my principle comes in that I never ask what is politically possible, but always aim at so influencing opinion as to make politically possible what today is not politically possible.’⁵⁴ By promoting deflation, Hayek and Mises made the Third Reich politically possible (Leeson 2017a; White 2008). Hayek (2007 [1944], 75–76) then proclaimed in *The Road to Serfdom*:

It is important to remember that, for some time before 1933, Germany had reached a stage in which it had, in effect, had to be governed dictatorially. Nobody could then doubt that for the time being democracy had broken down and sincere democrats like [Heinrich] Brüning were no more able to govern democratically than [Kurt von] Schleicher or [Franz] von Papen. Hitler did not have to destroy democracy; he merely took advantage of the decay of democracy and at the critical moment obtained the support of many to whom, though they detested Hitler, he yet seemed the only man strong enough to *get things done* [emphasis added].

Six years after Pinochet began to ‘make all socialist measures for redistribution impossible’ (which culminated in his Junta’s ‘Constitution of Liberty’), Hayek (1979, 93)—referring to the policies associated with

Myrdal and Galbraith—insisted that what ‘makes most Western economies still viable is that the organisation of interests is yet only partial and incomplete. If it were complete, we would have a deadlock between these organised interests, producing a wholly rigid economic structure which no agreement between the established interests and only the force of some dictatorial power could break.’

Notes

1. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
2. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
3. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
4. Fürth Archives. Hoover Institution Box 5.
5. Fürth Archives. Hoover Institution Box 6.
6. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
7. The *Wandervogel* was a large circle: they presumably attended different gatherings.
8. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
9. Friedrich Hayek, interviewed by Robert Bork 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
10. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
11. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

12. Friedrich Hayek, interviewed by Robert Bork 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
13. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
14. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
15. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
16. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
17. Hayek Archives Box 29.47.
18. Hayek Archives Box 25.24.
19. Friedrich Hayek, interviewed by Armen Alchian 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
20. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
21. 'He tried to penetrate more deeply into the business cycle mechanism than was usual at that time. Perhaps, partly due to this more profound analysis, he was one of the few economists who gave warning of the possibility of a major economic crisis before the great crash came in the autumn of 1929.' http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1974/press.html
22. <http://www.coordinationproblem.org/2014/06/robert-leeson-hayek-and-the-underpants-gnomes.html>
23. Popper would have been identified as a Jew even though his parents had converted to Protestantism.
24. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
25. Also, in March 1950, 'von' Hayek accepted a Visiting Professorship at the University of Arkansas. Hayek Archives Box 54.29. Hayek (11

- March 1950) informed his donor, Harold Luhnow, that he had resigned from the LSE in February 1950 but could not sign his Chicago contract until 1 July 1950 on legal advice so as to avoid a challenge to the ‘genuineness’ of his domicile in Arkansas (by his abandoned—and distraught—first wife). Hayek Archives Box 58.16. Caldwell (1997, 11) has Hayek still employed at the LSE *after* the jurisdiction-shopped semester in Arkansas.
26. Hayek (1978) 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.’ Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 27. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 28. Friedrich Hayek, interviewed by Axel Leijonhufvud date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 29. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 30. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 31. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 32. Friedrich Hayek, interviewed by Jack High date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 33. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 34. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

35. Friedrich Hayek, interviewed by Robert Bork 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
36. Hayek Archives Box 38.24.
37. The Phillips Machine (MONIAC) is on display in a variety of places, including the Science Museum, London, and the University of Leeds.
38. Hayek Archives Box 36.17.
39. The interviewer seemed shocked: 'You were? [laughter]' Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
40. <http://www.politicsresources.net/area/uk/man/lab45.htm>
41. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
42. Friedrich Hayek, interviewed by Armen Alchian 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
43. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
44. Hayek Archives Box 61.5.
45. Hayek Archives Box 61.5.
46. Hayek Archives Box 61.5.
47. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
48. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
49. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
50. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
51. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

52. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
53. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
54. Friedrich Hayek, interviewed by Jack High date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

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4

The Austrian Shadow and ‘The Slogan of Liberty’

The Austrian Tradition

Economists and historians have different scholarly ‘rules’—and there may be more failed mathematicians operating as ‘historians’ of economic thought than there are qualified historians in that community.¹ Textual analysis is *one* valuable component of what could be described as ‘micro-history’—but when elevated into the only ‘legitimate’ activity this can lead to ‘history without context.’ The process by which economic science became colonized by incompetent ‘mathiness’ (Romer 2015; Weintraub 2002) has left a vacuum into which Austrians—in search of a protected ecological niche—have stepped.² The widespread abandonment of history of economics as a required component of an economics degree has also contributed to this cultural evolution.

Elizabeth Johnson and Harry Johnson (1978), the co-author of *The Shadow of Keynes*, fuelled the debate over the Chicago tradition—which produced a large, polemical literature. Yet the foundational ‘evidence’ of this dispute—Don Patinkin’s post-*General Theory* (1936) University of Chicago student lecture notes—was an inadequate proxy for Milton Friedman’s pre-*General Theory* student notes. It took almost

half a century for the *relevant* evidence to be examined; and when it was, Friedman's case was largely confirmed (Leeson 2003a, b).

Hayek (1978) reflected about Ludwig 'von' Mises: 'he had probably as great an influence on me as any person I know';³ 'when I was very young, only very old people still believed in that kind of [classical] liberalism; when I was in my middle age, nobody except myself and perhaps Mises believed in it; and now I've lived long enough to find the thing is being rediscovered by the young.'⁴ Hayek's (1997 [1949], 232) recruiting model was derived from 'socialist thought' which 'owes its appeal to the young largely to its visionary character; the very courage to indulge in Utopian thought is in this respect a source of strength to the socialists which traditional liberalism sadly lacks.' According to *Prometheus*, the Journal of the Libertarian Futurist Society, 'imagination is the first step in envisioning a free future – and the peace, prosperity and progress that can take humankind to the stars ... People come to libertarianism through fiction.'⁵ And according to many of the contributors to *I Chose Liberty* (Block 2010), Ayn Rand's malevolent fantasies were the common recruiting denominator.

At the Duke University Centre for the History of Political Economy, Leonidas Montes reported that he and Bruce Caldwell wanted to write 'the *real and definitive story* [emphasis added] about Hayek's visits to Chile.'⁶ Robert Moss' (1975) *The Collapse of Democracy* was one of Hayek's (1977, 1979, 177, 184) authoritative sources in the *Times and Law, Legislation and Liberty: The Political Order of a Free People*—a section of which Hayek sent (in draft form) to General Augusto Pinochet in 1977. After Pinochet overthrew a democratically elected socialist government, Caldwell and Montes (2014a, 7, n23, b, 2015, 267, n23) deferred: 'Moss (1973) on the Marxist experiment' in Chile was 'well-researched.' Moss subsequently explained:

When strangers ask me what I do, I often respond, 'I am a storyteller and I help people to find and live their bigger and braver stories, and tell them really well.'⁷

When only a 'few months old,' the dictator-promoting Hayekian, Brian Crozier (2002, 1), contracted pneumonia, which left him permanently prone to asthma and bronchitis; Moss' (2014) autobiography is called *The Boy who Died and Came Back: Adventures of a Dream Archeologist in the*

Multiverse. Like 'Deacon' McCormick, Crozier (alias John Rossiter) and Moss are fiction, or faction, writers: *The Andropov Deception* (Rossiter 1986); *Death Beam* (Moss 1981), *Moscow Rules* (Moss 1985), and *Carnival of Spies* (Moss 1987). 'Deacon' McCormick was an advocate of astral travel (Sayer 2015); while Moss (2012, 2–3) found inspiration for his 'non-fiction' by being lifted 'out of my body and flying ... [to] somewhere near Montreal,' where 'an ancient Native woman' taught him how to become a Shaman. Moss describes Shamanic counsellor and 'Active Dreaming' as an original synthesis of dreamwork and Shamanism:

It is an age-old fact,' declared the great psychologist C.G. Jung in his last major essay, 'that God speaks chiefly through dreams and visions.'⁸

Arnold Harberger (1999), the original 'Chicago boy,' who observed Hayek and his disciples at close quarters, detected not a school of economics but a religion:

There was a great difference in focus between Hayek (the Austrians) and Chicago as a whole. I really respect and revere those guys. I am not one of them, but I think I once said that if somebody wants to approach economics as a religion, the Austrian approach is about as good as you can get.

From the Protestant Reformation to the Peace of Westphalia (1517–1648), Europe was engulfed by almost 130 years of continuous religious warfare. The Enlightenment—or the Age of Reason—sought to replace superstition and intolerance with faith in reason and scepticism: the scientific method. Austria was an 'Imperial organisation, not a country ... the Austrian nobility had no home other than the Imperial court.' In the aftermath of the French Revolution, the 'Habsburgs' and their 'pseudo-historic nobility' sought to save themselves by

a 'historical' camouflage. They collected traditions as geologists collect fossils, and tried to make out that these fossils were alive. (Taylor 1964, 25, 107, 48)

In contrast, Enlightenment philosophers and activists sought to promote a career open to talent and to abolish titles and to privatize (de-establish) State religions.

In *The Law of Power*, Friedrich Wieser (1983 [1926], xxxvii, 49) sought to show ‘how the stern principle of external power in the course of time is transformed into the more gentle commands of law and morality.’ This ‘internal power is the core of the power phenomena ... Every strong people is confident that at the right time the right leader will be born to it. The religious teach, and the devout members of the populace believe, that *God’s finger will elevate the great leader* [emphasis added], if need be.’ Hayek (1978)—who was contemptuous of religious knowledge: ‘I don’t believe a word of it’—was preoccupied with the use of religious knowledge in society.⁹ James Buchanan asked: ‘you don’t see a necessity for something like a religion, or a return to religion, to instill these moral principles?’ Hayek replied: ‘Well, it depends so much on what one means by religion. You might call every belief in moral principles, which are not rationally justified, a religious belief. In the wide sense, yes, one has to be religious. Whether it really needs to be associated with a belief in supernatural spiritual forces, I am not sure. It may be. It’s by no means impossible that to the great majority of people nothing short of such a belief will do.’¹⁰

Scholars conventionally embrace a version of ‘Rule XIX’: ‘No Senator in debate shall, directly or indirectly, by any form of words impute to another Senator or to other Senators any conduct or motive unworthy or unbecoming a Senator.’¹¹ Austrian School economists embrace the fallacy of *argumentum ad hominem* whilst demanding scholarly respect for content of their ‘knowledge’ pacts with ‘Fascists’ and ‘Neo-Nazis.’ According to Leland Yeager (2011, 103), an ‘Associated Scholar’ of the Mises Institute,

infighting among the various Austrian sects sometimes threatens to make the whole school look ridiculous, especially as some of the combatants, fortunately few, employ questionable tactics of scholarly controversy.

Is the Austrian School of Economics a scientific community or a Mafia-style fundraising scam? According to its fourth-generation co-leader, Murray Rothbard (n.d.), the Royal Swedish Academy of Sciences used the Nobel Prize for Economic Sciences to reward ‘mathematical forecasters, and also left liberals ... who believe in government planning

of the economy': Hayek's award 'surprised all of us enormously.' Before the post-Nobel era of bank-, coal-, and tobacco-funded 'Professors of Economics,' Rothbard occupied a 'broom closet at Brooklyn Polytechnic' (Boettke cited by Doherty 2007). In Hayek's (1997 [1949], 224) framework, Rothbard was not a 'real scholar or expert' because he lacked a central qualification: 'experience of the working of the economic system which the administration of property gives.'

In Austrian ascribed status terms, Peter Boettke (2015) was 'from' the New Jersey lower middle class; but with his middle-class income from the Virginia tax-payer, he now lives 'in a different world than the 99%' and 'I'd like to make more money.' From Hans Sennholz, Boettke learnt that the Welfare State was 'this giant circle with all of our hands in our neighbors' pockets' (cited by Doherty 2007, 423–424); and through fraudulent recommendations, Hayek (1978) built a Welfare State for his academically unqualified disciples, in one case ennobling a library assistant without an undergraduate degree as 'Dr.' so as to facilitate his employment as 'Professor of Economics': 'That I cannot reach the public I am fully aware. I need these intermediaries.'¹²

In Austrian circles, Rothbard is known as 'Robhard' (Skousen 2000); his 1974 tax-exempt revivalist conference had been organized by someone who 'owed the owner of the hotel some money, so the conference killed two birds with one stone' (Shenoy 2003, 1). Referring to his PhD supervisor, Arthur Burns, Rothbard (n.d.) described one of 'Rothbard's laws of political science': 'nobody ever resigns from government unless your hand is caught directly in the till.' For her non-existent 'Order of Liberty' biography—which for almost three decades was listed as 'forthcoming' on her cv—the tenured Shenoy 'borrowed' and, despite repeated requests, refused to return Hayek family heirlooms (Leeson 2015a, Chap. 2): 'I'm pleased to be working at the Mises Institute right now. It is clear to me that the Austrian School has grown enormously in the last 10 years. I only hope we can keep the momentum. But assuredly if we do not all hang together, we will hang separately' (Shenoy 2003, 8).

In Hayek's (1972) Shenoy-edited *Tiger by the Tail: The Keynesian Legacy of Inflation*, blame was redirected away from the monetary policy pursued by Burns, a second-year recruit to Hayek's Mont Pelerin Society and Richard Nixon's Chair of the Federal Reserve Board (Leeson 1997a, b,

1999, 2003c). This narrative is uncritically repeated by Austrians: ‘The collapse of the Keynesian hegemony in the 1970s reflected the intellectual victory of Hayek’s critique of Keynes’ (Boettke et al. 2006, 558).

Intellectual Victory?

Boettke had been recruited to the ‘free’ market by a ‘Misean for Life’ *Luftwaffe* bomber pilot (Sennholz) who ‘could get you all hyped up on your ability to walk through fire for truth. He doesn’t reach you with the technical aspects but with the ideological aspects’ (cited by Doherty 2007, 423–424). After four decades of studying and teaching economics, Boettke is still unable to distinguish between a price and a quantity (Leeson 2017a, Chap. 3); and the ‘technical aspects’ of history—evidence—reveals:

- Hitler embraced Mises’ Austrian Business Cycle Theory for the same reason it was developed—to undermine labour unions and democracy (Leeson 2017a).
- Hayek’s own version had been debunked by Pierro Sraffa (1932a, b) before Hayek could deliver his Inaugural Lecture.
- Hayek could have been Keynes’ (1936) whipping boy—had he not been regarded as a ‘nut’ after providing unconvincing arguments to a Cambridge audience including Joan Robinson and Richard Kahn (cited by Samuelson 2009);¹³ instead, A. C. Pigou was chosen (Leeson and Schiffman 2015).

Robinson (1972, 2–3) recalled that as the controversy about public works was ‘developing,’ Robbins ‘sent to Vienna for a member of the Austrian school to provide a counter-attraction to Keynes.’ On his way to the LSE, Hayek visited Cambridge and ‘expounded his theory ... The general tendency seemed to show that the slump was caused by consumption.’ Kahn (1984, 181–182) asked: ‘Is it your view that if I went out tomorrow and bought a new overcoat that would increase unemployment?’ Hayek turned to a blackboard full of triangles and replied ‘Yes ... but it would take a very long mathematical argument to explain why.’

- Kahn (1984, 181) reflected: 'Possibly wrongly but in Cambridge we had the impression that the intention was to set Hayek up as an idol to serve as an antidote to Keynes.' As the 'God' of the 'free' market, the tax-evading Hayek helped himself to his donors' funds by stealing or double-dipping.
- As an 'idol,' Hayek (1978) provided an implausible explanation for his failure to review Keynes' (1936) *General Theory*:

I had spent a great deal of time reviewing his [A] *Treatise on Money* [1930] and what prevented me from returning to the charge is that when I published the second part of my very long examination of that book, his response was, 'Oh, I no longer believe in all this.' ... That's very discouraging for a young man who has spent a year criticizing a major work. I rather expected that when he thought out *The General Theory*, he would again change his mind in another year or two; so I thought it wasn't worthwhile investing as much work, and of course that became the frightfully important book. That's one of the things for which I reproach myself, because I'm quite convinced I could have pointed out the mistakes of that book at that time.¹⁴

The structure of production explains why Austrian 'knowledge' is unreliable: 'theory' has been constructed by Hayek and Mises—for whom 'theory' is a respectable front behind which to promote the deflation that facilitated Hitler's rise to power (White 2008); and 'history' has been constructed by Orwellian rectifiers: Hayek, Mises, Rothbard, 'Deacon' McCormick, Shenoy et al.

Hayek (1978) complained that he had 'had no intermediaries, or hardly any, because they were prejudiced against my ideas by a dominating philosophy.'¹⁵ Rothbard (n.d.) rectified Hayek:

Mises and Hayek in Austria were saying, 'No, no, there's going to be a depression' ... And the Austrians, as I say, foresaw that. But what happened was, and Mises and Hayek had predicted the '29 Depression—so when the '29 Depression came, their prestige went up in economic circles. [At] the London School of Economics [Hayek] started gathering around him the best minds among younger English economists. And so from 1931 approximately until '35, '36, *most* English economists adopted this Austrian position ... government should leave things alone, stop inflating

and leave things alone, and so forth ... by the early '30s *everybody* at London School, *all* the younger people in England, economists were Hayekian, Misesian and Hayekian [emphases added].

According to Hayek (1978), before his arrival in 1931, the LSE 'was half-Austrian already [laughter]'.¹⁶ According to Rothbard (n.d.): in 1931, 'Hayek then hits the English system like a thunderbolt. Had never heard of Austrian economics.' In *Treatise On Money*, 'Keynes sort of waffled around. *Treatise On Money* was supposed to be his big book of money, and Hayek destroyed it. Keynes then goes back to the drawing board, essentially acknowledges that he's been smashed, and writes his new work, *The General Theory* ... Totally incomprehensible work ... he contradicted himself on every page ... Kind of muggy. If you're an average rational person, you say this is garbage and thrust it in the wastebasket, which the older economists did.'

At 'Mises University at Stanford University,' Rothbard (1990) simply lied to his students (Chap. 1, above). According to Rothbard (n.d.): 'The thing is I think that since Austrian economics is true, there's certainly a desire for truth on the part of people. The truth value people. Scholars are supposed to be even more of the value of truth. Doesn't always work, but in some cases it does. So you have this shining truth coming up, as being combated by other influences. I think the shining truth—also what then begins to happen is, eventually faulty theories begin to collapse.' Rothbard—or Hayek—then fabricated evidence:

Hayek said that, just before Keynes died, he wrote to Hayek and said, 'The Keynesians are going too far,' I don't really credit that too much. I don't credit letters like that.

Rothbard then reverted to the standard Austrian mode of discourse—*argumentum ad hominem*: 'Nobody ever refuted it. They didn't talk about it. The fashion changes. It's something like ladies' hemlines, I guess. Fashion changes, and they just stopped talking about the Austrians and they deal with a completely different set of items, and that was it. The Keynesian revolution was facilitated by the fact that Lord Keynes was extremely popular in English elite circles, so to speak, and English professors all knew

each other in those days, it was a very tightly knit group ... All these guys, they all shifted over—[Lionel] Robbins, [John] Hicks, the whole gang—to an amazing extent. They recanted. Very few people actually publicly recant. As far as I know, the only people who really did it are ex-communists who publicly repent. Hicks is essentially the person whose finger is always to the wind, trying to figure out what the next trend is and hopping it. So Austrianism was in vogue, he was an Austrian; when Keynes is in vogue, he's a Keynesian; when Austrian is coming back again, he becomes an Austrian again, in a very cautious way, of course.'

Hayek (1994, 95)—who described himself as 'malicious ... I don't keep my mouth shut'—denigrated his opponents as suffering, for example, from erectile dysfunction (Chap. 2, above). Caldwell (2010a) insisted that non-Hayekians 'could perhaps learn something from him: a little Austrian politesse is a nice prophylactic against stridency.' Caldwell also 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). Boettke (2010) thinks 'anger can be a wonderful muse' and hopes 'the Tea Party will now hold the Republicans [*sic*] feet to the fire so to speak with the same level of enthusiasm that they expressed their anger at the Democratic party.' As Hayek was promoting the Operation Condor military dictatorships of South America, the *Washington Post* reported that Roberto D'Aubuisson Arrieta (1943–1992)—known as 'Blowtorch Bob' due to his preferred method of interrogating political prisoners—'openly talked of the need to kill 200,000 to 300,000 people to restore peace to El Salvador' (Jenkins 1981). The Salvadoran Civil War (1979–1985)—in which there were 27 documented civilian massacres—resulted in about 70,000 deaths.

Boettke's co-Presuppositionalist and fellow Mont Pelerin Society member, Gary North (1986, 135, 304, 1985a, 203, 1987, 461), the self-proclaimed 'Tea Party Economist,' asserts that adulterers and 'guilty animals' and a variety of others including blasphemers and 'the Sabbath-breaker gatherer of sticks' must be 'stoned to death ... It is clear why God established stoning as the normal mode of execution in a covenantal commonwealth. *Stoning is the symbolic equivalent of head-crushing* [North's emphasis].' According to North (2012), the second amendment of the US Constitution is justified by Mosaic Law. Non-stoning executions were

legitimized by secular states; in contrast, the stones of an armed citizenry were cheap and readily available.

As a PhD student at George Mason ‘University,’ Boettke learnt to be ‘like Malcolm X, Austrian and proud. In your face with the Austrian economics ... as a kid I wasn’t intellectual, but as a basketball player I was competitive. Sennholz and [Richard] Fink made these appeals that fed into my psyche: We’ll form this team and go out and beat ‘em’ (cited by Doherty 2007, 430). North, the co-author of the survivalist *Fighting Chance: Ten Feet to Survival*, described Austrian methodology:

Fighting to Win ... At least we admit that we are street fighters. We prefer to stab our opponents in the belly, publicly ... *Take no prisoners!* If our style is not considered polite in certain academic circles, then to avoid being man-handled, it would be wise for these epistemological child molesters to stay out of print, hidden from public view in their tenured classroom security. If they go into print ... they can expect ‘the treatment’ [North’s emphases].

North’s mission is ‘to do what I can to get their funds cut off’ (North 1986, xix, xxiii; Robinson and North 1986; see also Skousen 1977).

According to North (1985b), the Mises Institute ‘Rothbard Medal of Freedom’ holder:

The serpent’s head was crushed at Calvary. It will be finally crushed on judgment day. The failure of socialism to ‘deliver the goods’ indicates that it is being progressively crushed today. **Socialist economic calculation produces economically irrational results.** This was Ludwig von Mises’ great insight as far back as 1920, and it is still valid today. Satan’s limited knowledge means that when Christians really begin to take the offensive against Satan’s kingdom, they will create unimaginably confusing problems for him. As a commander, he must co-ordinate and command on the basis of comprehensive knowledge. He will be progressively swamped by ‘noise’: and by bad news. His head is crushed; Christ’s is not. **Satan’s followers follow a commander who is going blind; Christians do not** [North’s emphases].

According to the co-founder of the Ludwig von Mises Institute, Llewelyn Rockwell Jr, ‘in European history, the Habsburg monarchy was

a famed guardian of Western civilization. But even those of us devoted to the old [pre-1861?] American republic are aware of the warm and long relationship between the Austrian school and the House of Habsburg' (cited by Palmer 1997). The defeated Habsburg-Lorraine dynasty (which ruled Austria between 1276 and 1918) was removed by what Hayek (1978) denigrated as a 'republic of peasants and workers.'¹⁷ Richard II (1367–1400), who succeeded to the Plantagenet throne at age 10, outwitted the 1381 Peasants' Revolt, and seized the property of his uncle, John of Gaunt, 1st Duke of Lancaster. Like the 'Fascists' that Mises (1985 [1927], 19, 51, 48) praised, the Plantagenets were involved in a 'long series of struggles over the problem of property,' considered 'itself in no way bound by the terms of any compact that it may conclude with opponents, and it deems any crime, any lie, and any calumny permissible in carrying on its struggle,' and had 'complete faith in the decisive power of violence,' which must lead to 'civil war.'

Whose 'property' is France and Spain? Habsburg—who hoped to 'Restore' himself—revealed that (Mises-defined) 'Fascist' dictator (1939–1975), General Francisco Franco, had invited him to 'resume' the Spanish Crown: Franco was a 'dictator of the South American type ... not totalitarian like Hitler or Stalin.' But Otto had hope: 'There is an extraordinary revival of religion in France ... I never would have thought one could dare to say in France what [Nicolas] Sarkozy is saying – that the separation of church and state in France is wrong.' To the Habsburg-Lorraine double Pretender, political aristocrats, like the Kennedy and Bush dynasties, were acceptable: 'It isn't bad for a country to have people with a certain tradition, where the father gives the son the same outlook and training' (Watters 2005; Morgan 2011).

From Edward III in 1340 to George III in 1802, successive Kings of England claimed the French throne—even after France became a Republic. The Jacobite Pretenders—James II and his son, 'James III,' continued to call themselves 'King of England, Scotland, France and Ireland' despite being pensioners of the French Bourbon Sun King, King Louis XIV. Prince Joseph Wenzel of Liechtenstein, Count Rietberg (1995–) is the first Jacobite heir born in Britain since 'James III' (1688–1766). The 'Wealth and Asset Management Group owned by the Princely House of Liechtenstein' funds the Austrian School of Economics.¹⁸

The original feudal hierarchy was based on shifting alliances between ‘God,’ Church, King, and Barons—as expressed by Shakespeare’s Richard II:

Not all the water in the rough rude sea
Can wash the balm off from an anointed king;
The breath of worldly men cannot depose
The deputy elected by the Lord ...

But from a eugenics or cultural evolution perspective, ‘the Lord’ had chosen a defective reproductive mechanism. In the eighteenth century, inbreeding drove to extinction of the House of Habsburg (which occupied the throne of the Holy Roman Empire continuously between 1438 and 1740); thereafter, the House of Lorraine ruled Austria and its territories. The last Spanish Habsburg King, Charles II (1661–1700), was physically disabled, mentally retarded, disfigured, impotent and/or infertile (Alvarez et al. 2009). Four years after the demise of the monarchical edifice of the ‘sovereign’ House of Lorraine (disguised as Habsburgs), Mises (1922, 435, 1951, 443) found a replacement: ‘the Lord of Production is the Consumer (*Der Herr der Produktion ist der Konsument*)’. This pivotal Austrian concept of ‘consumer sovereignty’ had been plagiarized from Frank A. Fetter (Leeson 2015a, Chap. 7).

Friedman (2017 [1991]) famously addressed Mises in ‘Say “No” to Intolerance.’ In *Liberalism in the Classical Tradition*, Mises’ (1985 [1927], 51) intolerance expressed itself in dogmatism: ‘*It cannot be denied* [emphasis added] that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history.’ Other Austrians are equally intransigent about their interpretations. Karl Popper told Hayek: ‘I think that I have learnt more from you than from any other living thinker, except perhaps Alfred Tarski’ (cited by Hacohen 2000, 486)—but according to the 1999 President of the History of Economics Society, ‘neither Popper nor Hayek had much of an influence on the other, at least if we restrict ourselves to speaking about their ideas

about how to do social science. To the extent that any influence exists, it is mostly in terms of the *language* [emphasis in original] in which each came to express his ideas, the way they came to put things ... On the question of who influenced whom, *we must answer* [emphasis added]: no one' (Caldwell 2006, 113, 122, 120).

Hayekians appear to believe that they have a portal—a magical or technological doorway which spans dimensions—which facilitates perfect knowledge: 'Popper did not read Mises' (Caldwell 2005, 65). Hayek's (1988) final book contains more references (almost all favourable) to Popper than any other author except perhaps Adam Smith. But Caldwell's 'intuition was supported by Sudha Shenoy' (Hayek's first authorized biographer) who had digitized Hayek's (1988) *The Fatal Conceit* and Hayek's (pre-Bartley) *Law, Legislation and Liberty* (1973–1979) and asked her University of Newcastle colleague, John Burrows, to undertake a comparative stylistic analysis in order to delineate the influence of *The Fatal Conceit's* editor, William Warren Bartley III, and Hayek's third authorized biographer:

Shenoy summarises Burrows's findings as follows: 'The results showed a definite divergence, i.e. some other hand definitely played a clear part in the published text of FC.' (Caldwell 2005, 56; see also Caldwell 2004, 317, n34, and Caldwell 2008, 701–702)

But Shenoy was a fraud: Burrows and his research assistant have confirmed that they 'conducted no tests for her [Shenoy] and reached no findings, tentative or otherwise' (cited by Leeson 2013, 202).

The 'spontaneous' and 'natural' ascribed order of Empire is a magnet for revolutionaries, an object of veneration for loyalists, and a source of fascination for the curious. Hayek told his second appointed biographer, Charlotte Cubitt (2006, 15), that of the two Empires he had watched decline, 'England's downfall had been the more painful to him.' Elizabeth Johnson and Harry Johnson (1978, Preface) referred to the 'repellent fascination' that English society exerts over some North Americans. On arrival in London in 1931, Hayek (1978) 'at once ... became in a sense British, because that was a *natural* [emphasis added] attitude for me, which I discovered later. It was like stepping into a

warm bath where the atmosphere is the same as your body’;¹⁹ while ‘Present-day Vienna I no longer feel at home in.’²⁰ Hayek (1978) told Robert Chitester that after the Habsburg demise, Austria had become governed by a ‘republic of peasants and workers’; while ‘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* [emphasis added] order.’ But simultaneously, Sigmund ‘Freud has become the main source of a much older error that the natural is good. What he would call the artificial restraints are bad. For our society it’s the cultural restraints on which all depends, and the natural is frequently the bad.’²¹

The grovelling obsequiousness with which Mises and Hayek have been treated suggest something other than scholarly detachment: ‘For those of us who have loved as well as revered Ludwig von Mises, words cannot express our great sense of loss: of this gracious, brilliant and wonderful man; this man of unblemished integrity; this courageous and lifelong fighter for human freedom; this all-encompassing scholar; this noble inspiration to us all. And above all this gentle and charming friend, this man who brought to the rest of us the living embodiment of the culture and the charm of pre-World War I Vienna. For Mises’ death takes away from us not only a deeply revered friend and mentor, but it tolls the bell for the end of an era: the last living mark of that nobler, freer and far more civilized era of pre-1914 Europe ... Mises himself, spinning in his inimitable way anecdotes of Old Vienna ... Ludwig Mises never once complained or wavered ... stand[ing] foursquare for the individualism and the freedom that he realized was required if the human race was to survive and prosper ... We could not, alas, recapture the spirit and the breadth and the erudition; the ineffable grace of Old Vienna. But I fervently hope that we were able to sweeten his days by at least a little ... But oh, Mises, now you are gone, and we have lost our guide, our Nestor, our friend. How will we carry on without you? But we have to carry on, because anything less would be a shameful betrayal of all that you have taught us, by the example of your noble life as much as by your immortal works. Bless you, Ludwig von Mises, and our deepest love goes with you’ (Rothbard 1973).

The British, Austrian, and Lausanne Neoclassical Traditions

From the outset, there were defining distinctions between the British (or Marshallian) and Continental (Austrian and Lausanne) branches of the neoclassical school. Feudalism had biblical sanction: Joshua told the Gibeonites 'Now therefore ye *are* cursed, and there shall none of you be freed from being bondmen, and hewers of wood and drawers of water for the house of my God.' Two and a half millennium later, Hayek's (2011 [1960], 186) *The Constitution of Liberty* laid down the serfdom that he prescribed for the lower orders: 'To do the bidding of others is for the employed the condition of achieving his purpose.'

In *Memorials of Alfred Marshall*, Pigou reproduced a 'confidential' letter from Marshall (1956 [1897], 398) which analysed the 1897 engineers' strike: 'Unless the A.S.E. [Amalgamated Society of Engineers] *bona fide* concedes to the employers the right to put a single man to work on an easy machine, or even two or more of them, the progress upwards of the English working classes from the position of hewers of wood and drawers of water to masters of nature's forces, will, I believe, receive a lasting check. If the men should win, and I were an engineering employer, I would sell my works for anything I could get and emigrate to America.'²² In contrast, in his defining statement of Austrian *Liberalism*, Mises (1985 [1927], 51, 44, 49) found emergency 'salvation' in Fascism.

Apparently in justification of Mises' promotion of 'Fascists,' his translator, Ralph Raico, (2012, 250, 275, 274) reported that in 1906, Pareto complained that the right to strike had turned into 'the freedom, for the strikers, to bash in the brains of workers who wish to continue to work and to set fire to the factories with impunity.' In one of his last essays, Pareto (1848–1923) again complained about the 'transformations' demanded by 'modernity' that facilitated 'the ascent of the proletariat': the right to strike included 'the ability to constrain others to do so and to punish strikebreakers.' The only ones left to defend the freedom to work were, Pareto ironically wrote, were the supporters of *laissez-faire*: 'those abominable Manchesterians.'

Raico (2012, 275, 274) explained that Pareto ‘endorsed the Fascist takeover, and, a year before his death, permitted Mussolini to appoint him to the Senate.’ One of Pareto’s associates, Maffeo Pantaleoni (1857–1924), the neoclassical ‘Marshall of Italy,’ was engaged in ‘intense work in support of fascism’ and ran a ‘vigorous anti-Semitic campaign’ in the decade before his death (Michelini and Maccabelli 2015, 92, 93). Raico (2012, 273–174), who described Pantaleoni as among ‘Fascism’s earliest and most fervent supporters,’ noted that Hayek had referred to Pantaleoni as the author of ‘one of the most brilliant summaries of economic theory that has ever appeared.’ Pantaleoni wrote: ‘The ‘public powers, which historically have already been most effective instruments of spoliation in the hands of the nobility, first, and then of the bourgeoisie, will now become the means of procuring bread and circuses for the people ... If it had not been for the intervention of Fascism, Italy would have suffered not merely an economic and political catastrophe, but rather a catastrophe of its very civilization, equal in its kind to that of Russia and Hungary.’ Italy was saved from the ‘destructive hurricane’ of Bolshevism ‘only by fascism and by the heroism of the fascists who died *pro libertate Patriae* in the struggle of civil war.’ This, Raico explained, was a position ‘similar to that of Mises.’

According to Raico (2012, 188, n16, 278, n37), A. de Viti de Marco wrote that Pantaleoni was ‘engaged by the collectivist and interventionist features of post-War Italy,’ including ‘the demagoguery of taxation organized by the alliance of all the parasitic groups for the speedier spoliation of the well-to-do and the savers and the free [i.e., non-unionized] workers—that is of the *producers* [emphasis in original]’.

Hayek (1978) ‘believe[d] in democracy as a system of peaceful change of government; but that’s all its whole advantage is, no other.’²³ For Rothbard (1992, 8; 1994c), the purpose of Austrian economics is to ‘Get rid of underclass rule’ and replace it by a ‘small, self-perpetuating oligarchy of the ablest and most interested’; for Raico (2012, 278, 280, n38)—like Mises—Fascism and Classical Liberalism had common Continental (Italian-Austro-Lausanne) neoclassical objectives: Pantaleoni, who was a *bitter opponent of universal suffrage precisely because of the immense vista it opens up for lower-class plunder of the economically successful* [emphasis added], was also ‘happy’ to report that Mussolini (in a

speech, 8 November 1921) stated: 'In economic matters, we are liberals in the more classical sense of the word.'

Jeff Deist (2017), the President of the tax-exempt Mises Institute, described the Austrian war on democracy in America and elsewhere: 'democracy is a sham that should be opposed by all liberty-loving people ... Democracy was always a bad idea, one that encourages mindless majoritarianism, political pandering, theft, redistribution, war, and an entitlement mentality among supposedly noble voters.' As 'von' Hayek (2007 [1944]) was writing *The Road to Serfdom*, Erik 'Ritter von' Kuehnelt-Leddihn (alias F. S. Campbell 1978 [1943]), published *The Menace of the Herd*. Austrian School economists and philosophers openly embraced 'natural aristocracy' (Rockwell 1994a, 19), monarchy, or anything but democracy (Hoppe 2001), and a 'small, self-perpetuating oligarchy of the ablest and most interested' (Rothbard 1994a, 10).²⁴

Deist, Congressman Ron Paul's press secretary (2000–2006), had 'previously worked as Paul's 'longtime advisor and chief of staff' and as 'an attorney for private equity clients';²⁵ and Rockwell was Paul's first Congressional chief of staff (1978–1982), consultant to Paul's 1988 Libertarian Party Presidential campaign, vice-chair of the exploratory committee for Paul's campaign for the 1992 Republican Party Presidential nomination, and the founding Mises Institute President. The intervening President—Douglas French—has been airbrushed out of history: in 'Jeff Deist Joins the Mises Institute as its New President,' Rockwell is described as the 'outgoing president.'²⁶

In 'Break up the USA,' Rockwell (2017) offered an alternative:

We can fight it out, or we can go our separate ways. When I say go our separate ways, I don't mean 'the left' goes one way and 'the right' goes another. I mean the left goes one way and everyone else—rather a diverse group indeed—goes another. People who live for moral posturing, to broadcast their superiority over everyone else, and to steamroll differences in the name of 'diversity,' should go one way, and everyone who rolls his eyes at all this should go another.

Rockwell is thought to be 'Ron Paul'—the author of 'The Pink House' (published in the fund-raising *Ron Paul Newsletter*): 'I miss the closet.

Homosexuals, not to speak of the rest of society, were far better off when social pressure forced them to hide their activities' (cited by Leeson 2017a). Another (Rockwell- or North-written?) *Ron Paul Newsletter*, which asserted that HIV-positive homosexuals 'enjoy the pity and attention that comes with being sick,' approved the slogan of liberty: 'Sodomy=Death.'²⁷ Rockwell (1994b) complained about Barry Goldwater's support for 'Civil Rights for Gays': homosexuals were 'a tiny (if rich and powerful) group that hates the rest of us. If Goldwater wants to do something good for his country, he could write a defense of a real oppressed minority: employers.'

In *The Fatal Conceit*, Hayek (1988, 52) asserted that 'The higher we climb up the ladder of intelligence, the more we talk with intellectuals, the more likely we are to encounter socialist convictions.' The Austrian School of Economics is a magnet for homosexuals seeking 'liberty' from discrimination, and theocrats who wish to publicly stone them to death. One of Hayek's PhD students and gay-rights activist, Raico (2015), runs the 'Jewish Libertarian blog' where he insists that: 'Paul Samuelson and other Jewish apologists for the Soviet Union and Mao are not stupid. They are evil.' In a footnote, Raico (2012, 260, n11) asserted that 'Mises, of course, always vehemently rejected Nazism in every respect.' Yet Mises (1985 [1927], 44)—referring to 'Ludendorff and Hitler' and other 'Fascists,'—stated: 'Many arguments can be urged for and against these doctrines, depending on one's religious and philosophical convictions, about which any agreement is scarcely to be expected. This is not the place to present and discuss the arguments pro and con, for they are not conclusive.'²⁸

According to Raico (2012, 140–141), Henry Ashby Turner's (1985) 'superb scholarship' had demolished a

myth. He relied on a multitude of primary sources ignored by other writers. Turner's own analysis is now accepted by practically all experts in the field. Whether he will have any more success in seeing his version passed on to the educated public than the economic historians of the industrial revolution have had remains to be seen ... Turner reflects on why so many professional historians should have accepted the old fable of Hitler and the German industrialists so uncritically. His reply is: bias ... Although

deliberate distortion figures in some publications on the subject, the susceptibility of most historians to the myths dealt with in this volume is attributable not to intellectual dishonesty but rather to the sort of preconceptions that hobble attempts to come to grips with the past.

In exile, Mises (2010 [1944], 178, 1985 [1927], 43–44, 49, 51) denigrated 'the Mussolini gang and the Hitler troops,' who he had earlier had heaped 'eternal' praise on—'Fascists,' 'Germans and Italians,' 'Ludendorff and Hitler.' In a footnote, Raico (2012, 258, n7), Professor of European History at Buffalo State College, asserted that (in addition to Mussolini) Mises 'had in mind (48) the "militarists and nationalists" of the first years following World War I, particularly the Freikorps.' Turner (1985, 10) implicitly explained why this defining article of Austrian faith is a myth:

Until their disbandment in the summer of 1920, the *Freikorps* also served as training schools for a generation of young, reactionary political hoodlums who would later assassinate prominent Republican leaders, serve as foot soldiers in the [Ludendorff and Hitler] Munich Beer Hall Putsch of 1923, and man the political armies that eventually turned the streets of Germany into battlefields. The big businessmen who helped finance the *Freikorps* thus incurred a share of responsibility – along with the Majority Socialists who called these units into being – for swelling the ranks of the violence prone young men who would bedevil the democratic processes of the Republic throughout its brief existence.

Referring to the political left and the left-influenced, Turner (1985, 350) concluded: 'With astonishing frequency ... evidence and purported evidence bearing on the subject of this book has been dealt with by historians in a fashion marked by striking suspension of professional standards.'

In his Preface to the English language version of *Liberalism in the Classical Tradition*, Mises (1985 [1962], xviii) asserted that he had 'not changed anything in the original text of the book and did not influence *in any way* [emphasis added] the translation made by Dr. Ralph Raico and the editing done by Mr. Arthur Goddard.' In a footnote, Raico (2012, 258, n7), a Mises Institute Senior Fellow, revealed that Mises was lying:

When I undertook to translate *Liberalismus* into English in the late 1950s, Mises at one point suggested that I include a translator's note explaining the historical context of these and similar remarks on Italian [sic] Fascism. My reply, in retrospect mistaken, was that such a note was superfluous, since the grounds for the views he expressed in 1927 were obvious. The English translation appeared, unfortunately, without any such explanation. I had vastly underestimated the prevalence of historical cluelessness among Mises's socialist critics.

Volume Overview

Wieser (1983 [1926], 257, 363) described 'The Modern Plutocracy': 'The Law of Small Numbers found in the economy a field of application of equally great effect as it once had in the victory of arms. While the multitude of the weak was pressed down, out of the bourgeois middle class there arose to dizzying heights the elite of the capitalists, joining the rulers of earlier times and exceeding them still in wealth and finally even in social influence. The great economic rulers had won under the slogan of liberty, which opened for them the road to unchecked activity. They demanded ever more impetuously the green light for themselves, but the uninhibited unfolding of their energies meant coercion for all the weak who stepped into their way. Could the liberals still talk about freedom?' Wieser (1926, 354) capitalized 'Slogan of Liberty' ('*Losung der Freiheit*').

130 years of continuous religious warfare (1517–1648) merged seamlessly into a competition between two concepts of civilization—the Divine Right of Kings versus *political* liberalism: constitutional monarchy (e.g. post-early-Stuart Britain) or post-Empire Republics (e.g. Dutch and American). Two related concepts also competed: ascribed status versus achieved status (the later usually facilitated by tax-funded education). In 1933, one Austrian began 'the final solution'; and according to Caldwell (1995, 70, n67), Hayek's (1995 [1929], 68) reference to Mises' 'ruthless consistency' in developing 'economic liberalism to its *ultimate* [emphasis added] consequences' is a reference to *Liberalism in the Classical Tradition*, in which Mises (1985 [1927], 19, 51, 115) stated:

The program of [Austrian] liberalism, therefore, if condensed into a single word, would have to read: *property* ... All the other demands of liberalism result from this fundamental demand ... The victory of Fascism in a number of countries is only an episode in the long series of struggles over the problem of property ... There is, in fact, only *one* [Mises' emphases] solution: the state, the government, the laws must not in any way concern themselves with schooling or education. Public funds must not be used for such purposes. The rearing and instruction of youth must be left entirely to parents and to private associations and institutions ... A healthy illiterate is always better than a literate cripple

The upper Habsburg Estates primarily focused on maintaining the 'privileges of their aristocratic members ... the nobles regarded the Austrian people as an extension of their own peasantry, their only function to keep the nobility in luxury' (Taylor 1964, 14, 188–189). According to Hayek (2011 [1960], 186), the less-free find freedom through servitude: 'To do the bidding of others is for the employed the condition of achieving his purpose.' Mises (2007 [1958], 11) also insisted that the masses must learn: 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.'

A top-down (textual) approach suggests that 'von' Hayek was a magisterial Hero of Liberty; whilst a bottom-up (archival and contextual) account reveals that he was a fraud and a tax-evading kleptocrat—an aristocratic conman. Hayek's 'liberty' needs context; but when confronted with context, Austrians are amazed: after decades of devotion, Caldwell (2005, 55, 66, n3) reported: 'I must say that though I knew of its presence, I was still stunned by [Malachi] Hacothen's [2000] account of the ubiquity of anti-Semitism in Austria before and between the wars.' Hayek's references to this anti-Semitism, Caldwell insists, 'need not be taken as evidence of his own anti-Semitism.' When confronted by *archival evidence*, Austrians have—presumably for fund-raising purposes—suppressed the oral history interviews that Hayek gave for general posthumous consumption (Leeson 2015a, Chap. 2). Any archival evidence about Hayek's attitude towards eugenics would, presumably—like the Hitler postcards through which the Hayek family communicated—have been

disciple-removed from the Hayek Archives. We must, therefore, tackle the issue from a different angle.

Part Two examines the possible links between the anti-Semitic Hayek, eugenics, and eugenic-style arguments. This component of the *Archival Insights into the Evolution of Economics (AIEE)* series has, thus far, established at least ten evidence-based propositions:

- Hayek and Mises should be taken as a single Austrian propaganda entity (despite apparent differences): Hayek sought to put Mises' conclusions into a 'more effective form' (Chaps. 2 and 3, above).
- Mises used the language of eugenics and did not discourage his 'Fascist' allies from pursuing political eugenics (Chap. 2 above).
- Hayek did not discourage Pinochet from pursuing political eugenics—and, indeed, appeared to encourage him.
- Rothbard, Hayek's fourth generation co-leader, promoted the idea that blacks were genetically inferior to whites (Chap. 5, below).
- Hayek and Mises promoted the deflation which facilitated Hitler's rise to power (Leeson 2017a).
- 'von' Hayek, 'von' Mises, and 'von' Wieser had a 'thoroughly Hitlerian contempt for the democratic man' (Leeson 2017a).
- Mises' Institute for Business Cycle Research (of which Hayek was Director, 1926–1931) was associated with the 'social hygiene' and 'eugenics' movement (Chap. 2, above).
- Although Hayek's language about immigrants (and especially 'primitive' Jewish immigrants) appears to have been plagiarized from *Mein Kampf*, in reality Hitler absorbed anti-Semitism from the culture co-created by the von Hayeks (Leeson 2017b, Chap. 7).
- Nazism originated in Austria and was embraced by the von Hayeks (Chap. 5, below).
- Hayek (1978) had a 'grandfather who's an enthusiastic Darwinian; a father who is also a biologist'²⁹: the 'presuppositions' of this proto-Nazi and later card-carrying Nazi family were most likely organized around eugenics.

Chapter 5 examines the links between Hayek's 'more effective form' and eugenics. In Chap. 6, Ruth Clifford Engs examines the 'Background

to the Eugenics Movement and Influences on Hayek' and how the nativist/Nordic superiority branch of the eugenics movement may have influenced him. Although Hayek apparently thought that 'other ethnic and racial groups were inferior, he did not apparently suggest they be prevented from breeding as found in negative eugenics governmental sterilization programmes, particularly in the United States and under National Socialism. Nor did he appear to suggest that mentally ill or disabled people be so treated or eliminated. This may have been due to his own, and other family members, severe depressive episodes.'

A 1922 introduction to Jeremiah Jenks (1856–1929), American Economic Association (AEA) President (1906–1907), facilitated Hayek's (1994, 65) first trip to America (1923–1924). Jenks told Hayek (1978): 'I am going to write a book about Central Europe; so if you come over next fall, I can employ you for a time as a research assistant.'³⁰ Jenks was one of three non-elected members of the bipartisan 1907–1911 Dillingham Commission (the US Immigration Commission). Unlike the first two waves of migration into the USA (1815–1860 and 1865–1890), the third wave (1890–1914) was not dominated by people from north west Europe. In *The Immigration Problem: a Study of American Immigration Conditions and Needs*, Jenks and William Lauck (1913, 341) revealed that over a quarter of all European immigration came from Austria-Hungary: on average 219,782 per annum between 1902 and 1913. The Dillingham Commission, established under pressure from 'nativists' and the eugenics movement, concluded that immigration from southern and eastern Europe should be reduced, while immigrants from north west Europe should be tripled. Habsburg immigrants were particularly targeted: it was proposed that no more than 167,195 should be admitted each year.

The Dillingham Commission provided the foundations for the eugenics-inspired 1921 Emergency Quota Act and the 1924 Immigration Act (the National Origins Act) which further restricted the entry of Middle Easterners, East Asians, Indians, and Jews. Immigration from southern and eastern Europe, which averaged 730,000 per year in the decade before the Great War (1905–1914), was reduced to 20,000 per year (Leonard 2005, 219). The Commission also proposed the enactment of literacy tests as 'the most feasible single method of restricting undesirable immigration' (Koven and Götzke 2010, 129; Jenks and Lauck 1913,

Chap. XVI). In 1918, 85 % of those ruled by the Habsburgs were illiterate (Taylor 1964, 166).

During his first visit to America, Hayek also received treatment ‘much beyond my deserts’ from Josef Schumpeter’s ‘friends’—including Thomas Nixon Carver (1865–1961) (Leeson 2015a, Chap. 6). Leonard Read (2003 [1973]), the founder of the Foundation for Economic Education (FEE), described a 1941 dinner party with Mises and

at least a dozen of the best thinkers of *our* [emphasis added] philosophy in Southern California—such men as Dr. Benjamin Anderson, Dr. Thomas Nixon Carver, the business genius Bill Mullendore, and the like. We listened to Ludwig von Mises until midnight, and then a question was posed. ‘Professor Mises, we will all agree with you that we are in for parlous times. But suppose you were the dictator of these United States and could effect any changes that you think appropriate. What would you do?’ And quick as a flash came the answer: ‘I would abdicate.’

The previous year, the suicidal Mises (2009 [1978 (1940)], 62–63; 1985 [1927], 51) had attached himself to the cause of ‘Fascists’ whose ‘merit’ would ‘live on eternally in history’: ‘The most important task I undertook during the first period, which lasted from the time of the monarchy’s collapse in the fall of 1918 until the fall of 1919, was the forestalling of a Bolshevik takeover. The fact that events did not lead to such a regime in Vienna was my success and mine alone.’ According to *The Last Knight of Liberalism*, in 1946 Mises became FEE’s ‘*spiritus rector*’ – literally: ‘*Führer*’ or ‘the ruler’ (Hülsmann 2007, 884).

It is ‘widely whispered in the libertarian community’ that Read (1898–1983), ‘joined his friends,’ Mullendore (1892–1983, President, Southern California Edison Company), James Ingebretson (1906–1999, Spiritual Mobilization), and Thaddeus Ashby (1924–2007, Assistant Editor of *Faith and Freedom*) in ‘acid explorations’ (Doherty 2007, 279–280; Rothbard 2007, Chap. 11). After retiring from Harvard in 1932, Carver became involved in the activities of Read’s Los Angeles Chamber of Commerce.

Carver’s (1949, 267–269) opposition to immigration was based on fear of the poor and ‘race deterioration’: ‘Whenever, in a democracy, a

sufficient number of voters find themselves competing for jobs in a congested labor market that is continually growing more congested, they are certain to have two things pointed out to them: First, that on the labor market, their number are a source of weakness; Second, that at the ballot box, those same numbers are a source of strength. They can then be persuaded to try and regain by using their strength at the polls what they are losing through their weakness on the labor market. In other words, they will vote for those who promise to use the power of government to take from those who have and give to themselves who have not ... sound arguments have little influence on those who haven't the mentality to understand them. Besides, anger and resentment do not listen to reason.'

Carver (1949, 144, 267–269) tolerated voluntary communism: 'The only kind that could not fit into our free institutions is the coercive sort, imposed and maintained by physical force. That is the only kind we need to fear and the danger is deadly.' He also insisted that 'the right to marry would have to be agreed upon after scientific study by geneticists.' Marriage was 'not a natural or an inalienable right, but a right to be achieved.'

Those who could not 'afford an automobile,' Carver insisted, should be barred from marriage. Los Angeles once had a comprehensive public transport system, until—in apparent violation of the 1890 Sherman Antitrust Act—General Motors and other companies acquired control of the city's transit system (and that of 24 other North American cities) via National City Lines and its subsidiaries. By the 1960s, the 'freedom of the open road' had put Los Angeles on the new smog-bound and congested road to quasi-serfdom.

In 1945, General Motors distributed a *Look* magazine cartoon version of Hayek's *Road to Serfdom* which, according to FEE, 'tells the dramatic story of a society dealing with economic decline in wartime turning to unworkable political fixes, authoritarianism, and eventual control of the whole of economic life. It's a chilling presentation ... The dangers about which Hayek warned are ever present.'³¹ General Motors was the second largest financial contributor to FEE (Shiflett 2015, 173; Steiner 2015, 190, 197, n4).

In 1949—two years after being indicted by the Federal District Court of Southern California—General Motors, Firestone Tire, Standard Oil of

California, Phillips Petroleum, and Mack Trucks were convicted of ‘conspiring to acquire control of a number of transit companies’ and ‘forming a transportation monopoly.’ In 1951, the verdicts were upheld on appeal (Leeson 2005).

Two years after Hitler seized power, Carver sought solutions for the ‘palpably unfit’:

Another is to segregate or sterilize the congenital defectives. This is one of the few rational things which have come out of Hitlerism. Another may be that Hitler is preparing his people to stand at Armageddon as the first line of defense against the inevitable Bolshevik invasion.

The Holocaust discredited eugenics—but not for Carver, who stated in 1945:

It is sensible and humane to avoid bringing into the world congenital defectives and to discourage them from inflicting the curse of a burdensome life upon future generations of their own kind. In one respect, Hitler was more rational than most contemporary government ‘planners.’ He agreed with them that government should guarantee jobs or a livelihood to everyone. However, he saw, as they did not, that in order to make good on this guarantee, government must take over the corresponding responsibility for parenthood and decide who might or might not be born. His policy of sterilizing defectives is a logical part of a governmental policy of social security and ‘planned’ economy. (Chap. 7)

Carver (1949, 241) reported that ‘Through the influence of Messrs. Mullendore, Read, [Orval] Watts, and myself, the L. A. C. of C. became the spearhead of an active crusade for the return to the principle of freedom of enterprise. That enterprise seems to have made an impression, since nearly everyone now (1947) talks in favour of free enterprise and against the police state. If I had something to do with starting Mullendore, Read, and Watts on this crusade, it may turn out to be the most important work of my life.’ The founder and President of The Future of Freedom Foundation explained that it was Read’s ‘uncompromising, moral defense of liberty which ultimately changed the course of my life’ (Hornberger 1988). In contrast, George Stigler described

FEE's Read and Watts as dishonest 'bastards'—and Friedman concurred (Leeson 2017b).

According to Jacob Hornberger (2015), Franklin Roosevelt's Deputy Attorney General, Frances Biddle, authorized an FBI wiretap of Read's Los Angeles Chamber of Commerce because 'FDR's welfare-state/regulated-economy policies were, in fact, revolutionizing America's economic system through a combination of socialism and fascism.' Carver (1949, 241) described Read's Chamber of Commerce as 'the most enlightened' in the USA. In Chap. 7, Luca Fiorito examines Carver's promotion of Hitler-style eugenics and his links to those who funded the Austrian School of Economics.

In 1935, Carter was worried that the eugenics-inspired immigration restriction of 1921 and 1924 still left 'wide open the doors for immigrants from the Western Hemisphere and the Philippines'; and so proposed quotas for 'Filipinos, Mexican peons, and West Indian Negroes.' Shortly after the end of World War II, the Austrian School banker, Felix Somary, informed Archduke Otto von Habsburg that 'Aristocracy has to begin somewhere,' and—pointing to some westward bound 'unkempt' train passengers (some presumably refugees)—added: 'These are going to be our overlords in the future' (Watters 2005). Referring to 'Germans and Italians' and 'Ludendorff and Hitler,' Mises (1985 [1927], 44, 49) praised the 'Fascists' who he had enlisted to defend 'property,' 'freedom,' and 'peace.' And with respect to the 'hungry hordes from the East,' Carver also looked favourably at Fascism: 'Possibly Mussolini and Hitler are more far seeing than the rest of us and are preparing to stand together at another field of Chalons as the ancestors of their people did in A.D. 451' (Chap. 7).

Jenks invited Carver (1949, 251, 254) and others to 'present' to US President William Howard Taft (1909–1913) their 'tariff question' views. A generation later, the (near universal) American economists' petition against the 1930 Smoot Hawley tariff was co-sponsored by F. W. Taussig and signed by 24 of his Harvard colleagues (Fetter 2007 [1942]). But not Carver—AEA Secretary-Treasurer (1909–1913) and President (1916)—who defended Herbert Hoover's decision to sign the massive increase in tariffs which contributed to the collapse of world trade 'as a measure of the duties stabilized, at least for a time, knowing that nothing is so bad

for business as uncertainty.’ After a private dinner in the White House, Carver reported that Hoover ‘saw clearly that the immigration of cheap labour from low standard countries was the chief threat to the American standard of living.’

Apparently unconcerned about the causes of the Great Depression, Carver (1949, 242) bemoaned: ‘Mr. Hoover, like Mr. Cleveland in 1893-1894, had the misfortune to be in office when a great financial crisis hit, followed by a depression, hit the country and the world. The unthinking masses, in both cases, naturally blamed the party in power for the trouble.’ In 1935, Carver told ex-President Hoover that his report on ‘What Must We do to Save Our Economic System?’ should ‘not at the present time be connected in the public mind with any political party.’ In 1936, Carver (1949, 241) joined the staff of the Republican National Committee (the ‘Republican Brain Trust’), taking responsible for the Political Economy section with the assistance of his former Harvard student, Watts (Chap. 7).

Carver (1949, 254, 266–267) objected to the ‘sentimentalists’ who took the Statue of Liberty seriously by welcoming ‘the poor and the oppressed of all the earth.’ In ‘every old civilisation now in existence, the congestion of population in the lower mental levels has long passed out of control and the fight against misery is forever lost ... Unless we maintain and strengthen our immigration laws, we shall be overwhelmed by a flood of cheap labor and our battle against poverty will be lost.’ The alternative would be to make the USA an ‘Asiatic colony as it once became a European colony, and our fate would parallel that of the [American] Indians.’

Even without immigration, America faced ‘another danger’:

Wherever there is a great mass of people with low mentality and sordid interests, there is always a race of scoundrels to prey upon them ... Demagogues grow fat on the votes of what they call ‘the common people.’

Carver appeared to share Hayek and Mises ‘thoroughly Hitlerian contempt for the democratic man’: ‘By appealing to the baser sentiments of envy, rancor, self-pity, and covetousness, by flattery and glittering prom-

ises, they can get themselves elected to office. The country is then on the easy descent to Avernus,' the entrance to the underworld.

The 80-year Dutch War of Independence (1568–1648) —a revolt of the 17 Provinces against the political and religious hegemony of the Habsburgs—ended with the Dutch Republic being recognized as an independent country; and the American War of Independence (1775–1783) had a similar outcome. Carver (1949, 263–264) implied that Americans had been more disciplined as 'subject peoples' with British 'rulers.' Politics hovered between democracy and dictatorship: 'there are two types of discipline. There is the kind imposed from above by dictators. It is a real discipline and it will prevail over the easygoing lack of discipline which free and prosperous sometimes think they can continue to enjoy. Then there is the other type of discipline that arises from within and is called self-discipline. Therein lies the hope of democracy. If democratic people can discipline themselves as well as subject peoples are disciplined by their rulers, democracy can survive; otherwise not.'

Hayek (1978) promoted the inevitability of 'dictatorial democracy,' where 'democracy merely serves to authorize the actions of a dictator' (Chap. 10, below).³² He also objected to 'extreme American anti-colonialism: the way in which the Dutch, for instance, were forced overnight to abandon Indonesia, which certainly hasn't done good to anybody in that form. This, I gather, was entirely due to American pressure, with America being completely unaware that the opposition to colonialism by Americans is rather a peculiar phenomenon.'³³

Hayek stole or double-dipped from tax-exempt educational charities to maintain his aristocratic lifestyle. Carver (1949, 249) complained that the 'shameless mendacity with which some products are advertised over the radio is mild compared with that of some politicians in heated campaigns ... the vote-getter and the money-getter are very much alike – except that the money-getter has to keep books.' Hayek sought to use his authority as a Nobel Laureate to script a vote-getting press conference for Ronald Reagan. Hayek (7 June 1980) told Hoover's hand-picked Hoover Institution Director, Glenn Campbell, that he wanted to tell the media his 'joke' that since Reagan was 12 years his junior, he was clearly 'good' for an unconstitutional third term.³⁴ Despite being a party political operative for both the Republican Party and the British Conservative Party,

the ‘free’ market monopolist of the Hayek Archives has cultivated the public mind: ‘Hayek himself disdained having his ideas attached to either party’ (Caldwell 2010b).³⁵

In Chap. 8, Luca Fiorito and Tiziana Foresti analyse the ‘contribution to the debates on labor and immigration by a group of Jewish academicians and reformers who, during the second half of the Progressive Era, explicitly took a stance against the racialist and eugenic rhetoric of the period.’ In Chap. 9, Keith William Diener examines the evolution of Hayek’s theory of cultural evolution and the role of the common theme of ‘ethics.’ Chapter 10 examines Hayek’s ethics in practice.

Part Three focuses on the 1978 recorded dialogues between Hayek and Kinji Imanishi (1902–1992), Professor of Natural Anthropology at Japan’s Kyoto University. Yusuke Yoshino, also of Kyoto University (Chap. 11) and Susumu Egashira (Chap. 12) analyse the dialogues and Geoffrey Hodgson, the Editor-in-Chief, *Journal of Institutional Economics*, examines some of the implications that arise from this freshly examined source (Chap. 13).

A Clarification

This *AIEE* series provides 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.

A more sympathetic understanding of mental illness has revealed that the proportion of the population that are afflicted is much higher than previously thought. The Hayek section of this *AEII* series has revealed that a much larger-than-normal proportion of Austrian economists display related symptoms. Always prone to hysteria, Mises—after his ‘Fascist’ chickens came home to roost—became suicidal:

Lu’s spirits were at a low point during this time. Very often he would say: ‘If it were not for you, I would not want to live any more.’ (Margit Mises 1984, 63)

Mises also projected his own depressive tendencies onto 'all sharp-sighted Austrians. Hayek may have suffered from bi-polar disorder or schizophrenia (Chap. 1); while Rothbard was frightened of the dark (or, at least, unable to sleep outside daylight hours). In 1976, he and Burton Blumert (2008, 327–330) founded the Center for Libertarian Studies which – on the 40th anniversary of the attack on Pearl Harbor – honored the 100th anniversary of Mises' (1881–1973) birth with a dinner at the one of the most expensive restaurants in New York: 'Windows on the World' atop the World Trade Center. By 1981, Rothbard (1926–1995) had cured some of his crippling travel phobias (irrational fear of airplanes, tunnels, and bridges) but regarded elevators as 'a moving, sealed coffin.' Pushed by his wife, he emerged from the elevator 'ghastly white.'

After Mises' (1985 [1927]) attempt to recruit 'secondhand dealers in ideas' from amongst 'Fascists,' Hayek built an Austrian 'knowledge' pact with the Chicago School economists, Stigler and Friedman in particular (the Mont Pelerin Society). Those members of Rose Friedman's family who had not emigrated 'all died in the Holocaust. We have never learned where or how.' In 1950, while Milton worked on the Schuman Plan, Rose experienced trauma: it was very difficult for her to let their two children 'run freely as they were accustomed to do at home because always there was the nagging fear that they might suddenly disappear. Of course I knew that they would no Nazis in the park that somehow there was always in my subconsciousness those terrible stories about what happened to Jewish children during the Nazi era. That trip to Germany haunted me for many years' (Friedman and Friedman 1998, 3, 180). When in June 1974, the Mont Pelerin Society members, Walter Block, North, Fink, Rothbard, Shenoy, and Ebeling (1974) initiated the philanthropy-funded Institute of Humane Studies Austrian revival, one of the conference highlights was baiting the Friedmans in person with the accusation that their son, David, detected 'latent fascist tendencies' in his father.³⁶ Delegates also competed with each other over what Friedman described as 'rotten bastard' proposals: the speed with which non-Austrian (that is, aristocratic, tax-exempt, and academic) 'entitlements' could be eliminated—forcing wounded veterans, the famine-stricken, the old, the sick, the young, and the poor to seek private charity.³⁷ Shenoy (2003) recalled that 'Murray Rothbard made the whole affair fun'; and Ebeling

(2010, xvii), ‘the BB&T Distinguished Professor of Ethics and Free Enterprise Leadership’ at The Citadel Military College, reported that Shenoy and the other revivalists were ‘inspiring scholars and warm human beings’ who ‘influenced me greatly over the years.’³⁸

The PhD students of one coal- and tobacco-funded Austrian School production line are (uncharitably) described as being ‘more in need of padded cells than Hayek triangles.’ At a seminar presented by the *AIEE* editor to the economics department of this public university, one PhD student seemed lost in lies; while another asked a ‘question’—a ten-minute monologue—that contained neither a finished sentence nor a question.

Malice appears to unite Austrian economists: according to the President of Hayek’s Mont Pelerin Society, ‘anger can be a wonderful muse’ (Boettke 2010); and according to Misesians, Rothbard’s motto was ‘hatred is my muse’ (Peterson 2014; Tucker 2014). Rothbard (1994b, 6) insisted that ‘the least’ Austrians and their fellow-travellers could do ‘is accelerate the Climate of Hate in America, and hope for the best.’ However, the individuals described in the Austrian section of this *AIEE* series are deserving of sympathy—and are probably ill-served (as are we) by having their malice legitimized and encouraged.

Three Austrians—all full Professors of Economics, one a practicing Jew—came close to tears when shown the evidence about Hayek’s fraud and anti-Semitism; others appeared to be a nudge away from a shooting spree. If those with severe mental illnesses are prevented from obtaining handguns, shouldn’t we also be concerned about troubled and malevolent individuals congregating in a tax-funded school with the intent of ‘doing the bidding’ of long-deceased and declassing aristocrats? The ‘knowledge’ of these ‘secondhand dealers in opinion’ appears to be little more than ill-digested propaganda: do taxpayers wish to continue to pour hundreds of millions of dollars into their ‘educational charities?’

Notes

1. In this context, ‘qualified’ means possessing a history degree.
2. ‘Neither colleagues who read working papers, nor reviewers nor journal editors, are paying attention to the maths.’

3. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
4. Friedrich Hayek, interviewed by Thomas Hazlett 12 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
5. <http://www.lfs.org/index.htm>.
6. <http://hope.econ.duke.edu/node/979>
7. http://www.mossdreams.com/Design%202009/About%20Robert%20Moss/About_main_RM_bio_isad_version.htm
8. <http://www.mossdreams.com/>
9. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
10. Hayek (1978) added: 'But, after all, we had a great classical civilization in which religion in that sense was really very unimportant. In Greece, at the height of its period, they had some traditional beliefs, but they didn't take them very seriously. I don't think their morals were determined by religion.' Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
11. <http://www.rules.senate.gov/public/index.cfm?p=RuleXIX>
12. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
13. In 'A Few Remembrances of Friedrich von Hayek (1899–1992)' Paul Samuelson (2009) recalled Kahn's 'simple oral 1932 statement': 'If Hayek believes that the spending of newly printed currency on employment and consumption will worsen our current terrible depression, then Hayek is a nut.'
14. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
15. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
16. Friedrich Hayek, interviewed by Jack High date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

17. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
18. <http://ecaef.org/sponsors/>
19. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
20. Friedrich Hayek, interviewed by Armen Alchian 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
21. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
22. Robbins (1976, 59, 1981, 9) twice misquoted Marshall by deleting 'upward' after 'progress.' The second misquote occurred in an IEA publication in which Henry Simon is reported as having used 'chilling language' in 1948, two years after his death (Seldon 1981, xiii).
23. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
24. Rothbard (1994a, 10) continued: 'Clearly, as we begin to work toward the pure model, as more and more areas and parts of life become either privatized or micro-decentralized, the less important voting will become. Of course, we are a long way from this goal. But it is important to begin, and particularly to change our political culture, which treats "democracy," or the "right" to vote, as the supreme political good. In fact, the voting process should be considered trivial and unimportant at best, and never a "right," apart from a possible mechanism stemming from a consensual contract.'
25. <https://mises.org/profile/jeff-deist>
26. <https://mises.org/blog/jeff-deist-joins-mises-institute-its-new-president>
27. <http://www.newrepublic.com/article/politics/98883/ron-paul-incendiary-newsletters-exclusive>
28. Mises' (1985 [1927], 44) next sentence—"The only consideration that can be decisive is one that bases itself on the fundamental argument in favor of democracy"—should be taken in the context of Mises' anti-democratic contempt for the lower orders, and Hayek's (1978) statement: 'I believe in democracy as a system of peaceful change of government; but that's all its whole advantage is, no other. It just makes

- it possible to get rid of what government we dislike.' Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
29. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 30. Friedrich Hayek, interviewed by Armen Alchian 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 31. <https://fee.org/articles/the-essence-of-the-road-to-serfdom-in-cartoons/>
 32. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 33. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 34. Hayek Archives Box 25.22.
 35. 'Even though Hayek himself disdained having his ideas attached to either party, he nonetheless provided arguments about the dangers of the unbridled growth of government' (Caldwell 2010b).
 36. Not all were Mont Pelerin Society members in 1974.
 37. Conversation with David Henderson (7 July 2011), who attended the 1974 revivalist conference and heard Friedman make the remark.
 38. <http://www.citadel.edu/root/csb-faculty-staff/48-academics/schools/business/badm/22431-ebeling>

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Part II

**Eugenics, Cultural Evolution,
and Ethics**

5

Hayek's 'More Effective Form' Eugenics?

Social Darwinism applies the amoral biological concepts of natural selection and survival of the fittest to the State and economics: it lends itself to 'free' market competition ('the strong get wealthier and the weak get poorer'), eugenics, racism, imperialism, and fascism. In *Encounter*—a CIA-funded journal that failed to survive the end of the Cold War—Friedrich Hayek (1971, 82) applied it to cultural evolution:

This process of cultural evolution follows in many respects the same pattern as biological evolution. As the late Sir Alexander Carr-Saunders explained nearly fifty years ago: 'Men and groups of men are naturally selected on account of customs they practise just as they are selected on account of their mental and physical characteristics.' And, as Sir Alister Hardy has shown recently, culturally transmitted patterns may in turn contribute to determine the selection of genetic properties. The processes of cultural and of genetic evolution will thus constantly interact, and their respective influence will be very difficult to distinguish.

Hayek (1978) opposed the 'thesis, now advanced by the social biologists, that there are only two sources: innate, physiologically embedded tendencies; and the rationally constructed ones. That leaves out the whole of what we generally call cultural tradition: the development

which is learned, which is passed on by learning, but the direction of which is not determined by rational choice but by group competition, essentially—the group which adapts *more effective rules* [emphasis added], succeeding better than others and being imitated, not because the people understand the particular rules better but [understand] the whole complexes better.¹

Ludwig Mises (1985 [1927]) apparently aspired to become the intellectual *Führer* of a Nazi-Liberalism Pact (Chap. 2, above). Hayek (1978) ‘just learned’ that Mises ‘was usually right in his conclusions, but I was not completely satisfied with his argument. That, I think, followed me right through my life. I was always influenced by Mises’s answers, but not fully satisfied by his arguments. It became very largely an attempt to improve the argument, which I realized led to correct conclusions. But the question of why it hadn’t persuaded most other people became important to me; so I became anxious to put it in a *more effective form* [emphasis added].’²

Some parishioners appear mystified by the Austrian religion they have devoted their lives to promoting. Leo Rosten asked ‘von’ Hayek how he could agree with ‘von’ Mises’ ‘conclusions but not with the reasoning by which he came to them. Now, on what basis would you agree with the conclusions if not by his reasoning?’ Hayek (1978) replied: ‘Well, let me put it in a direct answer; I think. I can explain. Mises remained to the end a strict rationalist and utilitarian. He would put his argument in the form that man had deliberately chosen intelligent institutions. I am convinced that man has never been intelligent enough for that, but that these institutions have evolved by a process of selection, rather similar to biological selection, and that it was not our reason which helped us to build up a very effective system, but merely trial and error. So I never could accept the, I would say, almost eighteenth-century rationalism in his argument, nor his utilitarianism. Because in the original form, if you say [David] Hume and [Adam] Smith were utilitarians, they argued that the useful would be successful, not that people designed things because they knew they were useful. It was only [Jeremy] Bentham who really turned it into a rationalist argument, and Mises was in that sense a successor of Bentham: he was a Benthamite utilitarian, and that utilitarianism I could never quite swallow.’ Hayek then described the ‘more effective form’ of Mises’ preconceived conclusions: ‘I’m now more or less coming to the

same conclusions by recognizing that spontaneous growth, which led to the selection of the successful, leads to formations which look as if they had been intelligently designed, but of course they never have been intelligently designed nor been understood by the people who really practice the things.³

Hayek (1978) summarized his religion: 'The point essentially amounts to that our rules of conduct are neither innate – the majority of our rules of conduct – nor intellectually designed, but are a result of cultural evolution, which operates very similarly to Darwinian evolution, but of course is much faster, because it allows inheritance of inherited characteristics, as it were. And that the whole of our system of rules of conduct – legal as well as moral – evolved without our understanding their function.'⁴

In 'The History of Hayek's Theory of Cultural Evolution,' Erik Angner (2002) concluded that 'Hayek had much to gain from associating himself with important economists and philosophers like [Carl] Menger, Smith, and Hume, who were widely respected also outside of economics.' Hayek's evolutionary thought was 'significantly inspired' by his London School of Economics (LSE) colleague, the biologist Carr-Saunders (1886–1966) 'in particular and Oxford zoology in general,' including Hardy (1896–1985): 'The traditional account underdetermines what was most characteristic of Hayek's theory of cultural evolution, viz. the idea that cultural evolution works through group selection, and the idea that selection operates on acquired as well as on inherited properties. Neither of these two elements of Hayek's theory can be found in the work of Menger or the British moral philosophers.' Agner, who asked why 'Hayek scholarship, with only one exception, should fail to consider the link between Hayek and Carr-Saunders,' examined the possibility that 'Hayek wanted to distance himself from Carr-Saunders because of the latter's involvement in the eugenics movement. Hayek might have considered associating himself with eugenicists a bad rhetorical move for several reasons.'

Deception provides an evolutionary advantage. According to Hayek (1978), at the University of Vienna corruption was required for survival: 'You were very much dependent on the sympathy, or otherwise, of the professor in charge. You had to find what was called a *Habilitations-Vater*, a man who would sponsor you. And if you didn't happen to agree with the professor in charge, and there were usually only two or three – in fact,

even in a big subject like economics, there were only two or three professors – unless one of them liked you, well there was just no possibility.⁵ Hayek (1978) ‘grew up with the idea that there was nothing higher in life than becoming a university professor.’ In 1931, by fraudulently asserting to ‘the professor in charge,’ Lionel Robbins (2012 [1931]), that he had predicted the Great Depression, Hayek became an LSE professor—although ‘there is no textual evidence for Hayek predicting it as a concrete event in time and place’; we lack ‘convincing evidence of a prediction that conformed to what Robbins suggested in his foreword’ (Klausinger 2012, 172, n10; 2010, 227). This fraud led to him being awarded the 1974 Nobel Prize for Economic Sciences (Machlup 1974).⁶

Austrian cultural evolution crossed the Atlantic. At New York University (NYU), Mises initially gave ‘every student an A. When told he could not do that, he alternatively gave students As and Bs depending on their alphabetical placement. When told he could not do *that* [emphasis in original], he settled on a policy of giving an A to any student who wrote a paper for the course, regardless of its quality and a B to everyone else’ (Rothbard 1988 [1973], 106, n56). This allowed Wall Street brokers to obtain Ivy League academic qualifications as they slept throughout Mises’ NYU class (Doherty 2007, 212). One Nobel Laureate (20 February 1992) informed Gottfried Haberler that at Harvard University, Josef Schumpeter graded female students according to their ‘sexual availabilities and dexterities.’⁷

Hayek’s Nobel Prize ‘surprised all of us enormously’ (Rothbard no date). Previously, Austrians despaired of reconstructing the ‘spontaneous’ order through ‘education.’ In *Why Politicians Do Not Take Economic Advice*, William Hutt (1971, 95), then at California State University Hayward (East Bay) and what Austrians call ‘the somnambulant Hoover Institution,’⁸ complained that academics

stubbornly resist ‘conversion.’ It will be necessary to disturb long-inculcated stereotypes and prejudices. The intelligentsia may sometimes have to be by-passed. The range of the ‘politically possible’ could be widely expanded if economists could transmit conceptual clarity in a few simple but fundamental considerations, which opinion formers and the masses could understand.

Through fraudulent job recommendations, the Nobel-endowed Hayek created a protected ecological niche—a Welfare State—for his academically unqualified disciples: in one instance ennobling a library assistant without an undergraduate degree as 'Dr' to obtain for him a professorship of economics at California State University Hayward (East Bay). Hutt then repeatedly pleaded with Hayek to nominate him for a Nobel Prize in Economic Science;⁹ while simultaneously, to enhance the academic promotion prospects of their 'worst inferior mediocrities,' Hayek's fourth generation Austrian School co-leader, Murray Rothbard, established Austrian 'refereed' journals.

Hayek (1978) described the University of Chicago Committee on Social Thought seminars involving Sewall Wright (1889–1988), the 'great geneticist,' as 'the most fascinating experience of my life.'¹⁰ Bruce Caldwell (2000, 11; 2001, 542–543), Hayek's fifth authorized biographer and 'free' market monopolist of the Hayek Archives, asserted that 'Hayek's intrigue with evolutionary themes, rather than being a later development, certainly dates at least to sometime in the 1950's, and possibly back into the 1940's.' In 'The Emergence of Hayek's Ideas on Cultural Evolution' (published in the Rothbard-founded, Boettke-edited *Review of Austrian Economics*), Caldwell (2000, 7) provided a beginning date for Hayek's 'intrigue': 17 December 1945—shortly after the end of the Third Reich. Hayek (1978), however, dated his 'intrigue' to the influence of his (proto-Nazi) family:

as early as probably late 1916, when I was seventeen, I was clear that my main interests were in the social sciences, and the transition must have come fairly quickly. I do remember roughly that until fifteen or so I was purely interested in biology, originally what my father did systematically. He was mainly a plant geographer, which is now ecology, but the taxonomic part soon did not satisfy me. At one stage, when my father discovered this, he put a little too early in my hand what was then a major treatise on the theory of evolution, something called *Deszendenztheorie*. I believe it was by [August] Weismann [1834–1914]. I think it was just a bit too early. At fourteen or fifteen I was not yet ready to follow a sustained theoretical argument. If he had given me this a year later, I probably would have stuck with biology. The things did interest me intensely.¹¹

Hayek's (1978) childhood 'interests started wandering from biology to general questions of evolution, like paleontology. I got more and more interested in man rather than, in general, nature. At one stage I even thought of becoming a psychiatrist;¹² it seems that it was through psychiatry that I somehow got to the problems of political order.'¹³ He came 'from a completely biological family; so my knowledge of biology derives from my boyhood. I'm the grandson of a zoologist, son of a botanist, and the funny thing is that although my own family grew up in England separated from my Austrian family, both of my children have become biologists again. [laughter]' His brother, Heinrich, was an 'anatomist, incidentally; so the tradition is wholly biological. I've never studied biology, but I think by the time I became a student of law, I knew more biology than any other subject.'¹⁴

On 20 October 1973, Robert Bork became Richard Nixon's Acting Attorney General after the 'Saturday Night Massacre.' It was a form of cultural evolution: in return for doing what Attorney General Eliot Richardson and Deputy Attorney General William French Smith had refused to do—sacking Special Prosecutor Archibald Cox (who had requested the incriminating White House tapes)—Nixon promised Bork (2013, Chap. 5): 'You're next when a vacancy occurs on the Supreme Court.' Bork asked Hayek: 'Is it possible for you to identify now the major intellectual influences on the development of your thought? I mean, I gather some of them come out of a Darwinian brand of thought, and there must have been others in law and in economics.' Hayek (1978) replied: 'Oh, I think the main influence was the influence of Karl [sic] Menger's (2007 [1871]) original book, a book which founded the Austrian school and which convinced me that there were real intellectual problems in economics. I never got away from this. I was taught by his immediate pupil, von Wieser, and that is my original background.'¹⁵

Referring to the Hayek family 'genetic trait,' Bork also asked: 'But your approach to these matters has been largely affected by the fact that you were familiar with Darwin and the evolutionary hypothesis from an early age?' Hayek (1978) replied:

Yes. I think it was mainly revived when I returned to my psychological interests. I did not mention that while I was studying law, I really divided

my time fairly equally between economics and psychology, with the law on the side. I did conceive at that time, when I was twenty-one and twenty-two, ideas on physiological psychology which I had to give up; I had to choose between the two interests, which were economics and psychology, and for practical reasons I chose economics. But after I published *The Road to Serfdom* in 1944, I wanted to take leave from this sort of subject. I had so discredited myself with my professional colleagues by writing that book that I thought I would do something quite different and return to my psychological ideas. So between '45 and '50, I wrote this book *The Sensory Order* [1999 (1952)], and that is based entirely on psychological ideas, on biological ideas. And that was, I think, the revival of my interest in the field of biological evolution.

Hayek (1978) described his cousin, Ludwig Wittgenstein, as 'crazy young man,'¹⁶ his early mentor, Othmar Spann, as 'semicrazy,'¹⁷ and his donor, Harold Luhn (William Volker's nephew), as 'completely crazy in the end' (cited by Caldwell 2011, 306, n7). The evidence suggests that Hayek was more than 'semicrazy.' Generally, those who suffer from mental illness now tend to be treated more sympathetically than previously (when the 'sub-human' label had frequently been attached). In the 'Aryan'-obsessed Nazi regime that Hayek's Austrian family supported, the mentally ill were amongst the first victims of the 'purification' Holocaust: Aloisia, one of Hitler's cousins on his father's (Schicklgruber) side, 'told doctors she was haunted by ghosts and the presence of a skull.' In 1940, she was murdered 'in a room pumped full of carbon monoxide' in the Vienna institution where she had 'spent most of her time chained to an iron bed' (Connolly 2005).

Hayek told Arthur Seldon that 'potential hereditary implications' had deterred him from marrying his cousin, Helene (Ebenstein 2003, 253). On 4 August 1926, Hayek married a secretary in the *Abrechnungsamt*, the civil service Office of Accounts in which he worked, Helen ('Hella') Berta Maria 'von' Fritsch, because she bore some 'superficial' resemblance to Helene.¹⁸ Using one of his dissembling words, Hayek (1978) told Armen Alchian: 'Well, it's a curious story, I married on the rebound when the girl I had loved, a cousin, married somebody else. She is now my present wife. But for twenty-five years I was married to the girl whom I married on the rebound, who was a very good wife to me, but I wasn't happy in

that marriage. She refused to give me a divorce, and finally I enforced it. I'm sure that was wrong, and yet I have done it. It was just an inner need to do it.'¹⁹

To facilitate a divorce, Hayek (1899–1992), who was the same generation as Aloisia (1891–1940), may have attempted to have his first wife, Hella, certified as insane: a pseudoscientific graphological (handwriting) analysis by Dr Erika Smekal-Hubert concluded that Hella was 'deeply inhibited, was slightly psychopathic, quarrelsome, and was likely to have sudden emotional outbursts. She was a wayward, autistic person, who should live alone and was neither a good wife nor a good mother. The one for Hayek was couched in the most agreeable, even enthusiastic terms' (Cubitt 2006, 141).

In Zurich in 1919–1920, Hayek (1994, 64) worked in the laboratory of the brain anatomist, Constantin von Monakow, 'tracing fibre bundles through the different parts of the human brain.' von Monakow and S. Kitabayashi (1919) had just published 'Schizophrenie und Plexus chorioidei' in *Schweizer Archiv für Neurologie und Psychiatrie* (Swiss Archives of Neurology and Psychiatry—a journal von Monakow had founded in 1917).

Hayek's mental illness manifested itself in obsessive self-interest and extreme mood swings: he was being 'looked after by a psychiatrist and a neurologist' (Cubitt 2006, 168). Hayek (1978) explained that 'it would sound so frightfully egotistic in speaking about myself – why I feel I think in a different manner. But then, of course, I found a good many instances of this in real life.'²⁰ In 1991, he told his second wife to put him—not in a nursing home—but into

a lunatic asylum, yet their doctor said he was in perfect physical shape. His hallucinatory experiences exhausted him ... Sometimes he would see things in vivid shapes, green meadows, writing on the wall, and even perceived sounds. No matter how strongly Mrs. Hayek would deny the reality of these apparitions he would insist that he had seen and heard them. On one such occasion he was so distressed because she would not believe him that he clutched my hand and said that the presence of persons and their singing had lasted for nine hours. (Cubitt 2006, 355–356)

After his second prolonged bout of suicidal depression (1969–1974), Hayek always carried a razor blade with which to slash his wrist; he

wanted to know 'where "the poison", that is arsenic, could be obtained.' During his third bout (1985–), the second Mrs. Hayek instructed Charlotte Cubitt (2006, 168, 188, 168, 89, 111, 174, 188, 284, 328, 317) not to let her husband near the parapet of their balcony. When asked 'What did Hayek think about subject *x*?' his fellow Austrian-LSE economist (1933–1948), Ludwig Lachmann (1906–1990), would routinely reply: 'Which Hayek?' (cited by Caldwell 2006, 112). Cubitt noted that Hayek became 'upset' after reading an article on schizophrenia, and 'wondered whether he thought it was referring to himself or Mrs. Hayek.' The 1974 Nobel Prize exacerbated this personality split: Walter Grinder detected 'almost two different people' (Ebenstein 2003, 264).

In their 'definitive' account, Caldwell and Leonidas Montes (2014a, 15, b; 2015, 273) stated that 'For a variety of reasons,' Hayek 'was unhappy, perhaps even depressed in Salzburg, and in any event he did not get much work done. But in early 1974 the depression lifted and he returned to full working capacity.' Writing in Salzburg in March 1972, Hayek (1994, 130–131) referred not only to his 'depression'—from which he had been 'suffering for almost two years'—but also to an earlier 'severe depression which lasted exactly a year' (1960–1961). In her non-donor-funded biography, Cubitt (2006) documented Hayek's post-1985 suicidal depression; and in his non-donor-funded biography, Alan Ebenstein (2003, 253) reported that in Salzburg, Hayek was 'very open' about his depression and his 'antidepressant medication'—why are Caldwell and Montes so closed about it?

In 'The End of Truth,' Hayek (2007 [1944], 174) stated:

Plato's 'noble lies' and [Georges] Sorel's 'myths' serve the same purpose the racial doctrines of the Nazis or the theory of the corporate state of Mussolini. They are all necessarily based on particular views about facts which are then elaborated into scientific theories in order to justify a preconceived opinion.

Rosten asked:

to come back to the religious foundations of a society, you of course remember that Plato wrestled with the idea and said that democracy—He had to have one royal lie—and of course he lived in a pagan and a

polytheistic society—and I've often wondered what he meant by that 'one royal lie,' because it must have meant something like the divine right of the king. Someone has to carry that, or some institution. The curious thing about the Founding Fathers, the most marvelous thing about them, was they all agreed on Providence. So it was possible for the religious, for the Episcopalians, for the nonbeliever, to agree on this vague thing called deism, but it was a tremendous cement. And as that cement erodes, consequences follow for which there seems to be no substitute. I'm wondering whether, when you talk about the rule of law, you aren't, in a sense, talking in that tradition. Can you have a functioning society without some higher dedication, fear, faith?

Hayek (1978) replied: 'I believe, yes. In fact, in my persuasion, the advanced Greek society, the Greek democracy, was essentially irreligious for all practical purposes. There you had a common political or moral creed, which perhaps the Stoics had developed in the most high form, which was very generally accepted. I don't think you need ...' Without finishing the sentence, Hayek continued: 'This brings us back to something which we discussed very much earlier. There is still the strong innate need to know that one serves common, concrete purposes with one's fellows. Now, this clearly is the thing which in a really great society is unachievable. You cannot really know. Whether people can learn this is still part of the emancipation from the feelings of the small face-to-face group, which we have not yet achieved. But we must achieve this if we are to maintain a large, great society of free men. It may be that our first attempt will break down.'²¹

In 'The End of Truth,' Hayek (2007 [1944], 173) stated that '*Blut und Boden* (blood and soil), expresses not merely ultimate values but a whole host of beliefs about cause-and-effect which once they have become ideals directing the activity of the whole community must not be questioned.' This Nazi cult emphasized ethnicity, descent and territory. According to Carl Schmitt—the 'crown jurist of the Third Reich' (Frye 1966)—a 'people' develops its legal system

appropriate to its 'blood and soil' because 'authenticity, defined as allegiance to one's *Volk*, accounted for more than abstract universals, as the basis of morality' ... Hitler praised his Volk as 'bound together not only by

linkages of blood but by a shared historical and cultural ... heritage.' (Koonz 2003, 60, 254)

In the Third Reich, 'Blood and Soil' underpinned anti-Semitism and contributed to the Nazi ideal of the strong, child-bearing woman; while in Chile, it underpinned General Augusto Pinochet's (1982, 154, 152) Junta:

Never again will a small group of hotheads enjoy official tolerance to proclaim and practice their violent purposes or to attempt to break up the union of those born in this land, who have a common patriotic and a common historic and cultural heritage, and who form the monolithic base of the Chilean nation ... We see the nation as a unit of destiny. The real notion of country obliges each generation to be faithful to the historical values inherited from its forebears, that have given shape to nationality. This obliges all countrymen to feel like brothers engaged in a common destiny, sailing in the same boat, which will sink or swim safely depending on all of us and affecting all of us. We therefore proclaim national unity as the dearest and most solid aspiration for Chile's recovery.

For the same reason we emphatically reject the Marxist conception of man and society, which denies the deepest values of the national soil ...

In May 1977, Hayek (1992a [1977]) appeared to express aspirations for the South American Operation Condor countries he was about to visit:

My only hope really is that some minor country or countries which for different reasons will have to construct a new constitution will do so along sensible lines and will be so successful that the others find it in their interest to imitate it. I do not think that countries that are rather proud of their constitutions will ever really need to experiment with changes in it. The reform may come from, say, Spain, which has to choose a new constitution. It might be prepared to adopt a sensible one. I don't think its really likely in Spain, but it's an example. And they may prove so successful that after all it is seen that there are better ways of organizing government than we have.

Hayek obviously hoped to extrapolate from these military dictatorships to the rest of the world including the United States (Chap. 10,

below). The following month, Hayek (13 June 1977) wrote from the Hoover Institution to Pedro Ibáñez accepting the invitation to visit Chile (Caldwell and Montes 2014a, 20, b; 2015, 278).

Caldwell and Montes (2014a, 38, 27, b, 2015, 293, 283) referred to one of Hayek's sentences

that would cause even his staunchest allies to wince: 'I have not been able to find a single person even in much maligned Chile who did not agree that personal freedom was much greater under Pinochet than it had been under Allende.'

Mises (1985 [1927], 47–48) explained that Fascist 'unscrupulous methods' involved human rights abuses: *not* excluding 'murder and assassination from the list of measures to be resorted to in political struggles.' Because Classical Liberals had previously defended human rights, the 'militaristic and nationalistic enemies of the Third International' had felt themselves 'cheated by liberalism.' Hayek was obviously determined not to make the same mistake with Pinochet and other Operation Condor dictators.

Had Hayek and Mises been genuine Classical Liberals they would have objected to human rights abuses; had they been White Terror promoters masquerading as scholars they would have been indifferent. Mises (1985 [1927], 154) was indifferent: 'Whether or not the Russian people are to discard the Soviet system is for them to settle among themselves. The land of the knout and the prison-camp no longer poses a threat to the world today. With all their will to war and destruction, the Russians are no longer capable seriously of imperiling the peace of Europe. One may therefore safely let them alone.'

In *Mein Kampf*, Hitler (1939 [1925], 312–313) asserted that breaking down 'racial barriers' would lead to a 'uniform mish-mash':

Those who do not wish that the earth should fall into such a condition must realize that it is the task of the German State in particular to see to it that the process of bastardization is brought to a stop. Our contemporary generation of weaklings will naturally decry such a policy and *whine and complain* about it as an encroachment of the most sacred of *human rights*

[emphases added]. But there is only one right that is sacrosanct and this right is at the same time a most sacred duty. This right and obligation are: that the purity of the racial blood should be guarded, so that the best types of human beings are preserved and that thus we should render possible a more noble development of humanity itself.

The Austrian-influenced eugenicist, Thomas Nixon Carver (1949, 241), reported that 'Through the influence of Messrs. [William] Mullendore, [Leonard] Read, [Orval] Watts, and myself, the [Los Angeles Chamber of Commerce] became the spearhead of an active crusade for the return to the principle of freedom of enterprise. That enterprise seems to have made an impression, since nearly everyone now (1947) talks in *favour of free enterprise and against the police state* [emphasis added]. If I had something to do with starting Mullendore, Read, and Watts on this crusade, it may turn out to be the most important work of my life.'

Carver (1949, 263–264) also stated: 'If democratic people can discipline themselves as well as subject peoples are disciplined by their rulers, democracy can survive; otherwise not.' The year after visiting the Police States of Apartheid South Africa and the Latin American Operation Condor, Hayek (1978) complained:

Take the conception of human rights. I'm not sure whether it's an invention of the present [Carter] administration or whether it's of an older date, but I suppose if you told an eighteen year old that human rights is a new discovery he wouldn't believe it. He would have thought the United States for 200 years has been committed to human rights, which of course would be absurd. The United States discovered human rights two years ago or five years ago. Suddenly it's the main object and leads to a degree of interference with the policy of other countries which, even if I sympathized with the general aim, I don't think it's in the least justified. People in South Africa have to deal with their own problems, and the idea that you can use external pressure to change people, who after all have built up a civilization of a kind, seems to me morally a very doubtful belief. But it's a dominating belief in the United States now.²²

Weakened, perhaps, by his unconvincing attempts to distance Mises from his broad definition of 'Fascism' (Chap. 4, above), Ralph Raico (13

June 1977) complained to Hayek about his proposed visit to Chile (Caldwell and Montes 2014a, 18, n56, b, n56; 2015, 276, n56): ‘Many people were unhappy about his going there, some of his friends pleading restraint, others sending him letters of protest and warnings about the damage the visit would do to his reputation’ (Cubitt 2006, 19).

Hayek (1978) told Chitester that he had a ‘profound dislike for the typical Indian students at the London School of Economics’ because of a ‘lack of honesty in them.’²³ The second Mrs. Hayek informed Cubitt (2006, 340, 344) that Hayek had told her that Sudha Shenoy—an LSE graduate—‘could not be trusted since she was only an Indian.’

The anti-Semitic Hayek (1978) promoted racial prejudice and national stereotypes: ‘I don’t have many strong dislikes. I admit that as a teacher – I have no racial prejudices in general – but there were certain types, and conspicuous among them the Near Eastern populations, which I still dislike because they are fundamentally dishonest. And I must say dishonesty is a thing I intensely dislike. It was a type which, in my childhood in Austria, was described as Levantine, typical of the people of the eastern Mediterranean ... They are to me a detestable type, I admit, but not with any racial feeling. I have found a little of the same amongst the Egyptians – basically a lack of honesty in them.’²⁴ So did Hitler (1939 [1925], 505): ‘It must never be forgotten that the present rulers Russia are blood-stained criminals, that here we have the dregs of humanity ... It must not be forgotten that these rulers belong to a people in whom the most bestial cruelty is allied with a capacity of artful mendacity.’

As did Mosley—who referred to ‘These primitive Russian and Balkan people’ (cited by Skidelsky 1975, 71). As did Mises (1985 [1927], 48–49): Fascists

have not yet succeeded as fully as the Russian Bolsheviks in freeing themselves from a certain regard for liberal notions and ideas and traditional ethical precepts is to be attributed solely to the fact that the Fascists carry on their work among nations in which the intellectual and moral heritage of some thousands of years of civilization cannot be destroyed at one blow, and not among the *barbarian peoples on both sides of the Urals* [emphasis added], whose relationship to civilization has never been any other than that of marauding denizens of forest and desert accustomed to engage,

from time to time, in predatory raids on civilized lands in the hunt for booty. Because of this difference, Fascism will never succeed as completely as Russian Bolshevism in freeing itself from the power of liberal ideas.

According to Hayek (1994, 61): 'The Jewish problem in Vienna only became acute only as a result of emigration from Poland' (which was then part of the Habsburg Empire). The 'violent anti-Semitism occurred when very primitive, poor Polish Jews immigrated, already before the war and partly in flight before the Russians during the war. Vienna became filled with the type of Jew which hadn't been known before, with cap on and long beards, which hadn't been seen before. And it was against them that anti-Semitism developed.' Wieser (1983 [1926], 271, 45, 295) provided an almost verbatim version of these sentiments; along with statements such as: 'On the bottom of every society is found the dregs of a *dead mass*, constituting the refuse of history. Next to the dregs is that stratum of the masses which remains almost entirely passive, being suited to *blind following* only ... [emphasis in original].' The Nazis justified *Lebensraum*, the invasion of Russia, the Action T4 euthanasia programme, and the 'Final Solution' by invoking the 'primitive,' 'barbarian,' or *untermensch* status of their victims. Mises was not a scholar but a lobbyist and quasi-official theoretician of the Austro-German business sector—many of whom funded Hitler (Leeson 2017a).

According to Hitler, 'The Earth has received its culture from elite people; what we see today is ultimately the result of the activity and the achievements of the Aryans' (cited by Fischer 2002, 152). In 1918, 'von' Mises promoted Austro-German *Lebensraum* (Leeson 2017a); and in 1958 (in private correspondence) told Ayn Rand, the author of *The Fountainhead* (1943) and *Atlas Shrugged* (1958): '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 2007 [1958], 11). With respect to intergenerational inferiority, in 1943 Mises informed a correspondent that he did 'not believe that a member of the Hitler youth or of the equivalent groups in Italy, Hungary or so on can ever turn toward honest work and non-predatory jobs. *Beasts cannot be domesticated within one or two generations* [emphasis added]' (cited by Hülsmann 2007, 817).

Red Terror pseudoscience promoted the liquidation of the kulaks (the larger landowners) and the bourgeoisie; while White Terrorists promoted racialist science and the liquidation of the Jews. In 1963, Morgan Guarantee Trust Co. channeled \$100,000 from the eugenics-promoter, Wickliffe Preston Draper, to the segregation-promoting Mississippi State Sovereignty Commission (an organization that was complicit in the murder of voter registration activists). In 1972, when Draper died, Morgan as an executor of his estate distributed about \$5 million to race-oriented foundations:

The primary beneficiary was the Pioneer Fund, an organization Mr. Draper helped found and which became known in recent years for funding research cited in ‘The Bell Curve,’ a book arguing that blacks are genetically inclined to be less intelligent than whites or Asians. (Blackmon 1999)

In ‘Race: That Murray Book!’ the Jewish-born Rothbard (1994a) praised the ‘racialist science’ contained in Richard Herrnstein and Charles Murray’s (1994) *The Bell Curve: Intelligence and Class Structure in American Life*, which, he asserted, expressed in ‘massively stupefying scholarly detail what everyone has always known but couldn’t dare to express about race, intelligence, and heritability ... praise the Lord, science and truth, though long delayed and deferred, will eventually win out. In the long run, truth cannot be suppressed.’

A significant proportion of the Austrian School of Economics describe themselves as members of a Stone Age tribe (‘paleolibertarians’). Rothbard (1994a) continued: ‘If, then, the Race Question is really a problem for statists and not for paleos, why should we talk about the race matter at all? Why should it be a political concern for us; why not leave the issue entirely to the scientists?’ In Rothbard’s (1994a) Austrian ‘logic,’ ideologically correct conclusions precede ‘evidence’:

Two reasons we have already mentioned; to celebrate the victory of freedom of inquiry and of truth for its own sake; and a bullet through the heart of the egalitarian-socialist project. But there is a third reason as well: as a powerful defense of the results of the free market. If and when we as populists and libertarians abolish the welfare state in all of its aspects, and property rights and the free market shall be triumphant once

more, many individuals and groups will predictably not like the end result. In that case, those ethnic and other groups who might be concentrated in lower-income or less prestigious occupations, guided by their socialistic mentors, will predictably raise the cry that free-market capitalism is evil and 'discriminatory' and that therefore collectivism is needed to redress the balance. In that case, the intelligence argument will become useful to defend the market economy and the free society from ignorant or self-serving attacks. In short; racist science is properly not an act of aggression or a cover for oppression of one group over another, but, on the contrary, an operation in defense of private property against assaults by aggressors.

Rothbard (1994a) objected that 'the racial thought police were able to suppress journalism, and to eliminate all Racially Incorrect traces not only of media sentiment, but even of humor, and the rich American heritage of ethnic humor has almost been stamped out of existence; intimidated, Herrnstein pressed on, regardless of threats or of the developing storm of Political Incorrectness.'

Two-thirds of a century after Mises (1985 [1927], 47–51) embraced *political* Fascism, Rothbard (1994b, c) defended Byron De La Beckwith, Jr. (the Klu Klux Klan assassin of the voter registration activist, Medgar Evers, who was convicted because he was politically 'incorrect'), the tax-evading quasi monopolist and media baron, Silvio Berlusconi (a 'dedicated free-marketeer'), Mussolini (because he had a reluctant 'anti-Jewish policy'), Islamo-Fascists, and those described as 'neo-fascists.' The New York World Trade Center was bombed on 26 February 1993, killing six and injuring hundreds; the 'Blind Sheik,' Omar Abdel-Rahman (apparently an al Qaeda affiliate who inspired Osama Bin Laden) was sentenced to life imprisonment. The 'Windows on the World' restaurant atop the building closed for three years after the bombing (in which one of their employees was killed). Six months after the attack, Rothbard (1993) declared: the 'A-rabs' under investigation 'haven't done anything yet. I mean, all they've done so far is not assassinate former President George Bush, and not blow up the UN [United Nations] building or assassinate [United States Senator] Al D'Amato'; adding: 'I must admit I kind of like that bit about blowing up the UN building, preferably with [UN Secretary General] Boutros Boutros-Ghali inside.'

Hayek (1978) described his parishioners:

what I always come back to is that the whole thing turns on the activities of those intellectuals whom I call the ‘secondhand dealers in opinion,’ who determine what people think in the long run. If you can persuade them, you ultimately reach the masses of the people.²⁵

For Hayek and Mises, economic theory was a respectable front behind which to promote the deflation that facilitated Hitler’s rise to power (White 2008); and for Rothbard, the promotion of ‘free trade’ was a respectable front behind which to recruit its uncompensated victims (redundant manufacturing workers etc.). In ‘A New Strategy for Liberty,’ Rothbard (1994c) sought to solve the ‘coordination problem’ between Austrian economists and ‘Redneck’ militia groups:

A second necessary task is informational: we can’t hope to provide any guidance to this marvellous new movement until we, and the various parts of the movement, find out what is going on. To help, we will feature a monthly report on ‘The Masses in Motion.’ After the movement finds itself and discovers its dimensions, there will be other tasks: to help the movement find more coherence, and fulfil its magnificent potential for overthrowing the malignant elites that rule over us.

In ‘The Road from Serfdom,’ Erik ‘Ritter von’ Kuehnelt-Leddihn (1992) emphasized that ‘with the exception of Fritz Machlup, the original Austrian school consisted of members of the nobility.’ Hayek ‘descended from a family ennobled at the end of the eighteenth century by the Holy Roman Emperor.’ The 1918 Austro-German defeat ended their government-sponsored intergenerational entitlement programme and created what Hayek (1978) described as ‘the problem of democracy.’²⁶ The 1945 Austro-German defeat weakened another government-sponsored intergenerational entitlement programme—white supremacy—and created what Austrians regard as the problem of ‘human rights’ (Hayek 1966).

According to Carver (1949, 250), Woodrow Wilson

began to talk about the ‘masses and the classes,’ the ‘common people,’ and to even use such expressions as ‘human rights versus property rights.’ Of

course, he knew that property has no rights. Human beings have rights, among which is the right to own things. In other words, that property rights *are* human rights [emphasis in original].

In 1948, the States' Rights Democratic Party (Dixiecrats) walked out of the Democratic National Convention after Hubert Humphrey declared: 'There are those who say—this issue of civil rights is an infringement on states' rights. The time has arrived for the Democratic Party to get out of the shadow of states' rights and walk forthrightly into the bright sunshine of human rights.'²⁷

In the 1948 presidential election, Strom Thurmond, the Governor of South Carolina, stood against Harry S. Truman's 'Police Nation in the United States of America' and 'for the segregation of the races and the racial integrity of each race ... We oppose the elimination of segregation, the repeal of miscegenation statutes, the control of private employment by Federal bureaucrats called for by the misnamed civil rights program. We favor home-rule, local self-government and a minimum interference with individual rights' (cited by Robin 2011, 259, n18).²⁸ Thurmond (1902–2003) was a member of the Sons of Confederate Veterans; Essie Mae Washington-Williams (1925–2013), the illegitimate daughter he fathered with his family's 16-year-old black servant, thus became eligible to join the United Daughters of the Confederacy (Dewan and Hart 2004).

In 1948, Rothbard (1994d)

naïvely ... actually believed that the States' Rights Party would continue to become a major party and destroy what was then a one-party Democratic monopoly in the South ... I embraced the new states' rights or 'Dixiecrat' ticket of Strom Thurmond for president and Fielding Wright of Mississippi for vice president ... At Columbia graduate school, I founded a Students for Thurmond group. I showed up at the first meeting, which consisted of a group of Southern students and one New York Jew, myself. There were a brace of other New York Jews there, but they were all observers from the Henry Wallace Progressive Party, puzzled and anxious to find out to what extent fascism and the Ku Klux Klan had permeated the fair Columbia campus. They were especially bewildered when I got up at the meeting and made a fiery stump speech on behalf of states' rights and against centralized socialism. What was a nice Jewish boy doing in a place like this?

Like *Encounter* (1953–1991), Apartheid (1948–1994) failed to survive the end of the Cold War. On 25 June 1993, about 3000 members of *Volksfront*, *Weerstandsbeweging*, and other right-wing Afrikaner paramilitary groups stormed the Johannesburg World Trade Centre in an effort to derail the multiparty negotiations that were planning the transition to democracy. Having gained access to the building by crashing an armoured vehicle through the glass windows, protesters held a Christian prayer meeting in the main negotiating chamber and (according to one report) urinated over furniture.

According to North (1987), God practices eugenics: ‘We are under siege. The homosexuals didn’t create this plague [AIDS]; God did ... A decade from now, [homosexuals] will all be dead.’ Some Afrikaners hoped that ‘AIDS will save us’—by killing off African males. One of Nelson Mandela’s likely successors, Chris Hanu, was assassinated on 10 April 1993; one of his neighbours, a white Afrikaner woman, immediately called the police and a right-wing Polish immigrant, Janusz Waluś, and Clive Derby-Lewis, a Conservative Party of South Africa M.P., were later sentenced to death for the murder.²⁹ Mandela (13 April 1993) sought to prevent an uprising: ‘Tonight I am reaching out to every single South African, black and white, from the very depths of my being. A white man, full of prejudice and hate, came to our country and committed a deed so foul that our whole nation now teeters on the brink of disaster. A white woman, of Afrikaner origin, risked her life so that we may know, and bring to justice, this assassin. The cold-blooded murder of Chris Hanu has sent shock waves throughout the country and the world ... Now is the time for all South Africans to stand together against those who, from any quarter, wish to destroy what Chris Hanu gave his life for – the freedom of all of us.’³⁰

Mandela (1993) insisted: ‘We must not let the men who worship war, and who lust after blood, precipitate actions that will plunge our country into another Angola.’ Ethnic ‘cleansing’ is a form of euthanasia—the Apartheid government fermented intertribal slaughter to preserve white supremacy. Starting on 7 April 1994, the 100-day Rwandan genocide resulted in about 70 % of the Tutsi population being slaughtered by the Hutu majority government. On 27 April 1994, Mandela won the first democratic election in South African history—but the predicted tribal

genocide failed to emerge. In September 1994, Rothbard (1994e) explained that 'the least' Austrians could do 'is accelerate the Climate of Hate in America, and hope for the best.'

Inspired by Rothbard, Austrian economists 'booed deeply' when encountering government building, but if the building was 'private we all cheered heartily' (Blundell 2014, 100). Rothbard, who died on 7 January 1995, found a recruit: the twenty-seven-year-old Timothy McVeigh, who on 19 April 1995, killed 168 people and injured over 600 by bombing the Alfred P. Murrah Federal Building, Oklahoma City. According to his biographer, McVeigh was 'a true believer, in his mind a combatant in the resistance movement or underground army battling the New World Order, and other nations under the control of the United Nations. He was a self-made patriot and freedom-fighter, defending his country against the alleged forces of tyranny and treason' (Wright 2007, 4). In July 2011, inspired by the frenzy distilled from 9–11 religiosity and the Austrian School of Economics, the 22-year-old Anders Breivik bombed government buildings in Oslo and shot dead 69 Workers' Youth League summer camp participants (Tietze 2015).

Rothbard may have sought to promote a 'race war' during the 1992 Los Angeles riots (Leeson 2017b, Chap. 8). In 'Why we Fight,' Michael Levin (1995) asserted in the *Rothbard Rockwell Report* that 'Independently, Herrnstein and Murray and myself have estimated that, for most jobs, the proportion of black incumbents became 'correct'—was commensurate with the race difference in IQ—sometime after World War II. After that, blacks became overrepresented.' Levin's (1997) *Why Race Matters: Race Differences and What They Mean* illustrates Misesian a priori analysis. From the conclusion—affirmative action must be stopped—the 'analysis' works backwards to the 'argument.' Robert Richardson's (2000) *Ethics* review began by contrasting (and thus debunking) the premise of Levin's book with a summary of a scientific consensus: in the 'biological sense, human races are a fiction.' But Levin had started with this fiction because it corresponds with what he insisted was 'ordinary usage': 'there is wide agreement on ascriptions of race.' Levin then

concludes that genes are the causes of intelligence (pp. 88–89). He claims that genetic causation is quantitative and measured by heritability (p. 91).

This is an egregious error. Likewise, it is well known that heritability values do not explain differences between groups. Height is strongly heritable, but differences in nutrition levels often explain differences between groups. Absent knowledge of how environments affect IQ scores, the only reasonable conclusion is that we also do not know how genetic differences affect differences in IQ. Levin acknowledges this point (p. 93) and then, inconsistently, draws the logically forbidden conclusion, claiming that higher heritability ‘strongly suggests genetic involvement in the race difference’ (p. 131). This is simply wrong.

According to Levin, blacks are less ‘good.’ In a section entitled ‘Race Differences in Personal Goodness,’ Levin asserted that the ‘average white is a better person than the average black. . . . A greater proportion of black than white behavior also falls below the ordinary thresholds of decency, and of tolerability ... Blacks seem on average less able to plan their lives rationally ... on average, whites are more autonomous and responsible for their actions than are blacks.’ Richardson (2000) concluded:

Levin is anxious to insist that such views are not racist largely on the grounds that ‘believing well-supported generalizations is not racist’ (p. 215). The generalizations are not well supported. They are unjustified pleas for racial superiority.

Levin’s Austrian logic and the epistemological foundations of his ‘evidence’ are also revealed in an interview with Susan Faludi (1993, 331):

‘I’ve lost a lot of status just talking about feminism.’ But he feels he must address it – ‘to reclaim my genitalia and my masculinity’ ... ‘If a man does not feel dominant, he won’t feel sexually aroused,’ he recalls telling [Fox News]. ‘It diminishes his masculinity. That’s why we are seeing the growth of impotence among younger men.’ But how does he know there’s a growth of impotence? Levin shrugs good-naturedly. ‘It’s just my impression.’ A pause. ‘I suspect it.’ Another pause. ‘I think I saw a magazine article once about it.’

According to Levin (1998, 15–16), ‘conspicuous postings’ against sexual harassment were

not needed, since women can repel any unwelcome advance with a firm No, and quit any boss who makes sex a condition of employment ... 'Sexual harassment' is a distinctively feminist tort, but there is no point trying to understand it in terms of feminism's incoherent, self-contradictory ideology. Better to look at it as expressing the emotional core of feminism, namely man-hating and rage at the attraction between men and women. It is not by chance that the most prominent feminists have been lesbians (from Kate Millett to, it now turns out, Angela Davis) or barren hags.

According to Mises (1951 [1922], 87, 100–101), 'Waking and dreaming man's wishes turn upon sex ... The radical wing of Feminism ... overlooks the fact that the expansion of woman's powers and abilities is inhibited not by marriage, nor by being bound to a man, children, and household, but by the more absorbing form in which the sexual function affects the female body ... the fact remains that when she becomes a mother, with or without marriage, she is prevented from leading her life as freely and independently as man. Extraordinarily gifted women may achieve fine things in spite of motherhood; but because the function of sex have first claim upon woman, genius and the greatest achievements have been denied her.'

According to the Habsburg Pretender, General Francisco Franco had invited him to 'resume' the Spanish Crown: Franco was a 'dictator of the South American type ... not totalitarian like Hitler or Stalin.' But Otto had hope: 'There is an extraordinary revival of religion in France ... I never would have thought one could dare to say in France what [Nicolas] Sarkozy is saying – that the separation of church and state in France is wrong' (Watters 2005).³¹

Hayek (1994, 41) felt that

If somebody really wanted religion, he had better stick to what seemed to me the 'true article,' that is Roman Catholicism. Protestantism always appeared me a step in the process of emancipation from a superstition – a step which, once taken, must lead to complete unbelief.

Following his 2004 beatification by the Roman Catholic Church, Otto's father became 'Blessed Charles of Austria.' The Pretender is one of

the European Union's 'original architects and a key supporter of EU expansion (although he is a staunch opponent of Turkey joining).' For public consumption, he 'notes the return of former royals to Bulgaria and Romania, and how many of the other 400 members of the Von Habsburg clan have staked claims to properties previously confiscated by the Communists. Neither he nor any of his immediate family plans to do so, he says, since in his 22-year career in the European Parliament, "I wanted to serve as a representative of all the nations which were under Soviet occupation," he explains.' Otto 'remains an aristocrat at heart, however, a background for which he offers no apology ... "Aristocracy has to begin somewhere," he says' (Watters 2005).

In private, he may have elaborated on his ambitions: David Rockefeller (2002, 413), one of his political collaborators, deferentially referred to 'Archduke Otto of Austria' as 'the head of the House of Habsburg and claimant to all the lands of the Austro-Hungarian empire.' Perhaps the Archduke neglected to tell Rockefeller that the Habsburgs once owned vast tracts of the Americas. They want their countries back: since Rockwell (1994a, 19)—a devout Roman Catholic—embraces rule by 'natural aristocracy,' what role would the Habsburgs play in his proposed post-secession Austrian States of America?

Rothbard (1992) sought to turn pre-secession America into an Austrian Police State with, in effect, only notional controls on coercive power:

4. Take Back the Streets: Crush Criminals. And by this I mean, of course, not 'while collar criminals' or 'inside traders' but violent street criminals—robbers, muggers, rapists, murderers. Cops must be unleashed, and allowed to administer instant punishment, subject of course to liability when they are in error.
5. Take Back the Streets: Get Rid of the Bums. Again: unleash the cops to clear the streets of bums and vagrants. Where will they go? Who cares? Hopefully, they will disappear, that is, move from the ranks of the petted and cosseted bum class to the ranks of the productive members of society.

Rockwell (1991) was nostalgic for the 'spontaneous' order which erupted into one billion dollars of property damage during the 1992 Los Angeles riots: 'As recently as the 1950s—when street crime was not rampant in America—the police always operated on this principle: No mat-

ter the vagaries of the court system, a mugger or rapist knew he faced a trouncing—proportionate to the offense and the offender—in the back of the paddy wagon, and maybe even a repeat performance at the station house. As a result, criminals were terrified of the cops, and our streets were safe.'

The 1991 Independent Commission (chaired by Warren Christopher) found that there were 183 Los Angeles Police Department (Austrian-incited) repeat offenders with four or more allegations of excessive force (44 had 6 or more, 16 had 8 or more, and 1 had 16 such allegations). The Commission also found that less than 2 % of allegations of excessive force (1986–1990) were sustained—because 'the complaint system is skewed against complainants.' The Commission blamed (Austrian-incited) management: 'We recommend a new standard of accountability ... Ugly incidents will not diminish until ranking officers know they will be held responsible for what happens in their sector, whether or not they personally participate.'³²

In 1992, 'Ron Paul' stated in his fund-raising *Ron Paul Newsletters*: 'even in my little town of Lake Jackson, Texas, I've urged everyone in my family to know how to use a gun in self defense ... for the animals are coming.' Since it is widely suspected that North, Rothbard and Rockwell (Paul's chief of staff) had written the *Newsletters*: what role would Rockwell allocate to 'animals' (non-whites) in the Austrian States of America? Since another (Rockwell- or North-written?) *Ron Paul Newsletter*, which asserted that HIV-positive homosexuals 'enjoy the pity and attention that comes with being sick,' approved the slogan of liberty, 'Sodomy=Death':³³ what role would be allocated to homophobic public stoning theocrats, such as North, the Mises Institute 'Rothbard Medal of Freedom' holder? Or to women: it was 'everyone who rolls his eyes' at diversity that Rockwell (2017) in 'Break up the USA' was inviting to join.

Hayek (1978) initially wanted the Mont Pelerin Society to be 'called the Acton-Tocqueville Society, after the two most representative figures.'³⁴ Most representative of what? Both were Roman Catholic political activists and historians. Alexis de Tocqueville (1805–1859) was the author of *The Old Regime and the Revolution* (1955 [1856])—a theme that dominated Hayek's life. John Dalberg-Acton, 1st Baron Acton (1834–1902), promoted the Confederate secessionist cause. When the

South surrendered, Acton informed Robert E. Lee (whose Arlington House was expropriated by the Union forces and turned into a cemetery): ‘you were fighting the battles of our liberty, our progress, and our civilization; and I mourn for the stake which was lost at Richmond more deeply than I rejoice over that which was saved at Waterloo’ (Hill 2000, 387). Acton’s letter to Lee is reproduced on LewRockwell.com.³⁵

In *Democracy in America*, de Tocqueville (2007 [1838], Chap. 5) described the ‘spontaneous’ order: ‘Thus, although in aristocratic society the master and servant have no natural resemblance – although, on the contrary, they are placed at an immense distance on the scale of human beings by their fortune, education and opinions – yet time ultimately binds them together. They are connected by a long series of common reminiscences, and however different they may be, they grow alike; while in democracies, where they are naturally almost alike, they always remain strangers to one another.’

Using one of his dissembling words, Hayek (1978) told Rosten that ‘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.’³⁶ In *Egalitarianism as a Revolt Against Nature*, Rothbard (2000 [1970], 169) insisted that ‘at the hard inner core of the Women’s Liberation Movement lies a bitter, extremely neurotic if not psychotic, man-hating lesbianism. The quintessence of the New Feminism is revealed.’³⁷ Rothbard motivated Austrian economists by orchestrating them to chant: ‘We Want Externalities!’ (Blundel 2014, 100, n7). Rothbard (2011 [1971], 911) explained why they must oppose Pigouvian externality analysis: ‘whether Women’s Libbers like it or not, many men obtain a great deal of enjoyment from watching girls in mini-skirts; yet, these men are not paying for this enjoyment. Here is another neighborhood effect remaining uncorrected! Shouldn’t the men of this country be taxed in order to subsidize girls to wear mini-skirts?’

According to James Buchanan and Richard Wagner (1977), ‘There is little mystery about Keynes’ own assumptions concerning the politics of economic policy. Personally, he was an elitist, and his idealized world embodied policy decisions being made by a small and enlightened group of wise people ... Normatively, Keynes was no democrat, in any modern

descriptive meaning of this term.' The following year, Buchanan worried about the franchise and the 'problem of whether or not we can get things changed. It's something that people don't talk about now, but a century ago John Stuart Mill was talking about it: namely, the franchise. Now, it seems to me that we've got ourselves in – again, it goes back to the delusion of democracy, in a way – but we've got ourselves into a situation where people who are direct recipients of government largesse, government transfers, are given the franchise; people who work directly for government are given the franchise; and we wouldn't question them not having it. Yet, to me, there's no more overt conflict of interest than the franchise [given] to those groups. Do you agree with me?' Hayek (1978) replied: 'No, I think in general the question of the franchise is what powers they can confer to the people they elect. As long as you elect a single, omnipotent legislature, of course there is no way of preventing the people from abusing that power without the legislature's being forced to make so many concessions to particular groups. I see no other solution than my scheme of dividing proper legislation from a governmental assembly, which is under the laws laid down by the first.'³⁸

Hayek was describing the 'Model Constitution' that he had sent to Pinochet the previous year: 'A constitution like the one here proposed would of course make all socialist measures for redistribution impossible' (Hayek 2013 [1979], 483). In Chile, Hayek also stated that

democracy needs 'a good cleaning' by strong governments ... when I refer to this dictatorial power, I am talking of a transitional period, solely. As a means of establishing a stable democracy and liberty, clean of impurities. This is the only way I can justify it – and recommend it. (Cited by Farrant et al. 2012, 533, 522)

Hayek (1975) insisted that his opponents (in this instance, Keynesians) had 'forfeited their right to be heard.' Two years previously, Pinochet had decided that his opponents (those promoting socialist measures for redistribution) had also forfeited their right to be heard: 3197 Chileans were murdered, 20,000 were officially exiled and their passport was marked with an 'L,' and about 180,000 fled into exile (Montes 2015, 7; Wright and Oñate 2005). Hayek (1978) believed that he had been one of the

disappeared—‘when Keynes died he became a saint and I was forgotten;’³⁹ he was also contemptuous of what he dismissed as Amnesty International’s ‘bunch of leftists’ who provided evidence about the Junta’s human rights abuses (Farrant and McPhail 2017).

Buchanan and Wagner (1977) complained about the ‘presuppositions of Harvey Road’ (Keynes’ childhood home): those with high ascribed status should assist the process of creating a society dominated by achieved status. In contrast, Levin (1995) insisted that it was not the job of ‘white doctors and public health officials’ to care for ‘black children.’⁴⁰ Moreover, according to North, the self-appointed ‘Tea Party Economist’: ‘The integrity of the family must be maintained by the threat of death ... When people curse their parents, it unquestionably is a capital crime’ (cited by Olson 1998).

According to Carver (1949, 257, 263–264), the ‘Christian religion, which spread largely because of its promise of eternal life, has also taught a noble system of morals – noble because it fits men for living in great societies.’ According to Hayek (1978), ‘The great society became possible when, instead of aiming at known needs of known people, one is guided by the abstract signals of prices; and when one no longer works for the same purposes with friends, but follows one’s own purposes.’⁴¹

In his 1984 Mont Pelerin Society closing address, Hayek emphasized the

moral inheritance which is an explanation of the dominance of the western world, a moral inheritance which consists essentially in the belief in property, honesty and the family, all things which we could not and never have been able adequately to justify intellectually. We have to recognize that we owe our civilization to beliefs which I have sometimes have offended some people by calling ‘superstitions’ and which I now prefer to call ‘symbolic truths’ ... We must return to a world in which not only reason, but reason and morals, as equal partners, must govern our lives, where the truth of morals is simply one moral tradition, that of the Christian west, which has created morals in modern civilization. (Cited by Leeson 2013, 197)

Simultaneously, Hayek admitted to Cubitt (2006, 176, 38, 59, 381–382) that he had ‘criminally neglected’ his private affairs—he

believed that he was responsible for his daughter's distrust of men and marriage. Hayek's public demeanour was charming—a charm his family rarely, if ever, saw. Hayek (1978) attributed his Englishness to the fact that 'I brought up a family in Britain.'⁴² Christine Hayek, however, 'hardly knew' her father; during her childhood, he was the absent 'professor in his study.' She is grateful to her father for 'British nationality and a good education. And that's it!' The Austrian oral tradition is that before the 1974 Nobel Prize for Economic Sciences, Hayek was a somewhat mysterious stranger to his son, Lorenz (Laurence), who is reported to have exclaimed: 'so that's who he is!' (Leeson 2015, Chap. 7).

Milton Friedman (1995) reported that as an expatriate housewife in suburban London, Hayek's abandoned first wife had failed to assimilate. In *Judgement Day: My Years with Ayn Rand*, Nathaniel Branden (1989, 9, 93, 136) described the milieu from which he had been recruited: 'Living in the predominantly Anglo-Saxon city of Toronto, my parents were Russian Jewish immigrants who had never really assimilated themselves into Canadian culture. A sense of rootlessness and disorientation was present in our home from the beginning. I had no sense of belonging, in Toronto or anywhere else, nor was I even aware of what a sense of belonging would mean. To me the void seemed normal.' Through Rand, he encountered Austrian economics: Hayek and Mises, 'one of the most outstanding minds of the twentieth century.' Branden also later apologized for 'perpetuating the Ayn Rand mystique' and for 'contributing to that dreadful atmosphere of intellectual repressiveness that pervades the Objectivist movement' (cited by Heller 2009, 411).

In contrast, after in retirement, Lorenz (1934–2004) became a 'sort of one-man travelling salesman' for his father's life and work: 'Much of his time was spent travelling across the world to gatherings of academics and students who were intellectual devotees of his father ... Just two weeks before his death, he visited the Hayek Institut in Vienna, meeting the Austrian finance minister and other dignitaries, for the publication of a German translation of the abridged *Reader's Digest* version of *The Road to Serfdom*' (Phibbs 2004). Yet according to Mark Skousen's Austrian School investments website 'Dr. Laurence Hayek, U. K.' stated: 'Skousen is the only economist I know who I can understand. He writes for the common man!'⁴³

Rothbard explained what motivated him: ‘hate is my muse’ (cited by Tucker 2014; Peterson 2014).⁴⁴ Rothbard (1992, 9), who promoted a ‘Defend Family Values’ strategy, appeared to hate children:

Like many who are childless, he had little patience for unruly, noisy, smelly little savages that disrupted civilized adult activity. He was often puzzled that parents with obvious intelligence could allow the ‘little monsters’ to run amuck. Murray greatly admired how the English upper classes deal with their children. (As recorded in novels and bad English movies, the nanny would bring them in at an appointed time to visit their father. They always addressing him as ‘Sir,’ and after reporting on their activities for the day, were summarily dismissed.) (Blumert 2008, 325–326)

In *The Ethics of Liberty*, Rothbard (2002 [1982], 100) insisted that ‘the parent may not murder or mutilate his child’ but ‘the parent should have the legal right not to feed his child, i.e. to allow it to die.’

According to The Institute for Historical Review: ‘If our nation and way of life survive, future generations will remember Murray Rothbard with gratitude, recalling that during this bleak period he kept alive a precious light of sanity and reason, and cast it like a guiding beacon into the future. His many friends and admirers—from the far left to the far right, and everywhere in between—will remember Murray Rothbard for his enthusiastic spirit, his irrepressible energy, his brilliant scholarship, and his passionate devotion to truth’ (Weber 1995).

According to the Misesian editor of *I Chose Liberty*, the Austrian School of Economics maintains a ‘united front’ with ‘Neo-Nazis’ (Block 2000, 40). The Liberty Lobby, which promoted Holocaust denial, was an ‘umbrella organisation catering to constituencies spanning the fringes of neo-Nazism to the John Birch Society and the radical right ... an intermediary between racist paramilitary factions and the recent right ... board members included Percy Greaves, an exponent of Ludwig von Mises’ (Mints 1985, 5, 85, 125). Bettina Greaves’ (1998) husband, ‘Percy was the real Misesian, and he kept pushing me to read and study and work with this project. You know, I’ve heard it said that Percy worshiped Mises blindly, but that was not true. He was drawn to Mises because he realized that Mises had the answers and that others did not. I came to understand that too.’

As he lay dying in hospital, Mises (1881–1973) ‘was not allowed any visitors, but when Percy and Bettina came to see him on his ninety-second birthday, he asked me to let them enter ... Bettina and Percy cried so hard I led them out of the room’ (Margit Mises 1984, 179). In her Foreword to *Liberalism in the Classical Tradition* in which Mises (1985 [1927], 47–51) praised *political* fascism, Bettina Greaves (1985, viii) explained that the author ‘presents, more explicitly than in any of his other books, his views on government and its very limited but essential role in preserving social cooperation under which the free market can function. Mises’ views still appear fresh and modern and readers will find his analysis pertinent.’ Percy Greaves, a seminar speaker for the Foundation for Economic Education, and US Senate candidate for the Free Libertarian Party, served on the *Institute for Historical Review* Editorial Advisory Committee, an organization founded in 1978 to promote Holocaust denial (Carlson 2013, Chap. 30, n73; Maoláin 1987, 367).

According to the Philanthropy Roundtable:

Perhaps the most consequential check William Volker ever wrote was dated May 7, 1945. Made to Friedrich A. Hayek for \$2,000, it underwrote the travel expenses for 17 American scholars to attend the first meeting of the Mont Pelerin Society ... he concluded that ‘government must be restricted to those activities which can be entrusted to the worst citizens, not the best.’⁴⁵

Like Rothbard, Hayek was funded by the tax-exempt William Volker Charities Fund, which recruited Holocaust deniers. The Fund Director, Harold Luhnnow (Volker’s nephew), hired David Hoggan, a ‘gold medalist in weird ... a defender of Hitler’s foreign policy (*The Enforced War*) ... and a defender of Hitler’s domestic policies, too. He had already written the manuscript for his anonymously published book, *The Myth of the Six Million*, published years later’ (North 2010, 242). Hayek (18 June 1964) advised the Volker Fund that Hoggan’s book has become the centre of reorganization for ex-Nazis.⁴⁶ According to the devout Misesian, Steven Horwitz (2011), the Mises Institute maintains ‘numerous connections with all kinds of unsavory folks: more racists, anti-Semites, Holocaust deniers, the whole nine yards.’

Hayek told Cubitt (2006, 15) that of the two Empires he had watched decline, ‘England’s downfall had been the more painful to him.’ Skin colour, ascribed status, and political orientation often co-align: Hayek had a visceral dislike of Jews and non-whites, especially the ‘negro.’ When British Gold Coast became Ghana in 1957, Sir Arthur Lewis became the country’s first economic advisor (he was knighted in 1963). Hayek explained to Cubitt (2006, 23) that he had nominated Lewis (and Iris Murdoch) for the opposing team of the Paris Challenge to Socialists because it was ‘even then politically correct to have at least one woman, as well as one black person, in attendance.’

There may also have been ascribed status issues behind Hayek’s contempt for his LSE student and colleague (1933–1948). In his Nobel autobiography, Lewis (1979) explained that his ‘father died when I was seven, leaving a widow and five sons, ranging in age from five to seventeen. My mother was the most highly-disciplined and hardest working person I have ever known, and this, combined with her love and gentleness, enabled her to make a success of each of her children.’⁴⁷ In 1950, Hayek asked Robbins to persuade his first wife, Hella, that he had, in effect, died. According to Cubitt (2006, 64), Hella broke down physically and mentally at both the prospect and the reality of abandonment. Hayek, who though Robbins ‘silly’ for objecting to his lies, objected to paying alimony to his ex-wife and children—which may have left him favourably disposed to (what later become known as) a Universal Basic Income: ‘if some widow who had to live on that small minimum income did take in some washing in her kitchen, I just would not notice it [laughter]’ (Hayek 1978).⁴⁸

There were also issues relating to race and Empire. Lewis concluded that Margaret Perham’s (1941) *Africans and British Rule* was ‘not even good propaganda ... Good propaganda identifies itself with those it addresses. But Miss Perham writes from the heights of her civilised eminence to the depths of our savagery ... Africans are fortunately accustomed to being insulted. They will hope that Miss Perham will have learned a little manners before she settles down to write her next apology for imperialism’ (cited by Tignor 2006; see also Twaddle 1991, 102, 104).

In his history of the LSE, Ralf Dahrendorf (1995, plate 17, between 268 and 269) reproduced a photograph of academics dancing (a regular

lunchtime activity). Hayek described Lewis, the winner of the 1979 Nobel Prize for Economic Sciences, as 'an unusually able West Indian negro' (Cubitt 2006, 23); and when asked what his

attitude to black people was ... he said that he did not like 'dancing Negroes.' He had watched a Nobel laureate doing so which had made him see the 'the animal beneath the facade of apparent civilisation.'

The 'First' Klu Klux Klan (which emerged alongside 'Historically Black Colleges and Universities') sought to diminish the amount of human capital that African-Americans could acquire so as to keep them in their ascribed 'place.' Hayek (1978) referred to Howard University as 'one of the Negro universities';⁴⁹ and when confronted with the prospect of having to deal with African-Americans, Hayek (5 March 1975) informed Neil McLeod at The Liberty Fund that he wished to find an alternative to his 'gone negro' Chicago bank.⁵⁰

In *Mein Kampf*, Hitler (1939 [1925], 334) complained that the press often reported that 'for the first time in that locality, a Negro had become a lawyer, a teacher, a pastor, even a grand opera tenor or something else of that kind ... the more cunning Jew sees in this fact a new proof to be utilized for the theory with which he wants to infect the public, namely that all men are equal ... it is an act of criminal insanity to train a being who is only an anthropoid [the pretense of a human] by birth until the pretense can be made that he has been turned into a lawyer.' Had Hayek's cousin and second wife been non-white, they would have been committing a crime in many parts of the United States. Miscegenation laws (which remained in force until 1967) required operational categories: in Arkansas, where Hayek obtained his divorce, whites were 'protected' from 'any person who has in his or her veins any negro blood whatsoever' (Lusane 2003, 98). Hitler didn't 'see much future for the Americans ... it's a decayed country. And they have their racial problem, and the problem of social inequalities ... My feelings against Americanism are feelings of hatred and deep repugnance ... Everything about the behaviour of American society reveals that it's half Judaised, and the other half Negrified. How can one expect a State like that to hold together – a country where everything is built on the dollar?' (cited by Shirer 1960, 1069).

At the 1936 Berlin Olympic Games, Hitler declared that ‘Sporting chivalrous contest helps knit the bonds of peace between nations. Therefore may the Olympic flame never expire.’ According to Albert Speer (1970, 73), Hitler saw an opportunity to ‘convey the impression of a peace-minded Germany.’ But Hitler was also ‘highly annoyed by the series of triumphs by the marvelous colored American runner, Jesse Owens. People whose antecedents came from the jungle were primitive, Hitler said with a shrug; their physiques were stronger than those of civilized whites and hence should be excluded from future games.’

According to Dahrendorf (1967, 43), under the Hohenzollerns, Germany ‘developed into an industrial, but not into a capitalist society.’ Upward social mobility found expression in the feudalization of the upper-middle-class: a ‘*Herr-im-Hause* (lord-of-the-household)’ attitude towards their employees (Turner 1985, 4–5, 41). The history of the New World has been shaped by the trauma of one type of quasi-colonization: the slave trade. Hayek was able to lord-it-over the socially deferential in a manner in which his middle class children could not. In *Law, Legislation and Liberty, Volume 2: The Mirage of Social Justice*, Hayek (1976, 189, n25) explained that in 1940, he was offered the opportunity of sending his children to relative safety, which obliged him to consider the ‘relative attractiveness of social orders as different as those of the USA, Argentina and Sweden ...’ For himself, with a developed (aristocratic) personality, ‘formed skills and tastes, a certain reputation and with affiliations with classes of particular inclinations,’ the Old World was optimal; but ‘for the sake of my children who still had to develop their personalities, then, I felt that the very absence in the USA of sharp social distinctions which would favour me in the Old World should make me decide for them in the former. (I should perhaps add that this was based on the tacit assumption that my children would there be based with a white not with a coloured family)’.

Hayek (1992b [1944], 207, 209) described Lord Acton as ‘more free of all *we hate* [emphasis added] in the Germans than many a pure Englishman.’ In his ‘Plan for the Future of Germany,’ Hayek (1992b [1945], 223) insisted:

Neither legal scruple nor a false humanitarianism should prevent the meeting out of full justice to the guilty individuals in Germany. There are

thousands, probably tens of thousands, who fully deserve death; and never in history was it easier to find the guilty men. Rank in the Nazi party is almost certain indication of degree of guilt. All the Allies need to do is decide how many they are prepared to put to death. If they begin at the top of the Nazi hierarchy, it is certain that the number they will be shooting in cold blood will be smaller than the number that deserve it.

Even though Hayek avoided mentioning Austrians, he could not have been speaking truthfully—he would have been advocating the shooting in cold blood of most of his original family. Before his ‘Jewish looking’ brother, Heinrich, could have joined the *Sturmabteilung* (SA, Storm Detachment, Assault Division, or Brownshirts), he would have had to use the ‘Aryan’ family tree (such as the one constructed by his brother) to demonstrate that his family did not have Jewish roots. He was accepted in November 1933 and promoted to the rank of *Scharführer* (non-commissioned officer) in 1943. In March 1938, he joined the Nazi Party (member number 5518677) and served as *Führer* (1934–1935) 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).

The founder of the British Union of Fascists, Sir Oswald Mosley, 6th Baronet, spent most of World War II interned; while Hayek (1978), having promoted the deflation that facilitated Hitler’s rise to power, ‘was in that fortunate position of being already a British subject, so I could not be molested.’⁵¹ According to John Blundell (2001, 147), Heinrich ‘von Hayek V’ was ‘nominally a member of the Nazi Party simply to keep his job.’ During a denazification interview, he was confronted by a copy of April 1945 Reader’s Digest and asked ‘Is this man any relation of yours?’ The Hayek family communicated with each other on postcards bearing the image of the *Führer* (which have been removed from the Hayek Archives and, it appears, sold on the black market). However, Blundell continued:

Heinz was taken by surprise; I think we can assume he had not even heard of *The Road to Serfdom*. Holding the magazine and seeing the words ‘F. A. Hayek’ and ‘University of London’ he exclaims, ‘Yes! That is my brother!’ ‘You are free to go,’ says the officer. ‘And keep the magazine,’ he adds.

As a student at the University of Vienna, Hayek (1978) had a ‘growing interest in physiological psychology. I had easy access. My brother was studying in the anatomy department; so I just gate-crashed into lectures occasionally and even in the dissecting room.’⁵² While Hayek became a dictator-promoting Professor of Economics, Heinrich became a Professor of Anatomy and spent the Third Reich injecting chemicals into freshly-executed victims (and also, presumably, victims of the Nazi Action T-4 eugenics-derived, euthanasia program).

Notes

1. Friedrich Hayek, interviewed by Axel Leijonhufvud date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
2. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
3. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
4. Friedrich Hayek, interviewed by Robert Bork 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
5. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
6. ‘Von Hayek’s contributions in the field of economic theory are both profound and original. His scientific books and articles in the twenties and thirties aroused widespread and lively debate. Particularly, his theory of business cycles and his conception of the effects of monetary and credit policies attracted attention and evoked animated discussion. He tried to penetrate more deeply into the business cycle mechanism than was usual at that time. Perhaps, partly due to this more profound analysis, he was one of the few economists who gave warning of the possibility of a major economic crisis before the great crash came in the autumn of 1929.’ http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1974/press.html
7. Fürth Archives Hoover Institution Box 6.

8. <https://mises.org/blog/democracy-god-thats-failing>
9. Hayek Archives Box 26.9.
10. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
11. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
12. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
13. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
14. Friedrich Hayek, interviewed by Robert Bork 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
15. Friedrich Hayek, interviewed by Robert Bork 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
16. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
17. Friedrich Hayek, interviewed by Armen Alchian 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
18. Letter to Harold Lucknow. Hayek Archives Box 58.16.
19. Friedrich Hayek, interviewed by Armen Alchian 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
20. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
21. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
22. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

23. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
24. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
25. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
26. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
27. <http://www.americanrhetoric.com/speeches/hubertthumphey1948dnc.html>
28. <http://www.presidency.ucsb.edu/ws/?pid=25851>
29. The present writer was in South Africa during this period (Leeson 1994); and heard whites celebrate assassination: 'South Africa is no longer a land of milk and Hani.'
30. <http://www.blackpast.org/1993-nelson-mandela-address-nation>
31. Otto continued: Sarkozy 'points out that a state which subsidizes football clubs and refuses to do any economic favors to religions who want to build churches is absurd.'
32. https://web.archive.org/web/20110722124708/http://www.parc.info/client_files/Special%20Reports/1%20-%20Chistopher%20Commision.pdf
33. <http://www.newrepublic.com/article/politics/98883/ron-paul-incendiary-newsletters-exclusive>
34. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
35. <http://www.lewrockwell.com/orig3/acton-lee.html>
36. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
37. Archived at [LewRockwell.com](https://www.lewrockwell.com/1970/01/murray-n-rothbard/against-womens-lib/) (<https://www.lewrockwell.com/1970/01/murray-n-rothbard/against-womens-lib/>).
38. Friedrich Hayek, interviewed by James Buchanan 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

39. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
40. 'The white medical establishment, it is said, denies black mothers information about nutrition for their babies, whose mental growth is stunted (as if caring for black children is the job of white doctors and public health officials – but let that go).'
41. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
42. Friedrich Hayek, interviewed by Robert Chitester date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
43. <http://mskousen.com/online-press-kit/endorsements-reviews/>. Accessed 6 February 2017.
44. Rothbard hated public health and sought (in effect) to turn obesity into a communicable disease. In the 1960s, Rothbard was a 'little fat man': when eating with Rothbard began to adversely affect Walter Block's (1995, 21, 22) own weight, he was told that 'every calorie says "yea" to life. What could I say?'
45. http://www.philanthropyroundtable.org/almanac/hall_of_fame/william_volker#a
46. Hayek Archives Box 58.19. Hoggan collaborated with Sister McCarran, the extreme right-wing daughter of Senator Pat McCarran, who (like Rothbard) sympathised with Franco's Spain. Sister McCarran Archives Hoover Institution Box 5.
47. http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1979/lewis-bio.html
48. Friedrich Hayek, interviewed by Leo Rosten 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
49. Friedrich Hayek, interviewed by Axel Leijonhufvud date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
50. Hayek Archives Box 34.17.
51. Friedrich Hayek, interviewed by Armen Alchian 11 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

52. Friedrich Hayek, interviewed by Earlene Craver date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

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6

Background to the Eugenics Movement and Influences on Friedrich Hayek

Ruth Clifford Engs

Introduction

The first part of this chapter will describe eugenics, the eugenics movement, and its leaders in the United States, Great Britain, and Germany through the late 1930s when Friedrich Hayek was formulating his theories. The second part will focus on Hayek and how the topic through his culture, family, friends, and colleagues may have influenced him. The research questions for this chapter are (i) did Hayek support eugenics and in particular Nordic superiority and anti-Semitic negative eugenics; and (ii) did his eugenicist colleagues influence him in the development of his theories?

Although several definitions and concepts exist concerning eugenics, it can briefly be summed up by Stanford University President David Starr Jordan (1911, np.) as ‘the science and the art of being well born.’ The eugenics movement was a public health and social reform campaign to aid in this effort so as to improve the health and vitality of the nations, primarily in western cultures, during the early part of the twentieth century.¹

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The author, Ruth Clifford Engs (2014, 313), suggests that ‘eugenics, in the United States, was an aspect of the Clean Living Movement of the Progressive Era (1890–1920) and was entwined with various public health campaigns to “clean up America” including Prohibition and the eradication of tuberculosis.’² Mark Haller (1984 [1963], 5) notes that ‘eugenics at first was closely related to the other reform movements of the progressive era and drew its early support from many of the same persons. It began as a scientific reform in an age of reform.’³

Progressive era physicians and social welfare professionals observed that the ‘degenerate unfit’ (paupers, alcoholics, the feeble-minded, criminals, and the insane) were outbreeding the healthy, industrious, and ‘fit.’⁴ These professionals were convinced that controlling reproduction among the ‘unfit,’ and encouraging the healthy and ‘fit’ to produce more children, would reduce disease and welfare costs. In addition, nativist—Anglo-Nordic superiority—activists supported restricting ‘degenerate’ eastern and southern Europe ‘races’ from immigrating to Anglo-Germanic nations, in order to preserve the middle-class way of life and to prevent the decay of western civilization.⁵ Eugenics was the solution to these problems, and professionals considered it a humanitarian effort (Engs 2005, xv, 43, 162–163).

In *The Metaphysical Club*, the American academic, Louis Menand (2001, 441), argues that the ‘good of society’ was more important than the ‘rights of the individual’ in early twentieth-century thinking compared to contemporary times. The concepts of the ‘rights of society’ versus ‘the rights of the individual’ go in and out of fashion, even in democracies. In the 1960s, the rights of the individual emerged as the prevailing philosophy in the western world. Therefore, when examining the eugenics movement, we need to be careful in judging past social, political, economic, and public health reformers and their beliefs and activities through the lens of the early twenty-first century—with some similar concerns—lest we be judged in the future for some of our current attitudes, beliefs, and policies.

Most current interpretations of the eugenics movement have generally focused upon negative eugenics and neglected other aspects of the movement that evolved into modern statistics, genetics, psychological testing, anthropology, medical genetics, and other sciences. Positive eugenics programs, such as encouraging women to have adequate diets and abstain

from alcohol and tobacco during pregnancy, pre-natal care to increase the probability of having a healthy child, and well-baby clinics to discover health problems for early correction, that are universally part of health care, can be attributed to the eugenics movement but have rarely been discussed in detail. This chapter and possible influences of the eugenics movement on Hayek will again focus on negative eugenics as Hayek's writings do not appear to reflect positive eugenics programs.

The Nature of Eugenics⁶

It had been noticed since antiquity that physical, mental, and moral characteristics ran in families. Therefore, families encouraged, or arranged for, their children to make the 'best marriages' with the fittest, healthiest, and wealthiest individuals for producing the 'best' children. As stated in *Heredity in Relation to Eugenics* (1911, 1) by pivotal American eugenics leader and biologist, Charles Benedict Davenport (1866–1944), 'Man is an organism – an animal; and the laws of improvement of corn and of race horses hold true for him also. Unless people accept this simple truth and let it influence marriage selection human progress will cease.' However, these early geneticists/eugenicists 'oversimplified the problem of human genetics' (Haller 1984 [1963], 3).

The term for encouraging marriage between those from 'good stock' as a method for improving the human race was not coined until 1883. In *Inquiries into Human Faculty and its Development* (1883, 24–25), Francis Galton (1822–1911), a British naturalist, derived 'eugenics' from the Greek *eugenes*, meaning 'good in stock, hereditarily endowed with noble qualities,' after noting that wealth, ability, and intelligence appeared to run in certain families; Galton and his cousin, naturalist Charles Darwin (1809–1882), were from this type of illustrious family. Galton (1869, 1) argued that the theory of evolution implies that 'it would be quite practical to produce a highly gifted race of men by judicious marriages during several consecutive generations.'

In 1904, Galton (1904, 1) revised his definition of eugenics as 'the science which deals with all influences that improve the inborn qualities of the [human] race; also with those that develop them to the utmost advantage.' Near the end of his life, Galton (1909, 81) suggested that eugenics

is ‘the study of *agencies under social control* that may improve or impair the racial qualities of future generations either physically or mentally [emphasis mine].’

Types of Eugenics

British physician and eugenics crusader Caleb W. Saleeby (1878–1940) coined the terms *positive* and *negative* eugenics (1909, 172).⁷ In 1914, Saleeby (1914, 182) also coined the term *dysgenics* which was the opposite of eugenics; the term *cacogenics* was also used particularly in the United States.

Positive Eugenics

In terms of positive eugenics, Davenport (1911, 4) points out that ‘The general program of the eugenicist is clear – it is to improve the race by inducing young people to make a more reasonable selection of marriage mates; to fall in love intelligently.’ Other examples of positive eugenics, which intertwined with most public health crusades of the Progressive era in the United States, included ‘better babies’ and ‘fitter families’ contests at state fairs to ascertain the health of children and families along with well-child exams.⁸

Public policies included immunizations against communicable diseases, Prohibition, clean water and milk, sanitation, pure food and drugs, anti-tuberculosis, and social hygiene (anti-sexually transmitted disease) activities (Engs 2003, 2005, 186; Pickens 1968). American economist and eugenics supporter, Irving Fisher (1867–1947), argued that ‘Health reform brings in its train great and lasting reduction in poverty, criminality, and vice’ (1910, 746).

In Britain, positive eugenics was the primary eugenics philosophy. It focused on the elimination of ‘racial poisons’ such as ‘venereal disease,’ alcohol, and tuberculosis which were thought to lead to race degeneracy.⁹ Saleeby (1914, 20) realized that environmental factors were also important for improving health. Nutrition supplements for mothers and children along with educational programs, sanitation, public health efforts,

and post-natal care to reduce infant mortality were other aspects of positive eugenics.

In Germany, healthy lifestyles and marrying the fit and healthy were championed through the 1920s. The first German eugenicists campaigned to increase the biological fitness, health, and 'efficiency' of the nation through public health and physical culture and to eliminate inherited degeneracy, alcoholism, venereal disease, and the birthrate of the culturally and socially unfit. Running concurrently with the German health movement was the racial hygiene or purity of the German race movement (Weiss 1986, 34–35).

Negative Eugenics

According to Davenport (1911, 4), negative eugenics 'includes *the control by the state* of the propagation of the mentally incompetent. It does not imply destruction of the unfit either before or after birth [emphasis mine]'.¹⁰ These methods included sterilization, mandatory tests for syphilis before obtaining a marriage licenses, and social purity (anti-prostitution) laws. It also included segregation in institutions during the reproductive years of the mentally and physical 'defectives,' 'hereditary criminals,' and prostitutes.

Negative eugenics such as sterilization was primarily embraced by the United States, Germany, the Canadian provinces of Alberta and British Columbia, the Scandinavian, central and southeastern European cultures, and Japan. These measures were considered a humanitarian effort for the common good of society.¹¹

The Underpinnings of Eugenics: Lamarck, Mendel, and Darwin

Eugenics developed out of the intertwining of Darwinism and Lamarckian theory of the inheritance of acquired characteristics. French naturalist Jean-Baptist Lamarck (1744–1829) claimed that characteristics developed from environmental influences were inherited. Darwin proposed

that changes over time in species are the result of natural selection. This theory became an underlying theme of the early eugenics movement (Engs 2005, 37).¹²

Lamarckian Inheritance of Acquired Characteristics

Lamarck's inheritance of acquired characteristics proposal was the accepted theory of inheritance, until the second decade of the twentieth century. It was the foundation of 'degeneracy theory' in which acquired negative characteristics such as alcoholism, pauperism, tuberculosis, and syphilis were thought to be passed to offspring. It was believed that racial poisons could damage the 'germ cells'—ovum and sperm—and this damage could be inherited leading to *race degeneracy*.¹³

Mendelian Inheritance

In 1866, Augustinian Monk Gregor Mendel (1822–1884) discovered the basic laws of genetics and heredity. But these principles were not rediscovered until 1900 and did not become widely accepted until over a decade later when professionals began to ascribe both positive and negative human traits, such as intelligence or criminality, to Mendelian inheritance exclusively, rather than environmental factors (Davenport 1911, 10–21; Chap. 3). The importance of heredity was advocated by popular science writer and eugenics advocate, Albert Wiggam (1871–1957), in *The Fruit of the Family Tree* (1924, 170). He argues that 'The sound personal health of the parents, combined with the sound germ plasm which they may carry, is from four to five times as important in the future health of the children, as pure milk, good doctors, open air, physical culture, and hygiene all put together.' Lamarckian inheritance, however, still remained an undercurrent in some public health and social campaigns to eliminate racial poisons.¹⁴

Darwin and Social Darwinism

Darwin's theory of natural selection led to 'Social Darwinism.' Social Darwinism posits that individuals, groups, and societies are subject to the

same laws of natural selection as found among plants and animals. This process resulted in the ‘survival of the fittest,’ a phrase coined by British intellectual and sociologist, Herbert Spencer (1820–1903) (1864, 444). Social Darwinists believed that the process of natural selection, acting on a human population, would lead to continued improvement of the human race and survival of the best social, economic, and political systems. As a justification for class structure, Social Darwinism in Britain suggested that successful socio-economic classes were composed of those most biologically superior. This ideology was also embraced by German eugenicists.¹⁵

The Eugenics Movement

The Dawn of the Early-Twentieth-Century Movement

The Eugenics movement in the United States, Germany, and Britain arose almost simultaneously around the turn of the twentieth century. In the United States, the focus was on the ‘feebleminded’ and mentally ill, the superiority of northern Europeans, and blocking immigrants from ‘undesirable parts’ of the world (Engs 2014). Britain was concerned about pauperism (inherited poverty) and the genetic difference between the middle class and lower class. Alcoholism and diseases were regarded as a part of this genetically based pauperism. German eugenics strived for breeding of fit Caucasians linked with a medical concern about the inferiority of those with mental illness and disability and epilepsy (Searle 1976; Kühl 2013, 14; Weiss 1987a, 10–13).

The eugenics movement was led by prominent academics and health and social welfare professionals who had deep concerns about the deterioration of their nations. ‘Unlike other health movements of this era, such as prohibition and tuberculosis, the eugenics movement never became a crusade of the masses. Eugenics largely remained a matter of concern with the upper middle class, supported by leaders in biology, psychology, criminology, social work, social biology, liberal religion, and medicine’ (Engs 2003, 115). Jonathan Marks (1993, 651) notes that ‘*to be against eugenics in the 1920s was to be ... against modernity, progress, and science* [emphasis mine]’.

Intelligence or 'IQ'

The question of inherited general intelligence was intertwined with the eugenics movement. Galton, as previously noted, believed that intelligence was inherited and ran in families and reasoned that social class reflected differences in 'innate endowment.' Intelligence tests of World War I recruits in the United States showed eastern and southern European immigrants to have lower IQ scores, compared to northern Europeans. Results of these studies alleged that immigrants from these countries were harmful to the strength and vitality of the American people as it was believed to be largely inherited.¹⁶ Davenport (1929, 89) based on his studies concluded, 'there are differences in the sensory and intellectual fields between different races of mankind.'

Intelligence or 'IQ' (intelligence quotient) was coined in 1912 by German psychologist W.L. Stern (1871–1938). It became a major factor in eugenic sterilization programs and was an important justification for both positive and negative eugenic agendas. It supported eugenic sterilization of the 'feebleminded' and immigration restriction laws in the United States. However, over the course of the twentieth and into the twenty-first century, the nature of intelligence, whether it can be measured, whether it is inherited, caused by environmental factors, or a combination of these, has been, and is, contentiously debated.¹⁷

Hierarchy of the Races and the Evolution of Nativism/ Nordicism Thought

Besides fear of degenerates outbreeding the middle class, some professionals were also concerned by a decline in the birth rate among the 'superior' Anglo-Saxon/Nordic racial stock and the increase in the birth rate of 'inferior racial stocks,' such as eastern European Jews and southern European Roman Catholics (Haller 1984 [1963], 78–82). Kühl (2013, 101) notes that the Vienna population scientist Wilhelm Winkler confirmed that 'in Austria, the "one-child marriage" had become the most common type of marriage, and in Vienna, it was even the "no-child marriage"'. This fecundity of 'degenerates' leading to the decline in western

civilization was termed *race suicide* in the early twentieth century. The term was coined by sociologist Edward A. Ross (1866–1951) in 1901, and American President Theodore Roosevelt (1858–1919) popularized it. The differential birth rate became a theme of the nativist and Nordicism branch of the eugenics movement in the United States, Britain, and Germany.

Hierarchy of Races and Northern European Superiority

Superiority of northern Europeans has its etiology in French Count Arthur de Gobineau's (1816–1882) *Essai sur l'inégalité des races humaines* (1853–1855)—*Moral and Intellectual Diversity of Races* (1926 [1856]).¹⁸ He divided the human population into three races and proclaimed that Europeans, and in particular northern Europeans, 'Aryans,' or Nordics, were at the top of the ladder in terms of intelligence, health, and being civilized. This group was followed by Asians, and on the bottom Africans, who de Gobineau considered unintelligent, unhealthy, and uncivilized. He claimed interbreeding of these races had led to the 'downfall of civilizations' in the past. Gobineau (1926 [1856], 149–151) further argued that 'A nation is degenerate, when the blood of its founders no longer flows in its veins, but has been gradually deteriorated by successive foreign mixtures; so that the nation, while retaining its original name, is no longer composed of the same elements [or race].'

At the beginning of the twentieth century, fear of higher birth rates among the so-called inferior races—non-northern Europeans—led to the great majority of educated white Europeans and North Americans, along with race hygienists, to accept 'the racial and cultural superiority of the Caucasians as a matter of course' (Weiss 1987b, 194). German anthropologist Hans Günther (1891–1968) notes that the 'Nordic ideal is primarily among the middle class' (1926, 261). Furthermore, *the hierarchy of the races was considered an accepted scientific belief*. Sociologist Elazar Barkan (1992, 2–3) notes that 'the inferiority of certain races was no more to be contested than the law of gravity to be regarded as immoral.' By today's standards these beliefs would be considered racist.¹⁹

Anti-Semitism and Jewish Eugenicists

Anti-Semitism was rife within the nativist/Nordic superiority aspect of the eugenics movement. This was found primarily in Austria/Germany but also in Britain and the United States. Intolerance between Jews and other religious groups in biblical times, along with Christians blaming Jews for Christ's death, has led to the sporadic persecution of Jewish people over the past 2000 years. Being Jewish is based on religious, cultural, and social elements (Huxley and Haddon 1936, 15). Modern anti-Semitism originated in de Gobineau's hierarchy of races, along with rising 'Nordic supremacy' ideology in Europe in the late 1800s. By this time, Jews were becoming successful in business, science, medicine, politics, and other areas. Because of their success and because they often did not mix socially with non-Jews, they were frequently seen by envious Gentiles as being power and money hungry, manipulative, and conspiring to control world finances, the press, academia, and the arts. This attitude was found in the United States, Britain, Russia, and in particular Germany and became known as 'the Jewish question' (Crowe 2008; Engs 2005, 124; Glad 2011, 6).

Jews, however, were active in the early-twentieth-century eugenics movement on both sides of the Atlantic. In Germany, Jews belonged to the German Society for Race Hygiene until the Nazis took power in 1933. In the United States, liberal Jews supported birth control, eugenics, social hygiene, and other health-reform efforts of the Progressive era. John Glad (2011, 9) argues that 'given the massive assault on the eugenics movement as a supposedly "anti-Semitic" ideology of genocide ... historical veracity requires that the distorted image produced over the last four decades be rectified.' Glad documents the many Jews including physicians, Reform rabbis, and other professionals who took leadership roles and supported the movement in the United States and abroad.

The Eugenics Movement in the United States

The American eugenics movement evolved out of the formation of the American Breeders Association (ABA) in 1906. Genetics and eugenics was the same field until they separated into two disciplines in 1910. The

ABA published *The American Breeders Magazine: A Journal Genetics and Eugenics* (1906–1914). It became *The Journal of Heredity* in 1914. In 1914, the ABA became the American Genetic Association. The historiography of the eugenics movement suggests it can be divided into three major phases.²⁰ David Haller (1984 [1963], 6–7) points out that before 1905, social welfare professionals were concerned about restricting propagation among the unfit and undesirable based on Lamarckian hereditarian concerns. From 1905–1930 the organized movement was at its peak, and a nativist element was influential. Eugenic sterilization, permanent custodial care, and immigrant restrictions laws were passed. Positive eugenics such as ‘fitter family’ events were held. The movement declined after 1930. Pickens (1968, 5) suggested ‘the Great Depression of 1929 and the rise of genetics marked the decline of eugenics as an organized movement.’

The Eugenics Record Office (ERO), with its director Charles Davenport, was the most influential eugenics organization in the nation. The ERO, at the biological research station in Cold Spring Harbor, New York, was established in 1910 as ‘a repository and clearing house for eugenic records of families.’ This office helped facilitate and coordinate all aspects of the movement in the United States. Davenport’s superintendent, or assistant director, Harry Laughlin (1880–1943), was a central figure in the nativist faction of the movement. He championed immigration restriction and sterilization laws. The organization published *Eugenical News* (1916–1953)—now called *Social Biology*—to report activities of the ERO.

Based upon British statistician and eugenicist Karl Pearson (1857–1936), Davenport introduced statistics into biology and collected data for ‘family history’ or ‘pedigree studies.’

These studies became the basis for his *Heredity in Relation to Eugenics* (1911), a widely quoted work that accelerated the early eugenics movement in the United States.²¹ The subjects of the pedigree studies were poor white native-born families—generally Anglo-American—who were thought to have ‘degenerate’ characteristics. ‘Although family pedigree studies were considered scientific for their day, by the mid-twentieth century they were deemed faulty inasmuch as observations of traits were often subjective and many human characteristics could not be explained

by simple Mendelian inheritance' (Engs 2005, 69). Moreover, Thomas Leonard (2003, 691) suggests that family history studies of Anglo-Saxon clans 'gives weight to environmental as well as hereditary causes of degeneracy.'

Several organizations and international conferences were organized to promote eugenics. In 1912, Leonard Darwin (1850–1943), son of Charles Darwin, organized the First International Congress of Eugenics in London with international attendance. Many American eugenics leaders helped plan the conference or were in attendance.²² The Second International Conference on Eugenics was held in New York (1921). Out of this conference the American Eugenics Society (AES) was founded in 1926. The AES was renamed the Society for the Study of Social Biology in 1972.²³ Its purpose was to promote eugenics on the popular level and to improve the human race through education and legislation. It also published the journal *Eugenics* (1928–1931).

Physician John H. Kellogg (1852–1943) founded the Race Betterment Foundation in Battle Creek, Michigan, at his sanitarium (1906–1955). The organization sponsored three conferences between 1914 and 1928. In 1928, it established a Eugenics Registry for family biological records. The Galton Society (1918–1939) was an elitist and nativist group to study racial anthropology. It had links with the Eugenics Education Society in London. 'In the late 1920s it began to avidly support Nazi German views through its official journal *Eugenical News*. These sentiments raised concern among some geneticists and eugenicist, causing many of them to dissociate themselves from the organization in the mid-1930s' (Engs 2005, 85; Haller 1984 [1963]).

A number of books on eugenics arose in the decade prior to and after World War I by prominent academics and others who helped foster the eugenics movement among the educated public. In the pre-war period, Stanford University President, David Star Jordan (1851–1931), wrote the anti-war and pro-eugenic booklet *Blood of the Nation* (1902, 12). In this work, he proposes that 'a race of men or a herd of cattle are governed by the same laws of selection' and suggests that when the fit, brave, and strong are sent to battle to die, the weak and 'unfit' remain home and reproduce. It is the descendants of these individuals who, in turn, make

up the future character of the nation. Physician Michael Guyer penned *Being Well-born: An Introduction to Eugenics* (1916) which focused on positive eugenics.

In the post-World War I period, Paul Popenoe (1888–1979), editor of the genetic/eugenic research periodical *The Journal of Heredity*, and Roswell Johnson (1877–1967), a biology and geology professor at the University of Pittsburgh, in *Applied Eugenics*, discussed ‘practical means by which society may encourage the reproduction of the superior and discourage that of inferiors’ (Popenoe and Johnson 1922, v). William J. Robinson, MD (1867–1936), in *Eugenics, Marriage and Birth Control* (1922, 111–112) proclaimed that ‘society cannot prevent the birth of all the unfit and degenerates, but it certainly has the right to prevent the birth of as many as it can.’

Negative eugenics reached its peak activity and influence in the mid-1920s. Sterilization of the ‘unfit’ had been instituted in many states. Indiana was the first state to enact sterilization legislation in 1907; two years later, Washington and California followed. Harry Laughlin’s *Eugenical Sterilization in the United States* (1922) chronicled the history of the legal sterilization movement in the United States along with a Model Law. In 1927, Supreme Court case *Buck v. Bell* legitimized the forced sterilization of a patient in a Virginia home for the mentally retarded. This set precedence for other states.²⁴ E.S. Gosney and Paul Popenoe’s (1929) *Sterilization for Human Betterment: A Summary of Results of 6,000 Operations in California, 1909–1929* lauded sterilizations in California which had the highest rate compared to any state. Leon Whitney (1894–1973), Executive Secretary of the American Eugenics Society, during its most active years (1924–1934), wrote *The Case for Sterilization* (1934). He notes that ‘Sterilization ... has immediate and vital bearing on human life: on our personal happiness, on the welfare of our families, on the individual and community pocket-book, on the quality of our race in the long run’ (Whitney 1934, 9). He also lauded Nazi Germany’s eugenics sterilization program in several publications and was removed from his position due to some scientific members of the society being embarrassed by these work. These publications influenced the state-mandated sterilizations in Germany under National Socialism.²⁵

The Nativist Aspect of the Eugenics Movement in the United States

As discussed, it was believed that the mixing of different races leads to the decay of civilization. Therefore, many feared that ‘racially inferior’ immigrants intermarrying with ‘racially fit’ ‘old-stock’ Americans would lead to race degeneracy. This fear was an underpinning of nativism—a ‘pro-American conviction’ that the United States should be preserved primarily for white Anglo-Saxon Protestants.²⁶

Sub-groups of European ‘races’ were classified from desirable to undesirable by nativist, eugenicist, immigration restriction, and conservation promoter Madison Grant (1865–1937). He defines northern European ‘Nordics’ or ‘Aryans’ on the top, eastern European ‘Alpines’ in the middle, and southern European ‘Mediterraneans’ on the bottom in terms of racial worth.²⁷ Grant (1916, 228) in *Passing of the Great Race* feared that ‘if the Melting Pot is allowed to boil without control, and we continue to follow our national motto and deliberately blind ourselves to all “distinctions of race, creed, or color,” the type of native American of Colonial descent will become ... extinct.’

This nativist aspect of the eugenics movement in the United States led to immigration restriction laws to prevent ‘degenerative’ Asians and eastern and southern European Jewish and Roman Catholic immigrants from entering the United States and ‘degrading’ the health, heredity, intelligence, and traditional values of the Anglo-American culture. Eminent anthropologist and Director of the American Museum of Natural History, in New York City, Henry F. Osborn, (1857–1935), at the height of the movement, sums this up when he states ‘for America eugenics rests both on birth selection and upon immigrant selection’ (1924, 51).

Anti-Semitism and Anti-Popery

In the United States, the Jewish population greatly expanded during the Progressive era (1890–1920). In 1880, Jews numbered about a quarter of a million in the nation. Most were of Germanic ancestry, were well-

established, and relatively prosperous. The majority practiced Reform Judaism, the more liberal branch of the religion, and had more or less assimilated into American culture. Between 1880 and 1914, approximately 2.5 million impoverished Russian, Polish, and other eastern European Jews migrated to the United States. They tended to be of the Orthodox, or more conservative branch, of the religion. The majority of these immigrants flooded into the already overcrowded tenements of New York City. They did not readily assimilate and kept to themselves. In 1892, Jewish immigrants were blamed for bringing typhus and a cholera epidemic to New York City. Some of these immigrants were radical Bolsheviks (Communists). Fear of disease and possible Communist takeover of traditional American Protestant values helped spawn a nativist and immigration restriction movements.²⁸

In the late 1880s, numerous uneducated poor Catholics from southern and eastern Europe also crowded into eastern cities. This led to fear of a Papal takeover of the nation. A flood of Chinese laborers, who did not readily assimilate, swarmed into the west coast. These tides of immigrants led to anti-immigration laws. The first law was the Chinese Exclusion Act of 1892. A public health law, the National Quarantine Act of 1893, attempted to prevent impoverished and often sick and diseased southern and eastern European immigrants from entering the country. In 1894, the Immigration Restriction League was founded to advocate for stricter regulations of 'undesirable' immigrants.²⁹

The anti-immigration nativist crusade became interwoven with eugenics and reached its zenith immediately before and after World War I. Madison Grant and political analyst Lothard Stoddard (1883–1950) were two of the major leaders of the nativist eugenic faction. Their publications helped foster racial fears, fanned immigrant restriction, and influenced the passage of the 1924 Immigration Act. Grant's popular publication, *The Passing of the Great Race* (1916), claims that the Nordic race was racially superior to other groups through its achievements in science, religion, economics, and governments throughout western history. Stoddard's *The Rising Tide of Color against White World-Supremacy* (1920) and *Revolt against Civilization: The Menace of the Under Man* (1922) suggest that the white race was disappearing and would be mongrelized. Noted Yale economics professor, eugenics, and nativism supporter Irving

Fisher (1921, 226) argued that ‘the core of the problem of immigration is one of race and eugenics.’

Based upon investigations of the federal Dillingham Commission in 1907—with Laughlin providing evidence—a sweeping legislation was passed in 1910 that excluded the ‘feeble minded,’ insane, and those with physical and moral defects. However, eugenicists, along with the Immigration Restriction League, campaigned for more comprehensive laws. In 1920, the House Committee on Immigration and Naturalization published *Biological Aspects of Immigration* which again largely consisted of Harry Laughlin’s ‘expert testimony’ to the committee. This led to a temporary National Origins Act in 1921. Nativism linked with eugenics peaked with the Johnson-Reed Immigration Act of 1924. The bill mandated a quota of foreign born to 2 % of the ethnic groups who resided in the country in 1890, which were mostly northern Europeans, and guaranteed that the proportion of new immigrants from southern and eastern Europe would be small. This national origins exclusion mandate was not revised until the 1965 Hart-Celler Act.³⁰

The Eugenics Movement in Britain

The most influential years of the British movement were between 1901 and 1914. During this period, numerous books, pamphlets, and articles were published by British writers to educate the middle class about eugenic concepts. The movement in Britain is divided into two phases, pre-World War I (1901–1914) and the inter-war era (1920–1935). Similar to other western cultures, the early-twentieth-century British eugenics movement was fostered by the educated middle class and considered a vital social program to prevent race degeneracy and the decay of western civilization. Unlike the United States, Germany, and other nations, few eugenics laws were passed and eugenics did not become institutionalized. The only major eugenics legislation passed was the Deficiency Act of 1913, which allowed for the segregation of mentally disabled and ill individuals in state-run institutions. The British movement focused on positive eugenics and encouraged the fit to reproduce.³¹

In Britain, by 1901, two schools of thought concerning heredity and evolutionary change had evolved which greatly influenced the British eugenics movement. The proponents of one school, led by British biologist William Bateson (1861–1926), embraced the theory of Mendelian inheritance and viewed statistics as unimportant. This group established the Eugenics Education Society (1907) with the goal of promoting eugenics and lobbying for the implementation of eugenics laws. The society founded *Eugenics Review* in 1909 to publish articles promoting its cause. Leonard Darwin (1916, 173) was the driving force of the group. He proclaimed, ‘The aim of the eugenicist is to increase the rate of multiplication of the more fit, and to decrease that of the less fit.’ Prominent British peerage, social reformers, clergy, academics, and scientists belong to the society.³² The Eugenics Education Society was renamed the Eugenics Society (ES) in 1926 and the Galton Institute in 1989. It published *Eugenics Review* (1909–1968).

Leaders of this intellectual tradition and prominent members of the ES included two directors of the London School of Economics (LSE). These were William Beveridge (1879–1963) and Alexander Carr-Saunders (1886–1966)—formerly at Oxford—and a close friend of Friedrich Hayek. Other prominent eugenics leaders included Oxford’s evolutionary biologist Julian S. Huxley (1887–1975) and Cambridge economist John Maynard Keynes (1883–1946).³³ Popular eugenics writer, physician, and health crusader, Caleb Saleeby (1878–1940), wrote for *Eugenics Review* and popularized eugenics through his numerous writings before and after World War I that were available on both sides of the Atlantic. Cambridge political economist Arthur C. Pigou (1877–1959)—although not a member—gave the prestigious 1923 Galton lecture for the ES.³⁴ As leaders of the eugenics movement and/or members of the society, they wrote articles for *Eugenics Review*, books on eugenics, and population in the pre-and post-World War I era.

Carr-Saunders was intensely involved in the eugenics movement. He published articles and a popular, rather than an academic volume, *Eugenics* (1926). In the acknowledgment, he thanks eugenicists and statistician Ronald A. Fisher (1890–1962) and Julian Huxley (1887–1975) who read the proofs. Carr-Saunders was also a delegate at the Berlin World Population Congress in 1935 (Kühl 2013, 99–101).

A review of annual lists of officers, fellows, and members of the ES in *Eugenics Review* from 1930 until 1950 did not find Hayek listed as either a fellow or member of this society nor did he give any lectures or write articles for *Eugenics Review* at any point. In addition, he was not involved with any Germanic racial hygiene organizations or conferences.³⁵

In 1905, Galton established the eugenics laboratory at University College London with statistician Karl Pearson (1857–1936) as the first Galton Professor. This laboratory was the center for the second school of thought concerning evolution, heredity, and eugenics. It proposed that biometry (application of statistics to biological phenomena) and Darwinian natural selection could explain the laws of heredity. University College London statistician R.A. Fisher—a vice president of the Eugenics Society (1930–1937)—was a link between the two intellectual traditions. Although he was an active member in the ES, Fisher was closely associated with Pearson and the laboratory. The lab published *Annals of Eugenics* (1925–1954) with numerous research reports. In 1926, the journal was renamed *Annals of Human Genetics*. Fisher frequently published articles in this journal.

The two organizations, each supporting one of these philosophies, became the leading institutions of the British eugenics movement. The differences in opinion concerning the mechanism of inheritance resulted in a bitter dispute between the two groups. In 1930, R.A. Fisher, using statistics to combine Mendelian genetics and natural selection, demonstrated that Mendel's work provided a foundation for Darwinism and natural selection. Thus, the two intellectual traditions were united. This 'Darwinian synthesis' of evolution or the 'modern evolutionary synthesis' refuted Lamarckian inheritance, regarding acquired characteristics.

Some British intellectuals began to satirize eugenics. These included G.K. Chesterton (1874–1936) who wrote *Eugenics and Other Evils* (1922) and Aldous Huxley (1894–1963), brother of Julian, who penned the classic *Brave New World* (1931). By the mid-1930s, a few eugenicists, including R.A. Fisher, ceased to publicly advocate eugenic programs. Several reports of the genetics of 'feble-mindedness' suggested that these problems were caused both by heredity and environment (nature-nurture) and not heredity alone.

Britain and Nordicism

The British were focused on eliminating racial poisons and encouraging the fit to marry. They were less likely to support racialist ideologies. Some British eugenicists, including Pearson, did express anti-Semitic rhetoric. Pearson remarks in a ‘research paper’ that Jews are a ‘parasitic race’ (Pearson and Moul 1925, 8). In Britain, negative eugenics laws, such as sterilization, were not passed because most British considered this an abridgement of civil rights. Some socialist eugenicists, including Cambridge evolutionary biologist J.B.S. Haldane (1892–1964), condemned Nordicism and wanted eugenics to be free of class structure (Kühl 2013, 116).

The Racial Hygiene Movement in Germany

Empire and Republic

The German eugenics movement can be divided into the Empire (1890–1918), Republic (1918–1933), and Nazi German (1933–1946) eras. ‘The theme of improving the biological efficiency of the nation was the major thread found throughout the German eugenics movement’ (Engs 2005, 113).³⁶ German eugenics was also called race hygiene (*Rassenhygiene*).³⁷ In the German language, race hygiene had two meanings: ‘Hereditary fitness’ and a ‘large group of people’ who by their common descent possessed common hereditary traits which separated them from other groups, or races (Weiss 1987a, 102). Out of this meaning, two branches of eugenics arose in Germany—non-racialist eugenicists who strove for improvement of the health and efficiency of the nation and Nordic superiority eugenicists who strove for health and efficiency of the Nordic or Aryan race.

Wilhelm Schallmayer (1857–1917) established the theoretical base for eugenics in Germany. He helped launch the German eugenics movement in 1903 with *Vererbung und Auslese im Lebenslauf der Völker* (*Heredity and Selection in the Life History of Nations*) which became the classic work

through the 1920s (Weiss 1987a, 3–4). This work went through two revised editions—1910 and 1918 (Weiss 1986, 34). Schallmayer considered social class differences important and promoted reproduction (positive eugenics) among the socially productive middle class and was ‘dedicated to improving the hereditary fitness of all populations, be they composed primarily of one anthropological race or many...[as all] were equally susceptible to degeneration and equally open to biological improvement’ (Weiss 1987a, 102).

In 1895, physician, biologist, and Nordic superiority advocate, Alfred Ploetz (1860–1940), the pivotal leader of the eugenics moment in the pre-World War I years, coined the term *Rassenhygiene*. In his early years, he did not express anti-Semitic feelings (Weiss 1987b, 201–203).

Ploetz along with psychiatrist Ernst Rüdin (1874–1952) and others in 1904 founded the *Archiv für Rassen- und Gesellschafts-Biologie* (*Archive for Racial and Social Biology*), the first academic journal devoted to eugenics and the following year the world’s first eugenics organization, the *Deutsche Gesellschaft für Rassenhygiene* [the German Society for Race Hygiene (1905–ca.1945)]. It became the major voice for the German eugenics movement. The only criterion for membership was to be Caucasian and ethnically, intellectually, physically, and economically ‘fit.’ Its mission was to increase the health and efficiency of the German people, to educate the middle class concerning eugenic ideals, and to act as a model for positive eugenics (Weiss 1987b, 206–208).³⁸

Schallmayer, around 1907, after becoming familiar with Galton’s work on eugenics, used the Germanized *Eugenik* in his writings rather than race hygiene on the grounds that he did not like its ‘Nordic purity’ connotations. However, Schallmayer failed to persuade most of his colleagues to abandon *Rassenhygiene* as they liked the double meaning. Schallmayer also criticized Count Arthur de Gobineau’s theory of the ‘hierarchy of the races’ as unscientific (Weiss 1987a, 103, 100, 119–124).

The society as a whole became defunct by the end of World War I but was revived in 1922, and an emphasis was placed on public health and welfare. In 1927, the Kaiser Wilhelm Institute for Anthropology, Human Heredity and Eugenics was founded and became the single most important institution for race hygiene in Germany (Weingart 1989, 260).

In the Weimar Republic of the 1920s, increased conflict arose between the social welfare-oriented Berlin chapter of the Racial Hygiene Society and the racist Munich chapter, now led by Lenz, which leaned toward Nordic supremacist ideology (Weiss 1987b, 218). Austrian bacteriologist Max von Gruber (1853–1927), Ploetz, and Rüdin were sympathetic to this point of view. Respected eugenic leaders including Hermann Muckermann (1877–1962), a former Jesuit active in the Berlin society and head of the Eugenics Department of the Kaiser Wilhelm Institute; Arthur Ostermann (1864–1941?), senior health official of the Prussian Ministry of Welfare; and most society members at the Berlin group were opposed to Nordicism. They supported improving the efficiency and health of the entire population and not just the Nordic race. Although by 1930 many eugenicists desired mandatory sterilization for the ‘unfit,’ this position was seen as politically inopportune in the pre-Nazi era (Weiss 1987a, 152).

The Nordic Superiority Branch of the Eugenics Movement

Paralleling the eugenics movement was a Nordic movement that bore similarities to the nativist aspects of the eugenics movement in the United States. In 1899, natural scientist and philosopher Houston Stewart Chamberlain (1855–1927), a British national who became a German citizen, wrote *The Foundations of the Nineteenth Century* (*Die Grundlagen des neunzehnten Jahrhunderts*) an anti-Semitic and Nordic superiority work. In this popular publication, Chamberlain categorized all Europeans as the ‘Aryan race,’ which sprung from the ancient Proto-Indo-European culture. The leaders of the Aryan race were the Nordic or Teutonic peoples.

Around 1911, some leaders of the Munich branch of the Racial Hygiene Society, including Ploetz and his wife, founded a secret ‘Nordic ring,’ within the society, whose aim was the improvement of the Nordic race. One member was Ploetz’s protégée, geneticist and future Nazi eugenics leader, Fritz Lenz (1887–1976). This group continued to be active during the war years and in 1918–1919 transformed into a Nordic improvement group called the *Widar Bund* (Weiss 1987b, 218–219).

Immediately following World War I, several books were published with themes of Nordic racial superiority. De Gobineau's work was translated into German as *Gobineaus Rassenlehre* (1920). British anthropologist V. Gordon Childe (1892–1957) traced the history of the 'Aryan' (Indo Europeans) and 'Nordic race'—those who spoke Germanic languages—through the Indo-European language. He implies preeminence of the Germanic languages and Nordics over other ethnic groups as 'the Nordics' superiority in physique fitted them to be the vehicles of a superior language (1926, 212).

German anthropologist and later Nazi academic, Hans Günther, helped popularize Nordic superiority ideology. Günther (1926, 254, 256) remarks in *The Racial Elements of European History* (*Rassenkunde Europas*) that de Gobineau 'was the first to point out in his work the importance of the Nordic race for the life of the peoples.' He promoted Nordic superiority eugenics to save the Nordic race which he also claimed is found 'among the peoples of Germanic speech in Europe and North America.'

Anti-Semitism

Weindling (2007, 264) notes, 'While it is clear that German racial hygienists, notably Alfred Plotz (1850–1949) and Fritz Lenz (1887–1976), were Nordic racial idealists, both were cautious in articulating anti-Semitic sentiments until the patriotic fervor of the First World War brought about an intensification of ideas associated with *lebensraum* and German racial health.'³⁹ Actions against Jews arrived under National Socialism.

Eugenics Under National Socialism

Under the Nazi regime, the eugenics movement focused on Nordic superiority eugenics and national efficiency (Weiss, 1987b, 227). Moderate eugenicists such as Muckermann and Ostermann were forced into retirement or ousted from their positions in government service—as were Jewish eugenicists. In addition, they were also forced out of the Eugenics

Society which now was under the control of the Nazi Government. Aristotle Kallis (2007, 389) argues that ‘there is no more pertinent evidence of the totalitarian nature of the National Socialist regime in Germany than its uncompromising ambition to exercise full authority over every aspect of individual and collective life.’

Beginning in 1933, Hitler charged the medical profession to implement a national program of race hygiene. Several measures were passed to improve national health. From 1934 until the beginning of the war, to prevent undesired births, roughly 360,000 mentally retarded or ill were sterilized against their will (Weiss 1987a, 154–156). Precedence for this was based upon Laughlin’s (1922) ‘model sterilization law.’ Kühl (2013, 125) notes that there were ‘many unintended deaths from the operations.’ Similar to laws in the United States, the Nuremberg 1935 ‘Law for the protection of the Genetic Health of the German People’ required couples to undergo a medical examination prior to marriage and forbade marriage between people suffering from venereal disease and certain genetic disorders.

Anti-Semitism became rampant. The ‘Law for the Protection of German Blood and German Honor’ prohibited marriage and sexual relations between ‘Aryans’ and Jews, as well as the eugenically unfit (Kühl 2013, 112). Marriage loans and child allowances were given to ‘valuable couples’ and stringent antiabortion laws were in place to save ‘valuable births.’ Genetic worth certificates were created by a central system of state health offices. A flood of pamphlets and books devoted to increasing the birth rate of the fit classes and reducing the number of the non-productive were published (Weiss 1987a, 156–157). Eugenically fit German SS (*Schutzstaffe*) and Wehrmacht officers, and married and single women who had passed ‘racial purity exams,’ were encouraged to produce children. Racially fit teenage girls were encouraged to bear a child for Hitler. Pregnant women in this *lebensborn* program were cared for in privacy.⁴⁰

From the standpoint of ‘national efficiency,’ under National Socialism, around 100,000 mentally ill and retarded patients were euthanized between 1939 and 1941 to save food supplies for the troops. They reasoned that if the fit were being killed in the war, the weak should also sacrifice for the sake of the Reich and the common good. In addition,

they had ‘lives not worthy of living’ (Weiss 1987a, 157; Kühl 2013, 125–126). This twisted logic led to slave labor and death camps under the central control of the state.

The End of the Eugenics Movement

Kühl (2013, 55) argues that in the late 1920s, ‘the consensus among European and north American scientists regarding the superiority of the white race was increasingly falling apart.’ In the midst of the world-wide depression of the 1930s, the negative eugenics movement ebbed in most countries for several reasons. Genetic research suggested that environment was important in molding human characteristics, such as social achievement, intelligence, and health, and not just heredity. In the United States, which focused upon negative eugenics, many eugenic measures such as eugenic sterilization, immigration restriction, and marriage licenses had already been legislated resulting to less interest in the crusade. In Britain, negative eugenics procedures, such as sterilization, were not passed.

Scientists critical of the use of race to justify oppression and discrimination published a number of important works. American cultural anthropologist Franz Boas (1858–1942) suggested there was little difference between the races and most differences were due to culture and environmental factors. In *We Europeans* (1936), Julian Huxley and anthropologist Alfred C. Haddon (1855–1940), with a commentary by Carr-Saunders, distanced themselves from negative eugenics and racialism. Although in the 1920s these eugenic enthusiasts supported racist and anti-Semitic thought, this work argues against the theory and, in particular, National Socialist race policy. Huxley and Haddon (1936, 236, 214, 220–221) maintained ‘racialism is a myth, and a dangerous myth at that ... and it is not scientifically grounded.’ They argued that we are all of mixed ancestry, there is ‘no pure race,’ and suggested that the term *ethnic groups* should replace race. They now considered studies of race a pseudoscience. Moreover, they exclaimed that ‘There is not and cannot be such a thing as an Aryan race, since the term Aryan refers to language.’

After World War II, the twisted concept of eugenics became associated with the Holocaust and the term ‘eugenics’ became an opprobrium. Even scholars would not touch the subject until the 1960s. ‘Eugenic ideals,

supporters, and organizations, particularly in the United States, were discredited, rejected, and ultimately demonized' (Engs 2005, xv).⁴¹ Eugenists and eugenic organizations tried to separate themselves from the legacy of the Holocaust and the ideology of Nordic superiority. They eliminated references to 'ethnic racism from the official agenda of eugenics societies' (Kühl 1994, 105). Journals that had their origins in the eugenics movement distanced themselves from the philosophy. For example, *Eugenics Quarterly* became *Social Biology* in 1969; *Annals of Eugenics* was renamed *Annals of Human Genetics* in 1954. Kühl (1994, 105) notes that 'attempts to separate eugenics from the Nazi program of race improvements were only partially successful.' Eugenics became population science, human genetics, anthropology, social biology.

By the turn of the twenty-first century, many interpretations of eugenics and the early-twentieth-century movement had been offered. A few suggested it was primarily a racist campaign based upon 'pseudosciences,' while others argued it was a humanitarian effort and part of the public health, hygiene, physical fitness, and social welfare reform crusades of the era. The world-wide movement varied and embraced all these points of views depending upon the country.

However, numerous authors suggest that eugenics is still found, but it is the individual, not the state, who is selecting eugenic measures; it is consumer driven. Eugenics is now termed 'genetic engineering,' in vitro fertilization, designer babies, and family balancing and implied under the guise of genomic research. The eugenics movement permeated middle class and professional society in the early twentieth century so undoubtedly Friedrich Hayek encountered it in its many forms.

Influences on Friedrich Hayek

Family Background and Early Career

Family and Education

Friedrich or Fredrick (1899–1992) Hayek was born in Vienna as the eldest son of an ennobled family. The von Hayek family was 'proud of their gentility and ancestry' (Ebenstein 2001, 11; Hayek 1994a, 39).

Both sides of his family were prominent in Viennese society. As such, they most probably embraced anti-Semitism and Nordic superiority as a matter of course. His background in German and Viennese intellectual thought was different from the philosophical and literary heritage of the Anglo-American world and shaped his thinking. His father was a respected physician and botanist and both his grandfathers were scholars—one a zoologist. As a young boy, Hayek helped his father with botanical classifications, and Darwinian evolution was a dominating feature in Hayek's early life (Ebenstein 2001, 8; 2003, xii). Ebenstein (2003, xii) remarks that 'Hayek ended his career with an evolutionary account of the growth of civilization' influenced by this early interest in Darwinism. Hayek (1994a, 42–43) explains that his interests as a youth 'gradually shifted from botany to paleontology and the theory of evolution.'⁴²

Among his siblings, one brother (Heinrich or Heinz) became an anatomist and the other (Erik) a chemist (Hayek 1994a, 39). After World War I, the Hapsburg Empire collapsed and the nobility, including his family, lost its titles. Some family members in the 1920s and 1930s supported National Socialism. His younger brother, Erik, was part of the populist *völkisch* movement with 'back to nature' and Nordic superiority beliefs (Leeson 2015b, 22–23) and his mother reportedly admired Hitler (Cubitt 2006, 51).⁴³

In the 1930s, Heinrich, the anatomist, used 'fixed in fresh condition' material from newly executed and euthanized individuals for his anatomical research. He was also a member of the Nazi party (Hildebrandt 2013, 288–289). However, being a party member may have been necessary to keep his academic position. It is not known if Heinrich knew the circumstances of the fresh corpses used for his and other's research or if the anatomist might have even 'ordered' certain types of corpses for specific research projects (Hildebrandt 2013, 288–293; Cubitt 2006, 51).

After Hayek had served in World War I, he attended the University of Vienna, earned a law degree in 1921, and took economic courses. In 1923, Hayek (1994a, 62–63) received a doctorate in political science. Faculty associated with the Austrian School of Economics exerted a substantial influence on him. Hayek was introduced to the respected econo-

mist Ludwig von Mises (1881–1973) who had written an anti-socialist work. Although Hayek considered himself a Fabian socialist, and initially did not like von Mises, under von Mises influence he turned against socialism. Hayek's early academic work was on the influences of money and capital on economic activity (Ebenstein 2003, xii–xiii). Von Mises found Hayek a civil service job and in 1927 established an institute devoted to business cycle research with Hayek as director (Kresge 1994, 6–7, 9). Hayek spent 1923–1924 studying and working in New York City, where he became skeptical of governmental actions and institutions.⁴⁴ Vienna was his home until 1931.

Shift in Career and Geography

In 1931, Hayek was invited to join the LSE by Director William Beveridge (as previously mentioned a prominent member of the Eugenics Society). Hayek edited a new edition of Founder of the Austrian School of Economics, Carl Menger's (1840–1921) writings and became a devotee of the 'spontaneous generation of institutions' theory. In 1938, he became a British citizen (Kresge 1994, 14, 57).⁴⁵

In 1944, Hayek published his most famous work, *The Road to Serfdom*, where he argues that socialism and central planning can lead to totalitarianism such as that found under National Socialism in Germany. Hayek (1944, 243) in the bibliography of this work states, 'There are also important German and Italian works of a similar character which, in consideration for their authors, it would be unwise at present to mention by name' as these researchers had lost individual liberty under totalitarian systems.

Melissa Lane (2013, 44) suggests that ideas at the heart of *The Road to Serfdom* grew out of the 'economic theory and practice debates of the peacetime 1920s–1930s ... Attacks on planning itself had already been formulated in its essential by Hayek by the end of the 1930s.' Hayek (1994b, xxi) notes that he began writing *The Road to Serfdom* in 1940 in his 'spare time' based upon his 1938 article in *Contemporary Review* and finished the work late 1943.⁴⁶ This effort unexpectedly became 'a starting point of more than thirty years' work in a new field.'

Moreover, Hayek (1967, 216) relates that while he was in London he ‘kept in close touch with affairs on the Continent and was able to do so until the outbreak of the war. What I had thus seen of the origins and evolution of the various totalitarian movements made me feel that English public opinion, particularly among my friends who held “advanced” views on social matters, completely misconceived the nature of those movements [emphasis mine]’. He may have been referring to family or friends in Nazi Germany who were familiar with what was really happening in terms of state-mandated eugenic sterilizations and euthanasia.

Lane (2013, 56) notes that in *Law, Legislation and Liberty, Volume I* (1973), Hayek contends that *The Road to Serfdom* had been misunderstood. The book had not sought to assert an automatic link between planning and totalitarian deprivation of liberty. It was rather a warning to mend principles. In this work, Hayek (1973, 58) states, ‘What I meant to argue in *The Road to Serfdom* was certainly not that whenever we depart, however slightly, from what I regard as the principles of a free society, we shall ineluctably be driven to go the whole way to a totalitarian system.’

In *The Road to Serfdom*, Hayek (1944, 156) details how a totalitarian system is created:

The totalitarian leader may be guided merely by an instinctive dislike of the state of things he has found and a desire to create a new hierarchical order...he may merely know that he dislikes the Jews who seemed to be so successful in an order which did not provide a satisfactory place for him, and that he loves and admires the tall blond man, the ‘aristocratic’ figure of the novels of his youth. So he will readily embrace theories which seem to provide a rational justification for the prejudices which he shares with many of his fellows. Thus a pseudoscientific theory becomes part of the official creed to which to a greater or lesser degree directs everybody’s action.

Hayek appears to explain how anti-Semitism led to atrocities under the guise of eugenics under Nazi rule. He may also have been thinking of how his brother Erik became involved in proto-Nazism as a youth in the *völkisch* movement.

Nordic Superiority, Anti-Semitism and Hayek

Nordic Superiority

Hayek in many ways was a product of his early life and times when Nordic superiority was the prevailing thought in Anglo-Germanic cultures. Evidence of racist opinions, commonly accepted in these cultures from the late nineteenth century through the post-World War II period, is found in Hayek's remarks later in life. In the United States, racist sentiments did not begin to dissipate until the Civil Rights Movement of the 1960s and are still found in certain segments of the American culture as illustrated by the 2016 Republican nominee for president, Donald Trump's negative comments in speeches about ethnic groups; Trump also had support from white supremacists/neo-Nazi groups.⁴⁷

Hayek demonstrated belief in both Nordic superiority and 'hierarchy of the races' views in several instances. Leeson (2015a, 19), based upon archival evidence, states that 'when confronted with the prospect of having to deal with African-Americans, Hayek (5 March 1975) informed Neil McLeod at the Liberty Fund that he wished to find an alternative to his "gone negro" Chicago bank.' In addition, Charlotte Cubitt (2006, 51), Hayek's appointed biographer, remarks that 'When I asked him whether he felt uncomfortable about Jewish people he replied that he did not like them very much, any more than he liked black people.'

From the 1978 UCLA oral history interview with Robert Chitester, Hayek remarks 'there were certain types, and conspicuous among them the Near Eastern populations, which I still dislike because they are fundamentally dishonest. And I must say dishonest is a thing I intensely dislike. It was a type which, in my childhood in Austria, was described as Levantine, typical of the eastern Mediterranean.' Indians were, he felt, 'fundamentally dishonest...a detestable type...I have found a little of the same among the Egyptians – basically a lack of honesty in them.'⁴⁸

Hayek subscribed to aristocratic beliefs. Leeson (2015a, 168) reiterates Hayek's opinion of the races based upon de Gobineau. 'Non-whites were at the bottom of the Austrian neo-feudal hierarchy; at the top were those who illegally added titles ("von", "count", etc.) to their names. The date

at which a family became beneficiaries of the Hapsburg intergenerational entitlement programme appears to reflect status ... pre-1806 cohort like Hayek ... are described as “hereditary knight[s] of the Holy Roman Empire”.⁴⁹ From the UCLA oral history interviews, Hayek (1978) proclaims, ‘The whole traditional concept of aristocracy of which I have a certain conception – I have moved, to some extent in aristocratic circles and I like their style of life.’⁵⁰

Leeson (2015a, 45) observes that ‘Over the centuries, white supremacy in many parts of the world has been defended on a variety of grounds: Hayek (1978), for example, defends the “civilization” of apartheid against the American fashion of “human rights”.’ Hayek argues that ‘certain main concerns can spread [in the United States] with incredible speed. Take the conception of human rights...The United States discovered human rights two years ago or five years ago.’⁵¹

On the other hand, Hayek (1988, 22) makes reference to ‘a highly successful book by the well-known social anthropologist, V. Gordon Childe (1936), *Man Makes Himself*. Hayek states it ‘include[s] the unscientific, even animistic, notion that at some stage the rational human mind or soul entered the evolving human body and became a new, active guide of further cultural development.’ Childe, as previously mentioned, had written the popular work concerning superiority of the Germanic languages and Nordics. Could this remark indicate that Hayek later in life considered the superiority of Aryan race and languages now unscientific?

Based upon these materials, it appears that Hayek accepted the hierarchy of the races theory as proposed by Count de Gobineau. However, when he saw the results of this as official doctrine under National Socialism, he may have reconsidered the pernicious theory later in life.

Anti-Semitism

Conflicting views exist on whether Hayek held anti-Semitic feelings. Several Jews, or baptized Jews, influenced him or were close personal friends. These included his mentor Ludwig von Mises and Karl Popper (1902–1994), a close associate. Hayek even dedicates *Studies in Philosophy*,

Politics and Economics (1967) to Popper. Ebenstein (2001, 8) points out that ‘the Germanic world in 1899 was thoroughly prejudiced and anti-Semitism was rampant, particularly in Vienna.’

Three upper-middle-class social circles existed in Vienna. Hayek (1994a, 59–60) explains, ‘The Vienna of the 1920s and 1930s is not intelligible without the Jewish problem ... there was close contact between the purely Christian group and the mixed group [Jews, baptized Jews and Christians], and again between the mixed group and the Jewish group, but not between the two extremes.’

Hayek (1994a, 61) makes clear that his family in Vienna was a part of the ‘purely Christian group’ but in ‘the university context I entered into the mixed group.’ Leeson (2015b, 22) infers that ‘purely Christian’ means ‘proto-Nazi or anti-Semitic.’ In addition, Hayek’s father was the president of a highly nationalistic society of German physicians (Leeson 2015b, 22). In 1935 under National Socialism, all non-Aryans and Jews were required to resign from this society and all academic positions (Leeson 2015b, 94–95). Cubitt (2006, 17) remarks that Hayek told her that ‘National Socialism had begun in Austria and ... had been actively upheld here long before it had reached Germany.’ In addition, his ‘mother had been converted to Nazism by a woman friend.’ Leeson (2015b, 23) contends that when Hitler arrived in Vienna in 1907 and was perhaps concerned about the possibility that his grandfather had been Jewish, ‘he acquired his virulent anti-Semitism from the climate created by the von Hayek family and others.’

Although he constantly moved in the intellectual mixed group, when asked if he met Freud, Hayek (1994a, 60, 57, 58) remarks ‘to have met somebody in the purely Jewish group was so unlikely.’ Hayek notes that ‘almost from the beginning of my university career, I became connected with a group of contemporaries who belonged to the best type of the Jewish intelligentsia of Vienna.’ This mixed group which accepted him was ‘much more internationally minded than my own circle.’

However, Hayek was obsessed about the possibility of having had Jewish ancestry. Due to his brother, Heinz, being ‘swarthy’ which brought comments from Jewish friends that he ‘looked Jewish,’ Hayek (1994a, 61–62) traced his ancestry ‘back five generations’ and ‘so as far back as I can possibly trace it, I evidently had no Jewish ancestors whatever.’ Cubitt

(2006, 51) reports that ‘Hayek was also at pains to point out, and was to repeat this many times, that his family could not have had Jewish roots because their name was spelled with a “y,” which was the German-Czech version, and not the “j,” which was the Jewish one.’ A second cousin of his mother, philosopher Ludwig Wittgenstein (1899–1951), however, was three-quarters Jewish (Hayek 1994a, 60–61).

When asked in an interview about anti-Semitism at the University of Vienna and why his mentor von Mises was never given a professorship, Hayek (1994a, 59) claims it was likely ‘because Jews needed to have support from their fellow Jews and the Jews who were teaching were all socialists, and Mises was an anti-socialist, so he could not get the support of his own fellows.’ However, Hayek does not explain the views of the non-Jewish professors.

Additionally, Hayek (1944, 139–140) in *The Road to Serfdom* states that, ‘The enemy, whether he be internal, like the “Jew” or the “kulak,” or external, seems to be an indispensable requisite in the armory of a totalitarian leader...in Germany it was the Jew who became the enemy.’ Christian Germans and Austrians perceived that capitalist Jews had excluded them from more highly esteemed occupations. ‘The fact that German anti-Semitism and anti-capitalism spring from the same root is of great importance for the understanding of what has happened there, but this is rarely grasped by foreign observers.’

Ebenstein (2001, 8, 293) argues that Hayek ‘did not share the anti-Semitic views of many, perhaps most, of his Christian contemporaries.’ But Ebenstein also describes letters to the London Times (Feb 11, 1978, 15; March 9, 1978), when concerns about immigrants into Britain were being discussed. Hayek remarks, ‘when I grew up in Vienna the established Jewish families were a generally respected group and all decent people would frown upon the occasional anti-Jewish outbursts of a few popular politicians. It was the sudden influx of large numbers of [Eastern European Jews during World War I]... which changed the attitude. They were too visibly different to be readily absorbed’ (cited by Ebenstein 2001, 293). This letter brought scathing comments including that ‘anti-Semitism in Austria was endemic.’ Ebenstein (2001, 294) notes that Hayek responds that it was a problem of acculturation and not race and

argues that Hayek ‘did not perceive meaningful physiological diversity among humanity’s races.’

Hayek, in his autobiographical interview (1994a, 61), remarks that, ‘The Jewish problem in Vienna became acute only as a result of emigration from Poland. There was an old, established Jewish population in Vienna...who were fully accepted and recognized. The violent anti-Semitism occurred when very primitive, poor Polish Jews, immigrated, already before the war and partly in flight from the Russians during the war. Vienna became filled with a type of Jew which hadn’t been known before, with cap on and long beardsAnd it was against them that anti-Semitism developed.’ This is similar to attitudes in the United States of the nativist aspect of the American eugenics movement, as previously discussed, that led to immigration restriction laws.

Based upon Hayek’s archives, Leeson (2015a, 19, b, 23) believes Hayek was anti-Semitic.⁵² Ebenstein (2001, 8) does not. Others have entered this controversial fray. Ronald Hamowy (2002) rebuffs an article by Melvin Reder (2000), claiming that Hayek was anti-Semitic, based upon the same archive sources. Therefore, conflicting information exists on Hayek’s views on Jews. As a product of his times, Hayek may have disliked ‘The Jews’ in the collective but not individual Jewish mentors, friends, and colleagues.

Influences of Eugenic Colleagues and the Eugenic Movement

In the 1930s and 1940s, Hayek gradually abandoned pure economic interest and ‘turned toward broader questions in social and political philosophy’ (Angner 2007, 2). This is sometimes referred to as ‘Hayek’s transformation.’⁵³ Much of Hayek’s later work defended a classical liberal vision of limited government. He contrasted the ‘spontaneous order’ of the market with the ‘artificial order’ promoted by socialists (Angner 2007, 2). Could this transformation have been based upon the eugenics movement with government-mandated sterilization and other laws as found in the United States and Germany along with influences from his colleagues and friends who supported eugenics?

Due to the many publications on racial hygiene—or eugenics—the concept of ‘improving the race and national vitality of a nation’ was likely known to Hayek in his teenage and early adult years while in Vienna, the United States, and in Britain. State eugenic sterilizations laws were already in force beginning in the first decade of the twentieth century in the United States. The negative eugenics sterilization programs in the United States, in Germany under National Socialism, and in other countries could have been a major influence in solidifying his opposition to eugenics as an aspect of central planning.

The Carr-Saunders’ Influence Debate

As mentioned, from 1931 to 1949, Hayek lived in Britain. A number of his colleagues or friends were actively involved with the eugenics movement and were members of the Eugenics Society. Of all those who embraced eugenics, Erik Angner (2007) argues that Carr-Saunders, in particular, and Oxford zoology, in general, appears to have had a major influence on Hayek’s evolutionary thought. I also propose that this influence includes the eugenics movement.

Angner (2007, 83) notes that Carr-Saunders was a close friend and colleague of Hayek at the LSE between 1937 and 1949. The two also had been evacuated to Cambridge during the war and over the years had ample opportunity to discuss, or even read, each other’s intellectual views and writings. Angner (2007, 80) points out that in Hayek’s works on cultural evolution, numerous references to Carr-Saunders’ *The Population Problem* (1922) are found. The core of Carr-Saunders (1922, 223) theory in this work, which Hayek adopted, is ‘Those groups practicing the most advantageous customs will have an advantage in the constant struggle between adjacent groups’ as the mechanism for cultural evolution. This was first cited by Hayek (1967, 67) in Chap. 4, ‘Notes on the evolution of systems of rules of conduct,’ as being the basis of his theory in *Studies in Philosophy, Politics and Economics* (1967).

In addition, Angner (2002, 24) remarks that ‘Hayek repeatedly denounced the Social Darwinists... when they concentrated on individual rather than group selection, and on the selection of inherited rather

than acquired characteristics.' Hayek later suggests in *The Fatal Conceit* (1988, 16) that 'The earliest clear statement of such matters known to me was made by A.M. Carr-Saunders ... Carr-Saunders, however, stressed the capacity to restrict rather than to increase population' through abortion and infanticide, which Hayek was against.

In the post-World War II era, eugenics had become an opprobrium. Angner claims that Hayek's autobiographical remarks fail to acknowledge the influence of his longtime friend, Carr-Saunders, on his economic and political theories; instead, he emphasized the importance of Carl Menger and the British moral philosophers.

Angner (2007, 89) suggests that 'When Hayek published his "notes" in 1967...the eugenics movement had been in decline for some time; even before his death in 1966, even Carr-Saunders himself tried to gain distance from it.' However, evidence suggests that Carr-Saunders was an active member of the Eugenics Society at least ten years after the war (as mentioned previously). Angner (2007, 89) argues that Carr-Saunders involvement with eugenics may have indicated that Hayek disliked the whole concept of eugenics and he 'may... have wanted to distance himself from Carr-Saunders because of the latter's association with the eugenics movement.' But Keynes, Huxley, and Pigou, who were also eugenics supporters, were also cited in this work. It should be noted, however, that only Keynes was mentioned in the first 1944 edition of *Road to Serfdom* and no ES members were mentioned in the *Counter Revolution of Science* (1952)—two immediate post-World War II works when eugenics was synonymous with the Holocaust.

The full detailed quote and credit to Carr-Saunders (1922, 223) for Hayek's theory of group selection is not spelled out until *Law, Legislation and Liberty* (1973, 148, fn. 15).⁵⁴ A partial quote is in *The Fatal Conceit* (1988, 16). Perhaps after time Hayek felt it was safe once again to give Carr-Saunders the full credit he deserved in these later works? However, in Hayek's (1994a) interview-based autobiographical work, only eugenic supporters and economists Pigou and Keynes were mentioned. So it is unclear if Hayek wanted to distance himself from his eugenic colleagues.

On the other hand, in opposition to Angner's analysis, Bruce Caldwell (2004, 355, fn. 16.) does not believe that Carr-Sanders had a major influence on Hayek. Caldwell argues that Hayek started citing Carr-Sanders

when he introduced the notion of group selection in the late 1960s. Angner lists five places in which the citation of Carr-Saunders occurs. Three of the five, however, involve Hayek quoting the same passage from *The Population Problem*. Having found a good quote, Caldwell claims, Hayek kept using it. He also argues that Angner does not point out that Hayek references other eugenic supporters along with Carr-Sanders in the same places including Popper and Huxley.

However, due to Hayek's long-time association with the British eugenics leader, Carr-Saunders, it appears that Hayek's reaction toward negative eugenics as a method of central control was influenced by his colleagues as ideas generally evolve out of some cultural, intellectual, or social experiences. Both Carr-Saunders and Popper imply negative eugenics (along with abortion and infanticide) and Hayek was familiar with their writings as discussed next.

Negative Eugenics

Although the term 'eugenics' is not used, Carr-Saunders (1922, 223) in *The Population Problem* suggests an aspect of cultural evolution could be infanticide which was later found under National Socialism:

There would grow up an idea that it was the right thing to bring up a certain limited number of children, and the limitation of the family would be enforced by convention...the evidence shows that there is even among the most primitive races at times at least some deliberation as to whether a child shall be allowed to live...the disadvantages of too many mouths may be obvious.

Carr-Saunders (1922, 475) also addresses eugenics philosophy when he states, 'Problems of population fall under two main headings, problems of *quantity* and problems of *quality* [emphasis mine].' This is similar to the eugenicists' 'unfit' (who were having too many children) and the 'fit' (who were not having enough). In Hayek's viewpoint, state control over reproduction would be eugenics although he did not use the term either.

As mentioned previously, negative eugenics generally included segregation, sterilization, and laws to prevent marriage of the sick and

unfit. Most mainstream eugenicists were against euthanasia, abortion, and infanticide. Under the Nazi regime, however, those with mental illness were often sterilized and/or euthanized. Hayek suffered from bouts of severe depression that may have been inherited from his mother who had attempted suicide (see Leeson 2015a, 21, fn. 4; Cubitt 2006, 89).

Based upon the UCLA interviews and other sources, Leeson (2015a, 13) suggests that, 'Hayek lost about a decade to incapacitating mental illness; at other times, his suicidal depression was replaced by what he called "frightfully egotistic" feelings.' These appear to be signs of a bipolar affective disorder once called 'manic-depressive,' or of severe clinical depression episodes. Perhaps Hayek was against eugenics based upon reports from Nazi Germany that he could have been forced to be sterilized or even euthanatized under this totalitarian system.

Eugenics as Central Planning

Hayek, as has been noted by many biographers—and Hayek himself—was against 'central planning' or government-run production, institutions, and social control. Ebenstein (2003, xii) suggests that Hayek expanded von Mises' theory and feared that collective government control over the economy would lead to totalitarianism while the free market, based on state laws, would keep government intervention to a minimum. Peart and Levy (2005, 25) define progressive 'as a belief that human nature can and should be improved' which could be construed as eugenics.

Angner (2007, 100, 101) proposes that the 'socialist tendencies that Hayek deplored in the "progressive circles" of the 1920s and 30s may have been the eugenics movement.' He also goes on to say 'far from being a serious alternative to nazism, in Hayek's view, socialism was a precursor to it. Because of its socialist tendencies, he feared that England would repeat the fate of Germany.' Angner also maintains that 'Surely, Hayek considered eugenicists' attempts to improve the racial stock of society an instantiation of the socialist or "engineering" mindset which he denounced.'

In *Counter-Revolution of Science*, Hayek (1952, 94) is opposed to planning and social engineering that appears to encompass eugenics. He claims:

Most of the schemes for a complete remodeling of society, from the earlier utopias to modern socialism, bear indeed the distinct mark of [engineering] influence. In recent years this desire to apply engineering techniques to the solution of social problems has been very explicit: 'political engineering' and 'social engineering' have become fashionable catchwords which are quite characteristic of the outlook of the present generation as its predilection for 'conscious' control.

Peart and Levy (2005, 105) also interpret this passage to include eugenics. They argue:

That eugenics was a program that entailed wide-ranging intervention by the state, intervention purportedly designed to obtain the appropriate 'quality' of the population. As such it was, it was a demographic form of central planning. We usually think of central planning as it relates to material things, setting prices and outputs of goods and services. And as we know that this form of planning was vigorously opposed within the economics community, notably by Ludwig von Mises and F.A. Hayek... [W]ere the opponents of material forms of central planning also opposed to planning for the quality of human beings?

Andrew Farrant (2008, 26) remarks that 'Hayek never wrote on eugenics to my knowledge, though he did play an instrumental role in the publication of Popper's *The Open Society*.' Hayek (1994a, 51) had read one of Karl Popper's (the Austrian-British philosophy of science academic) early works (1935) and found that he 'agreed with him more than with anybody else on philosophical matters.' Popper, who had Jewish ancestry, had immigrated to New Zealand in 1937 to escape Nazism. Hayek assisted Popper in getting his work, *The Open Society and its Enemies*, published in England in 1945, a two-volume work. In the acknowledgments, Popper ([1945] 2003, xv) states, 'I am deeply indebted to Professor F. A. von Hayek. Without his interest and support the book would not have been published.'

In Volume 1, Popper ([1945] 2003, 379) criticizes Plato when he proposes that the ‘race of the guardians [rulers] must be kept pure’—in other words negative nativist/Nordic superiority eugenics. This included secret infanticide of offspring of the inferior and those born defective. This type of ‘social engineering’ through central governmental control, in turn, Popper argues would lead to a totalitarian society, which, of course, was the type of government control found under the Nazi regime.

The year before Popper’s tome, Hayek had attacked eugenics under the guise of Nazi social engineering. Hayek (1944, 146–147, 150) was against the concept of the ends justifying the means and maintains:

But where a few specific ends dominate the whole of society, it is inevitable that occasionally cruelty may become a duty ... such as the killing of the old or sick, should be treated as mere matters of expediency; that the compulsory uprooting and transportation of hundreds of thousand should become an instrument of policy approved by almost everybody except the victims or that suggestions like that of a ‘conscriptio[n] of women for breeding purposes’ can be seriously contemplated.⁵⁵

This passage also suggests that Hayek was familiar with details of the Nazi eugenics sterilizations, euthanasia, and *Lebensborn* programs.

As mentioned, Ludwig von Mises’ *Socialism (Die Gemeinwirtschaft)*, originally published in 1922, greatly influenced Hayek and others of his generation. Later in life, Hayek wrote the foreword for the 1981 English edition of the work.⁵⁶ Hayek notes that the Epilogue for the new edition was written 25 years (1947) after the original volume and after World War II.⁵⁷ Von Mises ([1936]1969, 581) in his Epilogue was vehemently against National Socialism and attacks eugenics as the end result of central control under a socialistic system:

The Nazi plan was more comprehensive and therefore more pernicious than that of the Marxians. It aimed at abolishing *laissez-faire* not only in the production of material goods, *but no less in the production of men* [emphasis mine]. The Führer was not only the general manager of all industries; he was also the general manager of the breeding-farm intent upon rearing superior men and eliminating inferior stock. A grandiose

scheme of eugenics was to put into effect according to ‘scientific’ principles.

It is vain for champions of eugenics to protest that they did not mean what the Nazis executed. Eugenics aims at placing some men, backed by the police power, in complete control of human reproduction. It suggests that the methods applied to domestic animals be applied to men. This is precisely what the Nazis tried to do. The only objection which a consistent eugenist can raise is that his own plan differs from that of the Nazi scholars and that he wants to rear another type of men than the Nazis. As every supporter of economic planning aims at the execution of his own plan only, so every advocate of eugenic planning aims at the execution of his own plan and wants himself to act as the breeder of human stock.⁵⁸

Angner (2007, 100) argues that Hayek (1994b, xxi, xxiv) may have deplored the eugenics movement as he mentions in *The Road to Serfdom, Fiftieth Anniversary Edition* that his change in direction from “‘pure economic theory”. . . . was caused by my annoyance with the complete misinterpretation in English “progressive circles” of the character of the Nazi movement.’ Hayek also states that the ‘book contains...a warning that unless we mend the principles of our policy, some very unpleasant consequences will follow which most of those who advocate these policies do not want.’⁵⁹ Those policies were likely race hygiene under National Socialism as England never passed a eugenic sterilization law.

In this work, Hayek (1994b, 6) also remarks:

Few are ready to recognize that the rise of fascism and nazism was not a reaction against socialist trends of the proceeding period but a necessary outcome of those tendencies....as a result, many who think themselves infinitely superior to the aberrations of nazism, and sincerely hate all of its manifestations, work at the same time of ideals whose realization would lead straight to the abhorred tyranny.

Based upon the influences of Hayek’s family and colleagues, the eugenics movement, in particular, as it developed under National Socialism in Germany, may have solidified Hayek’s arguments against central planning within socialism. These state-controlled institutions, in turn, he believed, could lead to a totalitarian society where individual rights are obliterated.

Summary

From childhood, Hayek was familiar with the concepts of Darwinism, Nordic superiority, and the anti-Semitic sentiments of the times. He would have been familiar with the German, American, and British eugenics movement and became skeptical of government actions and intent which shaped his thought. Kresge (1994, 31), in his introduction to *Hayek on Hayek*, argues that 'Hayek's achievement was to demonstrate that economic theory, like any theory of social behavior, is a theory of evolution.' When he first wrote on Nazi socialism in the mid-1930s, Hayek viewed the eugenic sterilization and euthanasia programs as the evils that could result from socialism and feared that Britain could be going in the same direction. He likely championed this opinion by assisting Karl Popper in publishing his anti-eugenic central planning tome.

Eugenic publications and colleagues, who were eugenic adherents from the 1920s through the late 1940s (in particular Alexander Carr-Saunders), helped influence Hayek's theory of the natural selection of groups and of central planning in a socialistic system. This governmental social engineering, in turn, could potentially lead to a totalitarian society and lack of individual freedom through eugenic mandates as found under Nazism.

On the other hand, his childhood upbringing, family, and Viennese cultural influences lead to conflicting information concerning his anti-Semitic and racial opinions which were part of the nativist/Nordic superiority branch of the eugenics movement for improving health and national vitality of the nation and in Nazi Germany leading to the 'final solution.' Curiously, he was concerned if he had Jewish ancestors. By modern standards, comments made by Hayek would be considered racist. However, during the first half of the twentieth century, the belief in the superiority of the northern European—and in particular the Nordic—'race' was accepted as a matter of course by most Anglo-Germanic professionals and the educated middle and upper-middle classes.

Although Hayek likely thought other ethnic and racial groups were inferior, he did not apparently suggest they be prevented from breeding as found in negative eugenics governmental sterilization programs, particularly in the United States and under National Socialism. Nor did

he appear to suggest that mentally ill or disabled people be so treated or eliminated. This may have been due to his own, and other family members, severe depressive episodes.

It is concluded, based on the information available, that Hayek was not directly involved in any aspect of the eugenics movement nor did he write on the subject in any eugenic journals or other publication. Hayek was against eugenics practices as illustrated by his opposition to state-controlled central planning and social engineering programs which included eugenics. Eugenicist colleagues, family, friends, and his environment appear to have had some influence on the development of his theories.

Notes

1. Eugenics was practiced in many countries and not just in Europe and the Americas. Japan, like Nazi Germany, had an emphasis on ‘racial purity.’ The focus of this chapter will be on American, British, and German eugenics as Friedrich Hayek likely was familiar with the literature and had colleagues from these cultures. See Robertson (2002); Turda and Gillette (2014); Turda (2010); Turda and Weindling (2007); and also Whitney (1934, 139).
2. A clean living movement is a period of time when a surge of health reform crusades, many with moral overtones, erupts into the popular consciousness (Engs 1991, 1; 2001; 2003, ix–x).
3. See also Donald Pickens (1968) for a detailed account of the eugenics movement during the Progressive era in the United States.
4. These and other terms that might be offensive in today’s culture were considered proper scientific nomenclature in the first half of the twentieth century.
5. The term ‘race’ had many meanings in the early twentieth century—it could mean ‘her race,’ woman as opposed to man; the classical Caucasian, Oriental, or Negroid races; the five races of Europe; or even the Irish race. See Huxley and Haddon (1936, 215–216).
6. Other terms for eugenics since the mid-nineteenth century have included inherited realities, race betterment, race improvement, race culture, race regeneration, sanitary marriage, racial hygiene (*rassenhygiene*), and stirpiculture.

7. See also Saleeby (1914, 19–20, 31).
8. The contests encouraged mothers to improve the health of their children so their babies would be prizewinners at local and state agricultural fairs. See Dorey (1999); Holt (1995).
9. Saleeby (1914, 18, 31, 112) also coined the term racial poisons. See also Searle (1976).
10. Also see Saleeby (1911, 256–259).
11. See Dowbiggin (2003), Harris (2010), Turda (2010), Turda and Gillette (2014), and Turda and Weindling (2007) for more information on other international eugenics programs and public policies.
12. See Darwin (1859), Jordanova (1984), and Degler (1991) for further information.
13. See Corsi (1988), Jordanova (1984), Saleeby (1909, 205–253) for more information.
14. See Edelson (1999) and Henig (2000) for more information on Mendel and his theory.
15. See Bannister (1989), Degler (1991), Hawkins (1997), and Hofstadter (1986) for additional material concerning Social Darwinism.
16. See Engs (2005, 120–122), Haller (1963, 163–167), Ludmerer (1972a, 77–80).
17. For a sample of publications that support inheritance of intelligence between social economic classes and/or race, see Jensen (1969), Herrnstein and Murray (1996), Lynn (2006), and Lynn and Vanhanen (2002). For examples that refute the inheritance of intelligence due to race and/or class, see Alland (2004), Jacoby and Glauberman (1995), Kerr and Shakespeare (2002), and Kincheloe et al. (1997). See also Gould, 1981 who traces the history of intelligence measurements and Chomsky (1978) and his other works concerning language, intelligence, and race.
18. Also translated as ‘Essay on the Inequality of the Human Races’ (1856).
19. For further information on race, see Barkan (1992), Coon (1971), and Marks (1995).
20. See also Engs (2005, 5–7; 2014); Haller 1984; Ludmerer (1972a, 34–35); Pickens 1968.
21. An early study before Davenport was Richard Dugdale’s *The Jukes* (1877). Davenport’s research influenced other family studies including the *Kallikats* (1912), the *Nams* (1912), and *The Jukes in 1915* (1916). *The Mongrel Virginians* (1926) was the only study of a mixed race group. Several states also conducted a series of reports including *Mental Defectives in Indiana* (1916–1922) and the *Eugenics Survey of Vermont*

- (1924–1936). See also Rafter (1988); Paul (1995); Gallagher (1999) for further information concerning family history studies.
22. Charles Davenport, Alexander Graham Bell, Harvard University President Charles Eliot, David Starr Jordan, and conservationist Gifford Pinchot were vice presidents. Henry Fairfield Osborn, Madison Grant, and several biologists were delegates. See *Problems in Eugenics, Report of Proceedings of the First International Eugenics Congress*, University of London, from July 24 to 30, 1912. <https://archive.org/details/b28105874>. Accessed 3 August, 2016.
 23. Founders and early members included leading nativists, non-nativists, eugenicists: Irving Fisher (was its first chair), Madison Grant, Harry H. Laughlin, Henry Fairfield Osborn, Roswell H. Johnson, Ellsworth Huntington, Charles Davenport, Henry Perkins, and other prominent academics and philanthropists were members (Mehler 1988, 81).
 24. See Lombardo 2008 for more information about this famous case.
 25. See also Carlson (2001), and Whitney (1934, 135–138).
 26. See Grant (1916, 80–82), Stoddard (1920, 261–262), and see also Ludmerer (1972a, 24–26).
 27. See Grant 1916, insert between pp. 122–123.
 28. See Carlson (2001), Engs (2005 123–125), Glad (2011, 6), Kraut (1994), Markel (1997).
 29. See Engs (2014), Hall (1906, 84–85), Kraut (1994, 50–77), Ludmerer (1972a, b), Martin 2011, 139), and Reimers (1998, 10–19) for more details about immigration restriction legislation which was intertwined with public health, nativist, and eugenic concerns.
 30. See Hall (1906, 86), Martin (2011, 132–151), Haller ([1963]1984, 155–156), Mehler (1988, 2), Ludmerer (1972b, 61–65). Also see <https://history.state.gov/milestones/1921-1936/immigration-act>. Accessed on 4 July 2016. For further details about the immigration restriction movement and its interlinking with eugenics, see Engs (2014), Ludmerer (1972b).
 31. See Farrall (1985), Saleeby (1909, 1914), Searle (1976), Soloway (1990) for further information concerning the British eugenics movement.
 32. See <https://www.scribd.com/doc/97123506/Eugenics-Society-Members-A-Z-2012> for members list. Accessed on 24 July 2016.
 33. Economist J.M. Keynes was a director (1937–1944) and V.P. 1937 of the society; A.M. Carr-Saunders was the president (1949–1953) and Julian Huxley (V.P. 1937–1944, Pres. 1959–1962). See annual membership lists from *Eugenics Review* published by the Eugenics Society (1930–1950).

34. Galton lectures were also given by Carr-Saunders (1935), Huxley (1936), Keynes (1937), and Beveridge (1943). See Galton Lecturers list (1968).
35. Eugenics Society 1930–1950; Kühl, S. to R. Engs (15 June 2016). List of people attending European eugenics or population conferences. Private communication via email.
36. See Kühl (1994, 2013), Turda and Weindling (2007), Weindling (2007, 1989), Weingart (1989), and Weiss (1986, 1987a, b) for more information pertaining to the German eugenics movement.
37. Per convention *Rassenhygiene* and eugenics will be used interchangeably.
38. See also Kühl (2013), Weindling (1989), and Weingart (1989).
39. See also Weiss (1987b, 227–228).
40. This program to breed a master race ran from December 1935 to about 1945. See Clay and Leapman (1995) and Henry and Hillel (1976).
41. See also Haller (1984, xi).
42. Detailed biographical information can be found in biographies by Cubitt (2006), Ebenstein (2001, 2003) in addition to *Hayek on Hayek* (1994a), a work based upon interviews with Hayek later in his life.
43. See Leeson (2015b, 22–23, 94), c, 66–69) for further details concerning Hayek's family pedigree and Nazi leanings.
44. Kresge (1994, 7) explains that in New York, while reading accounts of the Great War, he realized that 'the truth about the course of the war had been largely kept from the Austrian people. We can date Hayek's skepticism toward the actions and motives of governments from this point.'
45. Later after the war, Hayek moved to the United States (1951–1961) and was at the University of Chicago Committee on Social Thought. He then went to Freiburg in Breisgau, Germany, as a professor and had several visiting professorships. In 1974, he was awarded the Nobel Prize in Economic Sciences and ended his career in Freiburg where he died. See works by Cubitt (2006), Ebenstein (2001, 2003), Leeson (2013, 2015a, b, c), and Hayek's (1994a) interview autobiography.
46. von Hayek, F.A. Freedom and the Economic System. *The Contemporary Review*. 1938. January 153: 434–442.
47. See O'Connor, Lydia, and Daniel Marans. Here are ten examples of Donald Trump being a racist. *The Huffington Post*. http://www.huffingtonpost.com/entry/donald-trump-racist-examples_us_56d47177e4b03260bf777e83. Accessed 4 July 2016; D'Antonio, Michael. Is Donald Trump Racist? Here's What the Record Shows. 7 June 2016. *Fortune*. <http://fortune.com/2016/06/07/donald-trump-racism-quotes/> Accessed 7 August 2016.

Jessica Schulberg argues that Trump's Neo-Nazi and Jewish backers are both convinced he's secretly on their side which works out great for him. *The Huffington Post*. 27 May 2016. http://www.huffingtonpost.com/entry/trump-neo-nazis-jews_us_5747397be4b0dac7ad4480e. Accessed 22 July 2016.

48. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Center for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>). Accessed 19 October 2016.
49. Leeson 2015a, 168. fn. 57. See essay by von Kuehnelt-Leddihn, Erik. Hebrews and Christians. *The Rothbard-Rockwell Report Archives*. April 1998, 6–12. <http://www.unz.org/pub/rothbardrockwellreport-1998apr-00006>, Accessed 19 October, 2016; Also Childe (1926), Grant (1916), Günther (1927), Stoddard (1920).
50. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Center for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>). Accessed 19 October 2016.
51. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Center for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>). Cited in Leeson 2015a, 65 fn. 25. See also Leeson 2015b, 15–16.
52. See Leeson 2015a, 19, 23, fn. 37.
53. See Caldwell (2004, 2) for details concerning this intellectual change in direction.
54. The complete quote by Carr-Saunders in *The Population Problem* (1922, 223):

Now men and groups are naturally selected on account of the customs they practice just as they are selected on account of their mental and physical characters. Those groups practicing the most advantageous customs will have an advantage in the constant struggle between adjacent groups over those that practice less advantageous customs. Few customs can be more advantageous than those which limit the numbers of a group to the desirable number, and there is no difficulty in understanding how—once any of these three customs [abortion, infanticide, abstention from intercourse] had originated it would, by as process of natural selection come to be so practiced that it would produce an approximation to the desirable number.

55. See Clay and Leapman (1995) and Henry and Hillel (1976) concerning the *Lebensborn* program.

56. A few more paragraphs were added to the 1932 and 1936 editions. See von Mises, Preface 1981 (xvi; xxiv).
57. The epilogue was originally published as *Planned Chaos* (1947, 1970). Irvington-on-Hudson, NY: Foundation for Economic Education.
58. See von Mises ([1936]1969, 578–582), epilogue Section 8, ‘Nazism,’ for more information on totalitarianism and eugenics as an aspect of this political economic system.
59. See also Hayek (1967, 216–217).
60. Although I primarily used the original published paper copies, many items published prior to 1923 can be found in Hathitrust.org

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7

Eugenics and American Economics in the Interwar Years: The Case of Thomas Nixon Carver

Luca Fiorito

Introduction

Progressive Era eugenics was a complex amalgam of ideas, the influence of which extended in multiple directions to degrees ranging from the slight to the significant. As far as political economy, and social science in general, is concerned, it ranged from the adoption of a strictly hereditarian perspective, to a more flexible Lamarckian and environmentalist approach; from the advocacy of full-scale ‘race-betterment’ programs, to a more nuanced support for eugenic measures that did not imply any harsh form of biological determinism (Fiorito and Orsi 2016; Leonard 2016). Among this variety, the Harvard economist Thomas Nixon Carver occupies a quite unique position, and this for at least two reasons. First,

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Carver was one of the most extreme and outspoken supporters of eugenics of his time: shortly after Carver's (1915) *Essays in Social Justice* appeared in print, the *Journal of Heredity* hailed the volume as 'a very important step in the coordination of the various sciences which make up applied eugenics' (Economics and Eugenics 1917, 120).¹ Second, and this is what mostly concerns us here, Carver continued to hold to his eugenics views well after the end of the Progressive Era—indifferent to the fact that during the interwar years, eugenics had lost much of its scientific appeal. While in fact figures like John R. Commons and Albert B. Wolfe, who had more than flirted with eugenics during the progressive years, embraced behaviorism in the early 1920s and abandoned any form of biological determinism, Carver maintained his position virtually unchanged till the very end of his very long life.

The aim of this chapter is to explore in some detail Carver's eugenic ideas with a main, albeit non-exclusive, focus on the interwar years. Although his major contributions had all appeared prior to 1918, Carver remained particularly productive throughout the 1920s and 1930s, publishing several articles and eight books, which include *The Principles of National Economy* (1921) and *The Essential Factors of Social Evolution* (1935a)—two works which contain significant traces of eugenic reasoning. Just as important, Carver's interwar activities were not limited to academia. After his retirement from Harvard in 1932, he became involved in the activities of the Los Angeles Chamber of Commerce, while during the 1936 Presidential election, he took active part in the organization of the Research Division of the Republican National Committee. As we will document below, these activities gave Carver an opportunity to promote his eugenic beliefs at the national level.

A few preliminary considerations are worth making. This chapter draws upon, and in many respects expands, an earlier work (Fiorito and Orsi 2017) that reconstructs the development of Carver's eugenic commitments over the course of his entire life. With regard to this earlier work, the present chapter focuses primarily on the interwar period and makes more extensive use of archival sources. Specifically, the nature of the chapter here is to a large extent documentary, in the sense that our discussion significantly benefits from, and makes available, the results of our archival research in the Carver Papers at the University of California, Los Angeles. In addition to the archival material drawn on in the text, the

appendix reproduces an unpublished fragment by Carver emblematically titled 'The Biological Functions of Government.'

Carver in the Progressive Era

Like many of his contemporaries, Carver (1915, 18, 174, 163, 108) saw the Darwinian factors of variation, selection, transmission, and adaptation as operating in societies much as they do in living organisms. Crucial to this view was the idea that aggregates of human beings are engaged in a struggle for existence. Carver considered fitness as equivalent to a higher capacity to produce and believed in competition as a biologically selective mechanism. In his view, 'the man who produces nothing but consumes lavishly has a negative net value to the country as a whole, that is, the country is better off when he dies than when he lives.' Carver, however, explicitly rejected the notion of the survival of the fittest in the 'ultra-Darwinian sense.' In the absence of some form of 'social control,' he warned, survival would depend 'simply upon the ability to survive' and not upon 'fitness in any sense implying worth, merit, or usefulness.' Social control is necessary to ban all forms of parasitical and predatory competition that—albeit instrumental to individual survival—result in a waste of energy for the social whole. In Carver's own words: 'Government and government alone prevents competition from lapsing into the brutal struggle for existence, where self-interest leads [...] to destructive as well as to productive activity on the part of the individual.' Carver's eugenic commitments became manifest in his theory of wages and in the policy conclusions he drew from it.

According to Carver (1904, 171), wages are fixed by the interaction of a falling marginal productivity of labor schedule with a rising 'standard of living' schedule. By standard of living he meant 'the number of other wants whose satisfaction the individual considers of more importance than that of the procreative instinct'—so that 'the individual who places very few wants before that instinct has a very low standard of living, and he who places many wants before that one has a high standard.' In this way Carver (1894, 393–394) could reestablish the classical correspondence between the long-run supply price of labor (as of any other commodity) and its cost of reproduction. This, in turn, allowed him to make two related points: (a) 'A rise in the standard of living of laborers tends to

reduce the amount of labor that will be supplied at any given rate of wages by diminishing the birth-rate, just as a rise in the cost of production of another commodity will reduce the amount of that commodity that will be supplied at any given price'; and (b) 'With a given standard of living, a rise in the rate of wages will result in a higher birth-rate and a larger supply of labor, just as, with a given cost of production, a rise in price of another commodity will result in a larger production of that commodity.'

Against this background, Carver (1911, 204) held that the main cause of poverty in America was the congestion in the lower segments of the labor market caused by a continuous flow of unskilled immigrants with lower standards of life. Not only will unregulated immigration keep competition more intense among laborers, but it will also 'give a relatively low marginal productivity to a typical immigrant, particularly in the lower grades of labor.' Carver (1904, 171) could then elaborate his own version of the race suicide narrative:

where the average standard of living is high, numbers will not increase beyond the point which will enable the laboring population to live up to its standard, unless the immigration of laborers of a lower standard from some other community should set in, in which case the laborers of a lower standard will displace those of a higher standard, causing the latter to migrate or stop multiplying, leaving the field ultimately in the possession of the low standard, as surely as cheap money will drive out dear money, or as sheep will drive cattle off the western ranges.

In Carver's (1911, 206) view, if the nation finds itself invaded by a flood of immigrants belonging to 'races or nationalities which do not fuse with the rest of the population by free intermarriage,' three possible scenarios may emerge: (a) 'Geographical separation of races'; (b) 'Social separation of races, i.e., in the formation of classes or castes, one race or the other becoming subordinate'; and (c) 'Continual race antagonism, frequently breaking out into race war.' Significantly, Carver did not contemplate the possibility of 'assimilation' for the immigrant through education and exposure to American conditions, nor did he express the hope that such a process could eventually take place in the future.

All these considerations led Carver (1912b, 22) to support 'those methods of protecting the higher standard of living against the compe-

tion of the lower,' namely, the restriction of immigration and the minimum wage law. Carver (1915, 140, 139, 264, 139) was adamant in emphasizing the eugenic virtues of a binding minimum wage. In the first place, he explained, 'it is apparent that such a policy would tend to weed out the less competent members of the community so that, in the course of time, there would be none left whose services were not worth at least the minimum wage.' In the second place, 'it can scarcely be doubted that after that was accomplished, the community would be vastly superior to the present one, for it would be peopled by a superior class of individuals, and the general quality of the population would not be deteriorated by the human dregs who now form the so-called submerged element.' As to how to deal with those 'human dregs' so expelled from the labor market, Carver seemed to have little doubts: 'Enforced colonization, the multiplication of almshouses, or a liberal administration of chloroform would be necessary to dispose of a considerable number of our population.' Although in subsequent passages Carver sought to mitigate these intemperate remarks, proposing, at least for some groups, public assistance, and 'vocational' training, he still felt compelled to add: 'It is easy to imagine the fine scorn with which some one will object to estimating the worth of a man in dollars and cents. But theologico-metaphysical disquisitions upon the supreme worth of a human being are entirely beside the present point.'

Strictly connected to the establishment of a minimum wage was Carver's (1915, 372–373, 261–262) proposal for limiting immigration. Carver suggested a plan of restriction that would admit only those foreign-born laborers who 'could present contracts, signed by responsible employers, guaranteeing employment at two dollars a day for at least a year.' This would stop the influx of 'cheap laborers whose influence is to depress the wages of unskilled labor' and would also eventually 'make two dollars a day the actual minimum wage without the difficulty of enforcing a minimum wage law.' But this was not all, since, as Carver sagaciously put it, 'immigration from heaven produces very much the same results as immigration from Europe.' In this regard, Carver reiterated that two dollars a day was the minimum salary necessary to support a family, and he went so far to propose legal prohibition to marriage for all citizens (native- and foreign-born) who could not reach an annual income of six hundred dollars: 'If no man would marry until he had a good job with

two dollars a day, the result would be so to retard the marriage rate and the birth rate among unskilled laborers and so to thin out the ranks of unskilled labor that, barring immigration, in about one generation every man could find a job that would pay him at least two dollars a day.'

It should also be pointed out that although Carver was certainly a man of his time, his explicit eugenic stance attracted the criticism of some of his contemporaries. Not only were his ideas on the role of the state in the economy significantly less on the pro-regulatory side than those of the progressives, but he also had a view of the poor that was shared more by conservatives than progressives. Here, Jacob H. Hollander, labor expert and authoritative supporter of collective bargaining and social insurance, offers an excellent basis for comparison. The distance between Hollander (1914, 3, 16) and Carver appears evident from one of the opening passages of his *The Abolition of Poverty*: 'Neither racial qualities nor national characteristics account for the presence of such poverty. It persists as an accompaniment of modern economic life, in widely removed countries among ethnically different peoples. It cannot be identified with alien elements in native race stocks.' In what may be considered an implicit reference to Carver, Hollander (1914, 16) then attacked the idea that 'all poverty is sin—the consequence of thriftlessness, prodigality, intemperance, unchastity, even irreligion.' For the Johns Hopkins economist, to blame the poor for their own condition 'is economic pharisaism, neglecting the most obvious facts of modern industrialism—the undeserved poverty that comes from involuntary idleness, from industrial accident, from parasitic occupation.'

The Interwar Years

Carver guided his economics into the interwar years without any substantial change in the overall position he had developed in his earlier works. This is significant, because in the passage from the end of the Progressive Era to the immediate post-World War I years, American social science underwent a deep transformation in its methodological and epistemological basis.² The first signs of this change had already made their appearance in the early 1910s:

Around 1912 [...] a distinctly new voice appeared in the social science literature, and it swelled to a powerful chorus after World War I. Social scientists began to call for a more objective version of empirical and social intervention. The new program was more quantitative and behavioristic and urged that social science eschew ethical judgments altogether in favor of more explicit methodology and objective examination of facts. (Ross 1993, 99)

Such a scientific impulse was accompanied by an equally important development. At the same time the social sciences were demanding the adoption of more rigorous methodologies modeled after those of their natural science counterparts, they also began to separate themselves from biology and philosophy, seeking an acknowledgment of their worth as independent disciplines. It is the emancipation from biology that mainly concerns us here. Specifically, in order to raise both interest levels and funds for their efforts, social scientists had to contend ‘with the tension inherent in proving that their sciences were founded on “provable” concepts different from those of biology; yet at the same time they were as scientific as biology’ (Gillette 2007, 114; see also Cravens 1978). This would not be possible if they relied on biological and strictly hereditarian explanations for human behavior. It is not a coincidence that many economists of the time—most of them from the institutionalist camp—turned their attention to the newly launched movement of behaviorism in psychology. With its emphasis on demarcating science (observed behavior) from metaphysics (mental states) and on the empirical testing of behavioral laws, behaviorism seemed to provide a powerful analytical and rhetorical weapon against the perceived narrowness of traditional hedonism (Asso and Fiorito 2004). As importantly, the new approach was a clear threat to the scientific reputation of eugenics. By establishing a deterministic correlation between the individual’s objective situation (the conditioning) and the empirical observation of the corresponding behavior, behaviorists could maintain that environmental stimuli were the sole cause of differences in human behavior. ‘Nurture,’ rather than nature, was responsible for the evolution of individual behavioral traits. As John B. Watson (1925, 82), the founder of behaviorism, put it: ‘Give me a dozen healthy infants and I’ll guarantee to take anyone at random

and train him to become any kind of specialist I might select—doctor, lawyer, artist, merchant-chief, and, yes, even beggar-man and thief, regardless of his talents, penchants, tendencies, abilities, vocations, and race of his ancestors.’³

Carver’s (1918, 195–197) response to the rising behaviorist tide in economics appeared as an essay published in the *Quarterly Journal of Economics*: ‘A new kind of an economic man has been, or is in process of being, constructed by what is known as the behavioristic school of economists.’ In Carver’s opinion, the enthusiastic supporters of this new ‘behavioristic man’ seem to have wandered into (at least) two fundamental errors. First, in their exclusive interpretations of human behavior in terms of induced responses to stimuli, they have failed to give adequate consideration to deliberate rational action. In Carver’s typical style: ‘If the so-called economic man of the classical school [...] was too much of a calculating machine, so is the “behavioristic man” of this recent school too much of an impulsive, unreasoning, “eternal feminine” sort of a man.’ Second, the behaviorist mechanical formula of stimulus and response fails to provide any normative standard of evaluation for human conduct:

The question is not simply what are men actually like, but what kind of men fit best into the cosmos. What are the earmarks of a ‘good’ man, that is, of a man who adds strength to the community or the nation? [...] It is not enough that we study the variations of human institutions, habits, morals, etc. We also want to know what institutions, habits, and moral systems work well. What kind of a nation or social organization fits in the cosmos and grows strong under the conditions of the universe. Similarly, as to individual motives, it is not simply a question as to what motives actually govern human behavior, tho it is important that we know that. It is of equal importance that we know what motives or combinations of motives work well. If we permit ourselves to use the word ‘ought,’ we want to know what motives ought to dominate.

Ultimately, Carver held, the main problem with behaviorism is that it assumes uniformity of response to determinate stimuli—it does not allow for variation in human traits and inclinations. But, he objected: ‘There is variability here as elsewhere. Individuals are not all exactly alike. Some

are governed more largely than others by a given group of motives, others by a different group. This gives the variability which is the opportunity for selection.'

Carver's (1921, 123, 139) almost obsessive concern about the 'quality' of a population emerged again 3 years later, in his *Principles of National Economy*. As he put it, in what may be considered an attack on the then rampant institutionalism, 'However wisely the economic activities of the people may be controlled by government, morals, and religion, and however sound and rational their economic institutions may be, much will depend upon the quality of the people themselves.' In professing support for both sides of the nature-nurture controversy, Carver explained that 'it is more important for the present generation to give attention to the problem of its own training than to the problem of its own heredity.' Inborn traits cannot be changed, and 'the only thing to do is to make the most of its inheritance and see that it gets the best possible training.' But if we look at the welfare of future generations, then, eugenic consideration become far more crucial:

If the most capable men and women of this and succeeding generations marry and have larger families than the less capable, and if the least capable, the feeble-minded, and the defective are prevented from reproducing their kind, we may expect a gradual improvement, generation after generation, in the native and inherited quality of the stock. If, on the other hand, many of the most capable do not marry at all, and if the others marry late and have small families, whereas the less capable have larger families, while the feeble-minded and defective multiply most rapidly of all, we must expect a gradual deterioration in the stock, generation after generation.

Nothing is said about these aspects in Robert Lee Hale's (1923, 471) highly critical review of Carver's *Principles of National Economy*. Hale, a leading institutionalist from Columbia, placed Carver among the 'upholders of laissez-faire' and held that in his whole schema individuals are exposed 'to but little coercion at the hands of the government and to none at all at the hands of other individuals or groups.' Hale's review is a seminal contribution to law and economics and need not be discussed here in detail.⁴ Curiously enough, however, Hale remained silent on—or

simply failed to note—the strident contradiction between his own depiction of Carver and the latter’s advocacy of a legislative program for the ‘redistribution of human talent,’ which included such fiercely coercive measures as the establishment of a minimum income for allowing marriages and compulsory ‘elimination of defectives’ (Carver 1921, 766).

Further criticisms came from more traditionally oriented figures of the time. The occasion was prompted by an American Economic Association round table discussing Carver’s (1920, 72, 77) plea for ‘A Balanced Industrial System.’ There, Carver, along the lines of his previous work, proposed a set of measures to reduce the oversupply of unskilled labor. The first step was for the government to ‘decree’ higher wages—but he does not discuss how and how much. Then, the labor supply should be reduced accordingly, (1) by admitting only as many immigrants who could be hired at the new wage level; (2) by permitting only as many native-born laborers to work as could be hired at the new wage level, ‘encouraging the surplus to emigrate, to go to the almshouse, or to go to school to learn a new trade in which wages are better’; and (3) by increasing the other factors of production, mainly capital, needed to ‘balance up’ the oversupply of unskilled labor. Carver laid great stress on the role played by an ‘effective system of popular education.’ Under this schema, he stated, its chief function would become that of ‘redistributing our population occupationally by training men to avoid the overcrowded and to seek the undercrowded occupations.’

Virtually all participants in the round table expressed their ardent skepticism about the practical viability of Carver’s (1920) reform program (‘A Balanced Industrial System’ 1920). The sharpest comment came from Harry Gunnison Brown (83–84), a former student of Irving Fisher at Yale and a protégé of Herbert Davenport at Missouri. Brown’s contention was that Carver’s plan ‘would violate the principle of vested rights,’ that is, would be a means of ‘changing the rules of the game while the game is in progress’ and as such ‘can not consistently be supported either by conservative economists in general or by most of the writers of economic textbooks in particular.’ To make his point, Brown offered the example of a man, born in poverty, who trained himself to be an electrical engineer. Lured by the prospect of large rewards in the profession, he was willing to make the necessary effort and sacrifice. However, increased

competition would prevent him from obtaining in the future the income upon which he had confidently relied. This is exactly what would happen under Carver's schema, which proposed that 'young men who would otherwise have been clerks, artisans, or unskilled laborers shall be trained for his kind of work at public expense, shall be made his competitors, shall reduce the amount that he can earn through all the remainder of his life.' Is this not, Brown asked, 'changing the rules of the game while the game is in progress?'

Charles E. Pearsons (87–88), from Boston University, instead found Carver's plan far too optimistic. Even conceding that education could always overcome the limits imposed by biological capacity, a point on which Pearsons was still doubtful, 'we are yet faced with the difficulties inherent in social inheritance.' Family and social conditions—rather than schooling—are in fact the main determinants of a child's achievements: 'If the home and surroundings are stimulating in all good things, the result is very good. If their influence is narrowing, deadening to ambition, repressive to good impulses, lacking in educative effect, the result will correspond.' Certainly, the educational system needs to adjust constantly to prepare students for the rapidly changing world, and 'we go all the way with Professor Carver in believing that all gains are to the good.' But, Pearsons concluded, 'we can only expect progress to be slow and results incomplete.'

Whereas these critics focused on relatively marginal aspects of Carver's thought, Frank H. Knight struck directly at the very philosophical heart of his system. In this case, the occasion was prompted by Carver's publication of *The Economy of Human Energy*. In this volume, primarily intended for a general audience, Carver (1924, 12, 274) proposed his views wrapped in even more explicit biological jargon. Human beings, he asserted, act unconsciously, driven by their own nature, 'precisely as they would act consciously if they were convinced by unanswerable logic that the most valuable thing in the world was human energy or human life, and the most profitable thing in the world was to transform the largest possible sum of solar energy into human energy.' This general principle even led Carver to describe Jesus Christ as a 'real individualist' and to paraphrase his famous promise, 'I am come that they might have life and that they might have it more abundantly,' as follows: 'I am come in order that the maximum

quantity of solar energy might be transformed into human energy,' or, 'I am come that the statistician's theory of progress might be realized, namely, that as many people as possible might live, and that they might live as well as possible.' Such an overt (and almost grotesque) attempt to merge, into the single principle of 'maximization' of human energy, the economic, ethical, and even spiritual aspects of human life could not escape Knight's attention. Knight (1925, 777, 778)—who reviewed Carver's book for the *Journal of Social Forces*⁵—wrote in his typical trenchant style:

The economic interpretation of life is followed out to its final implications with an unswerving consistency, which however, is not 'relentless' or 'inexorable' so much as naive and bland in its tone. But the author is in dead earnest about it, even at points where one has to reread to be sure that he is not ironical. Rarely is there evidence of a suspicion—perhaps never of a recognition—that there is anything in heaven or earth that is not comprehended in classical political economy at its 'worst,' or about which anything intelligent can be said except that it has or has not 'survival value' [...]. Even survival 'value' is of course a misnomer, for the same 'logic' which reduces religion and esthetics to economics will inevitably reduce economics to physiology, physiology to chemistry, chemistry to physics, and physics to the geometry of space-time. And space-time is 'an original intuition of mind'; and what is mind?

Ultimately, Knight concluded, Carver's philosophy is a 'marriage of classical political economy and old New England Puritanism.' In this regard, 'Even Jesus would certainly laugh...if he could read the final chapter, in which his teachings are soberly and very logically identified with the competitive organization of society and the productivity theory of distribution.'

After Harvard: The Essential Factors of Social Evolution

In 1932, Carver retired from Harvard and moved to Los Angeles where he continued to be involved in academia. He served as visiting professor at the University of California at Los Angeles in 1934–1935 and again in

1938–1939; he held a similar position at Occidental College in 1939–1940 (Carver 1949, 236). In 1935, at the age of 70, Carver (1935a, vii, 83, 84) published a comprehensive sociological treatise entitled *The Essential Factors of Social Evolution*, which he described as a ‘condensation of a mass of notes, quotations, citations, comments, and observations’ accumulated during the last four decades of his life. With respect to his previous works, the volume contained elements of both continuity and discontinuity. On the one hand, in line with what he had written in 1915, Carver reasserted that ‘the problem of social evolution is much concerned with survival value as is the problem of biological evolution.’ The two are, in fact, ‘synthesized by their common concern to group survival,’ while, in turn, group survival is largely a question of ‘economizing human energy.’

On the other hand, and this is the main element of novelty, the book reveals a much more explicit commitment to eugenics and hereditarianism.⁶ After dismissing Lamarckism on the ground that the ‘effects of use and disuse have not yet been convincingly shown to be inherited,’ Carver (1935a, 213, 228, 409, 414) went on to affirm that treating hereditarily defective individuals would confer no benefit on their offspring. Eugenic control of reproduction was the only way to improve heredity: ‘If human beings desire to be physically fit for life, children must be produced by parents that are fit.’ This raises the question of what is the most efficient test to determine a man’s fitness. Carver seems to have no doubts: ‘The only test now in actual operation is that of market value or price. It is admittedly crude and inaccurate, but is there any other standard which could be depended upon to produce less crude and inaccurate results?’ Accordingly, and losing the caution he had shown in the past, he now exposed the beneficial effects of binding minimum wages in overt eugenic jargon:

Such laws as the minimum wage law, if rigidly endorsed, have some such eugenic effect. Rigid enforcement of such a law would make it illegal for any one to be employed at less than, say, four dollars a day. As a general rule, though with many exceptions, men will not marry, or women will not marry them, unless they have some kind of remunerative employment. A minimum wage law would exclude from employment, and therefore from marriage, most of those unable to earn the minimum wage. The general effect of such a law would be to prevent many of the less fit from marrying.

For those ‘unemployables’ who would lose their jobs, Carver (1935a, 426, 431–436) was willing to invoke the intervention of a new kind of philanthropy, compatible with his eugenic creed. ‘Properly understood and administered, philanthropy’—he explained—‘is merely a means by which those who, from the standpoint of race improvements, are unfit to survive may be enabled to pass out of existence with the least possible suffering.’ Such a harshening in rhetorical style surfaces again in connection with the discussion of the deleterious effects of an oversupply of ‘skilled’ with respect to ‘unskilled’ labor. The whole discussion reveals a strong hereditarian perspective that is only latent in Carver’s previous writings:

A community which has more ditch diggers than it can use in combination with its limited supply of competent engineers will always be in a bad way. Any process of multiplication which will increase the proportion of engineers to ditch diggers would be an eugenic program. Any process which would increase the proportion of ditch diggers would have to be called dysgenic.

‘The question becomes’—he continued—‘are we likely to get as large a proportion of competent engineers from the progeny of ditch diggers as from the progeny of engineers?’ Carver answered in the negative. He was disposed to recognize that ‘the combination of traits which go to make up what we have called productivity is an exceedingly complex one, more complex, probably, than the combination which goes to make an athlete, or even a fighter.’ Nevertheless, he firmly believed that statistical prediction of the heritability of certain inborn traits was ‘within wide limits’ possible. The problem was thus essentially one of differential birth rates. Drawing directly from Francis Galton, Carver saw the combination of low fertility among the wealthy and more gifted classes and high fertility among the poor and unskilled as a serious threat to racial fitness. ‘The dysgenic effects of such a differential birth rate may be for a short time, partly overcome by the superiority of schools and educational facilities,’ he admitted, but ‘if the capacity of the great mass of the people to be educated is declining, then no matter how rapidly the schools may be improved, eventually they will reach a very definite limit beyond which they cannot train successive generations.’

In the treatment of the race question, Carver's (1935a, 444–445, 447–448) emphasis on the hereditary transmission of 'defective' characteristics becomes even more evident.⁷ 'The eugenic or dysgenic effects of race mixing are still under investigation,' he wrote, and it is possible that, at some future date, 'it may be found that certain race mixtures produce desirable crosses and others not.' However, he continued, 'until we can determine with some degree of certainty by scientific experimentation or observation just what race mixtures are favorable and what are unfavorable [...], the safer policy seems to be to maintain racial purity.' In this connection, Carver approved Zionism as an ideological basis for establishing permanent territorial separation between Jews and Christians. This would have the positive effect of reducing both dysgenic intermarriage and anti-Semitism. He also singled out Jewish endogamy as the principal cause for the widespread hostility toward Jews:

The persecution is traceable to the determination of the orthodox Jews not to amalgamate with the Gentile population. They realized that nothing could prevent such amalgamation except the studied cultivation of a dislike of non-Jews. Nothing except dislike...could prevent young Jews and Gentiles from falling in love and marrying. The cultivation of a positive dislike was very naturally reciprocated, with the result that, in a country where the Jews were numerous enough to make an impression on the public mind and yet not numerous enough to be strong, they were persecuted and subject to pogroms.

As pointed out by Arthur J. Vidich and Stanford M. Lyman (1985, 81), this represents a 'remarkable instance of blaming the victim for his condition.'

In the end, Carver (1935a, 452, 453) was cautious enough to state that 'it is probably safer not to assume that one race is, in any absolute sense, superior to another.' This, he immediately clarified, does not imply that all racial groups show the same ability to adapt to a certain environment. 'It is quite conceivable that one race would show superior adaptability while another race would show superior adaptability to another environment.' The inherent racialism of Carver's position is revealed by his ambiguous blending of physical and social adaptability:

adaptation to a social environment is quite as necessary as adaptation to a physical environment. It is at least conceivable that a race which has developed its own civilization and created its own social environment—its mores, standards, and behavior patterns—may have developed a certain degree of adaptation to that social environment. It is also conceivable that members of a race which has been transplanted to a new social environment which was created by a different race, may have some difficulty in adjusting themselves to it. The problem of moral adaptation is quite as difficult as that of physical adaptation.

Assimilation—limited on the physical side by climatic adaptability—involved also some form of race-specific capacity to absorb social culture. In Carver's (1935a, 453) words, 'This may explain every known fact regarding the difficulty which the Negro, the Indian, or the Malay has in adjusting himself to the white man's civilization.'

What Must We Do to Save Our Economic System? And the Republican National Committee

Carver's activities in Los Angeles were not limited to academia. In the autumn of 1934, he was invited to deliver a series of talks to business and community leaders at the Los Angeles University Club on the subject 'What Can Be Done With Our Present Economic System?' (Carver 1949, 240; Eow 2007, 121). The lectures turned out to be so popular that two more series had to be scheduled. In the wake of this success, the following year, a group of private sponsors arranged to publish the talks, which appeared in print as a pamphlet under the title 'What Must We Do to Save Our Economic System?' (1935b). As Carver (1949, 240) recounts in his autobiography, 'It was never advertised nor its sale pushed, but there were 16 different printings, of 1,000 copies each.' The pamphlet was intended as a 'plan of action' and to a large extent merely reiterated Carver's (1935b, 48, 3, 8, 65) main proposals to alleviate poverty. Poverty was a problem, he wrote, because it made the American economic system 'vulnerable to the attacks of its enemies.' The American

system—in its idealized version—was described as ‘economic voluntarism,’ that is, a system characterized by numerous freedoms: ‘freedom from violence, freedom to work together by voluntary agreement, freedom to own, to buy and sell, and to enjoy what one has produced or purchased.’ Carver was careful enough to affirm that economic voluntarism was not the same as *laissez-faire*; indeed, as he had done in 1915, he insisted on the necessity of government interference ‘to protect production against predation.’ The contrast between *laissez-faire* and voluntarism was especially evident when it came to population planning. It was a foolish form of *laissez-faire* that left procreation to ‘blind biological forces’—to the free sexual proclivities of men and women, with no regard for the kind of men and women who were procreating. ‘Such a let-alone policy would leave our population to be recruited from those regions where the standard of living is lowest and from the least intelligent strata of every population, our own included.’

Writing in 1935, 12 years after the Omnibus Immigration Act had established quota systems that encouraged immigration from Northern and Western Europe but virtually cut off immigration from Asia and Southern and Eastern Europe, Carver (1935b, 66, 70) lamented that the United States had now ‘left wide open the doors for immigrants from the Western Hemisphere and the Philippines.’ His proposal was to further limit immigration, establishing quotas also for ‘Filipinos, Mexican peons, and West Indian Negroes.’ Another threat was the ‘hungry hordes from the East.’ In this connection, Carver admired the nationalistic regimes in Europe which were getting ready to fight against the eventual invasion from communist Russia: ‘Possibly Mussolini and Hitler are more far seeing than the rest of us and are preparing to stand together at another field of Chalons as the ancestors of their people did in A.D. 451.’

In the pamphlet, Carver (1935b, 62, 70, 80, 71) discussed in some detail ways to reduce congestion in the lower segments of the workforce. As remedies, he offered public education, prohibiting marriage among those who could not ‘afford an automobile’ and extending birth control to the ‘poorer classes.’ More extreme measures were also contemplated. In line with the harsher style Carver had shown in his *Essential Factors of Social Evolution*, he went so far as to propose segregation or sterilization of the ‘palpably unfit,’ calling the segregation or sterilization of

‘congenital defectives’ ‘one of the few rational things which have come out of Hitlerism.’

Carver actively promoted his pamphlet, sending copies to colleagues, politicians, journalists, and business leaders throughout the nation. As we learn from Carver’s private correspondence, many were the commendations he received from notable figures of the time. Nobel Laureate Robert A. Millikan from the California Institute of Technology found the pamphlet ‘a peculiarly sane and sound analysis of our present situation,’⁸ while Paul Palmer, editor of the conservative *American Mercury*, told Carver that ‘*What Must We do to Save Our Economic System* is far and away the most able paper I have read on the present problem. I think your ideas are unassailable.’⁹ There were many responses from Harvard. Thomas H. Sanders, professor of accounting at the Harvard Business School, praised Carver for stating better than he could his own views on the subject, singling out voluntarism as especially ‘important and attractive.’¹⁰ Albert Bushnell Hart, the famous historian and at the time professor emeritus of government at Harvard, commented enthusiastically on an excerpt of Carver’s pamphlet which had appeared as an article in the *Nation’s Business*, the monthly magazine of the US Chamber of Commerce (Carver 1935c). Hart’s letter is such an explicit example of racist rhetoric that deserves to be quoted at length:

We are all children of immigrants; but I think we are fairly entitled to feel that the original and derived English race communicated much largest number of original European immigrants from overseas into the present United States. I am delighted to see that you observe what seems to me a terrific danger of being inundated by thousands of Chinese coolies. I have been urging for thirty years that the difficulty with Chinese and Japanese immigration is that, if allowed, there would have been an Asiatic mulatto group which, like the Negroid group, can be traced by the vision for quarter or an eighth of the original blood. That is, we have thousands (and would before long have had millions) of ‘Asiatoids’ who could be detected by their color and features, as the Negroid mulattoes are and have been for centuries—to which, of course, may be added the occasional reversion to type of babies.

I cordially and completely agree with your dictum to extend the quota system 'of the Western hemisphere to the Philippines.' Your sterilization idea is much more difficult to carry out. For one thing, it tends to establish a distinction between a mulatto or an Asiatoid who looks white, and his brother who looks dark. Likewise there are evident practical difficulties in the way of the remedy that you propose, inasmuch as an almost white and an almost black may be own brothers.

However, for a professor of economics you do make out a strong case. I shall read your article and ruminate upon it; for, though as a student of government I very much doubt whether such legislation can be secured as you suggest, I appreciate your belief in the terrific danger arising from the presence of two diverse, yet commingling races which might, a few centuries hence, form a majority – and then your great-great-great-grand children and mine might be made the hewers of wood and drawers of water for the more prolific races.¹¹

Other commentators focused on the proposed restrictions on marriage and parenthood. Even Carver's reference to Hitler was warmly welcomed, as testified by Reverend Marshall Russell Reed's letter, which stated that 'we may have to wait to have some kind of Hitler' who would force men to postpone marriage until they could support a family. Only then, Reed stated, could the kind of economic voluntarism Carver described be preserved.¹²

Marjory Dawn, a birth control activist and a personal friend of Margaret Sanger, also did not blink at Carver's reference to Hitler and suggested that to the sterilization of defectives should be added free and legal access to abortion, which women had in communist Russia. Birth control, she explained, can only go so far: 'For those needing it the most, for them there is nothing but sterilization. It is their salvation—and ours.'¹³

Carver's correspondence with Herbert Hoover is particularly interesting. Carver and Hoover first met in 1929, when the president invited him and his wife for dinner at the White House, and they remained in touch thereafter.¹⁴ Hoover must have expressed some form of appreciation for the pamphlet, judging from a letter Carver wrote to the president in July of 1935. In the letter, Carver explained why he wrote his pamphlet for a popular audience: he wanted to reach lawmakers and other leaders first, and ultimately the man on the street.¹⁵

Hoover replied briefly, simply asking for 50 more copies of the report.¹⁶ But it is Carver's subsequent response that mostly concerns us. There, in view of the forthcoming presidential elections, Carver made clear his political stance with respect to the ideas presented in the pamphlet. For the time being, the pamphlet should not be associated with any political party but should 'stand wholly on its merits.' Many of its ideas, of course, coincided with the positions of the Republican Party; but even though one could find many Democrats who agreed with Carver, it was best that the pamphlet be seen as nonpartisan, lest Democrats 'shy off' from it.¹⁷

Hoover's response was again telegraphic, yet significant: 'The plan is not adapted to purposes of popular politics; so there need be no fear in that direction.'¹⁸ In spite of these words, Carver's political neutrality would not last long. According to Carver (1949, 241), he was asked, in February of 1936, to join the Republican National Committee. Carver accepted the offer with no reservations and so became a member of what soon came to be known as the Republican Brain Trust. This was a research group coordinated by Olin Glenn Saxon from Yale Law School and consisted of seven university professors, each heading a thematic division. Carver was made responsible for the Political Economy section and was assisted by Vervon Orval Watts, a former student of Carver who at the time was a professor of economics at Antioch College.¹⁹ The brain trust was all about research—as Henry P. Fletcher, chairman of the Republican National Committee, announced: it was 'not a group of politically ambitious college professors with pre-conceived ideas, who look forward to getting on the federal payroll in the hope they can reform the universe' (G.O.P. Forms Professional 'Brain Trust' 1935, 1).

It is not clear whether Saxon and the other G.O.P. brain trusters deliberately decided to adopt Carver's report on 'What Must We Do to Save Our Economic System?' as campaign material to support Alf Landon, the Republican nominee, in his desperate race against Franklin Roosevelt, or whether it was Carver who used the Republican flag to promote his ideas at the national level. No evidence for either can be found. The fact remains that, shortly after Carver's Washington appointment, his views became identified with those of the Republican Brain Trust. This brought the report to the attention of the national press, and, given its tone and explicit references to Hitlerism, it is little surprise that the condemnation

was virtually unanimous. The *New York Post* treated Carver's proposals like breaking news, with a front-page headline: 'G.O.P. Brain Trust Offers Fascist Program for the U.S.'—to which was added, as a subtitle, 'Persons Unable to Afford an Automobile not Allowed to Marry' (Allen 1936, 1). For the *Chicago Defender*, which referred to Carver as the 'leading luminary of the newly organized Republican brain trust,' the pamphlet represented 'a danger signal of the growth of spurious Nazi race purity theories in this country' (Want Sterilization For Race 'Purity' 1936, 19). One commentator, R. Charlton Wright (1936, 6) of the *St. Petersburg Times*, decided to take Carver not too seriously and replied using irony. For the amusement of the reader, we cannot resist quoting his note at some length:

In effect, as I construe him, the worthy doctor advocates, as it were, a sort of 'ploughing under' of the surplus population of poor folks who supply the ranks of labor, and of whom there are too many to be useful in our mechanized civilization by the methods of (a) sterilization à la Hitler to prevent their breeding, and (b) by rigid regulation by the government to prevent marriages among any but those able to buy and operate automobiles. All this is very interesting, but I suspect it will inspire no madrigals from the G.O.P. who used to sing sad ditties about the horrors of birth control among the worthy pigs of the republic. The case, however, is a bit different: pigs, even surplus pigs, can be butchered by rugged individualists and sold for a profit; but surplus poor people can't be eaten, and if there is no employment for them, they must nevertheless be fed, which costs money. In other ages, and other climes, defectives and unwanted infants were exposed to be devoured by the beasties, and some savage tribes, ate their aged and indigent dependents. If the good doctor could remove the odium of such a practice, and make the aged and indigent palatable, we might be able to avoid doles, unemployment insurance, and old-age pensions altogether, thus enabling the 'rich and well born,' to buy more yachts, Rolls-Royces and other necessities of the simple life. But somebody would have to buy the food to fatten the surplus labor, to make them fit for the pot or oven, and that would entail a burden on the wealthy. I admit the problem is difficult.

Carver's views soon became a source of political embarrassment and, as John Kenneth Galbraith (1987, 196) reported, soon became irrelevant.

Later Developments

The fuss made by *What Must We Do to Save Our Economic System?* did not discourage Carver, who, in the late 1930s, became more and more involved in the activities of the Los Angeles Chamber of Commerce. There, Carver formed a team with Leonard Read, the future founder of the Foundation for Economic Education, and William Mullendore, a former assistant to Hoover and vice president of Southern California Edison. After his appointment as General Manager of the Chamber in 1939, Read asked Carver and Mullendore to join the Board of Directors, an invitation they both accepted, and hired Vervon Orval Watts as full-time economist. As Carver (1949, 241) emphatically recollects, his new colleagues and he led an effort by the chamber to restore free enterprise to its rightful, lofty place—an effort that could ‘turn out to be the most important work of my life.’²⁰ In 1945 Carver published two pamphlets—*How Can There Be Full employment After the War?* (1945a) and *The Economics of Freedom* (1945b)—in *The Economic Sentinel*, a publication intended to make the lectures sponsored by the Los Angeles Chamber of Commerce available nationally. At this point, it is almost needless to say that both pamphlets contained no single grain of novelty. Suffice it to say that the one on unemployment makes no reference to Keynes or the Keynesian literature and in many sections simply repeats, verbatim, the 1935 report. It would not deserve our attention were it not for the fact that here, writing after the Holocaust, Carver (1945a, 51–52) found a way to drop another approving reference to the eugenic practices of Hitlerism:

It is sensible and humane to avoid bringing into the world congenital defectives and to discourage them from inflicting the curse of a burdensome life upon future generations of their own kind. In one respect, Hitler was more rational than most contemporary government ‘planners.’ He agreed with them that government should guarantee jobs or a livelihood to everyone. However, he saw, as they did not, that in order to make good on this guarantee, government must take over the corresponding responsibility for parenthood and decide who might or might not be born. His policy of sterilizing defectives is a logical part of a governmental policy of social security and ‘planned’ economy.²¹

Carver (1949, 271) had also planned the publication of a final volume, to be titled *The Economic Functions of Government*. The book never did appear in print, although virtually all of its chapters, in a fairly definitive shape, are to be found among Carver's personal papers. The most significant is a chapter on 'The Biological Functions of Government'—which is fully reproduced in the appendix—where Carver offered further elements to the eugenic foundations of his social thought. There, Carver insisted that the purpose of a rational government is 'to give the highest possible survival value to usefulness or productivity'—and this can be done only through the suppression of all forms of competition that are not beneficial to the nation. Only under such a government, 'usefulness to the nation, or to other individuals who constitute the nation, becomes the standard of fitness for individual survival.' This, however, for Carver does not exhaust the 'biological' functions of government. Equally important as competition for material means of subsistence is the 'struggle' for mates: 'Failure in this struggle is as tragic, for the germ plasm, as failure to gain the means of subsistence.' Carver distinguished between lower races, where strength, ferocity, and physical attributes were assets in such a struggle, and more civilized races, where 'earning power,' that is, the ability to provide economic support to the family, becomes the determining factor in competition among males for possession of female breeding partners. Carver explained:

Earning power, the power to produce wealth, and to win mates by means of it, not only has survival value for the individual and his germ plasm, but also for the group, tribe or nation. Where mates are secured by organs of prehension, the evolutionary process tends to produce a species with powerful organs of prehension in the males, but, as suggested above, these seem to have no survival value for the race or the group. Similarly, the winning of mates by fascination tends to breed a species in which the males possess powerful organs with which to fascinate the female; but these organs seem to have little or no survival value for the species or the group. But when mates are won by means of earning power or productive power, the evolutionary process tends to produce a race of superior producers. Productive power has survival value not only for the individual male but for the nation to which he belongs.

Ultimately, for Carver, ‘the custom of offering economic support as a means of winning mates works eugenically,’ and he went so far as to affirm that ‘under a government of law and order, both the destructive and deceptive forms of struggle are prohibited in the competition for mates as well as in the competition for wealth or political power.’

Finally, in 1954, just prior to turning 90, Carver began a new career as a columnist for the *Los Angeles Times*. His weekly pieces dealt with many pressing issues of the time but also represented an occasion to reiterate over and over his social and eugenic views. A quick glance at some of their titles—‘Fitness As a Test of Survival’ (1956); ‘Immigrant Control’ (1957); ‘Battle of Standards on American Soil’ (1958)—emblematically reveals how, until the very last days of his life, Carver held with powerful (almost obsessive) consistency to the limited set of convictions he had developed in his Progressive years. In this regard, it is difficult not to agree with A. Lawrence Lowell, who served as president of Harvard from 1909 to 1933 and knew Carver personally, who once remarked of him: ‘he sees things clearly but through a very small keyhole’ (quoted in Parker 2005, 45).²²

Archival Appendix

The Biological Function of Government (Undated)

All the social sciences must base themselves ultimately on biology. They all have to do with life in its organized aspects. They are all branches of human ecology which has to do with the adaptation of human life to its environment. Organization is an important form of adaptation, having abundantly proven its survival value for many species, conspicuously for human beings. Besides, some of the leading contributions to social science have been made by biologists, among whom may be named, Charles Darwin, Lester F. Ward, William Morton Wheeler, Walter B. Cannon, William E. Castle, and the whole school of geneticists. Accordingly, we may well consider the biological function of government as a basis for the consideration of its purely social functions.

Briefly stated, *the biological function of government is to set up and maintain a rational standard of fitness for individual survival in the struggle for existence.*

A rational standard of fitness for individual survival is, from the standpoint of the nation, a standard that enables it to survive in the struggle among nations. From that point of view, the most fit individual is the one that contributes most to the strength and prosperity of the nation, and the least fit is the one that contributes least, or subtracts most, from national strength and prosperity. Setting and maintaining such a standard is quite as rational as the protection of boundaries, the development of natural resources, or the doing of anything else that contributes to the nation's power to survive.

We must recognize at the beginning of this discussion that there are two very different kinds of struggle going on in the human world. First, there is the struggle among individuals and private organizations within the sovereign group, called nation (or state). Second, there is the struggle among sovereign groups. A sovereign group is one that is under the control of no larger group and is not protected by any superior power. Its survival depends wholly on its own internal strength.

The difference between these two kinds of struggle is not merely the difference in the size of the struggling units. The important difference is in the methods by which the struggle is carried on. The struggle among individuals and private organizations is carried on under certain rules that are laid down and enforced by the nation through its government. Where these rules are rational, they are such as will safeguard the nation itself. This does not mean that the nation is an end in itself, nor deny that the nation exists for the benefit of the individuals who compose it. It merely recognizes that individuals cannot survive outside the protection of nations and that more individuals can survive under a well-governed than a poorly governed nation. In order that the largest number of individuals may live and live well, many individuals may have to be sacrificed, even worthy ones in national defense, and unworthy ones as punishment for misdeeds that weaken the nation as a whole.

But the struggle among nations has been only slightly softened or mitigated by what is euphoniously called international law. In the main, it is a primordial struggle, in which survival may depend upon the power to kill, destroy, deceive, and inspire fear. In this struggle, there is no standard of fitness for survival. The fit are those who survive, no matter how or by what means. The law of the jungle prevails with only slight modifications. Adeptness in the arts of destruction has quite as much value as skill in the art of production. Both are equally necessary and, as yet, equally permissible. The nation that is too squeamish to use either power to the fullest extent will stand a poor chance of surviving.

However, in order that the nation may be strong in the arts of both production and destruction, in other words, in order that it may survive, it must suppress the arts of destruction and deception when they are exercised against its own citizens. Its citizens must not be permitted to survive by means of their power to destroy or defraud one another. Their struggle for existence must be directed into the fields of production or persuasion. In short, the struggle among individuals within the nation must be standardized. It is no longer the law of the jungle, it becomes rivalry in production, service, or persuasion. This rivalry may be very intense and must result in both success and failure. There will be many jealousies and heartburnings, but rivalry in production results in vastly more national strength than rivalry in destruction.

When, for example, farmers try to grow bigger and better crops and manufactures to turn out better and cheaper products than their competitors, bigger and better crops are grown and better and cheaper products are put on the market. All this adds to the strength of the nation and enables it to support more people and equip them better. But when farmers fight over line fences, destroy one another's crops, or manufacturers pursue destructive methods of beating their competitors, fewer people can supported and they cannot be so well equipped.

This difference is essentially the difference between economic competition as it is carried on among individuals under an enlightened government (and studied by the economist), and the unstandardized struggle for existence as it is carried on among brutes (and studied by the sociologist). In this unstandardized struggle among brutes, the fit are merely those who manage to survive, no matter how or by what methods: organs

of destruction have survival value. Under a government that we have learned to call civilized, an individual is not permitted to survive by any method which he may choose. The government itself is an important part of the individual's environment and he must adapt himself to it. If, for example, there are well-enforced laws against violence and fraud, an individual has a poor chance of survival by these methods. Adeptness in such activities has, under such a government, no survival values for the individual. Without a government, or without standards of fitness, such adeptness would have as great survival value as skill in the arts of production.

The purpose of a rational government is to give the highest possible survival value to usefulness or productivity. Under such a government, usefulness to the nation, or to other individuals who constitute the nation, becomes the standard of fitness for individual survival and it is a rational standard. The nation which desires to survive must, in its own interest, set up such a standard. The more useful the individual is to the nation, the better his chance of survival and the more likely the nation is to survive. Where that is not the case, government is not performing its function, and, itself, stands a poor chance of survival.

Crime is as natural as virtue, and where there is no government to maintain a rational standard of fitness for survival, individuals may survive by virtue of their power to kill, injure, and inspire fear. Rivals may be destroyed or driven out by destructive methods. Individuals and groups will still try to get what they want by making others afraid to refuse their demands. Even where most of the people try to get what they want either by producing it or by offering others something desirable in exchange for it, there will always be a few who, in spite of the government, will try to succeed by methods of terrorism. Under a weak or corrupt government, the method of terrorism may succeed. Crime may pay. But a nation in which crime against one's fellow citizen pays can never reach its maximum strength of prosperity.

The test of a 'good' government is the smallness of the number of those who try to succeed by destructive or deceptive methods. Under a 'good' government—one which meets our test—the average citizen will have to stake his success on his ability to contribute to the success of others. In proportion as individuals strive for success in these useful ways, in that

proportion will the nation grow strong. Unless overwhelmed by military power before it has had the time to grow strong, it will insure its own survival.

The struggle for survival goes on relentlessly not only among individuals but among nations. As already stated, government's first business is to transform the unstandardized struggle among individuals, where survival may be won by destructivity or deceptiveness, into a struggle where individual survival is won only by productivity or usefulness to the national group, or by peaceful persuasion. The nation whose government does not try effectively to accomplish this transformation must always be a weak nation. Every individual who is permitted to survive by destructive or deceptive methods—that is, by violence or fraud—weakens the nation. Every one who wins success or survival by productive methods strengthens the nation. Thus, a nation's own survival in intense struggle among nations depends upon how successfully its government suppresses destructivity and encourages productivity among its own people. Only by turning these energies of the people into productive channels and away from destructive channels can a nation grow great and strong enough to survive in the intense rivalry where the law of the jungle still rules.

Many activities that, to the outward eye, seem destructive are really productive. The killing of weeds and other pests is an important part of the productive work of farmers. Similarly the suppression of human pests who try to succeed by destructive methods is an essential part of the productive work of courts and policemen. The soldier who protects a peaceful and industrious nation against destructive invaders is as productive as an industrial worker.

When the struggle for existence among individuals has few elements of destructivity and many elements of productivity, it ceases to be a brutal struggle for existence as studied by the biologist and begins to be economic competition as studied by the economist. In both cases, it is a real struggle, and failure is real tragedy; but it makes a vast difference to the nation whether success is won by destructive or by productive powers and activities. Obviously, no nation could long survive whose individuals all tried to live by robbing one another. Only few could live if a considerable fraction tried to live by robbery. If all tried to live by productivity or

usefulness, the only limit to the number who could live, or to the height of their prosperity, would be that fixed by the physical resources of the nation.

Parallel with the struggle for the material means of subsistence or survival is the struggle for mates. This struggle is as real and as deadly as that for wealth or political power. Failure in this struggle is as tragic, for the germ plasm, as failure to gain the means of subsistence. Under monogamy, success in this struggle is strictly limited by law. Only under polygamy or polyandry could success reach such proportions as is sometimes achieved in the struggle for wealth or political power.

In the absence of government, this struggle for mates may take on destructive forms, as under wife capture or rape, or deceptive forms as under seduction. Under a government of law and order, both the destructive and deceptive forms of struggle are prohibited in the competition for mates as well as in the competition for wealth or political power. With violence and fraud, suppressed mates must be won, if at all, by persuasive or productive methods.

Along the lower animals, mates are won, and the germ plasm perpetuated either by organs of prehension or by organs of fascination. By means of organs of prehension, the female is caught and held by the male; but among civilized men, this is the most contemned and most severely punished of all crimes. Besides, while these organs of prehension may have survival value for the individual, they do not seem to have any for the race or for the flock or herd. Organs of fascination, such as feathers, beards, musical voices, various forms of spectacular prowess, are used by most of the higher animals and birds and of the less civilized races of man, to win the females. Among the more civilized races of men, winning the female without responsibility for full economic support is called seduction and is, for very logical reasons, strongly condemned.

Darwin and many other naturalists have commented on the fact that among all animals as well as among the lower races of men, the male is the more highly adorned with secondary sexual characters. It is agreed that this is the result of the fact that competition for mates is more fierce among males than among females. Organs of fascination have survival value for the individual male, that is, for his germ plasm, but little if any for the race, the group, or the flock.

Naturalists also notice among the more civilized races of men, the order is reversed. It is the female who adorns herself, while the male generally divests himself of such secondary sexual characteristic as beard. The reason seems to be that, in the struggle for mates, the male is able to offer economic support as a substitute for personal charm. So long as he can provide ample means for the support of a family, he does not need to be handsome. To be sure, poets and others who are in revolt against the economic order still exercise their organs of fascination. They do not sit on a branch and warble but use soulful language, and they do not discard long hair and beards.

There is, however, a somewhat better biological reason for the exercise of earning power as a means of winning a mate than for the exercise of either the power of prehension or the power of fascination. Earning power, the power to produce wealth, and to win mates by means of it, not only has survival value for the individual and his germ plasm but also for the group, tribe, or nation. Where mates are secured by organs of prehension, the evolutionary process tends to produce a species with powerful organs of prehension in the males, but, as suggested above, these seem to have no survival value for the race or the group. Similarly, the winning of mates by fascination tends to breed a species in which the males possess powerful organs with which to fascinate the female; but these organs seem to have little or no survival value for the species or the group. But when mates are won by means of earning power or productive power, the evolutionary process tends to produce a race of superior producers. Productive power has survival value not only for the individual male but for the nation to which he belongs.

In addition, where the male offers economic support as a means of winning a mate, we have the best plan yet invented for the endowment of motherhood. The mother is billeted on the father of her children. The formula 'With all my worldly goods I thee endow' has a biological as well as a 'spiritual' significance. Unfortunately, there is a present tendency to subsidize multiplication by those who are incapable of supporting their own offspring.

Of course, it will be argued, the power to provide economic support is not always identical with earning power or productive power. With the rank and file of the population—farmers, laborers, artisans, clerks,

managers—a good provider is generally a good worker, one who actually earns the means of providing a good living. Among this great mass of our population, the custom of offering economic support as a means of winning mates works eugenically. It is a means of breeding up a race of strong producers, and these build a strong nation.

This must therefore be regarded as one of the biological functions of the government. The suppression of violence and fraud in the mating process is identical with the suppression of rape and seduction. This makes economic support an important if not a dominating factor in the winning of mates. This tends to breed a race of good providers. Among the masses, the good providers are the efficient producers. A race of efficient producers builds a strong and prosperous nation. In its own interest, the rational thing for the nation to do is to set and maintain a productive standard for success in the winning of mates.

The economic functions of government are quite consistent with the biological function. As the biological function is to establish and maintain a rational standard of fitness for individual survival, so the first economic function is to establish and maintain a rational standard of fitness for individual success in earning a living or acquiring wealth. Biological success may be said to consist in simple survival and reproduction, economic success in the acquisition of economic goods.

Correspondingly, a just and efficient government—a government which maintains a rational standard of fitness for economic success—is one under which every individual who wins success must win it by usefulness, that is, by contributing to the success of the nation. Where everyone strives for success in that way, a great and successful nation is assured insofar as national success depends upon its own internal economy. The only limit to the prosperity of such a nation is that fixed by its physical or geographical resources.

Notes

1. Carver's *Essays in Social Justice* was published in 1915, 1 year before his election as president of the American Economic Association. For a biographical sketch of Carver, see Coats (1987).
2. See Leonard (2012) for an excellent analysis of this transition.

3. In another salient passage, Watson (1925, 75) added: ‘Certainly black parents will bear black children if the line is pure (except possibly once in a million years or so when a sport or ‘mutant’ is born which theoretically may be white, yellow or red). Certainly the yellow skinned Chinese parents will bear a yellow skinned offspring. Certainly Caucasian parents will bear white children. But these differences are relatively slight. They are due among other things to differences in the amount and kind of pigments in the skin. I defy anyone to take these infants at birth, study their behavior, and mark off differences in behavior that will characterize white from black and white or black from yellow. There will be differences in behavior but the burden of proof is upon the individual be he biologist or eugenicist who claims that these racial differences are greater than the individual differences.’
4. For a full discussion of Hale’s criticism of Carver, see Samuels (1984).
5. A previous, article-length version of Knight’s review of Carver had been rejected for publication in the *Journal of Political Economy* (Nordquist and Emmett 2011, xxxvi).
6. In 1925 Carver was appointed to the Advisory Board of the American Eugenics Society, a position he held until 1935. During those years, Carver published two brief essays (1929, 1931) in *Eugenics: A Journal of Race Betterment*, the official monthly journal of the association.
7. In his Progressive Era writings, Carver had never dealt with racial issues nor had he, unlike many of his contemporaries, drawn upon the racialist literature of the period in his discussions of immigration. In this regard, it is worth pointing out that Carver (1949, 137–141) was the main person responsible for the hiring at Harvard in 1901 of William Z. Ripley. Ripley, a leading railway economist, was also the author of the most influential racial taxonomy of the Progressive Era, *The Races of Europe* (1899).
8. Robert A. Millikan to Thomas N. Carver. July 26, 1935. Thomas Nixon Carver Papers, Library of Special Collections, UCLA (hereafter TNCP), Box 1, Folder 1.
9. Paul Palmer to Thomas N. Carver. December 30, 1935. TNCP, Box 1, Folder 1.
10. Thomas H. Sanders to Thomas N. Carver. August 1, 1935. TNCP, Box 1, Folder 1.
11. Albert Bushnell Hart to Thomas Nixon Carver: March 23, 1935. TNCP, Box 1, Folder 4.

12. Marshall Russell Reed to Thomas N. Carver: July 8, 1935. TNCP, Box 1, Folder 1.
13. Marjory Dawn to Thomas Nixon Carver. July 24, 1935. TNCP, Box 1, Folder 1.
14. Hoover agreed with Carver's views on immigration. As Carver (1949, 254) reports in his autobiography, 'He saw clearly that the immigration of cheap labor from low standard countries was the chief threat to the American standard of living.' That Hoover held Carver's ideas in high consideration was made clear in a 1935 letter from Virgil G. Iden to Carver: 'Mr. Hoover elaborated very interestingly on the philosophy of industrial cooperation and education, but when I asked him if he would put some of his thoughts in writing he replied that you had reviewed them very largely in your works.' Virgil G. Iden to Thomas N. Carver: July 11, 1935. TNCP, Box 1, Folder 1.
15. Thomas N. Carver to Herbert Hoover: July 11, 1935. TNCP, Box 1, Folder 1.
16. Herbert Hoover to Thomas N. Carver: July 13, 1935. TNCP, Box 1, Folder 1.
17. Thomas N. Carver to Herbert Hoover: September 4, 1935. TNCP, Box 1, Folder 1.
18. Herbert Hoover to Thomas N. Carver: September 7, 1935. TNCP, Box 1, Folder 1.
19. In addition to Carver and Saxon, who served as chairman, the group included the following: Charles J. Bullock, professor emeritus of economics, Harvard University (Taxes and Government Finance); Asher Hobson, head of the department of agricultural economics, University of Wisconsin (Agriculture); Rufus S. Tucker, Brookings Institute and the Twentieth Century Fund (Statistics); Frederick A. Bradford, professor of economics, Lehigh University (Banking and Currency); and Niles W. Carpenter, professor of sociology, University of Buffalo (Social Security and Labor).
20. Read also managed to have Carver's *Religion Worth Having*, a volume originally published in 1912, republished in a revised edition in 1940. The previous year, in a letter asking support for the reprint to 'friends and admirers of Thomas Nixon Carver,' Read had written: "'The Religion Worth Having" is Carver at his best—as stimulating as a cold shower, profoundly wise but crystal-clear with a homely elegance unmatched in modern writing.' Leonard Read to Friends and admirers of Thomas Nixon Carver: October 21, 1939. TNCP, Box 1, Folder 7.

21. In his anti-immigration frenzy, Carver (1945a) also wrote: ‘This flood [of immigrants] has been held back since 1930 by an order, issued by President Hoover, instructing American consular offices to refuse visas to prospective immigrants who might displace native workers.’ Carver is referring to the executive order, issued by Hoover on September 8, 1930, instructing consular officers to refuse to issue visas if they believed ‘that the applicant may probably be a public charge at any time, even during a considerable period subsequent to his arrival.’ The Hoover ‘public charge’ clause was still in place when thousands of Jews began to seek escape from Nazi Germany in 1933. See the discussion in Breitman and Kraut (1987).
22. Ironically, Lowell himself was not a champion of open-mindedness. In 1922, he publicly supported a quota system limiting Jewish enrollment at Harvard College. See the discussion in Karabel (2005).

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8

Economists and Eugenics: Progressive Era Racism and Its (Jewish) Discontents

Luca Fiorito and Tiziana Foresti

We have too much sympathetic judgment of the immigrant masses on the ground that here and there a settlement worker knows an exceptionally bright young Jewish boy or two. It is refreshing to read a book that has a better perspective and that judges by averages, not by exceptions. (Wolfe 1915, 378)

1. In a path-breaking 2003 *History of Political Economy* article and in a series of subsequent contributions culminating in *Illiberal Reformers*:

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Race, Eugenics, and American Economics in the Progressive Era (2016), Thomas C. Leonard has ably documented how eugenic and racist arguments were a common part of American Progressive Era social science. Progressive reformers, he indicates, provided scientific respectability to the cause of race-based immigration restriction. Building on the growing fear of ‘race suicide,’ leading figures of the period, such as John R. Commons, Richard T. Ely, and Edward A. Ross, argued that, by undercutting American workers’ wages, immigrants with lower standards of life outbred and displaced their Anglo-Saxon ‘betters.’ Race suicide, Leonard (2016, 88) explains, ‘was an amalgam of late nineteenth- and early twentieth-century anxieties over jobs being outsourced to the lowest bidder and progressive attempts to define an American nationality, both trends intersecting homegrown American discourses on inferiority—racism, nativism, sexism—and all supercharged by the influential new sciences of heredity, Darwinism, eugenics, and race.’

Importantly, eugenic and ‘race improvement’ ideas played a significant role in the arguments made for measures such as minimum wage and laws restricting hours of work for women and children. Take the case of a minimum wage. By pushing the cost of unskilled labor above its value, a binding minimum would ensure employment only to the most productive workers. The economically unproductive—the ‘unemployables,’ that is, those whose labor was worthless than the legal minimum—would be expelled from the labor force or deterred from entering it. For progressive reformers, Leonard affirms, the resulting job loss would be beneficial to the public since it would protect the national race from the deteriorating contamination of ‘inferior’ elements—African-Americans, Eastern and Southern Europeans, and women and Northern European men with physical or mental disabilities. Leonard provides a flow of textual evidence to sustain his claim. For instance, he quotes Albert B. Wolfe’s (1917, 278: cited by Leonard 2003, 703) statement: ‘If the inefficient entrepreneurs would be eliminated [by minimum wages] so would the ineffective workers.’ Wolfe added: ‘I am not disposed to waste much sympathy with either class. The elimination of the inefficient is in line with our traditional emphasis on free competition, and also with the spirit and trend of modern social economics... [These incompetents] are a burden upon society.’ Wolfe, who, in 1943, would serve as president of the

American Economic Association (AEA), was by no means an isolated case. Charles Henderson, Arthur T. Holcombe, Henry E. Seager, and Sidney and Beatrice Webb, just to name a few, all shared his views on the eugenic virtues of a legal minimum wage.

Leonard's explicit targets are the progressive reformers. Accordingly, he identifies the main coordinates of progressivism as an overt distrust of markets as an instrument to attain efficiency, a disavowal of the American natural rights tradition, and an almost unconditioned faith in the potentialities of technocratic, public-spirited social control by well-educated elites. Within this intellectual framework, Leonard (2016, 190, xii) argues, eugenics and scientific racism fit particularly well: 'Eugenics was anti-individualistic; it promised efficiency; it required expertise, and it was founded on the authority of science.' Equally important, 'biological ideas' provided progressives with 'a conceptual scheme capable of accommodating the great contradiction at the heart of Progressive Era reform—its view of the poor as victims deserving state uplift and as threats requiring state restraint.' These affinities between eugenics and labor reform, Leonard insists, help explain why so many progressives felt under the spell of eugenics.

Leonard (2016, xiii, 115, 166) is well aware that during the Progressive Era, eugenic influences were pervasive and cut across traditional political divisions. In several passages, he suggests that not only progressives, but '[c]onservatives and socialists also drank deeply from the seemingly bottomless American wells of racism, sexism, and nativism, and they, too, borrowed evolutionary and eugenic ideas in support of their politics.' Yet, this caveat notwithstanding, Leonard's actual focus is almost exclusively on progressive reformers. He does observe non-progressive economists such as Frank Fetter and Frank Taussig flirting with eugenic ideas, but in the main does not investigate the differences (if any) between progressives and their more conservative counterparts on racial and eugenic issues. This weakness of an otherwise excellent book is reflected, for instance, in Leonard's almost complete neglect of Harvard economist Thomas N. Carver, who while unquestionably less in favor of state regulation of the economy than most contemporaries, nevertheless, took a stance on eugenics and the 'unfit' so extreme that he drew harsh criticism from progressive reformers like Wolfe and Father John Ryan, who had supported a minimum wage for eugenic reasons (Fiorito and Orsi 2017). Eugenics was thus a complex amalgam of ideas, the influence of which

can hardly be painted with a single brush. It ranged from the advocacy of full-scale eugenic programs, as in the cases of Irving Fisher and Carver, to a nuanced use of hereditary arguments that did not imply any strict form of biological determinism. Such inherent heterogeneity within Progressive Era social science and its eugenic commitments is not fully captured by Leonard's fascinating account.¹

All this leads to a further reflection: if it was not only progressives who embraced eugenics, it also seems that not all progressives shared the same enthusiasm for the eugenic and racist reasoning of people like Commons, Ely, and Ross. In the last two decades of the nineteenth century, voices of dissent among academicians and reformers were indeed rare, but they became more numerous and outspoken during the second half of the Progressive Era, especially after the publication in 1911 of the Dillingham Commission report on immigration. The aim, then, of the present chapter is to offer a further piece in the jigsaw of Progressive Era eugenic and racial thought by assessing in some detail the contribution of these dissenters and the role that they played in the academic debates on labor and immigration.

The group of individuals under scrutiny here is quite variegated—including first-rank economists like Edwin R. A. Seligman, Jacob H. Hollander, and Emanuel A. Goldenweiser, who all served as presidents of the AEA; influential field specialists such as Isaac A. Hourwich and Isaac M. Rubinow; and relatively less known figures like Max J. Kohler and Samuel K. Joseph, who nevertheless raised their voice in the academic arena. All these individuals share a common element: they were all Jewish, either American- or foreign-born. This is crucial because, as historian Hasia Diner (2012, 4) points out, while 'rhetoric defaming the Jews extended backward to earlier periods in American history, between the 1870s through the 1920s anti-Semitism became obvious and prevalent.' Anti-Semitism was in fact an essential part of the Progressive Era racist and xenophobic campaigning, as will be shown in the next section.

2. The emergence of a distinct anti-Semitic rhetoric, especially in public discourse, was mainly a reaction to the massive influx of eastern European Jews to the United States that began at the end of the nineteenth century. In 1880, of a Jewish population of approximately 250,000, only one out

of six was of East European extraction; 40 years later, of a population of four million, five out of every six American Jews came from Eastern Europe (Dinnerstein 1994). The eastern European Jews who arrived in the United States formed one of the largest new immigrant populations, and it is little surprise that they came to play a major role in the racial concerns of the time. Evidence in this connection, as Leonard (2016) shows, is abundant and unequivocal. The unhappy country of Poland, Harvard's railroad economist William Z. Ripley (1899, 372) declared, was so 'saturated with Jews' that Germany 'shudders at the dark and threatening cloud of population of the most ignorant and wretched description which overhangs her Eastern frontier.' Because of lax immigration standards, Ripley warned, this had now become an American problem: '[t]his great Polish swamp of miserable human beings, terrific in its proportions, threatens to drain itself into our country as well, unless we restrict its ingress.'

Similar concerns were expressed by Ross (1914, 143–144, 147–148, 145, 165), the leading sociologist from Wisconsin, who lamented that roughly 'one-fifth of the Hebrews in the world are with us,' although his estimates were later proved to be without foundation.² America, he insisted, 'is coming to be hailed as the "promised land",' while 'Zionist dreams are yielding to the conviction that it will be much easier for the keen-witted Russian Jews to prosper here as a free component in a nation of a hundred millions than to grub a living out of the baked hillsides of Palestine.' Russian and Polish Jews were held to differ from other immigrant 'races' in being more clannish, money-loving, dishonest, ambitious, and individualistic. According to Ross, '[n]one can beat the Jew at a bargain, for through all the intricacies of commerce he can scent his profit.' Writing about the tendency of Jewish workers to concentrate in crowded urban centers, he asserted: 'centuries of enforced Ghetto life seem to have bred in them a herding instinct. No other physiques can so well withstand the toxins of urban congestion.' Ultimately, Ross did not deny the possibility of changing Jewish traits under the influence of the new American environment, but he placed a clear ceiling upon America's capacity to assimilate eastern European Jews: 'No doubt thirty or forty thousand Hebrews from Eastern Europe might be absorbed by this country each year without any marked growth of race prejudice; but when

they come in two or three or even four times as fast, the lump outgrows the leaven, and there will be trouble.’

Commons’s (1901, 1907) analysis of Jewish immigration went well beyond the typical stereotyping of the period. In a study of the economic effects of immigration, conducted in 1900 for the US Industrial Commission, he described the sweatshop as reflective of the distinct ‘racial’ characteristics of Jewish immigrants. In his report, Commons (1901, 325, 327) explained that the Jew is physically unfit for manual labor and agriculture, while his ‘individualism’ makes him unsuitable for the ‘life of a wage-earner’ and especially for the discipline of the modern American factory. Jews, he thought, were willing to accept the uncivilized conditions of the sweatshop because of its lack of control and lax discipline. Commons also saw Jews as exceedingly ambitious and always eager to rise to the position of employer: ‘instead of trying to raise the standard of living in the trade,’ he speculated, the Jew ‘will try to leave the trade and throw his lot in with people whose standard of living is somewhat higher.’ Thus, ‘his commercial instinct militates continually against making active efforts to better the conditions of his trade.’³

Commons’s (1901, 327–328) account contains a thinly veiled normative message. He regarded the sweatshop as the center of a rising immigrant economy, threatening to undermine not only the wages and the well-being of native workers but also the stability and efficacy of the union movement. Accordingly, Commons argued that the Jew’s individualistic and uncooperative nature would weaken the development of permanent unions. ‘The Jew’s conception of a labor organization’—he wrote—‘is that of a tradesman rather than that of a workman.’ As a consequence, ‘[t]he Jew joins the union when it offers a bargain and drops it when he gets, or fails to get, the bargain.’ Such a description of Jewish attitudes toward unions gained some consensus. Writing in 1904, Ripley (1904, 302–303) observed that the condition of trade unionism in the garment and cigar-making industries ‘plainly reflects certain racial peculiarities of the Jews.’ Drawing almost verbatim upon Commons’s ‘excellent report on immigration,’ Ripley declared that the ‘Jew will join a union only when there is a bargain directly in sight in the shape of material advancement.’ A few years later, in the *Journal of Political Economy*, Howard T. Lewis (1912, 937) reiterated: ‘[t]he Jews in the garment trades

organize under the pressure of necessity as do few other races. Almost immediately upon the achievement of a victory, however, dues lapse, the union organization breaks down, the employer violates his contract, and the whole fight has to be made over again.’⁴

This is a representative, but by no means exhaustive picture of Progressive Era anti-Semitism. These published opinions on immigration from Eastern Europe were clearly intended to distance the Jews from the old-stock of Anglo-American ‘Protestant’ values and bloodlines and to differentiate them from the more desirable immigrant races. As we will argue in the next sections, several Jewish figures came to criticize such a racist and discriminatory perspective. Some decided to deal with the problem from a general point of view, attacking the ‘race suicide’ narrative and proposing a view of labor reforms devoid of any eugenic implication. Others focused on the specific accusations waged against Jewish immigration.

3. The first figure under scrutiny is Edwin R. A. Seligman, the then world-famous public finance specialist from Columbia University. Born in New York into a wealthy German-Jewish family, Seligman was the only Jew among the founders of the AEA in 1885 and was the first Jewish economist to serve as its president (1902–1903).⁵ Edwin’s father, Joseph Seligman, the founder of the prominent investment bank J. & W. Seligman & Co, was involved in one of the most famous anti-Semitic episodes of the time when, in 1887, Judge Henry Hilton denied him entry into the Grand Union Hotel in Saratoga Springs (Dinnerstein 1994, 39). In this connection, Leonard (2016, 14) speculates, the young Seligman ‘sought refuge from the constraints of his religious inheritance, becoming an active supporter of his colleague Felix Adler’s Society of Ethical Culture. No less than his social gospel colleagues, Seligman was impelled by a felt ethical obligation to improve the conditions of American economic life.’ Seligman was certainly a progressive—at the same time, however, he clearly distanced himself from the eugenic and racist perspective of the bulk of his contemporaries.

In order to assess Seligman’s anti-racist stance, it is necessary to start with his theory of wage determination. Progressive Era wage theories

were quite eclectic, often combining some form of marginal productivity analysis on the demand side with 'standard of life' explanations on the supply (cost) side.⁶ Workers with lower standards of life are disposed to accept lower wages, so that the lowest standard of life determines the prevalent wage and work conditions in each industry. Thus, it was argued, 'unworthy' individuals could undercut their more deserving betters.⁷ As a fundamental corollary of this theory, many postulated a strict correspondence between races and standards of life. The Webbs in England epitomize this attitude. In their influential *Industrial Democracy* (1897, 697–698 n1), they advanced a tripartite classification based on a racial group's willingness to accept a lower (and their ambition to obtain a higher) wage. First, there are those racial groups, represented by the 'Anglo-Saxon skilled artisan,' who refuse to work below a customary standard of life, but who have no definite maximum. Second, there are those races, such as 'the African negro,' who show no assignable minimum and a very low maximum, that is, 'they will work...for indefinitely low wages, but cannot be induced to work at all once their primitive wants are satisfied.' Finally, there is the Jew, who is the sole race with neither a minimum nor a maximum: 'he will accept the lowest terms rather than remain out of employment; as he rises in the world new wants stimulate him to increased intensity of effort, and no amount of income causes him to slacken his indefatigable activity.'⁸

In his *Principles of Economics*, Seligman (1905, 419, 176–177) openly criticized the standard of life approach to wage determination. The standard of life, he wrote, 'cannot accomplish the impossible,' in the sense that: 'The highest standard will not prevent wages from falling in the face of a decrease in the demand for the product and a decline in industrial prosperity. If the employers cannot sell their product at a given price, they must lower cost or abandon the business.' The standard of living is equivalent to a marginal cost theory of wages, but, Seligman objected, labor's wage is only determined by the value of its marginal product: 'Marginal productivity (that is, marginal efficiency or utility) is the *causa causans* of the rate of wages,' while 'the standard of life (or marginal cost), which seems to be cause, in reality adjusts itself to the productivity.' Ultimately, 'the rate of wages may be expressed in terms of either, but the positive force is productivity.'

Seligman's marginal productivity theory of wages was strictly Clarkian. Like Clark, he explained that diminishing marginal labor productivity is a consequence of the fact that each subsequent worker benefits less and less from the contribution of capital and not because successively less efficient workers are employed. Workers are assumed to be interchangeable, so that workers of different skill levels do not compete with each other. 'If there is free competition'—Seligman (1905, 418) wrote—'and if all the laborers do their allotted task equally well, *so that there is no choice between them*, the share of the product ascribable to any of the workmen must be equal to the additions made by the last or marginal laborer actually at work' (emphasis added). Accordingly, skilled laborers yield higher marginal products and therefore deserve a 'rent' in reward for those skills. Interestingly, the use of rent to explain wage differentials was instrumental in attacking the idea that wage competition among different immigrant groups or 'races' is a competition between higher and lower standards of life:

Again, different employers may utilize different grades of workmen to fell trees or to build railways. One uses a three-dollar American, another a two-dollar French Canadian, another a dollar Italian. Yet...the high-price workman is not really more expensive, because his output is greater. If he did not earn the higher wage, he would not in the long run get it. Since all the trees sell at the same price, as fixed by the marginal producer who is using the least efficient workmen, the higher wage of the American represents a surplus product or labor rent over the low wage of the Italian. If we say that the higher rent of the good land does not enter into the price of wheat, we can equally well say that the higher wage which represents the surplus product of the American does not enter into the price of trees. The good land rents or sells for more because it produces more,—the rent is the product: the high-grade laborer secures higher wages because he produces more,—the wage is the product.

'The wages of every different grade of workman'—Seligman (1905, 377) concluded—'are a differential in the same sense as the rent of different grades of land or capital is a differential.' Seligman's use of different nationalities to express different degrees of skilled labor was merely

a rhetorical device to rebut the standard of life theory of wages. Nowhere in his writings does he make use of racial reasoning, let alone postulate a strict correspondence between race and productivity.

The distance between Seligman and the progressives discussed in Leonard's book is even more evident in the former's discussion of immigration. Seligman (1905, 60) dismissed the race suicide concerns of his contemporaries on empirical grounds. Although immigration has increased consistently for the past half-century, he stated, it has not grown appreciably faster than the native population: '[t]he foreign born constituted 13.2 per cent of the total population in 1860; and while the proportion rose slightly in the succeeding decade, in 1900 it was again about the same—13.7 per cent. *This is contrary to the current opinion, but is none the less a fact*' (emphasis added). More generally, Seligman (1905, 166–167) asserted that 'when there is any prospect of speedy equality' interference with the natural course of immigration is 'uneconomic.' In his own words:

This was the error of the Know-nothings in the fifties, as it is of the anti-immigrationists at present in the United States. That the low class immigrant is the chief source of supply of the sweat-shops and in many respects complicates the labor problem is undoubtedly true and ominous. The remedy, however, consists not in abolishing immigration, or even in restricting it materially, but in raising the standard of pay and conditions of work through labor organization, public opinion and legal enactment, and in making this possible by increased production and successful enterprise.⁹

Accordingly, Seligman (1905, 148) supported minimum wages as a measure to elevate the overall standard of life of labor. In his view, 'the demand for a minimum wage and some of the other legitimate practices of trades unions are intended to bring the weakest nearer the standard of the strongest. In its best aspects it is a levelling up, rather than a levelling down.'

Seligman's opposition to nativism and racial prejudice was not limited to his academic duties. 'He practiced as he preached,' as John L. Recchiuti (2007) observes, serving as chairman in 1910 of the newly organized

Committee on Urban Conditions Among Negroes, and, the following year, as the first president of the National League on Urban Conditions Among Negroes, the oldest and largest community-based African-American civil rights organization of the United States.¹⁰ In May 1909, at the first National Negro Conference held in New York City, Seligman rejected any form of racial determinism, affirming: 'It is just because the economic environment is changing, just because there is a hope in the future of such fundamental alterations in the environment of the American Negro, that we can look forward with confidence to a point yet to come.'¹¹ He added:

As a member of a race which has also borne hardships, I wish to call attention to this particular fact: It is often said of the Jews that they run through the whole gamut of society; they have both the Jesus type and the Shylock type, coming from one and the same race. Now the trouble with the Negro is that the ordinary man considers only the Shylock type, if there is a man that corresponds to the Shylock type, and that we have not yet learned to appreciate the Jesus type. To me there is nothing more tragic in the whole of human experience than the lot of that American Negro, cultivated, refined gentleman, who at the same time is thrown into the caldron and fused with a mass of his unhappy and more unfortunate brethren. The scientific man, of course, knows no prejudice. (Proceedings of the National Negro Conference 1909, 68)

Seligman was not speaking only for the more assimilated and well-to-do African-Americans. His concerns were authentic and unfiltered by class prejudice. This is shown by what he wrote to his friend, W. E. B. Du Bois, the famous African-American scholar and civil rights leader, after the Atlanta riots of 1906, when a white mob descended on the Negro district, ruthlessly slaughtering, destroying, and pillaging: 'I was amazed & disgusted at the happenings in Atlanta. But perhaps I did not realize the horror of it all, until I read your beautiful poem in the Outlook. It must indeed be a tragedy for men like you... Let us hold to the things that are eternally true, & let us seek within ourselves for compensation for the things that are withheld by an unthinking and uncivilized world' (E. R. A. Seligman to W. E. B. Du Bois, October 28, 1906, cited by Aptheker 1973, 123).

4. The immigration flow to the United States reached its peak in 1907, when over one million people entered the country, roughly 150,000 of whom were Jewish (Daniels 2004). That year, Congress established the US Immigration Commission, chaired by Vermont Republican Senator William Paul Dillingham, to investigate numerous questions related to the new patterns of immigration.¹² The Commission's survey classified over ten million individuals, immigrant and native-born, according to their race, correlating immigrants' 'racial identities' to their occupations, wage rates, children's years of education, union membership, and home ownership, as well as imprisonment, institutionalization, pauperism, and dependency on charity (Zeidel 2004). As far as the racial taxonomy of immigrants was concerned, the researchers adopted the 'list of races or peoples' already in use at the Immigration Bureau, which included a distinct entry for the 'Hebrew' race.

In general terms, the Commission's report helped to crystallize the (already popular) dichotomy between 'old' and 'new' immigrants. The former group, composed of northern and western European immigrants, was described as 'a movement of settlers, who came from the most progressive sections of Europe for the purpose of making themselves a home in the new world.' They had entered a wide range of occupations, settled throughout the country, and posed no problem of assimilation. By contrast, the new immigration was depicted as 'a movement of unskilled laboring men who have come, in large part temporarily, from the less progressive and advanced countries of Europe.' Mostly concentrated in large urban centers, these new arrivals 'have congregated together in sections apart from native Americans and the older immigrants to such an extent that assimilation has been slow as compared to that of the earlier non-English-speaking races.' The undesirability of the new immigrants was also due to their alleged mental and moral inferiority:

The new immigration as a class is far less intelligent than the old, approximately one-third of all those over 14 years of age when admitted being illiterate. Racially they are for the most part essentially unlike the British, German, and other peoples who came during the period prior to 1880, and generally speaking they are actuated in coming by different ideals, for the

old immigration came to be a part of the country, while the new, in a large measure, comes with the intention of profiting, in a pecuniary way, by the superior advantages of the new world and then returning to the old country. (United States Immigration Commission 1911a, 13–14)

The Commission found evidence that there was a disproportionate concentration of ‘new’ immigrants in unskilled occupations, specific industries, and geographic localities. As a consequence, it was argued, immigration was adversely influencing wage levels and standards of life, posing a serious threat to the American economy and culture, and should therefore be greatly reduced. Among the recommendations proposed by the Commission were a literacy test, a permanent bar to Asian immigration, legislation restricting the further admission of unskilled labor, and some sort of quota system. Not surprisingly, the publication in 1911 of the Commission’s final report, which comprised 42 volumes, gave new vigor to the academic discussion on immigration and racial issues.¹³

What is relevant to our discussion is that several Jewish figures entered this debate, openly criticizing the Commission’s approach and main conclusions. In this connection, the contribution of Franz Boas, the eminent Columbia anthropologist of Jewish descent, has received special attention (Morris-Reich 2011; Zeidel 2004). Boas was among the researchers involved in the Commission’s survey, and his findings explicitly contradicted the Commission’s overall racist stance. Boas (1912) in fact demonstrated that careful measurement of the cephalic indexes of migrant children showed dramatic differences between the growth patterns of first- and second-generation children. On this evidence, he argued that European immigrants’s head forms were quite plastic and that nutrition and other external conditions determined ‘racial traits’ much more than heredity. If the cranial capacity changed under the influence of a new environment, Boas concluded, the whole bodily and mental makeup of immigrants might change, including those very features thought to measure intelligence and capacity for civilization.

Boas had trouble convincing extreme nativists like Prescott F. Hall, the ultra-conservative leader of the Immigration Restriction League. ‘Many biologists dispute Boas’ conclusions’—Hall (1912, 677) declared—‘and it would still have to be proved that changes in the skull involve changes

in character.’ On the other hand, Boas’s findings appealed to those who challenged the notion of acquired racial traits. ‘To attempt...to establish relative standards of race value, to the detriment of the new immigration,’ wrote Max J. Kohler (1912a, 77) in the *American Economic Review* ‘is purely unwarranted assumption, especially in the light of Professor Boas’ interesting demonstration that even the most pronounced physical indications of race differences, the shape of the skull, are rapidly lost by immigrants born here.’ In a series of contributions, Kohler (1914, 93), a preeminent Jewish activist and former New York District Attorney, attacked the restrictionist agenda supported by the Commission and those economists ‘with only slight familiarity with this branch of our national history, and still less familiar with the development and extent of our present-day Americanizing agencies, or with the history of the “new” immigrant races in our midst, whom they distrust.’¹⁴

Kohler (1912a, 74) contested the Commission’s claim that the ‘new’ immigration had caused an oversupply of unskilled labor in basic industries. ‘The Commission,’ he argued, ‘did not find that wages have decreased, but the contrary, though it claimed that employment is not uniform, and that American standards of living are supposed to be in danger.’ In his view, ‘neither assumption seems warranted’—and this because ‘all the field work of the Commission...was conducted in 1907–8 in the midst of the panic, when employment was slack, proving nothing.’ As to the urban concentration of immigrants emphasized by the Commission, Kohler wrote:

It is a remarkable fact that the representatives in Congress of the so-called congested sections, which are supposed to be experiencing most acutely the evils of immigration, such as New York, Philadelphia, Baltimore, Chicago, and even parts of Boston, are almost unanimously opposed to restrictive legislation. The opposition to immigration comes almost wholly from New England, and the South and other sparsely settled sections with few immigrant settlers. The anti-immigration feeling has been largely artificially stimulated.

Ultimately, for Kohler (1912a, 76–77), the Commission’s overall thesis ‘that the new immigrants are less easily assimilable than the old were,

is pure assumption.’ Such a contention overlooked two crucial facts. First, ‘that we have been rapidly assimilating these very immigrants for years, and similar objections were pressed in vain against the old immigrants.’ Second, that ‘our machinery for Americanization today is tenfold as great as it was before 1881, so that Americanization takes place in general more, not less, rapidly, than before, despite greater differences in language and race stock.’

Kohler was joined by Samuel K. Joseph, a Columbia University graduate whose dissertation, written under Boas and Seligman, was published in 1914 as *Jewish Immigration to the United States*.¹⁵ Joseph (1914, 145, 134, 155) rejected the Commission’s conclusions and provided statistical evidence showing that the recent Jewish immigration embraced a ‘larger relative proportion and absolute number of skilled laborers’ than is furnished by any other immigrant people, including those belonging to the ‘old’ immigrant stock. Jewish immigrants, Joseph argued, differed also in their age, sex, and occupational distribution. The high proportion of women among Jewish immigrants, as well as the presence of very old and very young dependents, was considered as an indication of intent to settle and not merely to reside temporarily. This was further confirmed by the very low return movement of Jewish immigration: ‘From 1908 to 1912, the Jewish immigrants constituted 9.7 per cent of the total immigrants. In the same period, the Jewish emigrants constituted only 2.3 per cent of the total emigrants.’ All this led Jacobs to affirm:

Although the Jewish immigration has been contemporaneous with the ‘new’ immigration from Eastern and Southeastern Europe, and is furthermore essentially East-European in origin, its characteristics place it altogether with the ‘old’ immigration. Most striking, however is the fact that in all of these respects—family composition, and small return movement (both indicating permanent settlement) and in the proportion of skilled laborers—the Jewish immigration stands apart even from the ‘old’ immigration.

Using new data obtained through a series of early Jewish annual reports, Joseph (1914, 91) also attempted to confute the ‘general tendency among writers on the subject of Jewish immigration to exaggerate

the magnitude of this movement.’ As an example, he reported Ross’s then recently published statement regarding the supposed ‘emigration of 50,000 Roumanian Jews between January and August, 1900,...brought about by steamship agents who created great excitement in Roumania by distributing glowing circulars about America’ (Ross 1913, 196; cited by Joseph 1914, 106–107). Through his own estimates, Joseph was able to show that only 6,183 Romanian Jews arrived in the United States in 1900, and that the total number for the whole period from 1899 to 1910 was less than 55,000.

5. Other attacks on the Immigration Commission came from Emanuel A. Goldenweiser and Isaac A. Hourwich, two foreign-born Jewish economists then affiliated to the Census Bureau (Perlmann 2011). Born in Kiev in 1883, Goldenweiser spent his early life in Russia. After graduation from the First Kiev Gymnasium in 1902, he emigrated to the United States and entered Columbia University. He received a B.A. in 1903 and took an M.A. at Cornell University in 1905 and a Ph.D. in 1907. Goldenweiser’s early studies were in the field of immigration, to which he was led by his special interest in Russian migration—the subject of the doctoral thesis he completed under Walter F. Willcox. After receiving his doctorate, he served for 3 years as a research worker with the US Immigration Commission, for which he authored the final report on ‘Immigrants in Cities’ (United States Immigration Commission 1911b).¹⁶

The report was mainly descriptive in character and the vast amount of statistical data presented left no room for personal considerations. Still, Goldenweiser (1920 [1911], 217, 222–223) dissociated himself from the racist perspective of the Commission: in 1911, just as the report was about to appear in print, in an article published in the *Survey*, he accused the ‘social reformer who wishes to remedy preventable evils’ and the ‘journalist who is anxious to present readable material’ of having created in the public opinion the impression that the recent immigrant is solely responsible for the ‘filth, squalor, and depraved humanity’ of the congested sections of large cities. ‘The Italian, the Hebrew, and the Slav,’—he wrote—‘according to popular belief, are poisoning the pure air of our otherwise well-regulated cities; and if it were not for them there would be

no congestion, no filth, and no poverty in the great industrial and commercial centers of America.' Goldenweiser announced that his forthcoming report showed that 'the immigrants in cities in a large majority of cases live a clean and decent life, in spite of all the difficulties that are thrown in their way by economic struggle and municipal neglect.' Even more crucially, he continued, the report:

strongly indicates that racial characteristics are entirely subordinate to environment and opportunity in determining that part of the immigrant's mode of life which is legitimately a matter of public concern; and finally, it shows that foreign colonies in large cities are not stagnant, but are constantly changing their composition, the more successful members leaving for better surroundings, until finally the entire colony is absorbed in the melting pot of the American city.

The following year, Goldenweiser turned his critical attention to Francis Amasa Walker's famous argument that immigration causes race suicide because the poor immigrants drive down wages, and the native worker responds by reducing fertility. Goldenweiser formulated his attack in two steps. First, drawing upon data provided by Willcox (1911), he showed that America's birth rates began falling as early as in 1810, even before the massive influx of the 'old' immigration, and that the rapidity of the decline between 1810 and 1840 was about the same as that between 1860 and 1900.¹⁷ 'Did the native Americans of 1810 and 1820'—Goldenweiser (1912, 346–347) ironically asked—'anticipate the influx of the following decades and refrain from having offspring, for fear that their children might be obliged to compete with those who were at that time being reared in Germany and Ireland, but who were destined to invade these shores?'

Second, Goldenweiser compared for each state (data referred to the year 1900) (1) the percentage of population living in cities of at least 25,000 inhabitants, (2) the percentage of foreign-born, and (3) the number of children under 5 per 1,000 native white women aged 15–44.¹⁸ The evidence showed that 14 of the 15 states with a greater-than-average rate of urban residency also showed a native fertility rate lower-than-average. At the same time, among the 24 states with a higher percentage of

foreign-born, 16 had a native fertility rate below average and 8 above average. Of these 16 states, 10 also showed an above average percentage of urban inhabitants, while four were only slowly below average. Finally, of the eight states showing a correlation between high immigration and high native fertility, all had a proportion of urban inhabitants well above average. All this led Goldenweiser (1912, 347) to conclude: 'The decline in birth-rates and the growth of immigration, according to this view, represent two effects of the same cause, namely, the industrial development and the urbanization of the continent.'

Like Goldenweiser, Hourwich was a Russian-Jewish immigrant. He had arrived in the United States in 1890 at the age of 30. After joining the Russian Workers Society for Self-Education in New York, he enrolled at Columbia University where he obtained a PhD in economics in 1893. His doctoral dissertation, which he completed under Seligman, was published as *The Economics of the Russian Village* (1892).¹⁹ He then taught statistics at the University of Chicago from 1892 to 1893, after which he returned to New York City, where he practiced law while also contributing to Marxist legal magazines in Russia. In 1900 Hourwich moved to Washington, where he worked for the US government for several years, first as a translator at the Bureau of the Mint in 1900–1902, then at the Census Bureau in 1902–1906 and in 1909–1913 as a statistician and expert on mining.

Hourwich presented his critique of the Commission's findings, first in a 1911 essay published in Columbia's *Political Science Quarterly*, then, the following year, in a voluminous 500-page volume, *Immigration and Labor*, whose publication had been commissioned by the American Jewish Committee (on which more below).²⁰ Hourwich (1912, 18, 11, 12) firmly rejected the racist approach of the Commission and presented a detailed statistical refutation of the main arguments for immigration restriction.²¹ Exactly like Goldenweiser, he attacked the race suicide thesis, observing that 'Prof. Wilcox has proved by an analysis of population statistics that the decrease in the proportion of children began in the United States as early as 1810,' well before the arrival of the new immigration. Similarly, for Hourwich, 'there is absolutely no statistical proof of an oversupply of unskilled labor resulting in the displacement of native by immigrant laborers.' The effect of immigration on labor, he

affirmed, had been the 'elevation of the English-speaking workmen to the status of an aristocracy of labor,' while the immigrants 'have been employed to perform the rough work of all industries.'

Hourwich (1912, 363) also addressed directly some of the main charges leveled against Jewish immigrants. 'The sweating system did not originate with the Jewish clothing workers,' he asserted, but 'it preceded them by more than half a century.' Drawing upon data recently made available by the United States Bureau of Labor, Hourwich was able to provide evidence on the 'employment of women in the clothing industry in the first third of the nineteenth century, at the time when the wage-earners were nearly all American-born.' And the Jews' alleged instinctive tendency to concentrate for work in urban centers, he explained as 'due to the relation of supply and demand in the American labor market, and not to the racial characteristics of the immigrants.' On Commons's claim that the innate inclinations of Jewish workers would constitute a threat for American unionism, Hourwich (1911, 620, 636–638) wrote: 'The statistics of the Immigration Commission show...that trade-unionism is as strong among the immigrants as among the native American workmen.' Even more significantly, he denied a line could be drawn in respect of unionism between the 'desirable' immigrants from northern and western Europe and the 'undesirable aliens from Southern and Eastern Europe.' Hourwich documented that the percentage of trade unionists among Jewish workers was 21.4, more than four times that of German workers and almost twice the average percentage for all the 'desired' races. 'Regardless of the opinions of the Immigration Commission,' he was led to conclude, 'one thing seems to be well established by its statistics, viz. that there is no causal connection between immigration and the slow progress of organization among the industrial workers of the country.'

Hourwich's pro-immigration campaigning continued in his writings as a political activist. His overt socialist sympathies did not impede his detection of racist leanings within the radical circles of the time. In 1914, for instance, he attacked the leaders of the Socialist Party of America for proposing a view of race antagonism as a complex of feelings more deeply rooted than class consciousness and certain to persist even after the advent of socialism.²² Two years later, he did not hesitate to criticize Meyer London—the only Socialist representative in Congress—for his support

of Chinese and Japanese immigration restriction. The Socialist congressman, Hourwich (1916, 138) wrote, had no authority to speak in favor of Asian exclusion, after a resolution against the immigration of ‘backward races’ was defeated in 1907 at the Stuttgart International Congress by an overwhelming majority of 900 against 100. London had apparently hoped to appease the American Federation of Labor’s restrictionist requests, Hourwich concluded, but ‘there could be no compromise between the positions of the Stuttgart congress and that of the AFL.’

6. Isaac M. Rubinow and Jacob Hollander are the last two figures under scrutiny here. Neither directly intervened in the debate over the Immigration Commission reports, but their discussion of poverty and labor reforms clearly placed them far from the nativist and racialist reasoning of many of their contemporaries.

Rubinow, another Russian-Jewish immigrant, was an eclectic character. Born into a relatively comfortable Jewish family, he emigrated from Russia to the United States in 1893 at the age of 18. After graduating from Columbia University and New York University Medical School, he practiced medicine for 5 years among poor immigrants in New York City’s Lower East Side. In 1900, while still in medical practice, Rubinow returned to Columbia as a part-time graduate student in economics, statistics, and sociology. His interest was shortly captured by the problem of social insurance, the topic that was to become his lifelong interest. As he later recollected: ‘The neglect of this most important branch of social legislation by the American economists, which was very forcibly brought to my attention some ten or twelve years ago, when, as a student in Professor Seligman’s seminar, I first became interested in the subject, is fortunately a thing of the past’. In 1903 Rubinow left medicine for full-time employment in Washington, working in a succession of federal bureaus and agencies.

Rubinow’s anti-racialist stance is manifest from his earliest publications. Writing in 1905, he targeted Willcox’s (1904, 64) claim, based on data obtained from the 1900 Twelfth Census, that the death rate for blacks (30.2) largely exceeded that of whites (17.3). ‘As a simple restatement of the figures quoted above,’—Rubinow (1905a, 344, 345, 349)

wrote—‘the assertion is undoubtedly true.’ If, however, ‘it be taken as an effort at causative interpretation, i.e., that the high death-rate of the American negro is a trait of the negro race, it is open to serious criticism.’ In Rubinow’s eyes, Willcox had ignored one of the key factors affecting the death rate, namely, the ‘general level of economic prosperity or poverty’ of the different populations compared. ‘That poverty has some effect in increasing the death-rate will be admitted in a general way by many statisticians...but, in view of the impossibility of measuring this influence, it is usually entirely disregarded.’ Through his own estimates, based on statistics from the Russian province of Voronezh, Rubinow was able to show how classes of households with increasing wealth, measured by the number of acres of land owned, showed progressively lower death rates. He thus rhetorically wondered: ‘May not one ask himself what the conclusions would be if a similar investigation were made into the condition of the American negro? May not one express the wish that some such investigation be undertaken by some one fit for the work and free from all prejudices against the negro? The scientific results will undoubtedly repay any amount of labor or expense.’²³

Also in 1905, Rubinow (1905b, 116) published a detailed statistical study on the economic conditions of the Russian Jews in New York. He located the origin of the sweatshop in the economic conditions of the clothing industry rather than in the genetic traits of the Jewish immigrant:

Of the horrors of the sweatshops so much has been written and spoken that scarcely an intelligent New Yorker can be found who is not to some degree aware of their evils. Private investigators as well as authoritative official bodies have made thorough studies of the situation. The peculiar conditions of the clothing industry which make home work and the exploitation of ignorant immigrants so easy, have facilitated the establishment of the system. The very ‘green’ immigrant who knows nothing of the conditions of the market is an easy prey to the sharks of his own or any other nationality. The subcontracting system, once established, was a terrible competitor to the legitimate factory.

In the tragic conditions of the sweatshops, ‘we do not see any specifically Jewish question,’ Rubinow (1905b, 117, 114–115) declared, therefore ‘as

the problems are general, and not specifically Jewish, so the solution must be.’ As to the view that the new immigrant, with his lower standard of life, reduced American wages, he called attention on the ‘remarkable progress...the Russian Jewish population has made within the very short period of fifteen or twenty years,’ progress which has ‘made the Russian Jew a fighter within the ranks of the American labor movements and a force for the betterment of the American working class.’ Rubinow also challenged the alleged anti-unionist attitude of the Jewish immigrant. He calculated that, in Manhattan, total membership in the unions of the clothing and allied trades (those with the highest Jewish concentration), amounted to more than 20,000 individuals. ‘If we consider that the total membership of unions in the borough is about 150,000,’—Rubinow continued, the ‘part Jewish Workers play in the union movement will easily be appreciated.’

Rubinow’s opposition to racial prejudice surfaces also in his discussion of social insurance. In many respects, Rubinow was the pioneer of a social insurance tradition that emphasizes the redistributive function of any insurance or assistance program. To social insurance was primarily an effort to ‘readjust the distribution of the national product more equitably.’ Crucial to this view was the idea that financial support should be extended to the whole class of wage earners as a matter of universal right and not as a form of charity or reward. Accordingly, Axel R. Schäfer (2014, 137) observes, Rubinow ‘vigorously denounced the distinction between worthy and unworthy poor, and between productive and unproductive workers’—a distinction which, as Leonard amply documents, was often made on racial or eugenic grounds. In this connection, Rubinow criticized private pension funds and the Federal Civil War pension program for excluding immigrants as well as African-Americans (Schäfer 2014, 138). Rubinow’s inclusive view of social reform is also reflected in his conception of the ‘unemployable.’ While for labor reformers like the Webbs and Seager this notion was instrumental in asserting ethnic, biological, and even moral hierarchies among individual laborers, Rubinow held that the factors causing permanent unemployment are ‘mostly impersonal factors, and those that are personal pertain to the personality of the employer and not the employee.’ He admitted that there may be some ‘hereditary tramps,’ who ‘present a separate problem of social hygiene.’ Nonetheless, Rubinow (1932,

450–451) asserted, this ‘type, like the type of the hereditary criminal, is an exceptional one; most tramps, like most criminals, are creatures of those circumstances which have forced them out of the routine of honest and systematic toil.’²⁴

Whereas Rubinow was an outsider in the discipline, Hollander was among the most authoritative economists of his time. A renowned banking and public finance specialist, as well as an outstanding historian of economic thought, from 1901 to 1940 Hollander was a leading member of Johns Hopkins University, serving successively as instructor, associate professor, and full professor of Political Economy.²⁵ Hollander’s contribution to labor economics—a less known aspect of his career—is what concerns us here. In 1914 he published a slim but significant volume entitled *The Abolition of Poverty* where he called for a comprehensive list of labor legislation that included a minimum wage, collective bargaining, unemployment insurance, and government employment offices. Here he openly attacked the nativists’ claim, supported by the Immigration Commission, that immigration had depressed wages and exacerbated the problem of unemployment:

Neither racial qualities nor national characteristics account for the presence of such poverty. It persists as an accompaniment of modern economic life, in widely removed countries among ethnically different peoples. It cannot be identified with alien elements in native race stocks. Countries which have for generations been relatively free from foreign influx and have developed industrialism from within exhibit the same phenomenon of economic want. Wholesale immigration is likely to be attended by urban congestion and industrial exploitation, but these are supplementary phases of the problem of poverty. Even in the United States, where immigration has attained proportions unexampled in the world’s history, there is no reason to believe that such influx—bearing in mind the part it has played in creating and enlarging industrial opportunity—has permanently affected the condition of poverty. (1914, 5)

Hollander (1914, 16) was also adamant in rejecting the view that ‘all poverty is sin—the consequence of thriftlessness, prodigality, intemperance, unchastity, even irreligion.’ For the Johns Hopkins’s economist, to blame the poor for their own condition is ‘economic pharisaism, neglecting

the most obvious facts of modern industrialism—the undeserved poverty that comes from involuntary idleness, from industrial accident, from parasitic occupation.’

Hollander’s (1914, 69–70) discussion of the minimum wage further distances him from the position of people like Ely, Commons, Seager, and the Webbs. No whiff of eugenic reasoning can be found in the motivations that led him to support such a measure. The immediate effect of a legally imposed minimum wage, he argued, would be the ‘relief of a large class of underpaid wage-earners otherwise exposed to poverty.’ Hollander thought that, after a period of adjustment, a higher minimum wage would result in enhanced efficiency and a better outcome for all the parts involved. First, he argued, a binding minimum may lead to ‘heightened efficiency on the part of the worker,’ or to ‘more economical methods of production on the part of the enterpriser.’ Second, if the industry is ‘parasitic,’ in the sense that a ‘low price to the consumer is made possible by underpayment of labor,’ minimum wages will effect a ‘social revaluation of the product’ through the ‘successive stages of reduced profits, curtailed industry, and diminished output.’

In contrast to those who praised the eugenic virtues of the job loss induced by a binding minimum wage, Hollander (1914, 70–71) took the view that the disemployment of less efficient workers through what he termed ‘labor dislocation’ represented the greatest cost of the minimum wage—and not its alleged benefit. Accordingly, he wrote: ‘It is desirable that the distress of dislocation be minimized and that provision be made for those injuriously affected; but the cautious extension of minimum wage legislation...may reasonably be expected to attain such results.’ In any case, for those disemployed, Hollander called for some form of ‘exceptional provision’—that is, ‘just as those trade unions which insist most strongly upon a standard wage rate permit members who have become unable to command the minimum rate to work for what they can get, so properly drafted minimum wage legislation authorizes licensed exemption.’²⁶

A few final words are warranted on Hollander’s engagement with the American Jewish Committee (AJC). Founded in 1906 by a group of prominent New York Jews, the AJC was America’s first civil rights organization to take concerted action against Czarist anti-Jewish policies and

to manage the increasing inflow of Russian Jews to America. Early in 1909, the AJC began an intense campaign to prevent the Immigration Commission from adopting the Immigration Bureau's list of races, a list that included a distinct entry for the Jewish race. On December 4, 1909, Judge Julian Mach, one of the two vice presidents of the AJC—the other was Hollander, who served in that position from 1908 to 1915—testified in front of the Commission and bitterly protested the notion of classifying 'Hebrews' as a race or people (Cohen 1972). In its efforts to combat the Commission's proposal for a literacy test, the AJC enlisted the contribution of Kohler who, as an immigration lawyer, had accumulated considerable experience on the discriminatory practices of immigration officials.²⁷ Even more crucially, on February 19, 1911, the AJC decided to sponsor an 'impartial digest of the forthcoming report of the Immigration Commission,' and, upon Hollander's proposal, 'Dr. Isaac A. Hourwich of Washington, D.C.' was assigned the task.²⁸ There was some subsequent discussion within the AJC as to whether such a digest 'was to appear as the work of an individual student of the question or as the result of an investigation by an organization interested in the subject.' The AJC Executive Committee agreed that 'it was clearly inadvisable for such a book to be published under the name of the American Jewish Committee,' and, at Hollander's suggestion, it was decided that 'Dr. Hourwich be directed to write the book upon the theory that it is to be the work of an individual,' with the Committee reserving to itself 'the right to make such alterations of matter and form in the manuscript as are deemed desirable.'²⁹ The volume appeared in late 1912 under the authorship of Hourwich—who received 6,000 dollars—with no mention of the AJC editorial and financial support.³⁰

The following year, Hollander expressed his profound concerns over the 'recent phases of anti-Jewish feeling conveniently described by the term "the higher anti-Semitism".' As he put in a report addressed to the Executive Commission of the AJC, from which we cannot forbear to quote at full length:

In the last ten years, both in this country and. in Europe, anti-Semitism has shown increasing tendency to hide its ugly head under the cover of a culture struggle. Twentieth-century logic seems to have made it difficult

for even bigots to indict a race by virtue of personal distaste justified by verbal expletives. The Jew-baiter has been driven by the sheer common-sense of his auditors to seek some other warrant for the hate that is in him than distorted caricature and obvious misrepresentation. In consequence, there has sprung up a veritable literature in which pseudo-philosophical pretentiousness and counterfeit scientific method struggle to present the Jew as a national incubus and a social menace. Physiology, psychology, economics, politics are in turn exploited with a view to establishing the Jew as a peril to national progress. In lieu of the old clothes man and the pawn-broker fence there is depicted an offensive composite of feebler physique, lower morality, parasitic industrialism, neurotic mentality—degrading the national standard and undermining the national character.

In Hollander's eyes: 'The books of [Houston Stewart] Chamberlain [1912] and [Werner] Sombart [1911] are but examples—although conspicuous ones—of this new assault.'³¹

7. All the people discussed in this chapter found a way to express dissent toward the racist and eugenic arguments put forward by many of their leading contemporaries. In some cases, this dissent was direct and explicit; in others, it was more nuanced and implied, yet still significant. As professional economists and social reformers—think especially of Seligman, Hollander, or Rubinow—they denounced the injustices caused by modern industrial capitalism and shared the progressives' open commitment to the establishment of an administrative state capable of rational planning and ameliorative policy. Yet their approach was not exclusionary. Nowhere in their discussions of minimum wage legislation, industrial conditions, let alone of the Negro problem, were attempts made to establish racial, or even moral hierarchies as a key criterion to distinguish 'worthy' workers from the 'unemployables,' or to determine which individuals were deserving of state assistance and which were not. All—in this case the contributions of Goldenweiser, Hourwich, Joseph, and Kohler are most significant—reacted against those who blamed the 'new immigration' for the most intractable industrial problems, from undermining the American standard of living to inhibiting the formation of unions.

All the individuals discussed above were Jewish, certainly an important fact, given the pervading anti-Semitism of those years. Leonard (2016, 11–12) is correct in pointing out that nearly all the progressives ‘descended from old New England families of seventeenth-century Massachusetts Bay background,’ and that, almost as a rule, they were the ‘children of Protestant ministers or missionaries, fired with an evangelical urge to redeem America.’ During the second half of the Progressive Era, however, the intellectual arena became more pluralistic. Several Jewish figures had emerged as leading authorities across the disciplines, including the then roaring social sciences—where racial and eugenic arguments surfaced in a more systematic fashion. Significantly, the responses of the authors reviewed here were not limited to mere self-defense—a rebuttal of then recurrent anti-Semitic arguments—but took the form of a more general and ‘non-partisan’ reaction to the racial and hierarchical vision of American nationhood paraded by many of their contemporaries. Whether and to what extent this ‘collective’ reaction was a coordinated move toward the creation of a new Jewish identity in a rapidly changing society, as was America in the Progressive Era, is an issue too complex and multi-faceted to be discussed here.³² One of the interesting aspects that emerges from our discussion, however, is that all the figures discussed were part of a well-established personal, academic, and institutional network.

In this connection, Seligman was a key figure—not only does his work show no trace of nativist concerns and eugenic reasoning but, as an influential figure at Columbia, he taught Rubinow, Hourwich, and Joseph, who all completed their doctoral dissertations under his guidance. Seligman was also in contact with Kohler and, together with Joseph, they were all active in the philanthropic activities of the Baron de Hirsch Fund.³³ Hourwich and Goldenweiser knew each other well and at the time they waged their attacks on the Immigration Commission, they were colleagues at the Census Bureau. Goldenweiser’s brother, Alexander, had studied at Columbia under Boas and, like Boas, he built a career challenging the claims of the racial anthropologists of the day (Kan 2015). Hourwich and Rubinow were also personal friends.³⁴ Both men belonged to the more radical wing of progressivism, and both fought against the vicious racism they encountered in socialist circles.³⁵ Hollander

was another important figure in this network. His ideas on labor reforms were very much on the progressive track but without any eugenic or racialist content. He corresponded for more than 30 years with Seligman on several issues, including the organization of the second National Negro Conference in 1910 (Recchiuti 2007, 286), and as vice president of the AJC, he played a major role in the enrollment of Kohler and Hourwich to campaign against the Immigration Commission's findings and policy recommendations.

We are well aware that much here remains to be explored—the network involved many other figures from different disciplines, as well as attorneys, union leaders, journalists, and exponents from the 'learned professions.' As Diner (2012, 5–6) has recently pointed out, the 'involvement of local Jews, both the elites as well as members of the working class, in progressivism constitutes a subject that has not yet been studied other than in an episodic fashion and pretty much on the local level.' This chapter, incomplete and partial as it is, can be considered as a first (incidental) attempt to fill this historiographic gap.

Notes

1. Matters are further complicated by the fact that in many cases the expository style of even the most outspoken racist figures of the period was ambiguous and even contradictory. In this connection, suffice it to say that Ross (1901, 67) in his famous essays on 'The Causes of Race Superiority'—where he first introduced the expression 'race suicide'—felt compelled to affirm: 'We Americans who have so often seen the children of underfed, stunted, scrub immigrants match the native American in brain and brawn, in wit and grit, ought to realize how much the superior effectiveness of the latter is due to social conditions.'
2. See our discussion below.
3. Commons (1901, 346) even blamed the Jews' supposed racial inclination to speculation and trade, rather than the effects of unrestrained competition, for the proliferation of strict piece-rate payment systems and the lengthening of working days in the sweatshops: 'One reason why piecework and high speed have become the framework of the contractors' shops is probably because the Jewish people are peculiarly eager to

earn a big day's wages, no matter at what sacrifice. The Jewish workman is willing to work very hard for this, and does not want to have it said that there is a limit to his earning capacity. It is the desire of the Jew to have his employment so arranged that he can speculate and bargain upon his earning capacity, and can make use of the seasons. Piecework gives him that opportunity.'

4. Similar views on Jewish attitudes toward unionism were expressed by Beatrice Webb (1898) in England and by Georg von Halpern (1903) in Germany.
5. For a detailed autobiographical account of Seligman's life and career, see Asso and Fiorito (eds.) 2006.
6. For instance, Carver asserted (1894, 396) that the 'true' theory of wages is found in a 'combination of the "marginal productivity" or the "no rent increment" theory of Professor Clark and the "standard of living" or "cost of production" theory of the classical English economists.'
7. In Carver's (1904, 171) words: 'where the average standard of living is high, numbers will not increase beyond the point which will enable the laboring population to live up to its standard, unless the immigration of laborers of a lower standard from some other community should set in, in which case the laborers of a lower standard will displace those of a higher standard, causing the latter to migrate or stop multiplying, leaving the field ultimately in the possession of the low standard, as surely as cheap money will drive out dear money, or as sheep will drive cattle off the western ranges.' It should be noted that the proponents of a standard of living theory did not always explain why more productive native workers couldn't command relatively higher wages.
8. To 'this remarkable elasticity' in the Jews' standard of life, the Webbs (1897, 697-698n1) attributed the 'striking fact that their wage-earning class is permanently the poorest in all Europe, whilst individual Jews are the wealthiest men of their respective countries.'
9. However, Seligman (1905, 166) accepted some limitation on Chinese immigration on the ground that the 'Chinaman [...] refuses to assimilate, and will not adopt American methods.'
10. The founders who formed the nucleus of the National League on Urban Conditions Among Negroes held that 'the Negro needed not alms but opportunity—opportunity to work at the job for which the Negro was best fitted, with equal pay for equal work, and equal opportunity for advancement' (cited by Myrdal 1944, 837).

11. Seligman (1905, 289) had written in his *Principles*: 'The gist of the negro problem in the South is seen by all careful thinkers to consist in the increase of productive efficiency through an appropriate education of the negro.'
12. Under the leadership of William Paul Dillingham, the joint House-Senate Commission included US Senators Henry Cabot Lodge and Asbury Latimer; US Representatives Benjamin Howell, William Bennett, and John Burnett; and Charles Neill of the US Department of Labor, economist Jeremiah W. Jenks of Cornell University, and William Wheeler, the California Commissioner of Immigration.
13. After the reports of the Dillingham Commission were released, Jeremiah Jenks, along with his partner W. Jett Lauck, published a book promoting the findings of the Commission and stressing the need for a literacy test (Jenks and Lauck 1912).
14. Kohler (1871–1934) graduated from the City College of New York with a B.S. in Political Science in 1891, moving on to Columbia College to obtain an M.A. and LL.B. in 1893. After graduation, he served as assistant US attorney from 1894 to 1898, and in that capacity, he gained considerable experience with immigration legislation issues. After his terms expired, he represented aliens frequently in court, published several articles on immigration policy for journals and newspapers, and served as chair for the Committee on Immigration Aid and Education for the Baron de Hirsh Fund and the Committee on Immigration of the American Jewish Committee. For a brief biographical sketch of Kohler, see Huhner (1937).
15. Although largely a study in demography, a province of sociology at Columbia, Joseph's dissertation was directed by Boas and Seligman because of the alleged anti-Semitism of Franklin H. Giddings, then the leading sociologist at Columbia. Born in Russia in 1881 and having escaped from religious persecution, after graduation from Columbia, Joseph spent several years teaching the children of immigrants, first in the preparatory school that he founded and headed and later in public high schools. In 1924 he joined the department of sociology at City College in New York, where he remained until his retirement. See Page (1982, 82-83).
16. In 1919 Goldenweiser entered the employment of the Federal Reserve Board as associate statistician, and in 1925, he became assistant director of Research and Statistics. In 1926 he was appointed Director of Research and Statistics and served in that position until 1945, when he became

Economic Adviser to the Board. In 1946 he retired from the Federal Reserve and became a member of the Institute for Advanced Studies. He left the Institute in 1949 but remained in Princeton, studying, writing, and acting as a consultant on monetary and economic policy to, among others, the Committee for Economic Development. In 1946 Goldenweiser was elected president of the American Economic Association.

17. It is ironic that Goldenweiser relied upon the authority of Willcox, who was among the champions of the view that immigration contributed to race suicide. On Willcox's views on race and immigration, see Aldrich (1979).
18. Our discussion here is indebted to Prévost and Beaud (2012).
19. Seligman also provided financial support for Hourwich's studies at Columbia.
20. It should be pointed out that Hourwich's concern with racial issues by no means began with the works of the Immigration Commission. Writing to Du Bois in 1904, he described how the plight of Jews in Russia was very similar to the African-American: 'Permit me to assure that I deeply feel the injustice of the attitude of the white race toward the coloured people. I am a Russian Jew by birth and our condition in and our condition in Russia is very much similar to yours in the United States. The difference is only that the best men of Russia make no discrimination against the Jews and preach and practice social as well as political and civil equality of all races, whereas those who are considered the best people in America are reactionary, aristocratic and snobbish in their tendencies in general and with regard to the coloured race in particular.' Isaac A. Hourwich to W. E. B. Du Bois, September 27, 1904. W. E. B. Du Bois Papers (MS 312). Special Collections and University Archives, University of Massachusetts Amherst Libraries.
21. Hourwich (1912, 57) observed: 'It would seem as if the investigation of the Immigration Commission proceeded upon the supposition that immigrant races represented separate zoological species.'
22. Hourwich's reference was to the majority report submitted by the Committee on Immigration to the Socialist Party convention of 1912, which asserted: 'Race feeling is not so much a result of social as of biological evolution. It does not change essentially with changes of economic systems. It is deeper than any class feeling and will outlast the capitalist system.... We may temper this race feeling by education, but we can never hope to extinguish it altogether. Class consciousness must

- be learned, but race-consciousness is inborn and cannot be wholly unlearned. A few individuals may indulge in the luxury of ignoring race and posing as utterly raceless humanitarians, but whole races, never. Where races struggle for the means of life, racial animosities cannot be avoided' (cited by Hourwich 1912, 577).
23. As a militant radical, Rubinow was also disturbed by the passive attitude of the Socialist Party toward the so-called Negro problem. He made his concerns explicit in a sixteen part series titled 'The Economic Aspects of the Negro Problem,' published from February 1908 to June 1910 in the *International Socialist Review* under the pseudonym of I. M Robbins. 'It is curious,'—he wrote (1907–1910, 480)—'that while it is generally understood that the vast majority of the negroes in this country belong to the proletarian class, nevertheless the party which claims to represent the interest of this class has troubled itself very little about the negro problem.'
 24. Compare, in this connection, Rubinow's position with that of Charles R. Henderson, the leading sociologist from Chicago. According to Henderson (1909, 42): 'For defectives and paupers industrial insurance is inapplicable, and these must be supported by public or private relief; while delinquents are placed under public control at compulsory labor in coercive institutions.' See Leonard (2016) for a discussion of Henderson's views on eugenics.
 25. In 1921, Hollander became the second Jewish economist, after Seligman, to serve as president of the AEA.
 26. The gulf between Hollander and the most eugenically oriented figures of the time was well caught by Alvin Johnson. Johnson contrasted Hollander's position with that of Carver, whose *Essays in Social Justice* had been hailed by the *Journal of Heredity* as a 'very important step in the coordination of the various sciences which make up applied eugenics' (*Economics and Eugenics* 1917, 120). In discussing poverty, Johnson (1916, 349) pointed out, 'Professor Carver is more concerned with the mechanical adjustment of quantitative forces; Professor Hollander, with the conditions of social economic conflict.'
 27. In 1912, Kohler (1912b) published a pamphlet on *The Injustice of a Literacy Test for Immigrants*.
 28. Minutes of the American Jewish Committee Meeting of Executive Committee. February 19, 1911. American Jewish Committee Archives, New York, NY.

29. Minutes of the American Jewish Committee Meeting of Executive Committee. November 11, 1911. American Jewish Committee Archives, New York, NY.
30. Ross (1914, 144–145) was probably referring to Hourwich's volume when he wrote: 'Hebrew money is behind the National Liberal Immigration League and its numerous publications. From the paper before the commercial body or the scientific association to the heavy treatise produced with the aid of the Baron de Hirsch Fund, the literature that proves the blessings of immigration to all classes in America emanates from subtle Hebrew brains.'
31. Minutes of the American Jewish Committee Meeting of Executive Committee. November 8, 1913. American Jewish Committee Archives, New York, NY.
32. On the construction of a Jewish identity during the Progressive Era, see the fascinating accounts offered by Eric Goldstein (2008) and William E. Forbath (2014).
33. Later in life, Joseph (1935) published a history of the activities of the Baron de Hirsch Fund in support of the Jewish immigrant.
34. Rubinow (1932) authored the entry on Hourwich for the *Encyclopaedia of the Social Sciences*.
35. In 1904, Rubinow expressed his concerns to Du Bois: 'I must say that even among certain groups of socialists the Negro problem is not fully understood, and the new Southern members of the movement have not altogether succeeded in freeing themselves from the prejudices that arose in chattel slavery, and persist in wage slavery.' Isaac M. Rubinow to W. E. B. Du Bois, November 10, 1904 cited by Aptheker 1973, 82).

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9

The Evolution of Hayek's Ethics

Keith William Diener

Introduction: Hayekian Ethics in the Early Years

Few aspects of Hayek's theory and life have elicited more criticism than his ethics. In academia, influential researchers frequently lose sight of the essence of humanity when composing their manifestos. Even the esteemed Nobel Laureate, Friedrich August von Hayek, was guilty of minimizing ethics in order to attempt to construct a coherent theory espousing the evolution of dynamic cultural traditions within and among groups amid the cross-generational, constantly developing, spontaneous order. It was not until his later years that Hayek began to devise anything more than the occasional scant remark regarding the broader role and impact of ethics within his framework.

Although Hayek's views on ethics evolved, he remained a religious agnostic for all of his adult life. He was raised in a culturally Roman Catholic family that held 'no religious beliefs' and viewed their

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Catholic heritage as ‘superstition of the past.’ Although his parents did not take him to church, he was exposed to Christianity by a teacher in his *Gymnasium*, who did temporarily inspire him to develop ‘strong religious feeling.’ Nevertheless, by the age of 15, Hayek (1994, 40–42) was convinced

that nobody could give a reasonable explanation of what he meant by the word ‘God’ and that it was therefore as meaningless to assert a belief as to assert a disbelief in God.

He expressed hostility toward monotheistic religions because ‘they are so frightfully intolerant.’ Hayek’s (1988, 139) agnosticism continued throughout his life—as noted in the closing pages of his final book: ‘So far as I personally am concerned I had better state that I feel as little entitled to assert as to deny the existence of what others call God, for I must admit that I just do not know what this word is supposed to mean.’¹

Hayek’s father deterred him from his early interest in the study of ethics. Late in 1916, Hayek (1994, 47; 1978a) was introduced to Aristotelian philosophy by a teacher in his *Gymnasium*. He was immediately enthralled by the idea of studying ethics, which he believed involved the inclusive study of morals, politics, and economics. After his introduction to Aristotle, the young Hayek returned home to inform his father that ‘I know what I’m going to study. I’m going to study ethics.’ Hayek’s father thereafter gave him books by the positivist philosopher, Ludwig Feuerbach, with the apparent aim of swaying him from the study of ethics.² The positivist flavor did leave Hayek with a ‘very definite distaste for philosophy for some time.’³ He found this philosopher to be ‘a bore’ and ‘only much later gained access to serious philosophy.’⁴

Hayek (1899–1992) left his *Gymnasium* to serve in the army, where his interests in the social sciences began. In March 1917, he entered army training, and shortly thereafter, Hayek (1994, 47, 48) read his ‘first systematic books on economics.’ His interest in the social sciences emerged during this World War I period when ‘serving in a multinational army’ including ‘a battle in which eleven different languages were spoken’ drew his ‘attention to the problems of political organization.’ Following his war service, Hayek (at age 19) enrolled at the University of Vienna to ‘study law in order to be able to do economics.’ Throughout this period (including his

early academic career), Hayek's interest remained primarily in the social sciences, including economics, political theory, and psychology. It was not until later in life that he returned to his youthful interest in ethical theory.⁵

The roots of Hayek's formal ethical theory can be traced to the 1950s with the drafting of *The Constitution of Liberty* (2011 [1960]); but fragments can be identified earlier in *The Road to Serfdom* (2007 [1944]). Previously, Hayek's writings sparsely concerned broader cultural or ethical investigations, but rather focused primarily on the economic and political sciences.⁶ Subsequently, in Hayek's three volumes of *Law, Legislation, and Liberty* (1973–1979) and *The Fatal Conceit* (1988), Hayek elaborated his vision of the sources of moral values and their role within society—the most elucidating portrayals of Hayekian ethical theory. Over time, his views of ethics evolved from a basis for anti-collectivist arguments into an elaborate theory of unjustifiable ethical traditions within the spontaneous order. His ethics present a 'striking juxtaposition of agnosticism and reverence,' wherein he acclaims respect for the traditions of morality and yet simultaneously undermines moral transcendence (Walker 1986, 24).

Hayekian Ethics: 1940s Through 1960s

Hayek (2007 [1944], 18) wrote his most famous book, *The Road to Serfdom*, between 1940 and 1943 (Ebenstein 2001, 116; Diener 2013, 33). It was in this work that the seeds that grew into Hayek's ethical theory were planted, mostly in the form of ethical imperatives against collectivist planning and morals. Nevertheless, several of the core precepts of what would later become Hayek's ethical theory were portrayed in *The Road to Serfdom* (2007 [1944], 101) including the evolutionary nature of ethics and the necessity of a non-coercive ethic:

It may merely be pointed out that up to the present the growth of civilization has been accompanied by a steady diminution of the sphere in which individual actions are bound by fixed rules. The rules of which our common moral code consists have progressively become fewer and more general in character. From the primitive man, who was bound by an elaborate ritual in almost every one of his daily activities, who was limited by

innumerable taboos, and who could scarcely conceive of doing things in a way different from his fellows, morals have more and more tended to become merely limits circumscribing the sphere within which the individual could behave as he liked.

This is an early indication that Hayek viewed ethics as evolving from rituals and traditions. Similarly, Hayek (2007 [1944] 218–219) commented on the extremes of this evolution:

...our moral sense has been blunted rather than sharpened. When we are reminded, as more and more frequently happens, that one cannot make omelettes without breaking eggs, the eggs which are broken are almost all of the kind which a generation or two ago were regarded as the essential bases of civilized life.

The degree of the evolution away from the principles of our ancestors, within a gradually weakening moral sphere, is at the core of Hayek's early assessments of ethics—although in the 1940s, Hayek had not yet articulated the key role of ethics in the spontaneous order. Another key component of Hayekian ethical theory was also manifested in *The Road to Serfdom* (2007 [1944], 217)—the importance of a non-coercive ethics:

Responsibility, not to a superior, but to one's conscience, the awareness of a duty not exacted by compulsion, the necessity to decide which of the things one values are to be sacrificed to others, and to bear the consequences of one's own decision, are the very essence of any morals which deserve the name.

Here, Hayek implied that free will is the cornerstone of moral decision-making and contended that guilt and living with one's poor decisions are the natural sanctions of ethical violations. Moreover, this statement suggests that one should not be compelled to follow the morals of others or that exterior sanctions be imposed for such decisions. The non-coercive nature of ethics dovetails with his anti-collectivist arguments:

The principle that the end justifies the means is in individualist ethics regarded as the denial of all morals. In collectivist ethics it becomes

necessarily the supreme rule; there is literally nothing which the consistent collectivist must not be prepared to do if it serves “the good of the whole,” because the “good of the whole” is to him the only criterion of what ought to be done.... There can be no limit to what its citizen must be prepared to do, no act which his conscience must prevent him from committing, if it is necessary for an end which the community has set itself of which his superiors order him to achieve.

Here, Hayek (2007 [1944], 166–167, 163) identified a flaw in the reasoning of collectivist arguments—looking solely to the good of the whole often leads to absurd consequences. Strict abidance to this collectivist principle, which is also at the root of act utilitarian arguments, may require one to kill a good person in order to save five others. Thus, according to Hayek, compelling action for an end not suitable to an individual is but one fault of collectivist ethics. Even further, and perhaps even more concerning, is Hayek's assessment that acting on behalf of a collection or group may ‘free people of many of the moral restraints which control their behavior as individuals within the group.’ In other words, when acting on behalf of a group, one may be inclined to participate in activities that, as an individual, one would rather not participate.

By the fall of 1955, Hayek's (1994, 129–130) plan for *The Constitution of Liberty* was being formulated; on May 8, 1959 (his 60th birthday), he delivered the finished manuscript to his publishers. In the intervening period, earlier segments of the work were published in a variety of outlets, including a rendition of Chap. 4 (‘Freedom, Reason, and Tradition’) in the journal *Ethics* (1958, 2011 [1960], 10). It was in this article that Hayek (1958, 235, 236) pronounced that ‘Of these conventions and customs of human intercourse, the moral rules are the most important,’ and then qualified this assessment by saying, ‘but, by no means the only significant, ones.’ Hayek had firmly announced that moral rules are the most important components of human custom—he was beginning to formulate the essential role of ethics within the spontaneous order:

There is an advantage in obedience to such rules not being enforced by coercion – not only because coercion as such is bad, but because it is in fact often desirable that rules should be observed only in most instances, and that the individual should be able to transgress them when it seems to him

worthwhile to incur the odium which this will cause. It is also important that the strength of the social pressure and of the force of habit which insure their observance is variable. It is this flexibility of voluntary rules which makes gradual evolution and spontaneous growth possible.

Although Hayek (1958, 239) viewed moral rules as instrumental to the development of humanity and human values (the observance of which is a value in and of itself), he vehemently believed that the choice of abiding or not abiding by moral rules should be left to each individual within their particular circumstance. Hayek (2011 [1960], 123) argued for abidance to moral rules because of their pragmatic value; however, there is a deeper reason underlying his pragmatic arguments, insofar as he contended that voluntary conformity to moral rules may play a role in ensuring freedom:

Coercion, then, may sometimes be avoidable only because a high degree of voluntary conformity exists, which means that voluntary conformity may be a condition of a beneficial working of freedom. It is indeed a truth, which all the great apostles of freedom outside the rationalistic school have never tired of emphasizing, that freedom has never worked without deeply ingrained moral beliefs and that coercion can be reduced to a minimum only where individuals can be expected as a rule to conform voluntarily to certain principles.

This utility and the potential necessity of moral rules as preservers of freedom and limiters of coercion provide additional reasons for adhering to legitimate and traditional moral rules. At this time, Hayek (2011 [1960], 228) rejected justifications of moral rules based on act utilitarianism, but considered that rule utilitarianism may at times justify legal or moral rules. In its barest form, rule utilitarianism holds that rules may be justified through utilitarian principles—that is, through appeals to the greatest good, utility, or happiness, for the greatest number of constituents. Due to occasional statements favoring rule utilitarian precepts, some have classified Hayek as a rule utilitarian (Ebenstein 2001, 249). Nevertheless, Hayek (1994, 140) eventually rejected being pigeonholed as a utilitarian, although he did acknowledge its influence on his work,

particularly in his earlier years. Hayek (1967a [1960]) also occasionally made negative utilitarian arguments in support of certain of his views including his arguments to limit the powers of corporations within society (Diener 2016, 233–237).⁷

Hayekian Ethics: 1960s Through 1992

In his last decades, Hayek's interest in ethics grew; and his views continued to evolve. In the 1960s, Hayek (1967a [1960]) explicitly restricted his theories of corporate profit seeking by moral rules, legal rules, and the rules of decency. He emphasized the importance of abiding by these rules in the pursuit of profits. Hayek (1979 [1978], 196) delivered *The Three Sources of Human Values* as the Hobbhouse Lecture at the London School of Economics (which became the *Epilogue* to the third volume of *Law, Legislation, and Liberty*, 1979). In a Heritage Foundation Lecture on *Our Moral Heritage*, Hayek (1982a, 1, 8) emphasized that 'Traditional Morality is Vital To Human Survival' ('a subject that has become my main interest'). In *The Fatal Conceit*, Hayek (1988) provided the most comprehensive account of his theory of evolutionary ethics (Ebenstein 2001, 311).

Throughout the three volumes of *Law, Legislation, and Liberty*, Hayek (1973, 1976, 1979) developed a clearer distinction between law and morality and began outlining the importance of separating compulsory-legal rules from voluntary-moral rules. In volume 2, Hayek (1976, 58) clarified that

...the difference between moral and legal rules is not one between rules which have spontaneously grown and rules which have been deliberately made; for most of the rules of law also have not been deliberately made in the first instance. Rather, it is a distinction between rules to which the recognized procedure of enforcement by appointed authority ought to apply and those to which it should not, and therefore a distinction which would lose all meaning if all recognized rules of conduct, including all rules which the community regards as moral rules, were to be enforced.⁸

Here, the non-coercive nature of ethical rules was again asserted by Hayek almost 30 years after he acknowledged this necessity in *The Road to Serfdom* (2007 [1944], 217). In volume 3 of *Law, Legislation, and Liberty*, Hayek (1979, 159–160) contended that human values are primarily a function of cultural evolution and tradition. There are at least three sources of human values:

There is, of course, in the first instance, the solid, i.e., little changing foundation of genetically inherited, ‘instinctive’ drives which are determined by his physiological structure. There are then all the remains of the traditions acquired in the successive types of social structures through which he has passed – rules which he did not deliberately choose but which have spread because some practices enhanced the prosperity of certain groups and led to their expansion, perhaps less by more rapid procreation than by the attraction of outsiders. And there is, third, on top of all this, the thin layer of rules, deliberately adopted or modified to serve known purposes.

Hayek (1979, 159–160, 163, 144–152, 163–164, 160) surmised that as mankind left local tribes to develop settled communities, people began to abide by the abstract rules of tradition, as opposed to instinct: ‘Man did not adopt new rules of conduct because he was intelligent. He became intelligent by submitting to new rules of conduct.’ The obedience to these abstract rules allowed mankind to flourish and develop intellectually. Yet, the evolution from abiding by instincts to abstract rules does not come easily, but is an evolutionary struggle that mankind must embrace because ‘What has made men good is neither nature nor reason but tradition.’ The turn from abiding by instinctual drives to adhering to the sanctity of moral rules and traditions allows for the process of cultural and ethical evolution to continue. This process is at the core of *who* and *what* we are as humans in communal existence. Despite the reverence Hayek (1979, 171) had for these moral rules, he contended that they are largely conventional:

All morals rest on the different esteem in which different persons are held by their fellows according to their conforming to accepted moral standards....I doubt whether any moral rule could be preserved without the exclusion of those who regularly infringe it from decent company – or even without people not allowing their children to mix with those who have bad

manners....there can be no excuse or pardon for a systematic disregard of accepted moral rules because they have no understood justification. The only base for judging particular rules is their reconcilability or conflict with the majority of other rules which are generally accepted.

As this passage illustrates, Hayek attached great weight to the need to abide by the morals and traditions yet described morals as conventions preserved by voluntary enforcement by the relevant population. The reason one should abide by morality, however, is not because ethical principles are 'immutable and eternal'—a characterization that Hayek (1979, 166, 167–168) contends is the 'gravest deficiency of the older prophets'—but instead because ethical principles are integral to cultural evolution, the spontaneous order, and thus human progress.

In a collection of essays, including *Socialism and Science*, where he began to describe the evolutionary process of ethics on an individual basis, Hayek (1978b, 299) contended that

Our moral task must indeed be a constant struggle to resolve moral conflict, or to fill gaps in our moral code – a responsibility we can discharge only if we learn to understand that order of peace and mutually adjusted efforts, which is the ultimate value that our moral conduct enhances. Our moral rules must be constantly tested against, and if necessary adjusted to, each other, in order to eliminate direct conflicts between the different rules, and also so as to make them serve the same functioning order of human actions.

This 'testing' of our rules against other rules is another theme that persisted throughout much of Hayek's writings on ethics. He advocated for consistency in moral rules, and that this consistency be the test of our conflicting rules. Consistency thus entails a legitimizing effect, in contradistinction to legitimizing rules based on traditional philosophical justifications. He elaborated further on how this process of moral selection takes place in *Our Moral Heritage* (1982a, 10):

...our morality is itself the result of a process of cultural selection. Those things survive that enable a species to multiply. And those practices and habits that enabled us to multiply came to prevail and became the cause of mankind increasing to two-hundred times the numbers it had before the development of civilization began.

Hayek (1988, 10, 21, 68, 20, 52) vividly enunciated the most comprehensive version of his evolutionary ethical theory in *The Fatal Conceit* where he attempted to further move beyond the dichotomy of reason and instinct, claiming that morality lies in ‘a separate tradition – “between instinct and reason”’.⁹ He claimed that the moral tradition and essentially all traditions lack justification—but, further, he asserted that they do not need justification. Our ‘human pride must now bow’ and recognize that no matter how ‘reluctant as we may be to accept this, no universally valid system of ethics can ever be known to us’:

Indeed, the basic point of my argument – that morals, including, especially, our institutions of property, freedom and justice, are not a creation of man’s reason but a distinct second endowment conferred on him by cultural evolution – runs counter to the main intellectual outlook of the twentieth century.

Hayek’s (1988, 137) view stood in opposition to the rationalistic views of most ethical theorists of his era—and antithetical to most religious perspectives on ethics. Nevertheless, he conceded that the ‘religious view that morals were determined by processes incomprehensible to us may at any rate be truer (even if not exactly in the way intended) than the rationalist delusion that man, by exercising his intelligence, invented morals that gave him the power to achieve more than he could ever foresee.’ Accordingly, an element of faith in one system or another, whether religious, rationalistic, or spontaneous is necessary to support one’s chosen system which, according to Hayek (1988, 133), cannot be justified, comprehended, or fully understood by any finite human being. In making this assessment, he did conclude that ‘Life Has No Purpose But Itself.’ In the closing chapter of *The Fatal Conceit*, Hayek (1988, 135) asserted:

This book has shown mankind as torn between two states of being. On one hand are the kinds of attitudes and emotions appropriate to behaviour in the small groups wherein mankind lived for more than a hundred thousand years, wherein known fellows learnt to serve one another, and to pursue common aims. Curiously, these archaic, more primitive attitudes and emotions are now supported by much of rationalism, and by the empiricism, hedonism, and socialism associated with it. On the other

hand there is the more recent development in cultural evolution wherein we no longer chiefly serve known fellows or pursue common ends, but where institutions, moral systems, and traditions have evolved that have produced and now keep alive many times more people than existed before the dawn of civilisation, people who are engaged, largely peacefully though competitively, in pursuing thousands of different ends of their own choosing in collaboration with thousands of persons whom they will never know.

Despite Hayek's skepticism toward the rationalistic and religious justifications for ethics, his theory holds that the traditions and customs of ethical practice are worthy of esteem. In particular, Hayek (1988, 67; 2007 [1944], 172; 1982a, 8; 1978a) identified several customs and traditions that are, regardless of their lack of justification, worthy of such esteem, including Honesty, Freedom, Liberty, Family, Personal Property, Saving, Exchange, Truthfulness, Commercial Morals, and Contract. Although professing reverence toward these core traditions, Hayek himself at times swayed from abiding by his own imperatives (Leeson 2015a, 278–213). Nevertheless, Hayek (1978a) expected those around him, 'to obey certain basic rules...certain common, basic rules which are known to [him].'¹⁰ Without a basic understanding and practice of common moral rules and traditions, life would indeed be tormenting, brutish, and short.

Hayekian Moral Traditions

In his later work, it became all too apparent that Hayek viewed ethics as little more than cultural traditions that change over time. Yet, no study of Hayekian ethics would be complete without a brief overview of those cultural and moral traditions that did impact Hayek during his lifetime. Although viewing ethics as lacking transcendence, Hayek did nevertheless champion abidance to moral rules for their utility and because of their integral role in the spontaneous order of human progression. Those 'traditions' that the recorded history of Hayek's work, thought, and life suggest he embraced are considered here.

Liberty and Freedom

Hayek spent much of his professional career arguing in favor of societal conditions that promote freedom and liberty. He academically embraced these moral traditions, perhaps with more vigor than any others as reflected in many of his works, including *The Road to Serfdom* (2007 [1944]), *The Constitution of Liberty* (2011 [1960]), and *Law, Legislation, and Liberty* (1973, 1976, 1979). In order to attain freedom and liberty, Hayek, an avid proponent of the free market, contended for minimal governmental intervention with private economic activities and adherence to voluntary-moral rules.

Honesty and Truthfulness

Hayek (1978a) reiterated through many works and interviews the importance of adhering to the values of honesty and truthfulness: ‘I think honesty is really the best expression of what I call the morals of a civilized society’; and ‘dishonesty is a thing that I intensely dislike.’¹¹ Despite that, Hayek (1988, 47, 67) argued against the influence of Aristotle, his influence on Aquinas, and virtue ethics more generally, if one were to recognize one trait that Hayek found as endearing and praiseworthy as a virtue, that trait would likely be truthfulness.

Commercial or Mercantile Morals

Hayek (1982b, 1988, 67) deemed it necessary for people to adhere to what he called ‘commercial’ or ‘mercantile’ morals. These are essentially the morals of the marketplace that arose due to the need for, among other things, savings and exchange. Commercial morals are the morals of the marketplace which, Hayek contended, evolved from our instinctual moral drives, allowing for civilization to prosper.¹² These social conventions, over time, became customary norms of many civilizations.

Personal Property and Contract

Hayek (1988, 67; 1982a, 4, 8) frequently touted the benefits of a societal system based on the principles of personal property and contract. He perceived these as moral values that played an integral role in the development of culture and civilization. Yet his perception of these values, like his perception of savings and exchange, as moral rules in and of themselves, exposes how Hayek's failure to distinguish between morality and other conventions and practices of mankind leads to significant confusion within his evolutionary ethical theory. Although participating in property ownership, contracts, savings, and exchange, all do involve abidance to certain norms, at least some of these norms are conventional, rather than ethical in nature.

Discrimination and Anti-Semitism

Hayek was raised during a time and culture within which discrimination and anti-Semitism were commonly held traditions. There is a record that Hayek did (at least occasionally), in his personal life, embrace certain cultural traditions that would today, in most Western civilizations, be viewed as unethical and discriminatory (Hayek 1994, 58–62; 1978a; Diener 2013).¹³ Indeed, he was frequently insensitive toward racial and cultural differences, was guilty of stereotyping, and admitted that 'there were several things which I must confess I resented among our Jewish friends' (Hayek 1994, 61; Diener 2013, 31–33; Ebenstein 2001, 293–295). Furthermore, he believed in the right to discriminate against races, at a minimum, in his own personal life, in private schools, and in other private matters.

Family and Religion

Hayek (1978b, 299) gave credence to the core values of family life and often carefully crafted his words to avoid insulting religious institutions.¹⁴ In the end, however, his dedicated work in academia, and ultimately as a popular figure, did detract from his ability to successfully balance his

espoused family values with other obligations (Leeson 2015b, 178–213). Nevertheless, Hayek (1982a, 4, 8) identified belief in family (along with private property) as an evolutionarily successful moral tradition—that should be adhered to.

While in his early years, Hayek (1994, 42) paid particular attention to avoid engaging antagonism from religious groups (Leeson 2015b, 122–123), he ultimately admitted his hostility toward monotheistic religions and even argued that fundamental principles of Christianity, such as ‘love thy neighbor,’ are outdated phenomena (Ebenstein 2001, 314). Eventually, Hayek (1978a) confirmed that ‘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.’¹⁵ Religion is certainly one moral tradition that Hayek refused to embrace. Hayek died on March 23, 1992; his funeral service was held on April 4, 1992, and, despite his disdain for religion, it was conducted in the Roman Catholic tradition into which Hayek had been born. A Christian cross was placed on his tombstone—a cross which remains there today (Ebenstein 2001, 317–318).

Conclusion

Researchers are currently investigating not only Hayek’s economic, political, and legal theories but also his evolutionary ethical theory. At a time when ethics was primarily guided by fundamentalist and rationalist conceptions, Hayek proposed his evolutionary approach; one that generally coheres with his broader construct of the spontaneous order, including its interrelated economic, political, and legal components. Despite Hayek’s imperatives that moral traditions should be respected because of their key role in this spontaneous order, his late-life attempts to massage ethics into his broader theory did minimize the normative force of moral rules, devaluing moral rules to a plane level with manners and other customary cultural conventions (1979, 170–172). Consequently, the majority of research conducted on Hayek’s ethics to date is critical—often representative of good-hearted attempts to correct his mistakes and omissions—and particularly his ignoring the potential for the transcendence of certain moral values.¹⁶

Notes

1. Hayek (1988, 139–140) clarifies that ‘I certainly reject every anthropomorphic, personal, or animistic interpretation of the term, interpretations through which many people succeed in giving it a meaning. The conception of a man-like or mind-like acting being appears to me rather the product of an arrogant overestimation of the capacities of a man-like mind. I cannot attach meaning to words that in the structure of my own thinking, or in my picture of the world, have no place that would give them meaning. It would thus be dishonest of me were I to use such words as if they expressed any belief that I hold. I long hesitated whether to insert this personal note here, but ultimately decided to do so because support by a professed agnostic may help religious people more unhesitatingly to pursue those conclusions that we do share.’
2. A slight, although seemingly immaterial discrepancy regarding these facts: in his interviews, Hayek said that his father provided him with three volumes of the works of Feuerbach, but in his autobiography, Hayek stated that his father gave him four works of Feuerbach.
3. Friedrich Hayek, interviewed by Earlene Craver, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
4. See also Ebenstein (2001, 18).
5. See also Ebenstein (2001, 18, 21–22).
6. There is the occasional reference to ethics, morality, and justice in some of Hayek's other works, but generally these references are unelaborated and undefined smatterings. For example, in *Individualism and Economic Order*, he does briefly discuss the association of ethical ideals with values of socialism and a greater equality of income (1948 [1947], 119–20, 130, 178). He also discusses ‘social’ concerns in Hayek (1967b [1957]).
7. Karl Popper, who is said to have coined the phrase ‘negative utilitarian,’ maintained a professional relationship with Hayek (Ebenstein 2001, 156–163; Utilitarianism n.d.).
8. See also Walker (1986, 42).
9. Hayek (1988, 21) explicitly states that ‘I want to call attention to what does indeed lie *between* instinct and reason, and which on that account is often overlooked just because it is assumed that there is nothing between the two. That is, I am chiefly concerned with cultural and moral evolution, evolution of the extended order, which is, on the one hand (as

- we have just seen), beyond instinct and often opposed to it, and which is, on the other hand (as we shall see later), incapable of being created or designed by reason.’
10. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 11. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 12. Hayek (1982b) clarifies that ‘We can nonetheless demonstrate that unless people are willing to submit to the discipline constituted by commercial morals, our capacity to support any further growth of population other than in the relatively prosperous West, or even to maintain it at its existing numbers, will be destroyed.’
 13. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 14. Hayek (1978b, 299) calls individual responsibility for oneself and family, ‘the indispensable framework for the peaceful working of any complex society.’
 15. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 16. Among the resources available on Hayek’s ethics, see: Walker (1986), Elzinga and Givens (2009), Ambrosino (2014), Diamond (1980), Gick (2003), Vanberg (2007), McCann (2002), Kusunoki (2015), Otahal (2014), Romar (2009), Lewis (1985), Horwitz (2005), Rodrigues (2013), Petroni (1995), Farrant (2011), Diener (2013, 2016).

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10

‘Dictatorial Democracy,’ the Four Habsburg Estates, and ‘The Ethical Foundations of a Free Society’

The Austrian Tangled Web

During the feudal era, priests were often the only literate class. In ‘The Intellectuals and Socialism,’ Friedrich Hayek (1997 [1949], 224) noted that ‘In the sense in which we are using the term, the intellectuals are in fact a fairly new phenomenon of history.’ To assist the process of reconstructing a version of the neo-feudal ‘spontaneous’ order, and to allow the ‘old’ aristocracy to resume its ‘traditional’ position by demoting the ‘new’ aristocracy of intellectuals, and elected politicians, Hayek created a new sacerdotal class (Leeson 2015, Chaps. 2 and 3).

In *The Constitution of Liberty*, Hayek (2011 [1960], 506) warned about the ‘problem of having more intellectuals than we can profitably employ. There are few greater dangers to political stability and the existence of an intellectual proletariat who find no outlet for their learning.’ Hayek (1997 [1949], 223) also complained that ‘it is not the predominant views of the experts but the views of a minority, mostly of rather *doubtful standing* [emphasis added] in their profession, which are taken up and spread by the intellectuals.’ Through fraudulent job recommendations, Hayek constructed a tax-funded Welfare State for his academically unqualified disciples: in one instance ennobling a library assistant (whose intellectual

limitations had prevented him from obtaining an undergraduate degree) as ‘Dr.’ so as to procure for him a full professorship of economics at a public North American university.

In his Arlington House *The Bewildered Society*, the President of Hillsdale College, George Roche III (1972, 210), praised and quoted Hayek (1997 [1949]):

The all-pervasive influence of the intellectuals in contemporary society is still further strengthened by the growing importance of ‘organization.’ It is a common but probably mistaken belief that the increase of organization increases the influence of the expert or specialist. This may be true of the expert administrator and organizer, if there are such people, but hardly of the expert in any particular field of knowledge. It is rather the person whose general knowledge is supposed to qualify him to appreciate expert testimony, and to judge between the experts from different fields, whose power is enhanced.

The point which is important for us, however, is that the scholar who becomes a university president, the scientist who takes charge of an institute or foundation, the scholar who becomes an editor or the active promoter of an organization serving a particular cause, all rapidly cease to be scholars or experts and become intellectuals, solely in the light of certain *fashionable* [emphasis added] general ideas. The number of such institutions which breed intellectuals and increase their number and powers grows every day. Almost all the ‘experts’ in the mere technique of getting knowledge over are, with respect to the subject matter which they handle, intellectuals and not experts.

To serve his own ‘particular cause,’ Hayek (1978) insisted: ‘Oh, I’m sure you can’t operate any other way. You have to persuade the intellectuals, because they are the makers of public opinion. It’s not the people who really understand things; it’s the people who pick up what is fashionable opinion. You have to make the fashionable opinion among the intellectuals before journalism and the schools and so on will spread it among the people at large.’¹

Hayek initiated the explosion of libertarian ‘organizations’: tax-exempt think-tanks. The Institute of Economic Affairs influenced public policy by

feeding Austrian ideas to Margaret Thatcher and others (Letwin 1992, 27, 79, 114–115, 142, 324). Hayek (1978) gushed with praise: the IEA's work was 'absolutely first class...extremely well done²; I'm greatly pleased that they are so successful³; They are so very good because they are taking up particular problems and illustrating in point after point how the present system doesn't work. I think they have gradually achieved a position of very great influence indeed, and that is really the main source of resistance. It creates a coherent body of opinion which is probably more important than any of the periodicals or newspapers in England.'⁴ Hayek (28 August 1975) was also obliged to make a 'confidential' reply to the IEA co-founder, Arthur Seldon, apologizing for having apparently stated that he regarded the IEA as a 'mere' popularizing 'propaganda' institution.⁵

After October 1946, Ludwig 'von' Mises was a full-time employee of Foundation for Economic Education, which Leonard Read had just established (Hülsmann 2007, 851, n26). For public consumption, Hayek (1992a [1968], 259, 262) declared: what FEE, 'with Leonard Read at its head, and all of his co-fighters and friends are committed to is nothing more nor less than *the defence of civilisation against intellectual error* [Hayek's emphasis]...I mean it literally.' Read is a 'profound and original thinker' who could be relied upon 'not only to spread the gospel' but also to 'contribute to the development of ideas.' 'I mean it literally' appears to be a translation from the Austrian of 'don't believe a word of it': Hayek (28 August 1975) assured Seldon that the IEA was superior to FEE's 'propaganda' efforts.⁶

Hayek (1978), who didn't 'mind even people of first-class quality going into politics,⁷ told Charlotte Cubitt (2006, 144) that Anthony Fisher, the IEA co-founder, was not 'intellectually gifted.' Hayek (1978) modestly stated: 'I oughtn't to praise them because the suggestion of the Institute [IEA] came from me originally.'⁸ Fisher wrote to Margit Mises (1976, 158) saying: 'All my efforts originally stem from Lu's teachings, writings and activities. Ideas have consequences.' According to John Blundell (2007, 48, 83–4), the following year, Fisher recalled something different: 'Hayek gave me some advice which must be 40 years ago almost to the day and which completely changed my life. Friedrich got me started...and two of the things he said way back are the things which

have kept the IEA on course. One is to keep out of politics and the other is to make an intellectual case...if you can stick to these rules you keep out of a lot of trouble and apparently do a lot of good.'

Fisher wrote:

It was for me a fateful meeting. Hayek warned against wasting time – as I was then tempted – by taking up a political career. He explained that the decisive influence in the great battle of ideas and policy was wielded by the intellectuals whom he characterised as 'second-hand dealers in ideas.' It was the dominant intellectuals from the Fabians onward who had tilted the political debate in favour of growing government intervention with all that followed.

If I shared the view that better ideas were not getting a fair hearing, his counsel was that I should join with others in forming a scholarly research organisation to supply intellectuals in universities, schools, journalism and broadcasting with authoritative studies. (Cited by Frost 2002, 10)

But Blundell (2005, 27) reported: 'Hayek in particular used to claim he had absolutely *no* recollection *whatsoever* [emphases in original] of Fisher ever coming to him for advice. Fisher on the other hand was always very clear and very consistent about the dialogue – almost verbatim – but not so helpful on exactly how it happened.'

In 'High Priests and Lowly Philosophers: The Battle for the Soul of Economics,' three George Mason University economists, Peter Boettke, Christopher Coyne, and Peter Leeson (2006, 551), provided religious sanction for Austrian-derived 'knowledge': 'Do not pry into things too hard for you, Or investigate what is beyond your reach.' Hayek told William Warren Bartley III, the first General Editor of *The Collected Works of E.A. Hayek*, that 'sometimes' he wished he 'could return to psychology, I have so many ideas in that field' (cited by Caldwell 2007, 342).⁹ He must have reflected about the sociopathic, or aristocratic, trance in which he held his 'secondhand dealers in ideas'—and how easily they were deceived.

According to Boettke, Coyne, and Leeson (2006, 559), most economists 'have not followed Hayek's plea for humility.' Parliament (and thus modern democracy) is derived from the Anglo-Norman *parlement*, which originated with the verb *parler*, to 'talk.' Hayek (1975) told the American Enterprise

Institute that 'Before we can return to reasonable stability and perhaps lasting prosperity, I am convinced that we must exorcise this Keynesian devil...'; the devil's followers had 'forfeited their right to be heard.' Hayek completed his knowledge construction model: 'You might object that I have left out some facts, and that the result would have been different if I had not neglected those other facts. Well, my answer to this objection would be: quote the facts, please, and I shall be willing to consider them.' Hayek had been transformed from Prophet to King: 'For forty years I have preached that the time to prevent a depression is during the preceding boom.' After his 'prediction had come true,' he was tempted to tell the public: 'Well, if you had listened to me before you wouldn't be in this mess.'

As Hayek (1978) perceptively noted, 'there are certainly many ordering principles operating in forming society, and each is of its own kind.'¹⁰ The *Washington Post* reported that he 'is everything you want an 83-year-old Viennese conservative economist to be. Tall and rumped. A pearl stickpin in his tie. A watch chain across his vest, even though he wears a digital on his wrist. An accent which melds German Z's with British O's.' With 'lovely aristocratic ease,' he became a 'favorite of conservative economists from Irving Kristol to William Buckley.' While Hayek described the 'spontaneous formation of an order' as 'extremely complex structures' and the market as 'an exo-somatic sense organ,' the staff of the Heritage Foundation 'hover around him with a combination of delight and awe that makes them seem like small boys around a football hero' (Allen 1982).

In engaging Terence Hutchison in a *methodenstreit* over whether there was a (Misean a priori) Hayek I and a (Popperian falsificationist) Hayek II, Bruce Caldwell (2009, 316) reflected: 'And as is often the case in such matters, there was evidence on both sides. I would further submit that Hayek himself bears a considerable amount of the blame for the profusion of conflicting pieces of evidence. He frequently manages to say things that could support either argument.' Hayek (26 November 1981; 29 September 1984) clearly told different stories to different people, flattering both Hutchison—'You are of course perfectly right'—and Caldwell 'I greatly enjoyed [your article] and am very grateful to you for clearing up Professor Hutchison's misunderstandings. I entirely agree with you.' Caldwell (2009, 319) concluded: 'So much for going to the horse's mouth

for clarification!’—and, as the third General Editor of *The Collected Works of F.A. Hayek*, devoted his career to doing just that (Leeson 2017a).¹¹

The economists of the International Monetary Fund failed to adequately understand the system they policed—neoclassical private incentives explain why they *wished* to survive, and the post-1973 debt crisis explains why they were *able* to survive (Leeson 2003). At least five components of the Austrian School of economics require examination:

- Austrian Truth: a surface phenomenon which collapses upon inspection (the ‘rules of just conduct,’ amoral ‘cultural evolution’ combined with the ‘moral’ need to reconstruct the ‘spontaneous’ order, etc.).
- How the school has survived to ‘inform’ policymaking long after it should have ceased to have contemporary significance: from the deflation that facilitated Hitler’s rise to power to the promotion of Pinochet (to ‘cleanse’ democracy) and Laffer curve ‘starve the beasts’ tax cuts (to increase tax revenue).
- A ‘follow the money’ trail back to the American medical establishment, the tobacco industry, tax havens, the carbon lobby (climate change ‘sceptics’), and the Gaddafi family.
- The school’s Cold War promotional links to White Terror (i.e. Mises’ ‘Fascism’).
- The school’s ‘special’ and ‘curious’ individuals with their sense of inalienable entitlement.

The second question can be addressed via the third: the tax-exempt Austrian School of Economics is funded by the American medical establishment, the tobacco industry, tax havens, the carbon lobby, and the Gaddafi family. With respect to the first two questions: in his September 1984 closing address to the Mont Pelerin Society (which is accessible via the Margaret Thatcher Foundation website), Hayek stated that his Society should be concerned with ‘changing opinion...Its intellectuals who have really created socialism...who have spread socialism out of the best intentions.’ Hayek emphasized the importance of

the belief in property, honesty and the family, all things which we could not and never have been able adequately to justify intellectually. We have to recognize that we owe our civilization to beliefs which I have sometimes

have offended some people by calling 'superstitions' and which I now prefer to call 'symbolic truths'... We must *return to a world* [emphasis added] in which not only reason, but reason and morals, as equal partners, must govern our lives, where the truth of morals is simply one moral tradition, that of the Christian west, which has created morals in modern civilization. (Cited by Leeson 2013, 197)¹²

Hayek abandoned his wife and children to return to his 'first love' (his cousin) and become the University of Chicago Professor of 'Social and Moral Sciences.' According to the British Chancellor of the Exchequer (1983–1989), Hayek's morality resonated with his Prime Minister:

Margaret instinctively realised the need to regain the *moral* as well as the practical initiative from collectivism. In this she was strongly fortified by the writings of the economist and philosopher Friedrich Hayek...[who] opened up for the first time since the war the possibility of a *morally superior* political conception to that of socialism, by elevating private actions above direction, and dismissing 'social justice' as both vague and arbitrary [emphases added]. (Lawson 1992, 13–14)

According to Hitler: 'Moral rebirth can only be the consequence of a great event. It will come to us at the moment when the struggle breaks out between Swastika and Soviet Star' (cited by Heiden 1944, 144). General Augusto Pinochet (1982, 145, 149)—who, like Hayek, was a kleptocrat—justified his coup by appealing to morality:

The nation was undergoing a profound moral, economic and social crisis... Every government agency, every company taken over or intervened by the State, every bank, every department is a box full of surprises, showing only part of a process of unbelievable moral and administrative corruption. Not only were the material resources of the nation dissipated, all the creative energy of a people that aspired to higher destinies was squandered; and owing to the moral corruption of the officials responsible for encouraging sloth and unwholesome idleness, they did not hesitate to dissipate the resources of the people of Chile for their own benefit, enjoying licentiousness characteristic of a decadent and corrupt nation. No official will therefore fail to answer for his responsibility and no one will go unpunished for the crimes that they have attempted against the moral fabric of the country.

Hitler's motto about his 'enemy' was 'Destroy him by all and any means'; Mises' (2009 [1978 (1940)], 55) motto also reflected this Manichean world view: 'Do not give in to evil, but proceed ever more boldly against it.' In *Liberalism in the Classical Tradition*, Mises (1985 [1927], 50) sought to persuade Fascists to embrace his own philosophy: 'What distinguishes liberal from Fascist political tactics is not a difference of opinion in regard to the necessity of using armed force to resist armed attackers, but a difference in the fundamental estimation of the role of violence in a struggle for power. The great danger threatening domestic policy from the side of Fascism lies in its complete faith in the decisive power of violence. In order to assure success, one must be imbued with the will to victory and always proceed violently. This is its highest principle.'

Because Mises' a priori conclusion has proven to be unpersuasive to all but funded Fellows of the Ludwig von Mises Institute (and related ideologues), Hayek (1978) was 'anxious' to 'improve' the 'knowledge' which underpins his conclusions: 'I was always influenced by Mises's answers, but not fully satisfied by his arguments. It became very largely an attempt to improve the argument, which I realized led to correct conclusions. But the question of why it hadn't persuaded most other people became important to me; so I became anxious to put it in a more effective form.'¹³

Alive, Mises had been a liability; but dead, he could be marketed as a martyred saint. Hayek was a persuasive retail propagandist—but had he (like Mises) *openly* endorsed White Terror ('Fascism'), or if he had (like his disciples and 'Pinochetistas,' Pedro Ibáñez and Carlos Cáceres) *openly* endorsed limited suffrage, this would have limited his influence: 'I just had to restrain myself to get any hearing' (Hayek 1978).¹⁴ But from the grave, there was no such need for restraint: Hayek left numerous for-posthumous-consumption oral history interviews.

In *The New Economics Keynes' Influence on Theory and Public Policy*, Seymour Harris (1947) referred to the 'vested interests of scholars in the older theory' and the 'preponderant influence of press, radio, finance and subsidized research.' According to Mises (1974 [1948], 54), Harris implied that non-Keynesians are 'just a bunch of bribed sycophants, unworthy of attention.' James Buchanan (1992, 130) observed that at Mont Pelerin Society meetings there was 'too much deference accorded

to Hayek, and especially to Ludwig von Mises who seemed to demand sycophancy.' This was a form of consumer sovereignty—what Mises demanded, sycophants supplied. Hayek, who stole and demanded funding from educational charities, revealed to Cubitt (2006, 10) 'that all his professional considerations had been based on financial considerations.' But Hayek apparently failed to understand that his disciples' primary loyalty was to themselves and their own 'financial considerations': his gloating oral history interviews are—presumably for fundraising reasons—being suppressed (Leeson 2015, Chap. 2).

'Dictatorial Democracy'

Before becoming dictator, Pinochet (1991, 141) had several maids. Hayek's (1994, 39, 78) maternal grandparents 'kept at least three servants'; in London, 'we were of course still running the house with the help of a regular maid.' In Vienna in 1917, Mises was 'shocked to see how the food supply had collapsed during his six-month absence. He predicted that very soon no more food would be found at the markets, even after hours of standing in line. At one point his grandfather's cook stood three hours in line for meat. His mother had to dismiss her cook, Therese, because she could barely afford to feed her' (Hülsmann 2007, 283).

As a youth, Hayek was known as 'ugly Fritz.'¹⁵ During the 'Great' War, he shared an 'Italian servant girl' who (fearful of being dismissed?) had 'been quite willing to sit on his lap'; and with his second wife, he had a 'bedienerin' or 'servant' (Cubitt 2006, 76, 240, 46). This style of life was challenged by 'the servant problem.' As *The Economist* (17 December 2011) noted, 'By the early 20th century, the rich were getting the uncomfortable sense that the foundations of the social order were shifting.'¹⁶ Between 1910 and 1923, the proportion of the Viennese workforce employed as domestic servants fell from 9.3% to 6.3% (Kirk 1996, 14, Table 0.2). Mises lived with his mother until he was 53: The 'only explanation' that Margit Mises (1984, 25) 'could find was that his mother's household was running smoothly – their two maids had been with them for about twenty years – and Lu could come and go whenever it pleased him and could concentrate on his work without being disturbed.'

According to the president of the tax-exempt Ludwig von Mises Institute, Austrians object to ‘voting rights’ because of the ‘entitlement mentality among supposedly noble voters’ (Deist 2017). Hayek (1976a, 189, n25; 1978) described himself as having ‘affiliations with classes of particular inclinations,’ who ‘moved, to some extent, in aristocratic circles, and I like their style of life.’¹⁷ In 1789 (the year that the Hayeks became government-sponsored ‘von’ aristocrats), feudalism was weakened by the French Revolution and the establishment of a President-led American Republic. In ‘Reflections on Titles,’ Thomas Paine (2000 [1775]) defined the aspirational conception of the forthcoming era:

Dignities and high sounding names have different effects on different beholders. The lustre of the *Star* and the title of *My Lord*, over-awe the superstitious vulgar, and forbid them to inquire into the character of the possessor: Nay more, they are, as it were, bewitched to admire in the great, the vices they would honestly condemn in themselves. This sacrifice of common sense is the certain badge which distinguishes slavery from freedom; for when men yield up the privilege of thinking, the last shadow of liberty quits the horizon.

Paine’s ‘Reflections on Titles’ is available on the Ludwig von Mises Institute website.¹⁸

Before the 391 Theodosian decrees, observing certain practices—*religio*—was believed to bolster the social order, while Christians and other heretics were regarded as undermining it by indulging in enthusiastic *superstitio*. At the 1969 Mont Pelerin Society meeting in Venezuela, where a dinner was held to honour his 70th birthday,

Hayek apparently indicated that he had not spoken about these matters previously, ‘except to the closest of friends.’ He indicated, first, that while his family background was Catholic, both of his grandfathers had left the Church, that he, personally, ‘had never quite bothered to classify himself religiously, other than perhaps to consider himself something of an agnostic.’ Hayek then...suggested that ‘somehow it might be possible to bring two distinct ‘liberal’ factions into harmony and cooperation for the cause of liberty: (1) a group strongly oriented in religion, and (2) a group who

prided themselves in being agnostics and/or atheists. It was in that intent that the original members of the Mont Pelerin Society *were selected* [emphasis added].’ Hayek continued – here calling on Henry Hazlitt and F.A. Harper, the only two people there who had been at the original meeting – ‘that this seemed hopeless; that the two factions were not inclined to leave the religious differences lie idle.’ Harper indicates that, while Hayek did not name names, he and his wife recalled that, following a visit to an old monastery, Frank Knight was moved to deliver an ‘atheistic sermon,’ and that one of six people sitting with them got up and moved to another table. (Shearmur 2015)

In 1947, Hayek had sought to name (what became) the Mont Pelerin Society

the Acton-Tocqueville Society, after the two *most representative* [emphasis added] figures. Frank Knight put up the greatest indignation: ‘You can’t call a liberal movement after two Catholics!’ [laughter] And he completely defeated it; he made it impossible. As a single person, he absolutely obstructed the idea of using these two names, because they were Roman Catholics.¹⁹

The title of Sir John Dalberg-Acton, 8th Baronet of Aldenham, had been established in 1644 by King Charles I; in 1781, King George III established the 1st Baronet Mosley of Ancoats for Mosley’s (1972, 2–3) ‘great-great grandfather’; and in 1789, Kaiser Josef II ennobled Hayek’s (1994, 37) ‘great-great-grandfather.’ ‘Von’ Mises (1881–1973) was *The Last Knight of Liberalism* (Hülsmann 2007); and Sir Walter Scott, 1st Baronet (1771–1832), was the ‘Knight of the Confederacy.’ Scott was ennobled in 1820, 12 years before the ‘Great’ Reform Act.

Populists are unconstrained by the conventions of political competition; and those who hold their customers in a sociopathic trance are held to different standards of account: the market is ‘going to be terrific. You’re going to be very, very happy.’²⁰ Two years after the establishment of the Mont Pelerin Society, Chairman Mao seized power in China, and President Hayek (1997 [1949], 232; 1992b [1977]) sought to recruit fantasists—those with the ‘very courage to indulge in Utopian thought.’ By 1977, he declared that his Society’s

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.

In 1982, *Prometheus*, the Journal of the Libertarian Futurist Society, was founded to 'recognize and promote libertarian science fiction. The LFS is a tax-exempt nonprofit group with an international membership of libertarians and freedom-loving science fiction fans who believe cultural change is as vital as political change in achieving freedom. After all, imagination is the first step in envisioning a free future – and the peace, prosperity and progress that can take humankind to the stars...People come to libertarianism through fiction.'²¹ The autobiographical chapters in Walter Block's (2010) *I Chose Liberty* confirm this impression.

And as slavery-based 'liberty' sought to survive, Scott provided its romantic foundations. In the year of the 'Compromise of 1850' (which included the passage of the Fugitive Slave Act), one admirer wrote in *The Southern Literary Messenger*, 'Scott's purpose was not to give an analytic account of man in general, but to present a bold and glowing picture of the men of a particular age, and the age selected by him was that when knighthood was the profession of every gentleman, and war the principal occupation of almost every monarch' (cited by Wachtell 2012).

By 'break[ing] the clock,' Rothbard (1992, 16) sought to 'repeal the twentieth century.' Mark Twain (1883, Chap. 46) reported that Sir Walter Scott 'had so large a hand in making Southern character, as it existed before the [civil] war, that he is in great measure responsible for the war.' The French Revolution 'broke the chains of the *ancien régime* and of the Church, and made of a nation of abject slaves a nation of freemen; and Bonaparte instituted the setting of merit above birth, and also so completely stripped the divinity from royalty, that whereas crowned heads in Europe were gods before, they are only men, since, and can never by gods again, but only figureheads, and answerable for their acts like common clay. Such benefactions as these compensate the temporary

harm which Bonaparte and the Revolution did, and leave the world in debt to them for these great and permanent services to liberty, humanity, and progress. Then comes Sir Walter Scott with his enchantments, and by his single might checks this wave of progress, and even turns it back; sets the world in love with dreams and phantoms; with decayed and swinish forms of religion; with decayed and degraded systems of government; with the sillinesses and emptinesses, sham grandeurs, sham guads, and sham chivalries of a brainless and worthless long-vanished society.'

'Hayek lives!' (Kresge 1994, 35)—and so, for related reasons, does the 'Confederacy of the mind.' Rothbard and Mark Thornton (1995, 27) were 'Copperhead Members of the Sons of Confederate Veterans'; and according to Joseph Stromberg (1995, 46, 47), Rothbard's 'sympathy for secession...played well down here in the South, I can assure you': he was 'honored in May by a Confederate honor guard at Stone Mountain for his services to the causes of liberty and Southern rights.' Rothbard 'especially liked the anti-New Dealers, the anti-imperialists, the Confederates, the anti-federalists, the tax resisters, the underground businessmen, the anti-state pamphleteers, and other unsung heroes' (Rockwell 1995, 110, 112).

Shenoy (2003, 6) was nostalgic for a fantasy version of the 'free' neo-feudal century: there were 'no major wars between 1815 and 1914. The world's armies and navies did not know what to do. Yes, there were aberrations like the American Civil War and the Franco-Prussian War, but mostly it was a period of peace. Forty million people moved peacefully because they wanted a better life. There were no expulsions, no wars, no genocides, nothing.' Twain (1883, Chap. 46) reflected that Sir Walter Scott 'did measureless harm; more real and lasting harm, perhaps, than any other individual that ever wrote. Most of the world has now outlived good part of these harms, though by no means all of them; but in our South they flourish pretty forcefully still. Not so forcefully as half a generation ago, perhaps, but still forcefully. There, the genuine and wholesome civilization of the nineteenth century is curiously confused and commingled with the Walter Scott Middle-Age sham civilization; and so you have practical, common-sense, progressive ideas, and progressive works, mixed up with the duel, the inflated speech, and the jejune romanticism of an absurd past that is dead, and out of charity ought to be buried. But for the Sir Walter disease, the character of the Southerner—or Southron, accord-

ing to Sir Walter's starchier way of phrasing it—would be wholly modern, in place of modern and mediaeval mixed, and the South would be fully a generation further advanced than it is.'

Through fraudulent recommendations, Hayek created a *nomenklatura* caste for his academically unqualified disciples. According to Twain (1883, Chap. 46), 'It was Sir Walter that made every gentleman in the South a Major or a Colonel, or a General or a Judge, before the war; and it was he, also, that made these gentlemen value these bogus decorations. For it was he that created rank and caste down there, and also reverence for rank and caste, and pride and pleasure in them. Enough is laid on slavery, without fathering upon it these creations and contributions of Sir Walter.'

For public consumption, Hayek (2011 [1960], 186) explained that the less-free find freedom through servitude: 'To do the bidding of others is for the employed the condition of achieving his purpose.' For private consumption, Mises (2007 [1958], 11) insisted that the masses must learn: 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.' Hayek (2007 [1944], Chap. 10) explained why 'The worst get on top'; Mises (1944, 88, 20) explained why the unregulated 'market economy' also allows the 'worst'—the 'common man'—to get on top (a form of reverse eugenics):

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... 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.

According to Mises (1951 [1922], 443–4), it was impertinent for those with an 'inferior' ascribed status to attempt to control those who were funding him:

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.

The 'One God' of the bailed-out 'free' market allows financial sector barons to routinely pay billions of dollars in fines while sneering at Congressional oversight.²² Robert Chitester asked: 'Doesn't your thinking in terms of a moral structure—the concept of just conduct—at least get at some very fundamental part of religious precepts?' Hayek (1978) replied: 'Yes, I think it goes to the question which people try to answer by religion: that there are in the surrounding world a great many orderly phenomena which we cannot understand and which we have to accept.'²³

The devout Roman Catholic Mont Pelerin Society member, Paul Bede Johnson (1988, 2), posed some questions about secular *Intellectuals*: 'How did they run their own lives? With what degree of rectitude did they behave to family, friends and associates? Were they just in their sexual and financial dealings? Did they tell and write the truth? And how have their own systems stood up to the test of time and praxis?' The religious concept of 'just conduct'—as an alternative to 'social justice'—underpins Hayek's (1978) philosophy of political order. He aimed to institute the 'free' market and eliminate social justice: 'i.e., the deliberate redistribution beyond securing a constant minimum for everybody who cannot earn more than that minimum in the market.'²⁴

In *The Road to Serfdom*, Hayek (2007 [1944], 140–141) bemoaned the absence of 'moral standards':

Have we not all some idea of what is a 'just price' or a 'fair wage'? Can we not rely on the strong sense of fairness of the people... Unfortunately there is little grounds for such hope.

Reflecting his social hygiene and proto-Nazi background, Hayek (1978) told Robert Bork that evolution created a 'possibility of choice only under freedom.' Freedom needed 'safeguards... Legislation ought to be a safeguard of freedom, but it can be used to suppress freedom. That's why we need principled legislation.'²⁵ Hayek (1978) told Axel Leijonhufvud

that he was ‘taking up what David Hume did 200 years ago – reaction against Cartesian rationalism.’ Hume had not been ‘very successful in this, although he gave us what alternative we have, but there’s hardly been any continuation. Adam Smith was a continuation of Hume, up to a point even [Immanuel] Kant, but then *things became stationary* [emphasis added] and our whole thinking in the past 150 years or 200 years has been dominated by a sort of rationalism.’

Hayek (1978) constructed an enemy: ‘I avoid the word rationalism because it has so many meanings. I now prefer to call it constructivism, this idea that nothing is good except what has been deliberately designed, which is nonsense. Our whole civilization has not been deliberately designed.’²⁶ He also further described how the spontaneous order had been made to fail:

after all, civilization rests on the fact that people are very different, both in their location and their gifts and their interests, and unless we allow these differences to exist irrespective of whether we in the particular case think they are desirable or not, I think we shall *stop the whole process of evolution* [emphasis added]. After all, the present civilization rests on the fact that some people have settled in places which are not very conducive to their welfare, some people have been moving to parts of the world where conditions are not very good, and that we are using this great variety of opportunities. And variety of opportunities means always difference of opportunities. I think if you try to make the opportunities of all people equal you eliminate the main stimulus to evolution. Let me say what I wanted to say a moment ago. What you explained to me about the meaning of affirmative action is the same dilemma which egalitarianism achieves: in order to make people equal you have to treat them differently. If you treat people, so far as government is concerned, alike, the result is necessarily inequality; you can have either freedom and inequality, or unfreedom and equality.²⁷

According to Friedrich Wieser’s (1983 [1926], 153) *Law of Power*, ‘*Power is the real educator in life* [emphasis in original].’ Hayek (1978) hinted at the reason why the spontaneous order had become ‘stationary’ and the ‘whole process of evolution’ had stopped: without ‘freedom, the thing is directed by a superior authority. You have no longer a selective

evolution, where the better and the more effective succeeds, but what succeeds is determined by those who are in power.²⁸

Mises (1985 [1927]) declared that *political* 'Fascism' was the best defender of (the Austrian version of) *economic* Liberalism. Referring to Mises, Hayek (1978) reflected: 'Being for ten years [1921–1931] 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.'²⁹ The British *Fascisti* was established in 1923; six years later, and Hayek (1995 [1929], 68)—while praising Edwin Cannan's 'fanatical conceptual clarity' and his 'kinship' with Mises' 'crusade'—noted that he and the British-Austrians had failed to realize the necessary next step: 'Cannan by no means develops economic liberalism to its ultimate consequences with the same ruthless consistency as Mises.' According to Caldwell (1995, 70, n67), this was an apparent reference to *Liberalism in the Classical Tradition*, in which Mises (1985 [1927], 19, 51) stated:

The program of [Austrian] liberalism, therefore, if condensed into a single word, would have to read: *property* [Mises' emphasis]...All the other demands of liberalism result from this fundamental demand...The victory of Fascism in a number of countries is only an episode in the long series of struggles over the problem of property.

Hayek (1978) promoted dictatorship constrained by property-protecting rules: 'We can even describe a desirable state of affairs in the form of rules. They should not be rules of conduct; rules of conduct [should be] only for a dictator, not for the individuals. Rules of individual conduct which lead to a peaceful society require private property as part of the rules.'³⁰

According to Mises (1951 [1922], 234, n1):

In judging the English policy for opening up China, people constantly put in the foreground the fact that it was the opium trade which gave the direct, immediate occasion for the outbreak of war complications. But in the wars which the English and French waged against China between 1839 and 1860 the stake was the general freedom of trade and not only the freedom of the opium trade. That from the Free Trade point of view no barriers

ought to be put in the way even of the trade in poisons, and that everyone should abstain by his own impulse from enjoyments harmful to his organism, is not so base and mean as socialist and anglophobe writers tend to represent.

Chairman Mao (1883–1976) sought to purify China through Red Terror—‘cultural revolution’ (1966–1976)—while President Hayek (1889–1992) promoted the revival of the ‘moral inheritance.’ In Pinochet’s Chile and elsewhere, Hayek promoted White Terror dictatorship as a

means of establishing a stable democracy and liberty, clean of impurities... democracy needs ‘a good cleaning’ by strong governments. (Cited by Farrant et al. 2012, 533, n23)

Hayek (1978) told Buchanan that he sought to overthrow the Constitution of the United States and replace it by a single sentence written by a dictator-promoting European aristocrat:

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.

Buchanan asked ‘how would you see this happening?’ Hayek explained that the spontaneous order needed to be reconstructed: ‘I think by several experiments in new amendments in the right direction, which gradually prove to be beneficial, but not enough, until people feel constrained to reconstruct the whole thing.’

Hayek also assured Buchanan that this would be easily accomplished because ‘a constitution is something very changeable and something which has a negative value but *doesn’t really concern the people very much* [emphasis added]. We might find a new name for it, for constitutional rules.’³¹ Besides, Americans with their ‘low’ educational level relative to

the 'European peasant' were vulnerable to the media that Hayek sought to recruit:³² Hayek doubted '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.'³³

According to the 'free' market, Austrian-influenced eugenicist, Thomas Nixon Carver (1949, 250), Woodrow Wilson

began to talk about the 'masses and the classes,' the 'common people,' and to even use such expressions as 'human rights versus property rights.' Of course, he knew that property has no rights. Human beings have rights, among which is the right to own things. In other words, that property rights *are* human rights [emphasis in original].

But what if there is a conflict—as there was in Chile (1970–1990)—between 'property' rights (threatened by democratically elected politicians proposing taxation) and the human rights of those seeking 'social justice'? The constitution that Hayek (1979a, 150) sent to Pinochet in draft form was designed to 'make all socialist measures for redistribution impossible' and culminated in his Junta's Hayekian-drafted 'Constitution of Liberty.' Referring to the policies associated with Gunnar Myrdal and John Kenneth Galbraith, Hayek (1979a, 93) insisted that what 'makes most Western economies still viable is that the organisation of interests is yet only partial and incomplete. If it were complete, we would have a deadlock between these organised interests, producing a wholly rigid economic structure which no agreement between the established interests and only the force of some dictatorial power could break.'

How long would it take Mises' (1985 [1927], 154) 'knout' and 'prison camp' to 'clean' the United States and other countries (Chap. 5)? According to Hayek (1978), 'a very long period':

You see, I believe [Josef] Schumpeter is right in the sense that while socialism can never satisfy what people expect, our present political structure inevitably drives us into socialism, even if people do not want it in the majority. That can only be prevented by altering the structure of our so-called democratic system. But that's necessarily a very slow process, and I don't think that an effort toward reform will come in time. So I rather fear

that we shall have a return to some sort of dictatorial democracy, I would say, where democracy merely serves to authorize the actions of a dictator. And if the system is going to break down, it will be a very long period before real democracy can reemerge.³⁴

For non-Austrians, ‘dictatorial democracy’ appears to be an oxymoron—but not for Hayek. Nor for Chairman Mao (1949), from whom Hayek may have plagiarized the concept.

- Mao (1949) sought to establish ‘a state which is a people’s democratic dictatorship under the leadership of the working class and based on the alliance of workers and peasants.’ It was a ‘republic of peasants and workers’ that Hayek (1978) despised.³⁵
- Hayek promoted *The Great Society of Free Men* (Leeson 2015), while Mao (1949) asserted that China could ‘abolish classes and realize the Great Harmony.’
- Hayek (1975) insisted that Keynesians had ‘forfeited their right to be heard’; and according to Mao (1949): ‘All the experience the Chinese people have accumulated through several decades teaches us to enforce the people’s democratic dictatorship, that is, to deprive the reactionaries of the right to speak and let the people alone have that.’
- Hayek (1978) had ‘to revert to [the idea that] two things happened in the last hundred years: on the one hand, an always steadily increasing part of the population did no longer learn in daily life the rules of the market on which our civilization is based. Because they grew up in organizations rather than participating in the market, they no longer were taught these rules. At the same time, the intellectuals began to tell them these rules are nonsense anyhow; they are irrational. Don’t believe in that nonsense. What was the combination of these two effects? On the one hand, people no longer learned the old rules; on the other hand, this sort of Cartesian rationalism, which told them don’t accept anything which you do not understand. [These two effects] collaborated and this produced the present situation where there is already a lack of the supporting moral beliefs that are required to maintain our civilization.’³⁶ And according to Mao (1949): ‘The people’s state protects the people. Only when the people have such a

state can they educate and remould themselves by democratic methods on a country-wide scale, with everyone taking part, and shake off the influence of domestic and foreign reactionaries (which is still very strong, will survive for a long time and cannot be quickly destroyed), rid themselves of the bad habits and ideas acquired in the old society, not allow themselves to be led astray by the reactionaries, and continue to advance – to advance towards a socialist and communist society.'

- Hayek (1978) insisted: 'You have to persuade the intellectuals, because they are the makers of public opinion.'³⁷ While Mao (1949) insisted 'the method we employ is democratic, the method of persuasion, not of compulsion.'
- According to Mao (1949): 'When anyone among the people breaks the law, he too should be punished, imprisoned or even sentenced to death; but this is a matter of a few individual cases, and it differs in principle from the dictatorship exercised over the reactionaries as a class.' And Hayek dismissed Amnesty International's evidence about Pinochet's human rights abuses as the work of a 'bunch of leftists' (Farrant and McPhail 2017).

Hayek (1978) reflected: 'it seems that it was through psychiatry that I somehow got to the problems of political order.'³⁸ In the fifth year of his second prolonged suicidal depression—and a few weeks before the announcement of his Nobel Prize for Economic Sciences—Hayek implied to Seigen Tanaka (1974) that only *permanent* dictatorships could protect his property: 'It may be said that effective and rational economic policies can be implemented *only* [emphasis added] by a superior leader of the philosopher-statesman type under powerful autocracy. And I do not mean a communist-dictatorship but rather a powerful regime following democratic principles.' Hayek (1978) explained what democratic principles meant: 'I believe in democracy as a system of peaceful change of government; but that's all its whole advantage is, no other. It just makes it possible to get rid of what government *we* [emphasis added] dislike.'³⁹

Until Austrians release Hayek's for-posthumous-consumption oral history interviews, we can only speculate about the details of his planned 'dictatorial democracy.' Hayek did, however, appear to see the 'whole process of evolution' as an Hegelian process by which the Second Estate

replaced fallen Monarchs atop the 'spontaneous' order. 'Dictatorial democracy' is presumably the control that the Second Estate believed they would exert over Corporal Hitler.

Like 'von' Hayek and 'von' Mises, Franz von Papen believed that he belonged to the 'upper stratum authorised by history' (Fest 1970, 152). As an adolescent, the lower-middle-class Hitler had waited patiently in the waiting room of his Jewish doctor, would make 'a bow, and always thank the doctor politely' (Hamann 2010, 20).⁴⁰ The upper stratum *knew* that the lower orders could be kept in their ascribed place: 'you just had to raise your finger...and they would give in' (Hayek 1978).⁴¹ Joachim Fest (1970, 152) described von Papen's characteristics: his 'unhesitating identification of the interests of his class with the interests of the state; his socially reactionary attitude, which he disguised behind a pseudo-Christian vocabulary; his sprinkling of monarchist ideas; his nationalistic jargon; his tendency to think in long outdated categories; in short, is anachronistic profile and finally the hint of caricature which hung over his whole person.'

In May 1932, von Papen formed the 'cabinet of Barons' or the 'cabinet of monacles,' including Schleicher (Defence), Konstantin Freiherr von Neurath (Foreign Minister), Wilhelm Moritz Egon Freiherr von Gayl (Interior), Magnus Alexander Maximilian Freiherr von Braun (Agriculture), Peter Paul Freiherr von Eltz-Rübenach (Posts and Transport), and Johann Ludwig Graf Schwerin von Krosigk (Finance) (*Time* 1933; Bullock 1991, 133; Davidson 1966, 177, 192–3, 230, 204). Von Papen had hoped that the Nazis would provide a basis of 'mass support' for the regime. But the Nazis decided to attack not von Papen's cabinet, with its 'strong aristocratic image,' but 'the political system in general.' It was 'inexpedient' to campaign with the slogan: 'against the rule of the barons' (Noakes and Pridham 1994, 102–103, 106). After the inconclusive November 1932 election, von Papen formed another alliance: together with Alfred Hugenberg and several leading industrialists and businessmen, he urged President Paul von Hindenburg to appoint Hitler as Chancellor.

The anti-Semitic Oskar Morgenstern (Hayek's successor as director of Mises' Austrian Institute for Business Cycle Research) was—like Othmar Spann, Hayek, Hitler, and Mises—'an outspoken Pangerman' and like

Spann a member of the *Deutscher Klub* 'which entertained notoriously close relations with the Nazi party in the 1930s' (Klausinger 2013, 8, 12; 2014, 198). The exclusive *Deutscher Herrenklub* had fewer than 5000 members in Germany and about 300 in Berlin: 'they were not all nobles, but they shared a political ideal.' On 16 December 1932, von Papen addressed the *Deutscher Herrenklub* on 'The New State' which Fabrice d'Almeida (2008, 32–34) summarized: 'politics required an authoritarian governing principle and a figure who embodied this principle; that von Schleicher's government could not carry out a reform program which would suffice to rebuild the economy; that therefore a broad coalition had to be envisaged in order to restore authority.'

According to Eugene Davidson (1966, 193, 196, 198), von Papen also stated that it was time the Nazis were 'called in.' Amongst the audience was Baron Schröder, President of the Cologne *Herrenklub*, who also belonged to a group of businessmen organized by Wilhelm Keppler—the 'Nazi-inspired' Keppler Circle—who believed that a radical change in politics was a necessary precondition for economic recovery (Turner 1985, 241). At a meeting at Schröder's house (4 January 1933), Hitler outlined a simple formulation: 'as Chancellor he would take full charge of the political sphere, but as for economic affairs, gentlemen – with a glance at Schröder – that is your province' (Heiden 1944, 521).

At his Nuremberg trial, Schröder explained that the dictatorial democracy of the Third Reich was expected to last for a very long period: Hitler promised the 'removal of all Social Democrats, Communists and Jews from leading positions in Germany and the restoration of order in public life. Von Papen and Hitler reached agreement in principle whereby many of the disagreements between them could be removed and cooperation might be possible... The general desire of businessmen was to see a strong man come to power in Germany who would form a government that would stay in power for a long time' (cited by Noakes and Pridham 1994, 115–116; Fest 1973, 532).

On 27 January 1933, Joachim von Ribbentrop noted: 'Papen is now absolutely certain that he must achieve Hitler's Chancellorship at all costs' (cited by Noakes and Pridham 1994, 119). On 30 January, Hitler became Chancellor. Vice Chancellor von Papen declared: 'what are you worried about? I have Hindenburg's confidence. In two months we shall

have Hitler squeezed into a corner so that he squeaks' (cited by Fest 1970, 157; Turner 1985, 328). To another doubter he remarked: 'Don't worry, we've hired him.' In addition to von Papen, three 'monocles' remained in the Cabinet: von Neurath, Count Schwerin von Krosigk, and von Eltz-Rübenach, while General Werner von Blomberg became Minister of Defence. The Nazis held two crucial Cabinet posts: Wilhelm Frick (Minister of the Interior) and Hermann Göring (Minister of the Interior for Prussia), which allowed Hitler to gain control over the coercive powers of the State (Davidson 1966, 230, 204; Heiden 1944, 537; Noakes and Pridham 1994, 121). Ernst Thälmann (1886–1944), the leader of the Communist Party of Germany (KPD), was arrested on 3 March 1933 and after 11 years of solitary confinement was sentenced to Hayek's 'full justice': 'shooting in cold blood.'

As Adam Smith famously noted: 'People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices': von Mises and von Hayek were paid, aristocratic lobbyists for employer trade unionists and their 'free' market. To the Association of German Industry, Mises (2006 [28 February 1931], 158, 166–7) asserted that the other trade union—'labor unions'—were aiming for 'pseudo-economic democracy... If this system were carried out, it would disorganize the entire production apparatus and thus destroy our civilization.' Mises offered an evangelical assault: 'The labor unions use force to attain their goals. Only union members, who ask the established union wage rate and who work according to union-prescribed methods, are permitted to work in industrial undertakings. Should an employer refuse to accept union conditions, there are work stoppages. Workers who would like to work, in spite of the reproach heaped on such an undertaking by the union, are forced by acts of violence to give up any such plan. This tactic on the part of the labor unions presupposes, of course, that the government at least acquiesces in their behavior. If the government were to proceed against those who molest persons willing to work and those who destroy machines and industrial equipment in enterprises that want to hire strikebreakers, as it normally does against the other perpetrators of violence, the situation would be very different. However, the characteristic feature of modern governments is that they have capitulated to the labor unions.'

Hayek (1978) asserted: 'perhaps the danger to intellectual freedom in the United States comes not from government so much as from the [labour] trade unions.'⁴² He was 'most concerned, because it's the most dangerous thing at the moment, with the power of the trade unions in Great Britain;⁴³ I now am very much engaged in strengthening Mrs. Thatcher's back in her fight against the unions.' The British Labour Party 'is essentially a trade-union party.'⁴⁴

Hitler abolished all non-Nazi political parties and all labour unions—union leaders were taken into 'protective custody' and workers were obliged to join the National Socialist Union. Hitler received a 0.03% levy on wages and salaries of employees of the German Trade Association (Davidson 1966, 192–193, 230, 204; Shirer 1960, 252–253; Bullock 1991, 133). Deflation had been 'one of the strongest agents working towards the Republic's downfall' (Stolper 1967, 116–119). Pinochet, the strongest agent working towards the Chilean Republic's downfall, sought to abolish all political parties and trade unions (Barros 2004). Hayek praised temporary dictatorships 'as a means of establishing a stable democracy and liberty, clean of impurities': the 'Chilean miracle' had broken, among other things, 'trade union privileges of any kind' (O'Brien 1985, 179; Robin 2011).

Hitler had an 'elective dictatorship with practically unlimited powers' (he won power via an election and bolstered his regime with plebiscites). Hayek (1978) wanted to

make clear to *the people* [emphasis added] that it's what I call unlimited democracy which is the danger, where coercion is not limited to the application of uniform rules, but you can take any specific coercive measure if it seems to serve a good purpose. And anything or anybody which will help the politician be elected is by definition a good purpose. I think people can be made to recognize this and to restore general limitations on the governmental powers; but that will be a very slow process, and I rather fear that before we can achieve something like this, we will get something like what [J. L.] Talmon [1960] has called 'totalitarian democracy' – an elective dictatorship with practically unlimited powers. Then it will depend, from country to country, whether they are lucky or unlucky in the kind of person who gets in power. After all, there have been good dictators in the past; it's very unlikely that it will ever arise. But there may be one or two experiments where a dictator restores freedom, individual freedom.⁴⁵

Mises promoted *Lebensraum* (Leeson 2017b); and Hayek (1978) confirmed that ‘individual freedom’ was consistent with slavery:

No, you see, I think it’s not appropriate to speak of a Roman constitution at all. The form of government was changing all through the process, and the constitution was a method of determining the organization of government. I was speaking about the evolution of private law, which under the Roman tradition, determines the extent of the coercive powers of government. And this law developed, in that sense, spontaneously.

The judges tried to articulate, in words and judgments, moral conceptions which had gradually grown up, constantly improving them, and even modifying them, in order to make them internally more consistent. It was a process of growth like this, of what essentially is a system of rules of individual conduct, which as tradition made people accept as the limitations of governmental power over – I can’t say the individual; I must say the free individual, because you had a large population of slaves, which was not included.⁴⁶

Mises (1985 [1927], 41) sought to persuade ‘Fascists’ that ‘In the long run no government can maintain itself in power if it does not have public opinion behind it.’ Referring to the draft constitution that he had sent Pinochet the previous year, Hayek (1978) explained that the ‘people’ needed an ‘effective catchword’: ‘such a newfangled conception gradually spreads and begins to be understood. And, after all, in a sense, the conception of democracy was an artifact which captured public opinion after it had been a speculation of the philosophers. 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.’⁴⁷

One of Hayek’s ‘secondhand dealers in opinion,’ Leo Rosten, was horrified to learn what he had devoted his life to promoting:

I can hardly think of a program that will be harder to sell to the American people. I’m using ‘sell’ in the sense of persuade. How can a dictatorship be good?

Hayek—who knew that those held in a sociopathic trance required only a ‘catchword’—replied:

Oh, it will never be called a dictatorship; it may be a one-party system...A kindly system and a one-party system. A dictator says, 'I have 9 percent support among the people.'⁴⁸

The Four Habsburg Estates and the 'Rules of Just Conduct'

The Habsburg order consisted of the First (clergy), Second (nobility), and Third Estates (those who aspired to become titled) plus 'the people' (the Fourth Estate). Like the intensely snobby lower-middle-class Hitler, the Austrian epigone generation are (almost without exception) from the Third Estate. Erik 'Ritter von' Kuehnelt-Leddihn (1992) emphasized that 'with the exception of Fritz Machlup, the original Austrian school consisted of members of the nobility.' The 1918 Austro-German defeat ended their government-sponsored intergenerational entitlement programme and created what Hayek (1978) described as 'the problem of democracy.'⁴⁹ The 1945 Austro-German defeat weakened another government-sponsored intergenerational entitlement program—white supremacy—and created what Austrians regard as the problem of 'human rights' (Hayek 1966).

In his 1927 *Road to Restoration*, Hitler assured industrialists that the Welfare State measures that he was proposing were

the price that would have to be paid to lure the 'fourth estate,' the proletariat, back into the national fold...[and] that National Socialism had no plans to challenge the private ownership of the means of production. Similarly, his repeated affirmations of the role of the creative individual (*Persönlichkeit*) were another means of communicating his readiness to make his peace with private enterprise. (Turner 1968, 352)

Hayek (1978) was prepared for a similar non-Misean compromise: 'I think you can reasonably expect a tolerably wealthy society to guarantee a uniform minimum floor below which nobody need descend.' Those who could not earn a 'certain very low minimum in the market should be assured of physical maintenance.' Hayek had asked Lionel Robbins to

persuade his abandoned first wife, Hella, that he had in effect died; and then objected to what he called the ‘extortion’ of the divorce settlement:

once you have reached a certain level of wealth, I think it’s in the common interest of all citizens to be assured that if their widows or their children by some circumstances become unable to support themselves, they would be assured of a certain very low minimum, which on current standards would be miserable but still would secure them against extreme deprivations. But beyond that I don’t think we can do anything.⁵⁰

Hayek (1978) expected dishonesty from those at the bottom of his social pyramid: ‘Most of the people I have in mind would really not be able to make much of an extra income. But if some widow who had to live on that small minimum income did take in some washing in her kitchen, I just would not notice it. [laughter]’⁵¹

Hayek (1976b) provided an apocalyptic scenario to an Australian television audience about the end of ‘the functioning economic system’:

I would say that *no correction* of income distribution is compatible with the functioning economic system beyond providing a flat uniform minimum for everybody, a sort of law [sic: level?] below which nobody can sink. That can and should be provided outside the market without interfering with the market order, but the market order owes its efficiency and productivity to the *fact* that people are being paid what their services are *actually worth to their fellow members* [emphases added] and the worth of a person’s services to his fellow citizens is unfortunately frequently quite independent of his merits or needs, therefore we cannot have an efficient society which at the same time is just in the sense of distribution. We can have a society in which nobody needs to suffer acute distress, but that is as much as we can hope, we cannot hope to have a society of free men in which people get what we think they ought to have.

Although Cubitt didn’t suffer *acute* distress, she needed to be paid and believed that her work for the Hayeks *merited* payment. Although his social Darwinism was amoral, Hayek (1978) insisted that

cultural evolution produced abstract rules of conduct which finally culminated essentially in the private law – the law of property and contract – and

a surrounding number of moral rules, which partly support the law, partly are presupposed by the law. The difference between law and morals is essentially that the law concerns itself with things where coercion is necessary to enforce them and which have to be kept constant, while morals can be expected as the acquired traditional traits of individual conduct which are also to some extent experimental. Thus, it's not a calamity if you find a person you have to deal with who does not obey current morals, whereas it is a calamity if you find that a person with whom you have to deal does not obey the law.⁵²

The upper Habsburg Estates primarily focused on maintaining the 'privileges of their aristocratic members...the nobles regarded the Austrian people as an extension of their own peasantry, their only function to keep the nobility in luxury' (Taylor 1964, 14, 188–189). Hayek (1978) explained that the 'robber baron was a very honored and honorable person, but he was certainly not an honest person in the ordinary sense. The whole traditional concept of aristocracy, of which I have a certain conception – I have moved, to some extent, in aristocratic circles, and I like their style of life. But I know that in the strict commercial sense, they are not necessarily honest. They, like the officers, will make debts they know they cannot pay.'⁵³

Hayek's 'liberty' was debt-financed: Cubitt (2006, 10, 69), his secretary/soiled-bed nurse/chauffeur, couldn't make an adequate 'free' market income because she worked full-time for him and was 'almost permanently in debt until about three years before Hayek's death.' In the year before he employed her, the republished *Road to Serfdom* (1976c, 71, 78) described how the 'competitive society' worked in her interests:

A rather plain girl...will frequently be able to get a start by financial sacrifice and will later make good through qualities which at first and not so obvious...What our generation has forgotten is that the system of private property is the most important guarantee of freedom, not only for those who own property, but scarcely less for those who do not.⁵⁴

Hayek (1978) thought that 'women members of the seminar were very devout Mises pupils...It's perhaps common that women are more susceptible to the views of the master than the men.'⁵⁵ In London (1931–1949), Hayek (1994, 78) and his first wife 'were of course still running the house

with the help of a regular maid. These were usually Austrian girls.’ Hayek described Cubitt (2006, 1, 310) as a ‘girl of about fifty’ and justified not paying her for 15 years (1977–1992) on the grounds that she would be able to recoup her losses through the biography that he had authorized her to write: ‘I would be quite an important figure after he had died, he had added solemnly.’⁵⁶ When donors provided tax-exempt funding for secretarial services, some would trickle down to her. In 1983, he offered to ‘help with my salary if necessary.’ She was then obliged to attend an ‘uncomfortable and tense’ ‘conference’ with Hayek’s solicitor.

According to Hayek (1979b, 93): ‘Our instinct orders us to help good friends. We are all socialists emotionally. However, learned rules teach us that fair trade is better than helping neighbors.’ Hayek (1976c, viii) also explained that ‘socialism has come to mean chiefly extensive redistribution of income through taxation and the institutions of the welfare state.’ Two years previously, Hayek had received a half share of the Nobel Prize for Economic Sciences. According to Caldwell (2016, 2), this amounted to 275,000 Swedish Crowns: ‘US\$62,570 at the time.’ Somewhat disingenuously, perhaps, Caldwell failed to report that this is equal to almost one-third of a million 2017 dollars (\$326,978).

In his 1984 Mont Pelerin Society closing address, Hayek emphasized the ‘moral inheritance which is an explanation of the dominance of the western world, a moral inheritance which consists essentially in the belief in property, honesty and the family’ (cited by Leeson 2013, 197). By 1984, Hayek—through tax evasion and stealing or double-dipping from tax-exempt educational charities—had become ‘a full millionaire in Germany, nearly one in Switzerland, and having a nest egg of about DM50,000 in Japan.’ In 1985, after receiving the US\$200,000 Moonie ‘Nobel Prize’ (US\$458,560 in 2017 dollars), he told his third appointed biographer, Bartley, that he would like to ‘make provisions for my retirement but that he didn’t have the means’ (Cubitt 2006, 115, 171).

Hayek (1978) explained to Rosten that ‘It’s not facts which are fair, it’s human action which is fair or just. To apply the concept of justice, which is an attribute of human action, to a state of affairs, which has not been deliberately brought about by anybody, is just nonsense.’ Rosten asked: ‘Yes, but can people accept that? They don’t seem to be willing to accept that. Under the training of voting, mass education, and so on, we are raised on the

assumption that problems can be solved, that we can solve them, and we can solve them fairly.' Hayek (1978) replied by referring to the high-water mark of the neo-feudal 'spontaneous' order:

That brings us back to things we were discussing much earlier: the revolt against this is an affair of the last 150 years. Even in the nineteenth century, *people accepted it all as a matter of course* [emphasis added]. An economic crisis, a loss of a job, a loss of a person, was as much an act of God as a flood or something else. It's certain developments of thinking, which happened since, which made people so completely dissatisfied with it. On the one hand, that they are no longer willing to accept certain ethical or moral traditions; on the other hand, that they have been explicitly told, 'Why should we obey any rules of conduct, the usefulness or reasonableness of which cannot be demonstrated to us?' Whether man can be made to behave decently, I would even say, so long as he insists that the rules of decency must be explained to him, I am very doubtful. It may not be possible.

In *The Road to Serfdom*, Hayek (2007 [1944], 118–119, 112) quoted Kant approvingly: 'man is free if he needs to obey no person but solely the laws'; and added: 'Nothing distinguishes more clearly conditions in a free country from those in a country under arbitrary government than the observation in the former of the great principles known as the Rule of Law.' For *contemporary* consumption, Hayek (1978) explained that the idea for *The Road to Serfdom*

came from [Alexis de] 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.⁵⁷

For *posthumous* consumption purposes, Hayek explained that the book had been written to allow the 'old aristocracy' to resume their ascribed status and to drive the 'new aristocracy'—labour trade unionists and elected politicians—back down the road back to serfdom (Leeson 2015, Chap. 3). Would a more accurate title have been Wieser's phrase 'The Road to Unchecked Activity Under the Slogan of Liberty'?⁵⁸

Hayek (1978) insisted that

I must be assured that people are made to keep contracts if I am to make contracts and rely on them. There is the whole field of honesty. You know, there are kinds of honesty which, if they did not exist, would make normal life impossible. And there are *minor kinds of honesty* [emphasis added] which are not defined by the law and which the law does not define because they are not essential.⁵⁹

Hayek's aristocratic demeanour—an 'orderly phenomena which' you 'cannot understand and which' you 'have to accept'—befuddles those who encounter him, including Cubitt (2006, 19). Hayek went to Chile, she reported, because of reasons associated with the rules of just conduct: he was 'not a person to be influenced by words of caution so long as he was convinced of the propriety of his action.' But Hayek also worried that because of an 'oral contract' that he had entered into, Cubitt (2006, 256, 310–312) might become a future 'financial encumbrance':

he quizzed me about what he called my mother's 'fortune,' and how much I was likely to inherit from her.

Cubitt explained that her mother had no 'liquid assets at all' but that she had helped her daughter 'with occasional gifts of money ever since I had been working for Hayek.'

In 1981, at the Sheraton Hotel in Santiago, Hayek lectured on 'The Ethical Foundations of a Free Society' to the (Chilean) Centre for Policy Studies, of which he was Honorary President (Caldwell and Montes 2014a, 38, n120, 27; b; 2015, 293, n130, 283). Between 1944 and 1947, *The Road to Serfdom* sold 100,000 English-language copies, earning him £30,000, the equivalent of US\$84,000 (Ebenstein 2003, 209). With almost a million 2017-valued dollars (\$943,269), Hayek instructed his lawyer to go jurisdiction shopping on his behalf—which in 1950 led him to Arkansas to obtain a what Robbins called a 'bootleg divorce.' Hayek also paid for his mother—known in the family as *Eisentante*, the 'iron aunt,' because she was free of the 'female evil of hysteria'—to arrive unexpectedly at 15 Turner Close, Hampstead Garden Suburb, to take control of the family he had abandoned (Cubitt 2006, 67, 64, 77). Since 1934, the first Mrs Hayek may have been pressured to vacate the house and

return (with their two children) to Vienna. And after the second Mrs. Hayek suggested that Cubitt (2006, 115, 170, 312, 313) had 'better move into a cheaper flat,' she received a solicitor's letter explaining the rules of decency: she had 'no rights in the matter as far as Hayek's resources were concerned...despite occasional wishful thoughts I had never been under any illusion about Hayek remembering me in his will.' Mrs Hayek then 'decided that I had to be removed.' But the Hayeks couldn't manage without her secretarial and housekeeping services—and she was re-employed (again, with no pay from them).

Notes

1. Friedrich Hayek, interviewed by Thomas Hazlett, 12 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
2. Friedrich Hayek, interviewed by Thomas Hazlett, 12 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
3. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
4. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
5. <http://www.margarethatthatcher.org/document/114609>
Hayek Archives Box 27.6.
6. <http://www.margarethatthatcher.org/document/114609>
Hayek Archives Box 27.6.
7. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
8. Friedrich Hayek, interviewed by Thomas Hazlett, 12 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
9. He had noticed 'very much nowadays, how selective my memory is increasingly becoming...Another phenomena of which I have recently

- became aware – I sometimes wish I could return to psychology, I have so many ideas in that field – how much memory depends on having remembered the thing before. And if you have never remembered the thing before, usually it is gone’ (cited by Caldwell 2007, 342).
10. Friedrich Hayek, interviewed by Jack High, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 11. <http://www.tandfonline.com/doi/pdf/10.1080/13501780903129306>
 12. <http://www.margarethatcher.org/document/117193>
 13. Friedrich Hayek, interviewed by Earlene Craver, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 14. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 15. Conversation with Kurt Leube, 12 August 2010.
 16. <http://www.economist.com/node/21541717>
 17. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 18. <http://mises.org/books/paine2.pdf>
 19. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
 20. <http://edition.cnn.com/2017/03/23/politics/republicans-trump-health-care/>
 21. <http://www.lfs.org/index.htm>.
 22. In September 2015, Martin Shkreli (1983–), the co-founder of the hedge fund MSMB Capital Management, obtained the manufacturing license for the antiparasitic drug Daraprim and raised its price by over 5000 %. Arrested by the FBI on charges of securities fraud, Shkreli was subpoenaed to appear before the Committee on Oversight and Government Reform of the US House of Representatives. After failing to quash the subpoena, he pleaded the Fifth Amendment, openly sneered during questioning, and then sent a Twitter message: ‘Hard to accept that these imbeciles represent the people in our government’ (Johnson 2015).

23. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
24. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
25. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
26. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
27. Friedrich Hayek, interviewed by Thomas Hazlett, 12 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
28. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
29. Friedrich Hayek, interviewed by Jack High, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
30. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
31. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
32. 'Perhaps it's the degree of constant communication with the media (now one has to call it media; it used to be the press) which is much greater than you would expect of a people with the same general level of education. Compared with current influences, the basic stock of education is rather low. It's the contrast between the two. The European peasant has less basic education but is not subject to the same stream of constant current information. Usually people who are subject to such a stream of current information have a fairly solid stock of basic information. But Americans have this flood of current information impacting upon comparatively little basic information.'

33. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
34. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
35. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
36. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
37. Friedrich Hayek, interviewed by Thomas Hazlett, 12 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
38. Friedrich Hayek, interviewed by Earlene Craver, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
39. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
40. The head of Berlin SA, Wolf-Heinrich Graf von Helldorff, was the noble-born son of a landowner and (like Mises) a 'Great' War Lieutenant. With Job Wilhelm Georg Erdmann Erwin von Witzleben, Hermann Henning Karl Robert von Tresckow, Werner Karl von Haefen, and others, von Helldorff (like 'von' Mises) had second thoughts and participated in Claus von Stauffenberg's 1944 20 July plot to kill Hitler (for which he was executed).
41. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
42. Friedrich Hayek, interviewed by Robert Bork, 4 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
43. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
44. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

45. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
46. Friedrich Hayek, interviewed by Thomas Hazlett, 12 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
47. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
48. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
49. Friedrich Hayek, interviewed by James Buchanan, 28 October 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
50. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
51. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
52. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
53. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
54. 'A rather plain girl badly wants to become a saleswoman, a weekly boy who has set his heart on a job where his weakness handicaps him, as well as in general the apparently less able or less suitable not necessarily excluded in a competitive society; if they value the position sufficiently, they will frequently be able to get a start by financial sacrifice and will later make good through qualities which at first and not so obvious.'
55. Friedrich Hayek, interviewed by Axel Leijonhufvud, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
56. But she was, apparently, unable to get her biography past publishers' referees and so was obliged to self-publish. It is in the public interest to know what role Austrians played in this attempt to suppress her knowledge.

57. Friedrich Hayek, interviewed by Leo Rosten, 15 November 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).
58. Wieser (1983 [1926], 257, 363) described ‘The Modern Plutocracy’: ‘The Law of Small Numbers found in the economy a field of application of equally great effect as it once had in the victory of arms. While the multitude of the weak was pressed down, out of the bourgeois middle class there arose to dizzying heights the elite of the capitalists, joining the rulers of earlier times and exceeding them still in wealth and finally even in social influence. The great economic rulers had won under *the slogan of liberty* [emphasis added], which opened for them the road to unchecked activity. They demanded ever more impetuously the green light for themselves, but the uninhibited unfolding of their energies meant coercion for all the weak who stepped into their way. Could the liberals still talk about freedom?’ Wieser (1926, 354) had capitalized ‘The Slogan of Liberty’—‘*Losung der Freiheit*.’
59. Friedrich Hayek, interviewed by Robert Chitester, date unspecified, 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

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Part III

**Imanishi, Darwinian Evolution, and
the Fatal Conceit**

11

Beyond Darwinism: Examining the Hayek-Imanishi Dialogues

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This chapter compares the evolutionary theories of Friedrich Hayek (1899–1992) and Kinji Imanishi’s (1902–1992) by examining their 1979 recorded conversations—a resource which until now has been largely ignored.

Hayek (1973, 76, 79) introduced the concept of cultural evolution in *Law, Legislation, Liberty Volume 1: Rules and Order* and repeatedly referred to ‘cultural evolution’ and ‘spontaneous order’ in his final book, *The Fatal Conceit: The Errors of Socialism* (1988). These twin ideas are pivotal to his later social philosophy.

Hayek’s evolutionary theory can be summarized as:

- (1) anti-rationalism
- (2) rule-guided behaviour and
- (3) diffusion of tradition

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Furthermore, in the dialogues with Imanishi, he defined spontaneous order as a 'self-generating order.' Hayek sought to distance his cultural evolution from social Darwinism.

Imanishi, Professor of Natural Anthropology at Japan's Kyoto University, who was renowned for his contributions to ecology, anthropology, and evolutionary theory, introduced 'lifestyle partitioning' ('sumiwake' in Japanese) and 'species-society' (or 'specia' as he called it) as his key concepts: insects and animals live separately, and thus, he argued, individuals and species are as a whole. Imanishi rejected three Darwinian concepts:

- (1) natural selection
- (2) mutation and
- (3) survival of the fittest

In the dialogues, although Imanishi strongly opposed Hayek's evolution (because he considered Hayek's theory to have adopted the concept of natural selection), there were some connections between the two approaches: Imanishi, for example, accepted Hayek's concept of self-generating order. This suggests that in terms of evolutionary theory or social philosophy, their frameworks complement each other.

Background

Hayek's influence can be divided into four episodes. Initially, he was primarily a business cycle theorist; he became famous for *The Road to Serfdom* (1944); then he became a prolific (if somewhat neglected) political philosopher; and after winning the 1974 Nobel Prize in Economic Sciences, he reacquired world fame as an economist and social philosopher. His use of cultural evolution to explain the development of liberal society almost defined his later contribution.

Imanishi was famous for his biological and anthropological research: his academic activities can be divided into three periods (Sakura 1998). Initially, he began in ecology and ethnology (until the end of World War II); then he became interested in primatology and anthropology; and finally, in the 1970s, his interest shifted towards promoting his own original evolutionary theory: the highly influential 'Imanishi evolutionary theory,' as it came to be known. Imanishi's (2002) evolutionary theory is clearly stated in *Seibutsu-no-sekai*, which translates as 'The World of

Living Things.’ According to Beverley Halstead (1987, 21): ‘Imanishi is still a national hero, as he was in the 1930s ... in Japan, [Imanishi] is often held up as an intellectual giant equivalent to Charles Darwin.’ She also cited from an English-language magazine *Look Japan* (10 January 1980) in which Imanishi, Darwin, and Marx were represented as the three great thinkers of the modern era.

Hayek and Imanishi met three times in Kyoto on 21, 25, and 27 September 1979. Why have their recorded dialogues—*Shizen, Jinrui, Bunmei*—which translate as ‘Nature, Human Beings, and Civilization’ (Hayek and Imanishi 1979)—been almost entirely ignored by scholars? A partial explanation is that they were published in Japanese (I have been unable to locate an English-language version) and they sold relatively poorly.¹ More importantly, perhaps, they appeared to be speaking past each other and also, perhaps, may have been expressing theories that had come to be regarded as old-fashioned: ‘... the truth is that the influence of Imanishi and his theory are declining Japan ... times have changed’ (Sakura 1998, 345–347).

Even though most Japanese and Western scientists remain unconvinced by the material contained in the dialogues, they shed light on both Hayek’s and Imanishi’s thinking.

The 1979 Dialogues

Into his 80s, Hayek travelled, gave energetic lectures all over the world, and had just published *Law, Legislation, and Liberty Volume 3: The Political Order of a Free People* (1979). Imanishi was a professor at the Institute of Humanistic Studies in Kyoto University for many years and had made a major impact on ecology and anthropology. He started his study from observation of the life and society of monkeys before World War II. After the war, his interest expanded to the life and society of human beings. And later, he began to discuss evolution of species of monkeys and human beings. However, his theory of evolution was often criticized by other researchers in these fields (Sinclair 1986).

In the 1970s, Imanishi (1976a, 159) summarized his ideas: he unified his evolutionary theory with his insights regarding biology, anthropology, and history. He clearly wished to talk with an authority on the history and present circumstances of human beings and their societies.

Before the dialogues, Imanishi read ‘Three Origins of Human Value,’ the last chapter of *Law, Legislation, and Liberty* and sent Hayek a draft of his latest book *On Darwin* (1977) in advance of their meetings.² Though it is a very brief summary of Imanishi’s theory of evolution, Hayek might not have read it before the dialogues.

Hayek’s ‘Later’ Evolutionary Theory

After his first period, Hayek’s interest turned from pure economic theory to social philosophy (Caldwell 2000; Hodgson 1993; Vanberg 1986; Witt 1994); and he spent the latter half of his career outlining a social philosophy based on his evolutionary theory.³ In his last two major books, *Law, Legislation, and Liberty* (1979) and *The Fatal Conceit* (1988), we can detect the influence of his evolutionary explanation. According to Caldwell (2000), Hayek had been interested in evolutionary theory since at least the 1950s.

In 1950, Hayek relocated from England to the United States where he had many chances to interact with contemporary biological and genetic scholars at the University of Chicago. He attended the Darwin Centennial Celebration held at the University of Chicago on 24–28 November 1959 and may have talked with Ernst Mayr, Julian Huxley, Theodosius Dobzhansky, George Gaylord Simpson, and other famous scholars.⁴

Hayek’s evolutionary theory can be characterized using three key phrases: anti-rationalism, selection of rules, and cultural evolution.

Anti-rationalism

The starting point of Hayek’s social philosophy is an assumption that people are essentially and innately ignorant. Hayek considered that an individual has only a ‘practical knowledge of time and space,’ and is never omniscient. Individuals sometimes make mistakes or choose sub-optimally. However, they know how to cope with ignorance: rule-guided behaviour helps overcome uncertainty. The rules that are embedded in the traditions and customs in society are not always specific and are sometimes inarticulate. These rules contribute to decreasing behavioural

uncertainty—even though people do not understand their presence, role, or function: ‘People don’t know that learnt rules are right, only that some people have done well by using them’ (Hayek and Imanishi 1979 [2014]).

Hayek (1988, 19) argued that people who belong to small groups—a face-to-face society—cooperate with a common purpose and know each other well: ‘Cooperation, like solidarity, presupposes a large measure of agreement on ends as well as on methods employed in their pursuit. It makes sense in a small group whose members share particular habits, knowledge, and beliefs about possibilities.’

In contrast, in a larger civilization, people cannot grasp the concept that cooperation directly influences others and they would not understand the influence of the self-performed action. In this case, they guide their actions by making general rules and laws. Even if they do not know all the results and the contents of those rules, people only have to learn to follow them. People learn to get-by according to these rules: ‘Almost all of us serve people whom we do not know, and even of whose existence we are ignorant ... We fit ourselves by obeying certain rules of conduct that we never made, and which we have never understood in the sense in which we understand how the things that we manufacture functions’ (Hayek 1988, 14).

Two principles that depend on the size of such a group are often in conflict. By following ‘learnt rules,’ people can use knowledge that was possessed by predecessors or people from far away. This situation discourages helping neighbours. In the dialogues, Hayek (Hayek and Imanishi 1979, 93) stated: ‘learnt rules suffer human’s instincts as love of their neighbors.’

Hayek (Hayek and Imanishi 1979, 92) insisted that contemporary behaviour had abandoned these rules and cast doubt on their presence: those affected by rationalism and scepticism ask why they should follow them—an attitude he thought deviated from rationalism. Accordingly, he believed that this kind of attitude helped revive the barbarian instinct. This way of thinking—anti-rationalism—is reflected in the dialogues.

Selection of Rules

These ‘learnt rules’ are not made by humans, rather they are the result of the survival of selection over the passage of time. If groups that adopted

a certain rule survived, then the rules that they regard as effective are kept: 'I think that cultural tradition means that people follow the rules, and the rules are neither chosen, nor grasped. People do learn social rules, do not understand them' (Hayek and Imanishi 1979, 92, 93). By selecting and communicating rules, the knowledge that is embedded in a culture can be transmitted. People who follow the rules cannot understand the function or merit of the rules, but they can use the knowledge unintentionally.

Learnt rules can be transmitted between groups and across generations. If a group can learn behaviour by following the rules, they imitate only that behaviour. This means that there is a transmission of rules. The rules are hidden in action, and the knowledge is hidden in rules. Accordingly, the widespread diffusion of these rules equates to the diffusion of knowledge. Knowledge and rules are transmitted to contemporaries and also to succeeding generations. The process of rule diffusion is sometimes diachronic and synchronous. Hayek (1960, 27) outlined these two types of knowledge transmission in *The Constitution of Liberty*: 'the transmission in time of our accumulated stock of knowledge and the communication among contemporaries of information on which they base their action. They cannot be sharply separated because the tools of communication between contemporaries are part of the cultural heritage which man constantly uses in the pursuit of his ends.'

Rules are *not* adopted because people understand their utility or function. Even though people incidentally modify rules by the accumulation of this process, the evolution of rules just happens: 'That rules become increasingly better adjusted to generate order happened not because men better understood their function, but because those groups prospered who happened to change them in a way that rendered them increasingly adaptive' (Hayek 1988, 20).

Thus, Hayek (Hayek and Imanishi 1979, 76) admits that morality, law, and other social systems in our civilization have never been invented; rather, they have survived: 'my interest is in acquiring the rules of conduct ... this, a kind of moral and law, is evolution. ... Morals and law are never invented by intelligence. We did not know how they would work. When we want to develop unknown things, the more effective rules will survive in that long process.'

Cultural Evolution

Hayek (1979, 154) regarded his evolutionary theory as neither biological evolution nor social Darwinism. He called it cultural evolution for the following reasons. First, the concept of cultural evolution has a different history than biological evolution: ‘the idea of cultural evolution is undoubtedly older than the biological concept of evolution. It is even probable that its application by Charles Darwin to biology was, through his grandfather Erasmus, derived from the cultural evolution of Bernard Mandeville and David Hume, if not more directly from the contemporary historical schools of law and language.’

The difference between these two evolutionary theories is whether an acquired character is supposed or not. In cultural evolutionary theory as put forth by Hayek, acquired knowledge from an accumulation of behaviour is transmitted to contemporaries and successive generations. The character of this evolutionary theory is similar to, if not the same as, Darwinian evolution.

Second, the assumptions of social Darwinism differ from cultural evolutionism. We cannot observe evolution as a regularity: it is the accumulation of continuous changes by living things to facilitate an adaption to their surroundings. In social Darwinism, regularities do apply: ‘All evolution, cultural as well as biological, is a process of continuous adaptation to unforeseeable events, to contingent circumstances which could not have been forecast. This is another reason why evolutionary theory can never put us in the position of rationally predicting and controlling future evolution’ (Hayek 1988, 25). This statement can be taken as an objection to social Darwinism: ‘Those philosophers like Marx and Auguste Comte who have contended that our studies can lead to laws of evolution enabling the prediction of inevitable future developments are mistaken’ (Hayek 1988, 26).

According to Hayek (1979, 154), this misunderstanding occurred because social Darwinists cannot make a distinction between ontogeny and phylogeny. More acutely, they do not focus on the selection of rules that are shared by groups but selection of individuals:

it is true that, after Darwin, those “social Darwinists” who had needed Darwin to learn what was an older tradition in their own subjects, had

somewhat spoiled the case by concentrating on the selection of congenitally more fit individuals, the slowness of which makes it comparatively unimportant for cultural evolution, and at the time neglecting the decisively important selective evolution of rules and practices.

The theory of cultural evolution deals with the selection of rules. As mentioned earlier, rules are always shared within the same community. Accordingly, we can call this type of evolutionary theory phylogeny. However, according to Hayek (1988, 26), social Darwinists misunderstood the mechanism of evolution. While they believed that genetic development worked in a similar way to a phylogenetic mechanism, in fact, it might be ontological: ‘While biologists have generally been protected against confusing these two by their training, students of affairs unfamiliar with biology often fall victim to their ignorance and are led to “historicist” beliefs that imply that phylogenesis operates in the same way as does ontogenesis.’

Therefore, in *The Fatal Conceit*, Hayek (1988) describes his own evolutionary theory as cultural evolution and insisted that his theory was neither biological evolutionism nor social Darwinism. He has often criticized social Darwinists⁵ because they just apply evolutionary theory to the process of evolution of human beings (Hayek 1978, 154). Here, Hayek was faced with this difficulty when social theorists used biology in the early twentieth century: accordingly, he repeatedly insisted that there were differences between his own evolutionary theory and social Darwinism.

Imanishi’s ‘Later’ Evolutionary Theory

‘Sumiwake’ and ‘specia’

Imanishi observed mayflies living in rivers in Kyoto, Japan: the four different species of mayfly larvae appeared to be segregated into particular habitats. He could not make any solid connections between these habitats. Imanishi called this phenomenon ‘sumiwake’ (habitat segregation); later, he also called it ‘lifestyle partitioning.’

This insight may have led to his idea of species. He observed that every species lived separately without aggression and had its own society.

Imanishi (2002, 61) suggested that each species constitutes a species-society called a 'specia' (shu-syakai). In Japanese, 'shu' means 'a species,' and 'syakai' means 'a society.' Individuals and society cannot be separated: 'the individual living thing is a constituent of a species society in which it is born, lives and dies, and it is distinct from other individuals of the same species. The species itself is one constituent of a synusia and is a distinct from other species societies ... the kind of territorial community of all living things is nature as we see it.'

These concepts, 'sumiwake' and 'specia,' accurately reflect his evolutionary theory. Imanishi stated that every species has its own living society. He did not like to use the term 'population' but instead used 'specia' to make it clear that these concepts cannot be separated. In addition, he argued that if the numbers of 'specia' increase, the density of segregation gets higher. Imanishi explained that the development of civilization could have happened according to such a process. Imanishi repeatedly asserted this concepts in his books (Imanishi 1976a, b), also discussion with Hayek (Hayek and Imanishi 1979, 15).

Anti-natural Selection

The 'later' Imanishi criticized the 'Darwinian doctrine' over and over. Broadly speaking, Darwinism is characterized by the following three elements: mutation, selection, and transmission. In particular, natural selection is the central position of Darwinism: 'If variations useful to any organic being ever do occur, assuredly individuals thus characterized will have the best chance of being preserved in the struggle for life; and from the strong principle of inheritance, these will tend to produce offspring similarly characterized. This principle of preservation, or the survival of the fittest, I have called Natural Selection' (Darwin 1876, 102). Imanishi strongly opposed this framework.

Imanishi rejected the proposition that natural selection occurred as the result of the struggle for existence: individuals and species are always a set. If a species changes its properties, the nature of individuals changes all at once. If changes in individuals occur, a species also changes. In his evolutionary theory, since mutation happens all together, natural selection

never happens. This may be called holism. Thus, natural selection or the struggle for existence has no space to happen.⁶

Imanishi (1979, 28) considered that since individuals of the same species are not quite different, a surviving individual survived by chance. From his point of view, the concepts of natural selection and the struggle for existence are the products of a rational way of thinking: ‘The way of thinking of the survival of the fittest is extremely rational and utilitarian. If living things give birth to many babies, only a few children can survive, and no one could miss any advanced trait for survival.’

‘Living Things Naturally Change When the Time for Change Comes’

Why did Imanishi deny the validity of natural selection? His decision is related to his explanation of the process of evolution: living things, he insisted, always live in harmony. This process is described by his statement that ‘living things naturally change when the time for change comes.’

Some might call this fatalism—which is keenly opposed to natural selection and the struggle for existence. Each individual has embedded mechanisms that allow to intend change. Once the time has come, these mechanisms cause the evolution of the species. Imanishi believed that the reason evolution happened had nothing to do with the adaptation to surroundings; therefore, he believed that the selection of individuals never happens. Since living things are subjective and independent, this can also be called subjective evolution. This character of Imanishi’s theory of evolution represents not only the ‘Eastern’ style of thought—natural things change themselves and change occurs automatically and necessarily—but also his rejection of Darwinian evolutionary theory.

Hayek’s Response to Imanishi

First, it seems that Hayek clearly understood Imanishi’s original concept of ‘sumiwake’ and ‘specia.’ According to Imanishi, these concepts were derived from the Japanese cultural influence of polytheism. In East Asian

countries, people believe that all things in the universe are divine. Hayek was also inclined towards this way of thinking, and he referred to research that indicated that flora had a kind of society—in this case, association. However, Hayek also stated that human society was different. He insisted that human beings never make a society out of an innate need and that they suffer from a lack of this innate instinct, so they are inclined to develop rules and laws. Thus, Hayek regarded society as an unnatural development.

This chapter has not dealt in any great detail with regional influences—although few attempts have been made to study it in the context of the development of evolutionary theory. Although he was born in Habsburg, Austria, a monotheistic country at the heart of a multi-cultural Empire, it seems that Hayek came to accept polytheistic and pantheistic beliefs. The year before meeting Imanishi, Hayek was asked: ‘Doesn’t your thinking in terms of a moral structure—the concept of just conduct—at least get at some very fundamental part of religious precepts?’ Hayek (1978) replied: ‘Yes, I think it goes to the question which people try to answer by religion: that there are in the surrounding world a great many orderly phenomena which we cannot understand and which we have to accept. In a way, I’ve recently discovered that the polytheistic religions of Buddhism appeal rather more to me than the monotheistic religions of the West. If they confine themselves, as some Buddhists do, to a profound respect for the existence of other orderly structures in the world, which they admit they cannot fully understand and interpret, I think it’s an admirable attitude. So far as I do feel hostile to religion, it’s against monotheistic religions, because they are so frightfully intolerant. All monotheistic religions are intolerant and try to enforce their particular creed. I’ve just been looking a little into the Japanese position, where you don’t even have to belong to one religion. Almost every Japanese is Shintoist in one respect and Buddhist in the other, and this is recognized as reconcilable. Every Japanese is born, married, and buried as a Shintoist, but all his beliefs are Buddhist. I think that’s an admirable state of affairs.’⁷ Even though it is difficult to confirm that this statement influenced his dialogue with Imanishi, there are solid reasons for thinking that Hayek agreed with Imanishi’s insight with respect to ‘specia’: biological societies can coexist.

This view suggests a new interpretation of his concept of ‘spontaneous order’—the coexistence of multiple orders. As Hayek argued, spontaneous order originally meant not natural and artificial but the unintended consequences of human behaviour such as law, rule, language, and money. This concept is based on his counter-constructivism and anti-rationalism. Hayek used this concept to justify the validity of the market. But how many market orders can exist as spontaneous orders simultaneously? We can answer this question as follows: the markets orders could be plural. In light of Imanishi’s ‘sumiwake’ concept, spontaneous orders can coexist. In this sense, Hayek’s evolutionary theory or social philosophy *cannot* be solely used for the justification of promoting liberal society over socialism—it can also be used to justify the coexistence of various market orders: the theory of spontaneous order should address the coexistence of various orders or civilizations.

Second, Imanishi’s anti-natural selection stance is central to his denial of Darwinism. In the dialogues, he attacked Hayek’s rule selection as natural selection. Natural selection in Hayek’s (Hayek and Imanishi 1979, 30) cultural evolutionary theory is implied by the selection of rules that are shared with groups: ‘The process of selection depends on the advantages and disadvantages of the rules of the group. When we think of this cultural evolution, its selection between groups is a very important factor, I think.’ Imanishi (1979, 30) replied: ‘Ancient civilizations might have perished, but human beings have not perished. The explanation that all survivals are the results of selection, extinction become extinction does not explain at all. In my view, civilizations perished not because of the struggle for existence among civilizations, but because they perished when the time for perishing came.’ When Hayek attempted to explain that some rules survived and others did not, Imanishi pointed out that we could not observe the results of selection. He considered that this was the fault of Darwinism.

Therefore, Imanishi did not agree with Hayek’s evolutionary theory of rules. He rejected the concepts of the struggle for existence and survival of the fittest proposed by modern evolutionary theory. According to his ‘sumiwake’ concept, living things do not invade but coexist in the living areas of one another. He might not think that living things competed for existence and only the fittest survived. But Hayek (Hayek and Imanishi 1979, 30) remarked to Imanishi that the selection of rules was a concept that was used by group selection in social evolutionary theory: ‘While

there are huge dialogues on the characteristic of group selection in biological evolutionary theory, now we discuss learnt tradition or customs. It is not the selection of individuals but of institutions or rules. Now, we both consider that Group selection is more important (than ontogeny).’

How did Hayek reply to Imanishi’s attack? In his later work, knowledge played important roles: imitation, transmission, and diffusion. In *Law, Legislation and Liberty* (1979) and *The Fatal Conceit* (1988), he repeatedly discussed knowledge as embedded in customs, traditions, and market-order institutions. In my judgement, Hayek should have *fully* explained to Imanishi and their audience the role of knowledge in his social theory. In Hayek’s social theory, Darwinian explanations such as mutation, selection, and transmission were used as analogies: he needed to clarify the difference between his own theory and Darwinism.

Conclusion

Hayek’s evolutionary theory can be characterized using three key phrases: anti-rationalism, selection of rules, and cultural evolution, while Imanishi’s evolutionary theory can be characterized by three concepts—‘sumiwake’ and ‘specia,’ anti-natural selection, and ‘living things naturally change when the time for change comes’; the discrepancies between the two suggest the possibility of the coexistence of spontaneous orders and the importance of knowledge in social evolutionary theory.

Even though Hayek and Imanishi were originally primarily theorists, both also had wider interests in social phenomena. Imanishi started his career in ecology and anthropology, and the ‘early’ Hayek was mainly interested in economic theory. Both studied evolutionary theory to build their own ‘grand’ theories. When the dialogues were held, they were nearly 80 years old, and they were already giants in their fields. Even though the effect of the dialogues was extremely limited, they suggest some intriguing new interpretation. Spontaneous orders in the liberal society could coexist as well as many species would do so on the earth.

When we consider the results of this dialogue, Hayek’s the concept of spontaneous order could coexist. If the dialogues would be translated to English, it will inform the current re-evaluation of Hayek’s work and influence in Japan.

Notes

1. The record reports that the book sold 10,000 copies in Japan. Hayek Papers, Hoover Institution, Stanford University, Box 29 Folder 17, 18.
2. The draft consists of three copies in English. Imanishi n.d. 'To Prof. Hayek.' Hayek Papers, Hoover Institution, Stanford University, Box 90, folder 10.
3. Recently, some researchers have given much attention to Hayek's evolutionary theory (Marciano 2009; Marmefelt 2009; Yoshino 2014).
4. Hayek Papers, Hoover Institution, Stanford University, Box 60.
5. Denett (1996: 393) discussed the negative aspect of the social Darwinists.
6. In the 1980s, this component of Imanishi's theory was popular among researchers and ordinary people in Japan; however, few scholars now accept it (Sakura 1998).
7. Friedrich Hayek, interviewed by Robert Chitester, date unspecified 1978 (Centre for Oral History Research, University of California, Los Angeles, <http://oralhistory.library.ucla.edu/>).

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12

Hayek, Evolution, and Imanishi

Susumu Egashira

Introduction

This chapter examines Friedrich Hayek's 'later life' social evolutionism by utilizing his 1979 dialogue with Kinji Imanishi, an influential Japanese biologist. Hayek had introduced the concept of evolution into his social science discourse in the 1950s: the subsequent shift from a harmonious concept—such as general equilibrium theory (e.g., Hayek 1928, 1931, 1941; and also Lucas 1983 [1976])—to a dynamic concept, such as the theory of social evolution, illuminates the evolution of the foundations of his philosophy of liberalism. Yet his exposition of biological evolution is opaque because any *direct* discussion of biology is almost entirely lacking: thus the importance of his dialogue with Imanishi.

Imanishi was not only an influential primatologist but also a fierce critic of natural selection theory—which Hayek supported. In the 1950s, Imanishi provided his theory of biological evolution—which is

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independent of the natural selection theory—as the concluding statement of his career-long fieldwork. Although the discussion between Hayek and Imanishi was hardly successful, it helps clarify our understanding of Hayek’s natural selection theory.

The debate was held from 21 to 27 September 1978. Hayek visited Japan on his way to Stanford University after attending the annual conference of the Mont Pelerin Society in Hong Kong. Takeo Kuwabara, a French literature scholar, and Toshinao Yoneyama, a cultural anthropologist, acted as chair and note-taker, respectively. An English translation of this discussion has not been published, and very few studies in English have analyzed the dialogue (Yoshino Chap. 6, above). Although this discussion was originally recorded by a magnetic tape recorder, the tape is unfortunately not available; nor is it in the possession of Nihon Hoso Kyokai (NHK; Japan Broadcasting), which published the dialogues as *Shizen, Jinrui, Bunmei* which translates as ‘Nature, Humanity and Civilization’ (Hayek and Imanishi 1979). Thus, the quotes from Imanishi and Hayek reproduced below are retranslations from the Japanese book.

Imanishi: A Short Introduction

Imanishi, Japan’s most renowned biologist, was a primatologist and a principal member of the ‘Kyoto School,’ an influential group of philosophers. His methodology, which was characterized by strict positivism, was based on a substantial amount of fieldwork. He also developed his own theoretical framework, such as the theory of habitat segregation (Imanishi 1938). Comparing his theory with E. O. Wilson’s sociobiology, for example, we find a major difference between the two—although both focus on the structure of individual species in the whole ecological system. While Wilson adopted reductionism (Wilson and MacArthur 1967), reducing the behavior of animate beings to genes, Imanishi followed a holistic approach—arguing that some species should be understood as part of a whole. Hayek—a proponent of the theory of group selection—used a framework which was closer to that of sociobiologists: one cause for conflict with Imanishi.

In Imanishi’s theory, ‘habitat segregation’ is a phenomenon in which a number of individuals belonging to a species live together in a certain area and form a local society (Saito 2003, 1303). Imanishi called such a

society a 'specia.' In other words, habitat segregation refers to the coexistence of specias. Imanishi found phenomena in which similar species that share a similar sphere of existence segregate in different circumstances: for example, types of mayflies living on the surface of stones in a mountain stream. Several kinds of naiads of mayflies roughly segregate upstream, midstream, and downstream according to water temperature. They also segregate locally in faster and slower areas of the same stream. According to Imanishi's (1941) theory of habitat segregation, close 'specias' coexist close to each other, but in different areas, not because of a battle for survival but because two specias 'albeit in conflict, "cooperatively" support each other's existence.' Moreover, the segregation is observed not only in a society of a species but also between societies consisting of different species sharing the same living area. Imanishi's theory of evolution regards a whole ecological society as a layered structure of such segregation (Ichino 2003; Matsunaga and McGrew 2008).

This is crucial when we consider Imanishi's contribution to biology. Imanishi rejected the concept of 'natural selection' or 'survival of the fittest.' His theory is based on the understanding of an ecological system as consisting of different groups making mutual adjustments. His positivism, rejection of the survival of the fittest, anti-reductionism, and holism strongly contrast with Hayek's methodology. However, Hayek and Imanishi agreed on some points, such as criticisms of Marx and Freud, denial of directed evolution, and the concept of a self-generating system of society.

In Hayek's (1988) *The Fatal Conceit*, Imanishi is not mentioned; nor is there any indication that Hayek had been directly influenced by him: yet the arguments in their dialogue are the same as those in Hayek's (1988) book. Interestingly, although Hayek diligently studied biological evolution, he seldom mentioned the topic in his publications. The Hayek-Imanishi dialogue implicitly highlights Hayek's understanding of biological evolution and thus provides many insights into 'the later' Hayek's theory of evolution.

Ecological and Social Systems

The Hayek-Imanishi dialogue started with an exposition of their respective biological viewpoints and gradually shifted to a consideration of human societies. The discussion pattern was as follows: Imanishi criticized

the theory of natural selection, and Hayek countered Imanishi's argument. On the first day, after each had presented their arguments, Hayek (1979a, 23) argued:

The point that we have to learn about problems considered from nature is whether nature is a self-organizing system. Therefore, I suspect the old animistic interpretation of nature, which considers that a mind is not required for an organization. The important point is that every factor sustained by nature works to make every other factor fit into the whole pattern. Moreover, this pattern represents the order of a whole, and the order works according to how it emerged. A society is also a self-generating system, and no leading spirit is required there. Rather, individuals have properties that allow formation of a great order. However, these are learned and acquired properties, as well as innate properties. Conceivably, they do not have a character that can be understood by reason, nor are they invented, but they have demonstrated how useful they are.

This is a typical explanation of his theory of spontaneous (self-generating) order. Hayek explained that human intention is not required in the self-generating process and in the adaption of a part to the whole. It should be noted that Hayek did *not* carefully use the words 'part' and 'whole' when discussing adaptation. Some authors have pointed out a confusion of methodology in *The Fatal Conceit* (Hodgson 1991, 1993; Vanberg 1986). Although this does not mean that Hayek (1979a, 23–24) abandoned methodological individualism, the institutional character of his theory of social evolution has an ambiguous nuance between methodological individualism and holism—a tendency made clear in the following paragraph:

Studies in nature will advance fundamental understanding of the society if nature is unraveled as a self-generating system. Since Aristotle, scholars have referred to biological phenomena while considering social phenomena, but the introduction of biological knowledge has been found useless in explaining them. The reason is that biology had not accumulated enough knowledge about the structures of organisms. However, explaining social phenomena with it is something like using a question to solve other questions, which is meaningless. However, we now understand highly complex

orders such as human beings, living beings, and a society as spontaneous orders, different from relatively simple orders that have a simple material structure. We can learn the complex character of the spontaneous system from biological nature.

Moreover, I would like to correct a misunderstanding on evolution—that evolution has a direction. It is only a process in which anything is possible. The concept that evolution has a direction is nonsense. We can discuss only what happens in a given condition, the origin of a mechanism—I do not like this word. The concept that a stage always precedes the next stage is the worst misunderstanding, and the usage of Hegel and Marx is wrong.

His suggestion that evolution is not subject to a general law is not strange—he also asserted the same argument in his criticism of historicism. Although this paragraph clarifies the difference with Auguste Comte's (1970 [1922]) social organicism, which is based on classical holism, the contrast with modern holism is still not clear. It is, however, rather clear that Hayek did *not* adopt strict reductionism but seems, instead, to have sought to explain social phenomenon according to the system theory.

On these points, Imanishi partly agreed with Hayek. In particular, they completely agreed with each other on the concept of a self-generating system. However, although Hayek asserted that both a self-generating system and natural selection were required, Imanishi insisted that the ecological system requires only interaction between species and environments, and not selection. Therefore, although they agreed that a self-generating system results in a diversity of situations, Imanishi asserted that the current situation can be explained by a self-generating system. However, Hayek pointed out that the concept of self-generation is consistent with the theory of natural selection.

However, neo-Darwinian theory does not necessarily require the concept of self-generation. The argument that both a self-generating system and natural selection are required for biological evolution is usually made in the context of criticisms of existing evolutionary theory (Kaufman 1995).

The point of Imanishi's criticism was that an extraordinary harmony of the biological system and deep adaptation of living beings to the environment cannot be explained merely by genetic drift or natural selection.

According to his argument, positive adaptation of living beings to their environment and segregation achieves harmony. Hayek (1979a, 53) countered this argument from a defensive viewpoint—based on the theory of natural selection:

I think there is no inconsistency between genetic drift and natural selection. When a species brought into a new island develops, there is a possibility that no mutation happens or a combination of genes that does not adapt to its environment emerges. Moreover, genetic drift and natural selection are processes that happen simultaneously. I think it can be so considered in the case of a small group that migrates to an island. Moreover, in the case of large groups, natural selection is an ascendant power. However, even if natural selection is ascendant, it never leads to any predictive consequence. I think if you consider a case in which natural selection has an advantage, it is impossible to predict how it will develop or will be selected.

Hayek's (1979a, 55) understanding of the theory of natural selection and the explanatory role of genes is obviously the standard view:

I think genetics explains not only change but also the pressure to maintain a condition. For example, consider a cecum; it will take long time before it becomes a standard trait of human beings, who do not have it naturally. I think there is pressure for preservation ... I presume there is such a positive pressure, and it relates to the future disappearance of the cecum. Moreover, I would like to explain the subject mentioned earlier—that a species adapts only when a new environment emerges. Considering niches (habitation areas), if an old niche continues, old living beings survive, and there is no pressure to change the species. Therefore, we can explain the fact that the environment changes before species do.

The orthodox nature of Hayek's 1979 knowledge of biological evolution is clear: he did not mention molecular evolution—Richard Dawkins' (1976) theory is based on strict reductionism—nor evolutionary game theory (Maynard-Smith and Price 1973). The conversation was not constructive because Imanishi persisted in his viewpoint of anti-natural selection. However, Hayek's methodology is much more individualistic than

Imanishi's who adopted strict holism. Imanishi's argument is more holistic because he asserts that the current system is not the result of independent individuals' adjustment and of selection but that the whole is a loose connection of parts and every part decides its position in simultaneous interaction.

The Concept of Evolution in Biology and Social Science

Since the 1950s, Hayek had argued that social evolution was different from biological evolution and the former did not require an analogy to the latter. The difference, which he asserted in works such as *The Constitution of Liberty* (1960), relates to the inheritance of acquired characteristics. Although acquired characteristics are not inherited according to biology, acquired knowledge and information are transferred to other agents in social evolution. Hayek emphasized the difference in the speed of evolution from this viewpoint. Even in this discussion, he did not deny the transfer of acquired information in a society. On the other hand, he agreed that the social sciences had been informed by the theory of self-generation as developed in biology.

In the dialogue, Hayek proposed the concept of group selection, the key feature of his later evolutionism. In the theory of group selection, the concept of the deme was introduced in biology because the species is genetically too loose a concept. However, the theory has been disputed and not adopted in modern biology because the concept of the group is inconsistent with the fact that selection pressure is exerted on individuals. With such a controversy in biology in mind, Hayek (1979a, 29–30) explained the difference in the group selection condition between biology and social science:

On social selection, the argument has changed from selection of individuals to that of groups. For example, whether a child fortunately survives or not is a problem of biological selection, or selection of individuals. However, the case of the society is different. In group selection, if a society has superior rules, the number of members increases, that is, it develops.

On the other hand, for another society that has inferior rules, the number decreases. Therefore, when Darwinism is applied to human beings and their culture, it is misleading if you suppose only individual selection. The process of selection depends on rule excellence. I think the group that has more adaptive rules has a better chance of survival ...

I know there is a big controversy on the feature of group selection in biological evolution. However, if you discuss acquired habits, they are a problem not of individual selection but of institutional or rule selection. The concept of group selection is more important in this problem.

Hayek (1979a, 32–33) accepted that selection pressure was exerted on individuals—but in addition, maintained that the concept of group selection was also important. In his theory of social selection, the unit of evolution is a group sharing the same rules, and not the individual. He explained the difference in the speed of evolution:

I think the case of a society is different from that of living beings. In society, the objects of selection are not material characters but a group and the structure of a group. Therefore, we should distinguish between the selection of genes and the selection of culture. The selection of genes is a gradual and slow process. Its process is gradual because acquired characteristics are not inherited, and a change of heredity has to wait for a mutation. On the other hand, in cultural evolution, selection of culture requires the emergence and adoption of a new concept. Cultural factors can change rapidly.

This paragraph suggests that Hayek's theory of social evolutionism did not have an immediate relationship to the evolution of human beings as a species. On the other hand, in the history of the theory of social evolution in economics—from Thorstein Veblen, Francis Ysidro Edgeworth to modern neuroeconomics—it has frequently been observed that human nature (instinct) is acquired as the result of biological evolution. It seems that Hayek (1979a, 62–63) regarded cultural transmittance (meme) as more important even though he did not deny the role of genes. This is a feature of his theory of social evolution that transcends the framework of biology:

Cultural evolution is the most exciting topic for me, because of the phenomenon in which innate characters and cultural characters overlap and breed conflict, the latter frequently controlling the former. We are not so

happy about this serious conflict, considering the inconsistency between animal features and cultural rules acquired in order to maintain the Great Society.

This argument is noteworthy. Hayek stated that society is established as the result of social evolution. For Hayek (1978), 'the Great Society' is a market society. This argument suggests that Hayek acknowledged that the market society is not necessarily happy. The reason in this context is the conflict between animal nature and the rules of the market. It is important that we understand Hayek's view of the relationship between humans and the market. Hayek was well-known as a defender of the 'free' society based on a 'free' market. However, his argument quoted above suggests that his concept of economic agents differs from the orthodox economics view. In modern economics, human desire is the driving force behind theoretical concepts such as utility and benefits. The Invisible Hand theorem suggests that if there are no obstacles, the 'free' behavior of individuals will achieve societal harmony. On the other hand, for Hayek, at least in his later life, 'free' behavior is not motivated by satisfaction of desires that emerge from animal instincts but is consistently regulated by rules. The concept of a sensitive conflict between gene and meme is a key feature of his view of human beings and society.

Moreover, Hayek considered language acquisition to be a result of cultural evolution. For Hayek, language has been acquired as a result of trial and error. On the other hand, Imanishi (1979, 71) asserted that although language emerged gradually at the preparatory stages, all members acquired language ability once the cumulative preparations crossed a threshold level:

However, emergence of language is an example of a general problem. There is something that applies to language as a general problem. It is an example of a general problem that acquires rules of conduct. Rules of conduct support community life. Moreover, rules of conduct are able to form a group consisting of a number of individuals. I think this process has proceeded gradually. Therefore, it is impossible to say, at a certain time, that signs change into sentences at once. It is, of course, possible that an attempt to communicate by voice changes the structure of the brain. Thus, I do not think that language appeared suddenly. However, it is a result of cultural evolution but not of physiological mutation. It can be comprehended as

change in the ability of learning. If the capability of more complex expressiveness and argument is acquired by learning, then it can be considered a generalized feature.

Here, Imanishi articulated a theory of language evolution similar to Noam Chomsky's theory of generative grammar, which is clearly different from Hayek's position.¹ As far as this argument is concerned, Hayek seems not to distinguish between high-level language acquisition resulting from social interaction and universal grammar as a basic faculty of language. Regardless of whether this concept is appropriate or not in the context of the modern theory of linguistic evolution, the separation between biological and social evolution is obviously a characteristic feature of Hayek's (1979a, 75–76) position. Moreover, he asserted that this view is both legal and moral:

I have not studied language in detail, but my point of interest is the acquisition of rules of conduct. This makes it possible to shift from a small group to a large group. This is a moral and legal evolution. If you consider it, moral values and laws are not invented by intellectual faculties. We have not known how these functions have been formed. A rule has survived because it gives a group an advantage over other groups and the adopted rule is effective. It has taken a long period. When we develop something we did not know or something we could understand, more effective rules survive in the long process. I think something such as a moral code or law is never invented. Nor is language, I suppose.

Although Imanishi, who rejected outright the theory of natural selection, agreed with Hayek's view that social institution had emerged spontaneously, he denied that this process includes selection.² As Imanishi argued repeatedly, it is not the selection process but only the self-generation process that is needed to explain the emergence of current patterns. However, for Hayek (1979a, 82–83) the process of subsistence is required to demonstrate that some current societies have some advantage over others. He insists that the market society has advantages because it has continued to survive in the history of our civilization:

A market and private property are absolutely necessary. These make cooperation possible when individuals who do not know each other come into

contact. Considering the fact that people who did not know each other contact on a social order in ‘the Great Society,’ it is obvious that a market, or commercial trading, will be conceived immediately.

Moreover:

There exist the law of private property and the law of prevention of contract violation—a sub-structure of rules of conduct—for the establishment of a market. Moreover, such a sub-structure makes the market possible. The ‘market’ is a complex of norms. It requires the unification of people’s behaviors; people who have not met before adopt behaviors and ways of unknown people. Ordinary economic agents make possible the formation of the Great Society through face-to-face contact. The market system has supported the Great Society, but this objective is not necessarily realized. In this system, individuals in the society never know how to achieve the object, but they do accomplish the goal of establishing the Great Society.

The concept of a ‘Great Society through a face-to-face contact’ appears in *The Fatal Conceit*. However, Imanishi pointed out that, despite the dominance of the market economy, face-to-face contact plays an important role in our life. Although Hayek replied that evolution did not have a specific direction, he echoed Imanishi’s view that the Great Society appeared after the face-to-face society but that there are many societies with a variety of rules.

Imanishi argued that Hayek’s definition of instinct is too ambiguous and referred to just ‘intuition.’ However, Hayek (1979a, 93) continued to use the word ‘instinct’: ‘Our instinct orders us to help good friends. We are all socialists emotionally. However, learned rules teach us that fair trade is better than helping neighbors.’ Hayek frequently used the word ‘instinct’ (e.g., ‘between instinct and reason’) in his later works—and used expressions such as ‘a rule suppresses instinct’ or the ‘instinct of a group action’ in *The Fatal Conceit*. Imanishi again criticized Hayek’s ‘instinct’ as just ‘primitive behavior’ or a ‘primitive attitude.’ Imanishi believed that it is difficult to categorize behavior as either innate or acquired and that Hayek used the word ‘instinct’ improperly.³ Hayek argued that although instinct is important, it is not clear whether it is completely decided by genes or acquired through social learning based on genetic behavior. For example, the desire for money is based on the desire

to possess, observed even in a monkey, but special goods such as money have obviously been created through social learning. It should be clarified why Hayek repeatedly used the concept of instinct, which had not been used in biology because of its ambiguity. In the next section, we discuss this problem while considering the role that the concept of evolution played in Hayek's works.

The Role of Evolution in Hayek's Works

The methodological confusion in *The Fatal Conceit*, particularly the inconsistency between group selection and methodological individualism, has already been noted (Vanberg 1986, 97; Hodgson 1993, 171–2). In the dialogue with Imanishi, Hayek recognized that group selection gave rise to several problems in the theory of biological evolution, but he also maintained that group selection was an appropriate concept in social science. Therefore, when we consider Hayek's theory of social evolution, we have to discuss not only the relationship with biological evolution but also his consistency or inconsistency with the theory of social evolution. In this section, we consider his theory of evolution, which dates back to his arguments of the 1950s.

It seems it was in the 1950s that Hayek began to focus on evolutionism in his works. Table 12.1 reproduces a document distributed in the 'Scientific Method' seminar at the Committee of Social Thought. It may be the earliest document to suggest the difference between social science and biology. The chart demonstrates Hayek's classification of species or demes as a biological unit of selection, but he thought that social evolution should be based on autecology. This is the same concept of evolution posited in *The Constitution of Liberty*, in which Hayek pointed out that the concept of evolution in social science is different from that of biology and argued that the rise and decline of an individual, such as a person or firm, and the transaction of knowledge between individuals play an important role in social evolution. Moreover, Hayek (1960, 59) emphasized that 'orders' emerged as a result of interactions between individuals. In *The Constitution of Liberty*, it is assumed that a selection process tacitly works, but it is hardly explained:

Table 12.1 Evolutionary concepts of social science and biology (Hayek 1952)

Level of organization		Description	Dynamics		Genetics		
Primary	Secondary	Climax phase	Secular change and reproduction	Persistence	Secular change	Reproduction	Aspect
Biota	World	Biogeography	Paleontology	Theory of biotic evolution			Genetics of behavior
Society	Local	Descriptive Cultural	Sinology History	Dynamic synecology	Philosophy of history		
	<i>Traditional</i> society	anthropology		Sociology Economics		Cultural cleavage	
	Mankind						
	Nation						
	Special groups						
	Instinctive society	Cultural	Autecology	Dynamic autecology			
Interbreeding population	Species group	Descriptive Taxonomy	Phylogeny	Theory of evolution Statics	Transformation	Speciation	Population genetics
	Species Subspecies						
Individual	Deme						
	Colony	Anatomy	Descriptive embryology	Physiology of organs	Physiology of development	Physiology of reproduction	Developmental genetics
Cell	Individual Organ						
	Tissue Cell	Histology	Differentiation	General physiology	Physiology of differentiation	Physiology of cell division	Physiological genetics
Gene	Cell constituent	Cytology					
	Linkage system	Cytogenetic		Physiology of persistence	Physiology of mutation	Physiology of duplication	Theory of the gene
	Gene	Genetic chemistry	Nature of mutation				

It is unfortunate that at a later date the social sciences, instead of building on these beginnings in their own field, re-imported some of these ideas from biology and with them brought in such conceptions as ‘natural selection,’ ‘struggle for existence,’ and ‘survival of the fittest,’ which are not appropriate in their field; for in social evolution, the decisive factor is not the selection of the physical and inheritable properties of the individual but the selection by imitation of successful institutions and habit. Though this operates also through the success of individuals and groups, what emerges is not an inheritable attribute of individuals, but ideas and skills—in short, the whole cultural inheritance which is passed on by learning and imitation.

Although Hayek repeatedly denied—at that time—that the theory of social evolution utilized the concept of biological evolution, he gradually changed his mind after the introduction of group selection into his argument in the 1970s. For example, in *The Fatal Conceit*, which emphasized the difference between biology and social science, Hayek (1988, 25) asserted:

The processes furthering the transmission and spreading of cultural properties by learning also, as already noted, make cultural evolution incomparably faster than biological evolution. Finally, cultural selection operates largely through group selection; whether group selection also operates in biological evolution remains an open question—one on which my argument does not depend.

In biology, the concept first appeared in Vero Copner Wynne-Edwards’ (1962) *Animal Dispersion in Relation to Social Behavior*. It is not clear when Hayek conceived of this idea—the phrase ‘group selection’ appears not to have appeared in his published works before the discussion with Imanishi. According to the theory of group selection in biology, individuals work to preserve and increase the species. However, this hypothesis has been criticized as not capturing *general* behavior. Further, even when observed, the behavior can be explained without the theory of group selection. The concept of group selection is not required because the pressure of selection is exerted not on the group, but on individuals. The original version of the theory of group selection is not mentioned in

modern biology because of criticism from geneticists. According to the above quotations, Hayek also recognized the negative opinions in biology at that time. However, the reason he persisted in the borrowed concept is that he placed the concept of group selection at the center of his liberalism.

Although Hayek and Imanishi had the same opinion about the concept of self-generating order, which was both anti-Marxist and anti-Freudian, they never arrived at an agreement on Darwinism. In particular, when Hayek proposed 'survival of the fittest' as the reason for survival, Imanishi called it the 'dogma of utility' and asserted that, for discussions of biological evolution, the only mechanism required in the relationship with the environment is a change of species and there was no room for considering competitive selection. In other words, according to Imanishi, evolution does not require a 'reason.'

Although the discussion was not fruitful, Hayek's view of evolutionism was clearly in contrast to Imanishi's holistic approach:

- (i) A unit of social evolution is a group with shared rules, and not individual economic agents. The fact that the concept of group selection is not supported in biology is not material.
- (ii) Evolution does not have a direction, but existing groups are superior in the sense that they have survived through selection.

The social evolution argument is much clearer in the 1979 dialogue than that in *The Constitution of Liberty* (1960). Although since the 1950s, Hayek had insisted on the inheritance of acquired characteristics and the rapidity of change, the focus of this argument in his later life was only on rules shared and transferred among individuals.

The second point encompassed two difficult problems. First, if the supposed criterion of an inferior-superior relationship is whether or not it has survived, it is difficult to determine which is superior, the liberal state or the socialist state; this condition held in 1979, at any rate. With a leap in logic, one can say that a society that has evolved is the Great Society.

Importantly, Imanishi repeatedly criticized Hayek as 'Darwin's yes-man' for his utilitarian theory of evolution. According to Imanishi's theory of evolution, when species change, small inner changes occur in

response to other changes that accumulate around, and all members of the species change simultaneously if a threshold is crossed. The only requirement is not selection but a spontaneous species change in response to a change in the environment. Imanishi's argument is too extreme, and he did not recognize the possibility that the mechanism of variation proposed by him is not necessarily inconsistent with the theory of natural selection, because he persisted in understanding the ecological system from the viewpoint of holism. On the other hand, the concept that variation is due to not only mutation or crossing-over in a gene but also the self-organizing mechanism, which is necessarily a physical and chemical structure, is still persuasive, too (Kaufman 1995; Lima-de-Faria 1988).

However, Imanishi's criticism that any explanation by the theory of natural selection is *ex post* and arbitrary obviously seems critical to Hayek's liberalism. The reason is that the theory, which is based on selection, can provide an *ad hoc* explanation but cannot say which social regime is superior or will develop in the future if the selection shows in advance what will survive. If his purpose was to demonstrate the advantage of a 'free' society from the viewpoint of an effective promotion of the development of spontaneous rules, the theory of selection is not effective; he should have focused on the self-generating mechanism. In fact, although he discussed the advantage of a 'free' society based on spontaneous rules, he did not clearly explain in *Law, Legislation and Liberty* or other works what kinds of pressure is exerted on individual groups.

Hayek seemed to regard the struggle for survival in an ecological system as market competition. Market competition is not necessarily the struggle for survival but can be regarded as the pressure of adaptation to market conditions. We do not need to assume the struggle in the closed and static system, because he discussed a dynamic society. If the active adaptation of individuals to its environment is discussed, one only needs the self-organizing theory, and not the theory of selection.

Hayek (1966) pointed out that 'imitation' is important when knowledge is transferred between individuals. He successfully explained the process by which the social order emerges and supports the foundation of our society. Therefore, spontaneous rules are larger, more complicated, and detailed than those designed by human reason. On the other hand, spontaneous rules are of diminishing importance if they are not required

to support human recognition and behavior. Spontaneous rules are self-generating and self-organizing and do not necessarily require selection by external pressure. Although the self-generating theory is necessary and sufficient as a social theory, Hayek introduced the theory of selection to demonstrate the superiority of the market society as the Great Society. However, 'the reason for survival' is always *ex post*, and it is impossible to forecast which societies that adopt different rules will survive.

Clearly, Hayek's explanation about the superiority of the 'free' society is not a logical conclusion, but merely an expression of his ideology, because his evolutionary theory was largely developed as a social theory. What needs to be primarily emphasized, from the viewpoint of his theory of social evolution as the foundation of a 'free' society, is that a 'free' society promotes the development of rules but does not require the theory of selection.

Conclusion

This 1979 discussion provides an insight into Hayek's understanding of biological evolution. Furthermore, his theory of social evolution has made a great contribution to modern evolutionary economics in that it has clarified the relationship between human cognition and social evolution. Considering that Hayek published relatively little in the 1980s and that *The Fatal Conceit* is considered rather complicated, this 1979 discussion on the theory of evolution is an important source for Hayek scholars.

It is clear from the discussion with Imanishi, who adopted a holistic approach, that Hayek's methodological confusion in *The Fatal Conceit* was not serious, but the basic idea of the book was conceived when the final volume of Hayek's (1979b) *Law, Legislation and Liberty* was published. This suggests that the arguments posited in his later life had almost reached completion by the end of the 1970s.

However, the liberalist concept based on the dynamic evolutionary theory is much more complicated and ambiguous in its logic and conclusion in comparison to his liberalism from the 1940s to the 1960s, which had a tendency toward static harmony. In particular, the utilitarian theory in natural selection, criticized by Imanishi, proposes that things exist-

ing at present are superior, while Hayek's theory of social evolution, which removed any nuances of the direction of evolution, implies arbitrariness. It follows from what has been said that the selection theory was not necessary for this social theory and liberalism and all that he required was merely the theory of self-generation.

Although this chapter presented the outline of the discussion, which continued for three days, it has not discussed all of Hayek's arguments. To understand Hayek's 'later life' ideas, we need to have the whole discussion translated and published.

Notes

1. Imanishi completely rejected the argument that genetic diversity due to mutation and natural selection was a principal factor of biological evolution. According to Imanishi, the current biological system as a whole was basically a result of self-generation.
2. Imanishi agreed with Hayek and criticized the planned economy model because a society cannot be designed by human reason.
3. Moreover, Imanishi criticized the expression, established by civilization, as being a suppression of instinct. Imanishi criticized Hayek's obscure definition and asserted that civilization developed through an expansion of a sense of belonging, such as love of mankind as an extension of neighborly love, and that the problem is not one of instinct but of consciousness. Strangely, Hayek agreed with Imanishi.

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13

Crossing Paths: On Hayek's Darwinian Evolutionism

Geoffrey M. Hodgson

I was previously unaware of the dialogue between Friedrich Hayek and Kinji Imanishi, the famous Japanese primatologist and biologist (I am grateful to Susumu Egashira for bringing it to light). My understanding of Imanishi ([1941] 2002) is that he did not reject natural selection entirely but denied the particular contention that it was the main driving force in speciation. In other spheres natural selection is important, but Imanishi stressed environmental factors, rather than random mutations, as the prime sources of variation. This is consistent with some versions of Darwinism. Indeed, Charles Darwin himself never wrote of random mutations—this stress was added by later Darwinians. Imanishi underlined cooperation between individuals in nature as well as competition. Similar ideas are found in Darwin's (1871) *Descent of Man*. It is also important to appreciate that the phrase 'the survival of the fittest' originated from Herbert Spencer, not Darwin.

I understand that by the 1970s Imanishi was more pronounced in his scepticism of Darwinism. Accordingly, the 1979 exchange between

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Hayek and Imanishi was a dialogue between two partial Darwinians, who differed on key points and were moving in different directions. Imanishi was becoming increasingly critical of Darwinism, at least in the forms that prevailed at the time, and Hayek was becoming ever-more intensively engaged in the development of his own Darwinian theory of social evolution. Their paths crossed.

My focus below is almost entirely on Hayek. I refer to Egashira's useful account of his debate with Imanishi and I comment here on a number of issues that are raised in this debate:

- (1) The status of the selection concept in social and natural evolution
- (2) Group selection in social evolution
- (3) The place of self-organization in Darwinian evolution
- (4) Hayek's claim that social evolution is 'Lamarckian'
- (5) Hayek's concepts of rule and instinct

I take these five issues in turn. I side with Hayek in proposing that, at an abstract level, and as Darwin himself conjectured, Darwinian principles apply to social evolution (Hodgson and Knudsen 2010). I defend some aspects of Hayek's account—particularly his adoption of group selection—but not others. This contribution should be treated as a set of relevant observations, rather than a single, integrated narrative.

The Status of the Selection Concept in Social and Natural Evolution

Of course, as Hayek and many others recognized, biological and social evolution are very different in terms of details. Any claim of commonality between biological and social evolution must instead stem from the existence of common features at a higher level of abstraction.

Importantly, Darwin's theory relates to *populations* of entities, where each species consists of one or more populations. The accomplished biologist and philosopher of biology, Ernst Mayr (1982, 1991), called this 'population thinking.' This refers to domains of analysis where there are species of entities, each consisting of internally varied populations. Members of each species are similar in key respects, but within each

species there is some degree of variation, due to genesis, circumstances or both. In 'population thinking,' diversity in a population is underlined, rather than overlooked with an exclusive focus on averages or representative types. This basic population ontology applies to organisms in the natural world and multiple—competing or cooperating—organizations in the social world.

This population ontology also assumes entities within these populations that have limited capacities to absorb some materials and energy from a sector of their environment in some manner of consumption, and they are able to process some information about their environment attained by the use of some sensory mechanisms. They may or may not be capable of reflecting on their circumstances and imagining past or future behaviours.

It further assumes that all these entities are mortal and degradable, and they need to consume materials and energy in order to survive or minimize degradation. But because they do not have access to all environmental resources at once, these entities face an omnipresent problem of *local and immediate scarcity*. These circumstances present specific problems that have to be solved to minimize degradation and raise the chances of survival. In short, these entities are engaged in a *struggle for existence*, to use the term adopted by Darwin (1859, 62–63).

Finally, it assumes some capacity to retain, and pass on to others, workable solutions to problems faced in the struggle for existence. The advantages of retaining such problem solutions or adaptations are obvious, in avoiding the risks and labour of learning them anew. Given that all these entities are mortal and degradable, there are also good reasons to assume that some capacity to pass on to others information about such workable solutions exists.

This is the basis of the Darwinian *principle of inheritance*. It refers to a broad class of mechanisms, including those of 'replication' and 'descent' (Mayr 1991), by which information concerning adaptations is retained, preserved, passed on or copied through time.

In sum, a *complex population system* involves populations of non-identical (intentional or non-intentional) entities that face locally scarce resources and problems of survival. Some adaptive solutions to such problems are retained through time and may be passed to other entities.

Examples of populations in such systems are plentiful, in nature and in human society. They include every biological species, from amoebas to

humans. They would include self-replicating automata, of the type discussed by John von Neumann (1966). In addition, and importantly for the social scientist, they include human institutions, as long as institutions may be regarded as cohesive entities having some capacity for the retention and replication of problem solutions. Such institutions would include business firms.

Having sketched in broad terms the type of ‘evolutionary’ system we are considering, we now come to the crucial step in the argument: an adequate explanation of the evolution of such a system *must* involve the three Darwinian principles of variation, inheritance and selection. These are the three broad Darwinian principles or theoretical requirements. They do not themselves provide all the necessary details, but nevertheless they must be honoured. Otherwise, the explanation of the evolution will be inadequate.

First, there must be some explanation of how variety occurs and how it is replenished in a population. In biological systems the answers here, established since Darwin’s death, involve genetic recombination and also very rare mutations. There are no closely analogous mechanisms in the evolution of social institutions, but the existence and replenishment of variety remains a vital question of evolutionary research (Nelson 1991; Metcalfe 1998).

Second, there must be an explanation of how useful information, concerning solutions to particular adaptive problems, is retained and passed on. This requirement follows directly from our assumptions concerning the broad nature of the complex population system that we are required to explain: in which there must be some mechanism by which adaptive solutions are copied or passed on. In biology these mechanisms often involve genes and DNA. In social evolution we may include the replication of habits, customs, rules and routines, all of which may carry solutions to adaptive problems. There must be some mechanism that ensures that some such solutions—embodied in habits, routines or whatever—endure and replicate; otherwise, the continuing retention of useful knowledge would not be possible.

Third, and not least, there must be an explanation of the fact that entities differ in their longevity and fecundity. In given contexts, some entities are more adapted than others, some survive longer than others, and some

are more successful in producing offspring or copies of themselves. Here the *principle of selection* comes in. Briefly, selection involves an anterior set of entities, each interacting with their environment, and somehow being transformed into a posterior set, where all members of the posterior set are sufficiently similar to some members of the anterior set and where the resulting frequencies of posterior entities depend upon their properties in the environmental context. Through selection, a set of entities, a population, will gradually adapt in response to the criteria defined by an environmental factor. For example, if the environment gets colder, the proportion of mammals with more fat or longer fur is likely to increase.

This broad definition of selection is nevertheless sharp enough to distinguish itself from the principle of variation. The latter requires some explanation of the sources and replenishments of variety. Selection refers to the mechanisms that bring about the survival of some variations rather than others and often reduces variety. Even when both variety creation and selection involve human agency, as often is the case in the human domain, the two processes are quite different. Innovation is about the creation of new variations; selection is about how they are tested in the real world.

Note that the outcomes of a selection process are necessarily neither moral nor just. Furthermore, there is no requirement that outcomes of a selection process are necessarily optimal or improvements on their precursors. Insofar as these outcomes carry connotations of refinement or efficiency, it is efficiency relative to a particular environment and efficiency that is tolerable rather than optimal. Darwinism does not assume that selection brings about globally efficient or (near) optimal outcomes and in certain instances selection can even lead to systematic errors (Hodgson 1993; Hull 2001). There is no reason to believe that the special requirements needed to asymptote global efficiency are commonly present in nature or society (Winter 1971).

Without the principle of selection, we have no way of explaining how some entities or their offspring prevail over others. The principle is widely held to apply in the natural world; some members of the species often are fitter because they have greater chances of survival and procreation. This helps to explain how species become adapted to their environment. But the move from the natural to the social world does not undermine the

principle of selection. Even if there is not a fierce life-and-death struggle between rival customs or institutions, some explanation is required why some enjoy greater longevity than others, and why some are imitated more than others, and why some diminish and decline. Any such explanation must come under the general rubric of selection, as defined above.

Darwin's principles of variation, replication and selection are required not only to explain evolution within populations but also the origins of those populations themselves. Together, the three principles provide a framework for understanding *speciation* as well as other forms of evolution. Overall, as long as there is a population with imperfect inheritance of their characteristics, and not all of them have the same potential to survive, then Darwinian evolution and selection will occur.

Group Selection in Social Evolution

Egashira is wrong to suggest that the notion of group selection is 'not adopted in modern biology.' Richard Dawkins still resists the notion, but it is widely accepted elsewhere. Hayek was right in his intuition of its importance. The possibility of group selection in the biotic world (under restricted conditions) is now quite widely accepted among biologists and is supported by a substantial scientific literature (Hodgson 1993; Sober and Wilson 1998; Wilson 2002; Henrich 2004; Wilson and Wilson 2007).

To understand group selection, it is important to distinguish between *objects* and *outcomes* of selection. Objects of selection are entities that survive or fail in the struggle for existence. Outcomes of selection include changes of the distribution of (say) genes, or social rules, as a result of the selection process acting upon individuals or groups.

Group selection can occur if the survival of an individual depends crucially upon the survival of a group of which he or she is a member. Egashira is also wrong to suggest that 'the concept of the group is inconsistent with the fact that selection pressure is exerted on individuals.' Selection pressure is *always* exerted on individuals. A crucial issue is *whether the individual depends on cooperation within his or her group to survive.*

A real-world experiment illuminates some of the key issues involved (Muir 1995; Sober and Wilson 1998, 121–3). A seemingly obvious way of increasing egg-laying productivity in a chicken farm is to select for breeding the individual chickens that lay the most eggs. But chickens interact in groups. In experiments, selecting the most productive chickens led to lower average egg productivity per chicken, largely because those selected were more aggressive: they attacked other chickens and suppressed their egg production. The experimenters switched to selecting the more productive flocks for breeding purposes, and chicken production dramatically increased. Selection *of* flocks led to different selection outcomes *for* both individuals and their interactions. This experiment shows that one of the key issues involved in group selection is the interaction between the individual and the group, and the most effective groups are not necessarily mere aggregates of the most effective individuals. The lessons in the preceding sentence clearly apply to human groups as well.

It is important to distinguish between ‘genetic group selection’ and ‘cultural group selection’ (Henrich 2004). They both involve the selection of groups (as objects of selection); in the former case the focus is on the changing gene pool (an outcome of selection) that results from group selection, in the latter the possibility of changing cultural norms or rules (another outcome of selection) is considered.

Group selection is akin to a force. If the (genetic or cultural) variation *between* groups is greater than the (genetic or cultural) variation *within* groups, then this force is positive. The greater the positive difference, then the greater the force. Clearly, if individuals migrate from one group to another then, other things being equal, the difference between within-group (genetic or cultural) variation and between-group (genetic or cultural) variation will be reduced, and this force will diminish.

Group selection is undermined when individual migration between groups and other processes diminish the variation between groups. If migration were unbounded and extensive, then the mixed-up outcome would be much less variation of individual characteristics between groups than within groups themselves, and the variation within groups would approach the variation in the population as a whole. In these circumstances the groups would have few differentiating features and group selection would be

undermined. By contrast, if migration is constrained, then differences between groups can be maintained. This is a necessary, but not sufficient, condition for genetic group selection to occur.

A key difference between genes and adopted cultural rules is that our genes do not change but we can adopt different cultural rules if we migrate from one culture to another. This means that cultural group selection is often more viable than genetic group selection.

To the alarm of some of his individualistic followers, Hayek (1979b, 1988) promoted the idea of cultural group selection in his later works. The crucial impact of cultural transmission on the issue of group selection was elaborated by anthropologists Robert Boyd and Peter Richerson (1985, 204–40) and developed by Joseph Henrich (2004), David Sloan Wilson (2002) and others. The key point is that cultural transmission effects can generate high degrees of conformism within groups, overcome factors such as individual migration or genetic mutations that tend to increase variation within groups, and cooperation can then evolve through cultural group selection. For example, cultural factors such as religious allegiance can help to reduce cheating and free-riding individuals who would enjoy the benefits of group solidarity without sharing fully in its costs.

The selection of groups occurs when interaction effects between individuals are so strong that the fates of individuals are tied up with the survival of groups. The group has to embody internal structural relations that facilitate causal interactions between individuals that enhance their survival as a group.

Egashira is right to suggest that Hayek's adoption of group selection does not mean that he abandoned methodological individualism. But I suspect that the grounds for our agreement on this point differ. I concur, not because methodological individualism is a robust and well-defined idea but because it is vague and ambiguous and can be fitted to multiple opposing doctrines (Hodgson 2007). Likewise, the words 'holism' or 'holistic' (which appear ten times in Egashira's chapter (Chap. 12) without once being defined) are notoriously ambiguous and widely ill-used (Hodgson 2004). No clear consensus exists on their meaning. Egashira should define what he means by these terms.

The Place of Self-Organization in Darwinian Evolution

I agree with both Hayek and Egashira concerning the importance of self-organization and spontaneous order in both nature and human society. But as I have argued elsewhere (Hodgson 1993), some of Hayek's formulations on this theme are problematic.

Some evolutionary economists have proposed that—instead of Darwinism—self-organization can fill the role as a general 'evolutionary' theory (Foster 1997; Witt 1997). Self-organization can be defined as the capacity of a system to determine its own structure based on the functional interactions of its components (Misteli 2001). Self-organization is a process by which interacting elements in a system give rise to an ordered pattern or outcome that is intended by no element or outside agent (Anderson 2002). Snow flakes and other forms of crystallization are very well-known examples of self-organization in nature. Examples of self-organization in living systems include the formation and movement of bee swarms and bird flocks.

The existence of self-organized outcomes shows that we do not always have to look for a designer to explain their emergence. This counters the mistaken view that all social phenomena are the result of conscious design. Many complex and efficacious human institutions such as language and much of common law are not the outcome of a supreme plan. A classic example of self-organization in the social world comes from economics. Economists point to markets as self-organizing and see Adam Smith's 'invisible hand' as a precursor of this idea.

Accepting its importance in nature, is self-organization *sufficient* to explain the origin of species and all complex biological phenomena? The answer is no. Darwin's principle of selection is also required.

Leading proponents of self-organization in biology do not see it as an alternative to natural selection. Stuart Kauffman (1993) made a powerful argument that natural selection alone cannot explain the origin of complex organisms. Systems involving non-linear interactions comprise a large number of possible states, most having lesser survival value. Kauffman (1993) further argued that selection sustains organisms of a

level of complexity beyond that explained by the principles of self-organization in isolation (Hodgson and Knudsen 2010).

On its own, self-organization theory can adequately explain the process of adaptation to the environment. Self-organization theory further leaves unexplained the effects of environmental changes on a *population* of entities. In biology, self-organization is insufficient to address the contingent nature of life and the basic problem of survival and reproduction. Self-organization does not explain how the emergent order adapts and survives in the broader environment or why one order survives rather than another.

Hayek rightly stresses the importance of self-organization but sometimes fails to emphasize—as Kauffman did—that *both* selection and self-organization are important. Without selection there is no process resulting in the survival of some self-organized orders over others. While Hayek does emphasize selection in many places, he gives insufficient acknowledgement that self-organization *requires* some notion of selection. Consequently, in some passages he gives the impression that self-organization constitutes the whole process of evolution.

Consider the following passages from Hayek, quoted by Egashira: ‘The point that we have to learn about problems considered from nature is whether nature is a self-organizing system. ... Studies in nature will advance fundamental understanding of the society if nature is unravelled as a self-generating system’ (Hayek 1979a, 23–24). These statements are consistent with others from Hayek elsewhere, where he refers to self-organization without mention of selection.

This is not simply a forgetful omission. Hayek frequently slides from a *population* ontology, consisting of *many* systems, where forces of selection are paramount, towards a *unitary* ontology, where society or nature is *one* entity, and selection has at most a diminished meaning.

I have discussed the consequences of this slippage in Hayek’s thinking elsewhere (Hodgson 1993). There I describe it as ‘phylogeny [evolution in populations] approaching ontogeny [evolution of a single entity].’ I argue that this failure to appreciate the full importance of population thinking leads Hayek to underestimate the scale and originality of Darwin’s achievement and to sideline important influences on him, such as that of T. R. Malthus.

The connection between the devaluation of population thinking and the underestimation of Darwin is clear from a page in Hayek's *Law, Legislation and Liberty*. Hayek (1973, 23) wrote: 'in the eighteenth century the twin conceptions of evolution and the spontaneous formation of an order were at last clearly formulated. ... A nineteenth-century social theorist who needed Darwin to teach him the idea of evolution was not worth his salt.' This entirely underestimates Darwin's unique contribution and the intellectual scale of the Darwinian revolution.

This mistake led Hayek to stress order over possible disorder. I am unaware of any discussion of the possible breakdown of a spontaneous order in Hayek's work. The entire emphasis is on the emergence and stabilization of single orders, as an unintended consequence of individual actors.

Hayek's Claim That Social Evolution Is 'Lamarckian'

Hayek (1988) is far from alone from claiming that, while evolution in nature may be different, social evolution is 'Lamarckian.' For example, Richard Nelson and Sidney Winter (1982) mentioned Darwin only once (in passing) in their influential book, preferring instead to describe their approach as 'Lamarckian.' Ironically, however, the three Darwinian principles of variation, inheritance and selection are clearly manifest in their classic volume.

For several reasons, the Lamarckian label is misleading (Hodgson and Knudsen 2010). But first it must be established what is meant by Lamarckism. The most widely adopted meaning concerns the claim that acquired characters may be inherited. But what is an acquired character? If a dog catches fleas from another dog, is that the inheritance of an acquired character? Clearly not, because we all know that dogs catch fleas, and if that was Lamarckian inheritance then it would be uncontroversial.

To make sense of Lamarckism, we need to refine the concept of *inheritance*. To inherit a trait does not simply mean that it is acquired. It must

be encoded in the *genotype* or something equivalent to that in the social domain. Inheritance in this stricter sense means transmission of genetic information, or gene-like social information, from one entity to another. Lamarckism is the claim that characteristics acquired by entities can modify this information. Hence, it is impossible to specify the Lamarckian principle of inheritance of acquired characters without reference to the key concepts of *genotype* (or more generally, *replicator*) and *phenotype* (or more generally, entity or *interactor*).

Contrary to a widespread view, Lamarckism and Darwinism are not mutually exclusive. This is confirmed by inspection of the following definitions of these terms:

- (1) **Darwinism** is a general theoretical framework for understanding evolution in complex population systems, involving the inheritance of replicator instructions by individual units, a variation of replicators and interactors, and a process of selection of the interactors in a population.
- (2) **Lamarckism** is a doctrine admitting the possibility of the (genotypic/replicator-to-replicator) inheritance of acquired (phenotypic/interactor) characters by individual organisms or entities in evolutionary processes.
- (3) **Weismannism** (or neo-Darwinism) is a doctrine denying the possibility of the (genotypic/replicator-to-replicator) inheritance of acquired (phenotypic/interactor) characters by individual organisms or entities in evolutionary processes.

Leaving aside the truth or otherwise of (2) in a particular domain, clearly, (1) and (2) are logically compatible. Also (1) and (3) are logically compatible. But (2) and (3) are inconsistent: they cannot both be true in any particular domain. The truth or otherwise of (2) is a matter of both theoretical and empirical enquiry.

Furthermore, if the Lamarckian doctrine (2) were true, it would *require* (1) to complete its explanations. Richard Dawkins (1983) explained this well with the fable of a planet where Lamarckian inheritance did occur among the indigenous species. A crucial problem is that if acquired characteristics are inherited, then injuries and other impairments would be

inherited. This means that all injuries and impairments would be passed on and accumulated through the generations to the point of extinction.

For species to evolve and survive, the effects of such deleterious acquired characters must be restricted. To provide a complete explanation, we need to account for the existence of sufficiently tight limits that disallow inheritance of useless and injurious characters. The only possible explanation is via natural selection. Accordingly, Lamarckism depends on the Darwinian principle of selection in order to explain why any disastrous propensity to inherit acquired impairments does not prevail. As Dawkins (1986, 300) argues, 'the Lamarckian theory can explain adaptive improvement in evolution only by, as it were, riding on the back of the Darwinian theory.' Lamarckism, if valid in any particular domain, depends on Darwinian mechanisms of selection for evolutionary guidance.

The next step is to consider the particular mechanisms involved and whether Lamarckian inheritance is real or meaningful. In social evolution, Hayek (1973, 1979b, 1988) rightly stresses the replication of rules. Nelson and Winter (1982) stressed the replication of organizational routines. Hodgson and Knudsen (2010) stress rules and routines but see individual habits as foundational to them both.

A habit is a disposition to engage in previously adopted or acquired behaviour (including patterns of thought) that is triggered by an appropriate stimulus or context. Habits are influenced by prior activity and have durable, self-sustaining qualities.

The process of habit replication relies on behavioural imitation. In all cases of habit replication, the mechanism of replication goes through the interactor (i.e. the human individual). Unlike genes in biology, there is no direct copying from replicator to replicator (i.e. from habitual disposition to habitual disposition).

At first sight this seems very Lamarckian because as we repeat the behaviour of our teacher, we develop the appropriate habits, our acquired behaviour (copied from another) gets encoded in our own habits. Our habit replicators change because we acquire a behavioural characteristic.

But the indirectness of habit replication creates problems for the Lamarckian story. The Lamarckian link (from our behaviour to our habit) is a causal cul-de-sac. All it does is ensure that we retain the capacity to

repeat the behaviour. The Lamarckian link plays no part itself in the inheritance process. This is very different from any imagined Lamarckian process in the biological sphere, where replicators get copied directly. That is another reason why the Lamarckian description in the social sphere is misleading rather than strictly wrong. Ironically, the Lamarckian concept is more meaningful in the biological sphere, despite its general invalidity in that domain.

Hayek's Concepts of Rule and Instinct

Because both concepts are related, we start with Hayek's central concept of a rule and then move towards his understanding of instinct. Hayek (1967, 67) saw a rule as 'a regularity of the conduct of individuals ... irrespective of whether such a rule is 'known' to the individuals in any other sense than they normally act in accordance with it.'

Despite his long-standing opposition to behaviourism in psychology, Hayek's definition of a rule has some behaviourist features. While behaviourism eschewed matters of consciousness and intent, Hayek generally neglected matters of conscious knowledge of, or intent in following, any rule. Roland Kley (1994, 44) has rightly criticized Hayek's inclusion of instincts in his overly broad definition of a rule:

Hayek flatly equates rule-following with behavioural regularity ... Such a conception of rule-following is far too broad. It commits Hayek, for example, to regard all regular bodily functions as resulting from the observance of rules. But obviously the pulsation of the heart or regular eyelid movements are not instances of rule-following.

Hayek did not say much about the grounding of such rules in habits or instincts. Instead, as noted above, he developed an explanation of the selection of social rules through the selection of the fitter social groups. What sustains the rule and gives it some durability through time? Hayek did not give us a sufficiently clear answer, but in discussing the process of cultural transmission, he put emphasis on the role of imitation (Hayek 1967, 46–8; 1979b, 155–7; 1988, 21, 24).

This might help to explain how behavioural regularities are reproduced but we still lack a causal explanation of imitation and rule-following itself. What are the mechanisms involved in the genesis of action: the transformation of a rule into an act? Hayek (1967, 69) wrote vaguely of the 'external stimulus' and the 'internal drive,' without giving us much more to go on. There is another unfilled gap in his theory. Hayek did not emphasize the instinctive foundation of imitative capacities.

Hayek argued that the possibility of rule replication through imitation accounts for the much faster rate of cultural evolution, compared with the sluggish biotic processes of genetic change and selection. Genetic evolution, Hayek (1988, 16) rightly argued, is 'far too slow' to account for the rapid development of civilization. Instead, new practices were spread by imitation and acquired habit. This is a valid argument concerning the nature of cultural evolution but it still does not provide us with an adequate causal story.

Turning specifically to Hayek's conception of instinct, the term is not prominent in his work. Even his overtly psychological volume, *The Sensory Order*, has a developed theory of neither instinct nor habit. Hayek (1952) therein wrote occasionally of impulses, and referred briefly to the work of James, but he did not discuss at length the nature, origin and replication of the mental dispositions that frame and connect incoming neural stimuli.

Even as Hayek developed his evolutionary account of social change, the concept of instinct did not become prominent because it was subsumed under his overly copious concept of rule. Hayek (1960, 40, 60; 1988, 17) described some instincts in negative terms, as 'ferocious' or 'beastly' and as 'more adapted to the life of a hunter than to life in civilization.'

Hayek (1979a, 93) wrote: 'Our instinct orders us to help good friends. We are all socialists emotionally.' Hayek (1979b, 165; 1988, 12) also wrote of 'instincts of solidarity and altruism' linked to a 'yearning for egalitarianism and collectivism' appropriate for the solidaristic small groups in hunter-gather communities, but inappropriate for modern complex societies.

Hayek (1979b, 161; 1988, 16–17) argued that 'practically all advance had to be achieved by infringing or repressing some of the innate rules

and replacing them by new ones which made the co-ordination of larger groups possible' and this 'gradual replacement of innate responses by learnt rules increasingly distinguished man from other animals.' In the group of undesirable impulses requiring repression, Hayek includes not only our allegedly instinctive beastliness and ferocity but also our *atavistic* instincts for 'egalitarianism and collectivism.' According to Hayek, civilization advances by the repression of several instincts.

Interestingly, this again puts Hayek at odds with Darwin. Referring to the early French geologist George Cuvier, Darwin (1871, vol. 1, 37) wrote: 'Cuvier maintained that instinct and intelligence stand in an inverse ratio to each other; and some have thought that the intellectual facilities of the higher animals have been gradually developed from their instincts. But ... no such inverse ratio really exists.' Instead, Darwin argued that instinct was the foundation of intelligence (Plotkin 1994).

Inspired by Darwin, this perspective was developed by the institutional economist Thorstein Veblen. Veblen (1914, 2–3) argued that an 'inquiry into institutions will address itself to the growth of habits and conventions, as conditioned by the material environment and by the innate and persistent propensities of human nature.' He continued: 'for these propensities, as they take effect in the give and take of cultural growth, no better designation than the time-worn 'instinct' is available.' Veblen (1914, 13) upheld that 'instincts are hereditary traits.' Throughout his writings, Veblen generally saw instinct as an 'innate and persistent' propensity. He distinguished it from habit, which is a propensity that is moulded by environmental circumstances.

However, for Veblen, instincts were not mere impulses. All instincts involve intelligence, and the manifestation of many instincts means the presence of an intention behind the act. As Veblen (1914, 3, 32) insisted: 'Instinctive action is teleological, consciously so ... All instinctive action is intelligent and teleological.' He regarded instincts as consciously directed towards ends and as part of the apparatus of reason. Veblen (1914, 5–6) wrote:

The ends of life, then, the purposes to be achieved, are assigned by man's instinctive proclivities; but the ways and means of accomplishing those things which the instinctive proclivities so make worthwhile are a matter of

intelligence. It is a distinctive mark of mankind that the working-out of the instinctive proclivities of the race is guided by intelligence to a degree not approached by other animals. But the dependence of the race on its endowment of instincts is no less absolute for this intervention of intelligence; since it is only by the prompting of instinct that reflection and deliberation come to be so employed, and since instinct also governs the scope and method of intelligence in all this employment of it.

While Veblen saw instincts as a necessary foundation for all thought and behaviour, Hayek limited his discussion of these inherited impulses and never acknowledged their indispensable role in human cognition and action. In particular, while Veblen saw reason as itself requiring instinct to function, Hayek saw reason and instinct as mutually exclusive rather than complementary and often at odds with each other.

On this point, Hayek was closer to the sociologist Émile Durkheim. Durkheim (1984, 262, 284) wrote in 1893 that: 'It is indeed proven that intelligence and instinct always vary in inverse proportion to each other ... the advance of consciousness is inversely proportional to that of the instinct.' In contrast to Darwin and Veblen, Hayek continued in the tradition of Cuvier and Durkheim, by regarding human progress and the use of instinct as inversely correlated.

Kinji Imanishi was right to suggest that Hayek's definition of *instinct* is too vague. In addition, his concept of *rule* is over-capacious. Imanishi also rightly criticized Hayek's association of instinct with primitive, unintelligent impulses. But while Imanishi was right to point out that it is difficult to distinguish between innate and acquired dispositions, it is nevertheless necessary to do so, at least conceptually. But apparently, Imanishi was too much of a positivist and a behaviourist, who focused too much on overt behaviours and too little on underlying causes, to see this.

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