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Laissez-Faire Individualism and Its Descent into Ideology in the US, from the Interwar Period to 1960

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INTRODUCTION

The philosophical origins of contemporary American conservatism derive from multiple strands of political and economic thought. A rhetorically prominent aspect of the contemporary movement, its narrative about free markets and opposition to state intervention in the economy, had been adopted from the early *laissez-faire* individualism of the American Old Right. In the American context, this political economic orientation has typically been referred to as libertarianism. The terms, Old Right, *laissez-faire* individualism, classical liberalism, and libertarianism are more or less used in this paper interchangeably. While these terms have a distinct meaning in the American political philosophic lexicon, which differs from how they are used elsewhere, their use here will be consistent with American terminological conventions.

This article explores the ideology and political activity of some important thinkers and organizations associated with this strand of conservatism during the post-war period. Of special interest is how the synthesis of libertarianism with traditionalist (classical) conservatism has been expressed through contemporary economic and social policy discourse. Offered here is an analysis of the constituent ideas, some of the mechanisms through which *laissez-faire* capitalist ideology was deployed, and the conditions which determined how they were incorporated into a larger and more politically viable (though contradictory) narrative. The emphasis on influencing idea makers through scholarship and on using a growing network of media outlets to generate consensus through ideological habituation is now common practice by elite policy planning networks. However it was initiated by libertarian thinkers just after the World War II. Also, the conservative appropriation of the rhetoric of revolution, liberty, and anti-statism and the connection of the concept of freedom to self-interest and economic/ consumer choice was developed through the philosophy and work of the libertarians.

The present author hopes to develop a historical understanding of the American conservative movement and some of its precedent forces and ideas. This is critical given its success in shaping both policy and the political culture. Tracing the development of American libertarianism is vital for understanding its history and philosophy as distinct from traditionalist conservatism and from today's conservative movement. This article focuses on the movement's contributions to contemporary social policy discourse and its related ideologies – i.e. anti-statism, the moral work ethic, the fetish of personal responsibility/ self-

sufficiency, market fundamentalism, etc. Libertarianism was influential and vital for the success of American conservatism overall. However, the political and ideological merging of laissez-fairism and classical conservatism was not a smooth one. In fact these two formations, philosophically, are incompatible. Even so, the tenets of the American laissez-fairists, already amounting to what Karl Polanyi described as the stark utopia of the self-adjusted market, were appropriated by the New Right into a slipshod, contradictory ideology, the imperatives of which were (and continue to be) the use of the enlightenment narrative of individual liberty as a rhetorical device and the justification of the American class structure and of social and economic inequality in general.¹

CONTENDING CONSERVATISMS

The old, *laissez-faire* right would come to be known in the United States as libertarianism, and eventually became integrated into New Right or fusionist conservatism. It eschewed political and philosophical positions which supported the need for centralized power and a large state during the interwar period, including military involvement in matters of foreign affairs. Individual liberty was sacrosanct, and inequality in society was regarded as a necessary outcome of conditions where employers and workers contracted with each other freely and compensation was dependent on talent and merit. American traditionalist conservatism, in contrast, was often hostile toward the notion of mass democracy. Hierarchy in society was not necessarily regarded as the result of an economy whose functions are best left unhindered, but rather the vestige of a better time and glorious, quasi-feudal past. Religious and moral considerations were the guiding principles for this wing of conservatism. Fusionist conservatism, incorporated principles from both of these movements, and would eventually constitute what would become the New Right. Not to be confused with this political and intellectual movement, the origins of what came to be called neoconservatism was altogether different. The term, neoconservative, was first applied to a particular group of ex-progressive intellectuals who moved to the right and would eventually reject international communism, the radical student movements, and the emerging New Left in the 1950s and 1960s. While neoconservatism in some ways has remained distinct from the contemporary American right, its style and *modus operandi* would be absorbed into the larger conservative movement by the 1970s and helped make it more engaging and compelling to the general public, in part (and like the fusionists a couple decades before) by further relegating *laissez-faire* individualism to an instrumentalist ideology. American conservatism is a complex and contradictory philosophical

¹ K. Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Boston, MA: Beacon Press, [1944] 2001).

and political mongrel. The significance of its politico-philosophical synthesis, as it relates to social and economic policy, is perhaps best understood in terms of its consequences. *Laissez-faire* economics had become largely relegated to a semantic instrument employed in the service of preserving the social order and class structure. This process was initiated by the New Right and it appropriated the anti-New Dealism and anti-statism of the American Old Right.

George H. Nash saw the landscape of contending conservatisms as “divergent tendencies” consisting of

three loosely related groups: traditionalists or new conservatives, appalled by the erosion of values and the emergence of a secular, rootless, mass society; libertarians, apprehensive about the threat of the State to private enterprise and individualism; and disillusioned ex-radicals and their allies, alarmed by international Communism.²

In the early post-war period, American conservatism consisted of diverging tendencies, and the different groups were only loosely related. Ex-radicals and former progressives were brought into the conservative fold along varying stages of the movement's transformation and helped determine its direction. By the early 1950s, the various strands of conservative thought were not mutually exclusive:

Traditionalists and libertarians were usually anti-Communist, while ex-Communists generally endorsed free-market capitalism and Western traditions. Nevertheless, the impulses that comprised the developing conservative movement were clearly diverse.³

The potential political benefits of consolidating conservatives and generating a sort of ideological consensus became apparent, and the iconic conservative, William F. Buckley Jr. played a pivotal role in this process with the formation of the New Right journal of opinion, *National Review* (*NR*). Buckley's *NR* would greatly support the uniting, though not always amiably, of the diverging tendencies on the right. “Collectivism” represented to the libertarians the drive towards central planning and increased government control, which created conditions conducive for the gradual decline of individual liberty and ultimately toward totalitarianism. Conversely, to the traditionalist conservatives, it represented a concerted and combined effort through an ideology of modernist rationalism and relativism (which would also in due course result in totalitarianism) to do away with an older, wiser, and hierarchical social order. For the stalwart conservatives in each camp, Nazism, Stalinism, and New Dealism were all regarded as different forms of the same species of collectivist political

2 G. H. Nash, *The Conservative Intellectual Movement in America* (Wilmington, DE: Intercollegiate Studies Institute, 1998, p. 118.

3 Nash, *ibid.*

formation. Accordingly, government efforts toward redistribution were vehemently opposed.

THE VIRTUE OF ANARCHIC MARKETS

The years leading up to the enactment of the New Deal and especially the involvement of the US in World War II were not exactly fertile times for staunch libertarians. The authority of Keynesianism was widely accepted, and according to a Roper poll for *Fortune Magazine*, over two-thirds of the population supported government intervention in the economy and supported government programs to ensure subsistence for those with no other means.⁴ Murray Rothbard noted that the Old Right comprised the American right from the mid 1930s to approximately the mid 1950s.⁵ A common theme in the early thought and literature of the laissez-fairists during this period was the crisis of an emerging totalitarianism in democratic societies. This emergence was explained in large part by growing bureaucracies and increased restrictions on individual freedom, both largely due to the increasingly centralized power of (often well meaning) government planners. Through the 1930s, its rhetoric was radically anti-establishment but at times unabashedly elitist, eliciting the label “Tory anarchism” by later adherents and analysts. Philosophical absolutes were a prominent point of emphasis. For example, the notion of the self-regulating market was attributed to natural laws, and advocates of central planning were indicted as relativists who oppose nature itself and deny moral standards. This absolutism was pervasive across all strands of conservatism. Eventually, post-war libertarian material would become noticeably less radical. Many libertarians came to adopt traditionalist elements to their philosophies and came to collaborate politically and ideologically with traditionalist conservatives, despite philosophical incompatibility. Libertarianism placed much importance on the role of ideas in the shaping of history, and thus a battle of ideas was identified as the most appropriate response to the threat of collectivism and collectivist ideology. However, the libertarian Old Right was originally a critical reaction to an even older right, the conservatism of early nineteenth century Europe. Its philosophical premise was certainly in opposition to the power of throne and altar but was also and more generally anti-statist, anti-monopoly, and anti-big government. It was an expression of irreverence to the idea of absolute power exercised through traditional authority. In the 1930s, it regarded New Deal legislation as an expression of the state imposing tyrannical

4 Erskine, Hazel. 1975. “The Polls: Government Role in Welfare.” *The Public Opinion Quarterly*, 39(2):257-274.

5 Rothbard, Murray N. 2007. *The Betrayal of the American Right*. Auburn, AL: Ludwig von Mises Institute.

programs of redistribution on the public. Similarly, the entrance of the US into the Second World War and the onset of the cold war were understood by many libertarians as unnecessary and immoral expansions of government. To the *laissez-faire* individualists, the world had surely deviated from its proper economic and policy trajectory, but they were hardly idle during these years. While things were grim for the *laissez-faire* Old Right, it had postured itself as a feisty underdog in a battle against a modern liberal, corporate, leviathan state which was collecting and consolidating power. However, as the urgency of the global communist threat became a growing concern among conservatives, the role of free-market ideas shifted significantly as libertarians and their ideas were being folded into the larger conservative intellectual and political movements.

Rothbard and Nash present the Old Right as an embattled group whose ranks initially stuck to its convictions but then either faded away, ultimately joined the New Right in its anti-communist crusade, or held on to its individualist and isolationist position in relative obscurity come World War II and beyond.^{6, 7, 8} American political and economic commitments had curiously shifted and realigned from the inter-war period to the outbreak of World War II. The early *laissez-fairists*, like Albert Jay Nock and H.L. Mencken, didn't regard themselves as conservatives in the 1920s but later joined anti-New Deal conservatives like Herbert Hoover in opposition to the Social Security Act.^{9, 10} Though always anti-egalitarian, *laissez-faire* individualists like Mencken and Nock had allied themselves with progressives and socialists against the League of Nations, big business, and repressive government control of personal moral behavior. Mencken had founded the *American Mercury* in 1924 with George Jean Nathan, and he explained that the paper's editors would not make any claims of any one "sovereign balm" which would cure the world of its problems.¹¹ While it served as a forum for a variety of oppositional views, including those against war and imperialism, it was a sort of bastion of ideas supporting a market system free from interference from the state. In the first issue, he noted that the common belief in easy class mobility in the American system was simply untruth. While he saw this ideology for what it was, "the American national religion," he also expressed that the notion that "the interests of landlord and tenet, hangman and condemned, cat and rat are identical" is some of the "worst nonsense prevailing".¹² The market was portrayed less as a mechanism that would fulfill all of societies needs,

6 Rothbard, Murray N. 1980. "Requiem for The Old Right." LewRockwell.com, reprinted from *Inquiry*, October 27, pp. 24-27.

7 Rothbard, *op. cit.*, Ref. 6.

8 Nash, *op. cit.*, Ref. 3.

9 Rothbard, *op. cit.*, Ref. 7.

10 Rothbard, *op. cit.*, Ref. 6.

11 Mencken, H.L. 1924. "Editorial." *American Mercury*, January.

12 Rothbard, *ibid.*

but rather one which would preserve natural inequalities and distribute resources based on natural faculties. Zoologist and social Darwinist H.M. Parshley wrote in an early issue that the “teaching of modern biology is ...diametrically opposed to the abolition of free competition, as implied, for instance, in giving undue assistance to the weak at the expense of the strong or in maintaining uniform wages for variable workmen.”¹³ Another article described the division of labor in capitalism, its hierarchical structure, and system of unequal rewards as a system that works. It explained that “while it may not be fit for Paradise, it is certainly good enough for this earth. ...Its weaknesses are mainly the weaknesses of *Homo sapiens*”.¹⁴

Nock co-founded and edited *The Freeman*, along with Francis Neilson, from 1920-1924. Nock considered himself an individualist and radical, writing in the tradition of Herbert Spencer. While *The Freeman* also provided a venue for a variety of writers who were oppositionists and considered leftists, Nock described himself and the magazine as friends of the capitalist.¹⁵ Many of the weekly’s contributors hailed the benefits of a system where the capitalist and worker were co-partners, not adversaries, in the realm of production.¹⁶ However, Nock was opposed to big business and warned that not all capitalists should be regarded as monopolists, for it is “the monopolist who is the real enemy of both capital and labor.”¹⁷ Nock argued that competition, not the struggles of labor unions, should determine wages as per the laws of the market and that the duty of the radical is to recognize that monopoly, not a need for arbitrary redistribution, is the true root of social problems.¹⁸ At this period of his writing, he identified conservatism (in the form of traditional authority) as deeply problematic, seeing among the leadership of Soviet Russia the same conservative features as those in the American state which assisted monopolists in amassing their great fortunes. In his first column of the *American Mercury* after Mencken had resigned editorship, Nock had identified the New Deal as a continuation of prohibition and government aid to big business.¹⁹ In addition, he argued that the issue of relief is one for which no society is solvent enough to work out. He reflects in his *Journal of Forgotten Days* that “no country was ever yet rich enough to feed all its idle people, nor is ours”.²⁰ In this work, he laments that the only political debate on the New Deal at that time was not about its legitimacy, but rather quibbling over who will be

13 Parshley, H.M. 1924. “Heredity and the Uplift.” *American Mercury*, February.

14 Dreher, Carl. 1925. “The Psychopathology of Business.” *American Mercury*, April.

15 Nock, Albert Jay. 1920. “The Radical’s First Concern.” *The Freeman*, June 30.

16 Nock, *ibid.*

17 Nock, *ibid.*, p. 38.

18 Nock, *ibid.*

19 Rothbard, *ob. cit.*, Ref. 6.

20 A. J. Nock, *Journal of Forgotten Days: May 1934–October 1935* (Hinsdale, IL: Henry Regnery Company, 1948), p. 61.

fortunate enough to operate the levers of power in administering it.²¹ What became a perfunctory and omnipresent aspect of American social life, Nock saw the New Deal as an extension of the tyranny of state power, and along with fascism, Nazism, and Stalinism, it was part of the same tendency of centralized power to act as an impediment to individual liberty.²² In his memoirs, Nock wondered how many “plain people” in the US “would know that Communism, the New Deal, Fascism, Nazism are merely so many trade names for collectivist Statism, like the trade names for tooth-pastes which are all exactly alike except for the flavouring [sic].”²³

The landscape of tendencies which would eventually come to be called the conservative movement was divided, embittered, and had undergone a series of chaotic realignments and consolidations leading up to the Second World War. Realignments and regroupings among the free-marketers had come out of a range of strategic considerations, acts of desperation, and feelings of despondency and betrayal. Against the New Deal, many *laissez-faire* individualists felt that there was no choice but to join “the conservatives, monopolists, Hooverites, etc., whom they had previously despised.”^{24, 25} Consider Nock’s comments on Hoover’s anti-New Deal book, *The Challenge to Liberty*: “Think of a book on such a subject, by such a man! It makes one wonder how many people in this country would read a treatise on liberty, written by a disinterested hand.”²⁶ The joining of former allies and collaborators on the left to the New Deal coalition, like the American Communist Party during the Popular Front period, left many *laissez-faire* individualists feeling astonished and resentful. Since many libertarians were critics of US intervention in the war, charges were made by former collaborators who became supporters of the war effort that the isolationism of the *laissez-fairists* was reactionary and akin to fascism. Thus, many early libertarians found themselves forming a coalition with strange bedfellows, particularly conservative Republicans, who in their view were partly responsible for creating the conditions in which the New Deal became possible.^{27, 28}

In the early post war period, libertarians were scattered, unorganized, and were speaking about the dangers of collectivism during a time when Americans were optimistic and confident that the New Deal had been instrumental in raising the living standard of destitute citizens during the hardest of times. The early libertarians were isolationists, despite the Allied victory in World War II and the

21 Nock, *ibid.*

22 Nock, *ibid.*

23 A. J. Nock, *Memoirs of a Superfluous Man* (New York: Harper and Brothers, 1943), p. 167.

24 Rothbard, *op. cit.*, Ref. 7.

25 Rothbard, *op. cit.* Ref. 6.

26 Nock, *op. cit.*, Ref. 21, p. 33.

27 Rothbard, *op. cit.*, Ref. 7.

28 Rothbard, *op. cit.*, Ref. 6.

war's role in salvaging the economy. As a consensus was emerging around the New Deal and Roosevelt's drive to war was ensuing, the American political and ideological spectrum was restructured. Opponents of the war who were previously on the left found themselves castigated as reactionaries and anti-Semites.^{29, 30} Isolationist libertarians, such as Mencken, Nock, and Nock's protégé, Frank Chodorov, had been diminished in their access to getting their ideas out because of their opposition to the war effort. Mencken had withdrawn from political commentary and Nock and Mencken were no longer writing for the *American Mercury* after the paper lost its libertarian and isolationist editor in 1939.³¹ Chodorov was terminated as director of the Henry George School in New York for maintaining anti-war views. Anti-war progressives found political allies among conservative, isolationist Mid-Western *laissez-faire* Republicans, e.g. Robert Taft of Ohio and Howard Buffet of Nebraska (father of billionaire, Warren Buffett). Many who were not before would come to consider themselves conservative after being chastised as such for so long. The American Communist Party's support of the war, except for the period of the Stalin-Hitler Pact, and their charges against isolationists (both conservative and non-conservative) as "conscious fascists" helped stoke a resentment which would later help push many who were leaning toward the left, like John Chamberlain and Frank Meyer, toward the anti-communists right.³² This period had ushered in US intervention in a bloody foreign war, an economy with more domestic regulation, a stronger American state, and millions of military draftees, resulting in the alienation of those who considered themselves isolationists and classical liberals and who gradually came to identify with the political right.³³ This was a bleak time for the libertarians, and for many in this tradition, the old New Deal left was enjoying a sort of heyday.

PLANNING AS CATALYST FOR "ABSOLUTISM AND DICTATORSHIP"

This bleak political circumstance would gradually change, however. By the early 1940s, *laissez-faire* individualism provided a framework to identify the causes of the war and the emergence of fascist and totalitarian regimes. These claims were grandly theoretical and inadequately based on empirical scholarship. Rather, the axiom, collectivism equals tyranny, was held as an *a priori* truth used to interpret all social and political realities where there was state planning and intervention of virtually any kind. Friedrich von Hayek's *Road to Serfdom*,

29 Rothbard, *op. cit.*, Ref. 7.

30 Rothbard, *op. cit.*, Ref. 6.

31 Rothbard, *ibid.*

32 Rothbard, *ibid.*, p. 41.

33 Nash, *op. cit.*, Ref. 3.

published in 1944, was unexpectedly popular in its day and was influential to many who would become important figures in the American conservative movement. Along with von Mises' less popular *Bureaucracy, Road to Serfdom* was a major inspiration for future *NR* columnist Russell Kirk.³⁴ While Kirk's views were solidly isolationist and *laissez-faire* through World War II, like Buckley, he would later become a leader of the intellectual New Right and disavow many basic libertarian principles. Hayek's book was also instrumental in converting many former socialists to individualism/ capitalism. Among them were John Chamberlain, a leading leftist writer in the 1930s, and Frank Meyer, who became one of the many ex-communists that became virulent proponents of anti-communism.^{35, 36} Both would become central figures at *NR*. While Chodorov, Rothbard, and other staunch *laissez-faire* individualists felt that Hayek's book was reformist and did not go far enough, *Reader's Digest* had condensed the book for its readership and the *Hearst Papers* published it as a serial.^{37, 38}

The American release of Hayek's book was a monumental event for a modest resurgence of classical liberalism in the there. It sparked both curiosity and outrage among its readers. The book became regular assigned reading on American college campuses and, in von Mises' words, "within a few weeks the small book became a best seller and was translated into all civilized languages."³⁹ The book raised more than a few eyebrows, and its popularity in America shocked Hayek himself. Nash's discussion of the contradictory though intense reaction is informative. He speculates that the harsh and widespread criticism of the book from disparate and numerous sources in the US could have been caused in part by the fact that the idea of a "new kind of rationally constructed society" had still seemed novel for many Americans, and to criticize the New Deal project was to criticize something nearly sacred.⁴⁰ On the other hand, he offers that its positive resonance with many Americans could possibly be credited to the New Deal consensus never fully solidifying.⁴¹ Either way, to von Hayek, his cohorts, and his followers, this rationally constructed society was an illusion. It was not the aim of central planning or socialism which he took issue with, but the means by which its aims were sought out. Hayek wrote that since "it may...seem unfair to use the term 'socialism' to describe its methods rather than its aims...it is

34 Nash, *ibid*.

35 Nash, *ibid*.

36 Rothbard, *op. cit.*, Ref. 6.

37 Nash, *op. cit.*, Ref. 3.

38 Rothbard, *op. cit.*, Ref. 6.

39 L. von Mises, 'Tribute to F A. von Hayek by Ludwig von Mises', Ludwig von Mises Institute (1962), retrieved November 10, 2008 (<http://mises.org/misestributes/misesonhayek.asp>), ¶11.

40 Nash, *op. cit.*, Ref. 3, p. 6.

41 Nash, *ibid*.

probably preferable to describe the methods which can be used for a great variety of ends as collectivism and to regard socialism as a species of that genus.”⁴² Therefore, “collectivism” describes market interventions and planning in general. For Hayek, collectivism represented nothing less than the suppression of freedom. The nuances and differing objectives between the different varieties were not important:

The various kinds of collectivism, communism, fascism, etc., differ among themselves in the nature of the goal toward which they want to direct the efforts of society. But they all differ from [classical] liberalism and individualism in wanting to organize the whole of society and all its resources for this unitary end and in refusing to recognize autonomous spheres in which the ends of the individuals are supreme. In short, *they are totalitarian* in the true sense of this new word which we have adopted to describe the unexpected but nevertheless inseparable manifestations of what in theory we call collectivism.⁴³

Hayek’s book and its dramatic reception put some wind in the sails of the Old Right, whose ideas at that time were less than popular. The *laissez-faire*, Old Right tended to regard the workings of the market and Adam Smith’s concept of the invisible hand as sacrosanct principles with applications not just within the realm of economics but in society as well. A year after *Road to Serfdom*, von Hayek would elaborate the belief that economic principles are themselves rooted in nature, and are applicable beyond the economic realm. He argued with regard to the price system that it was the “economic calculus” which coordinates the “separate actions of different people in the same way as subjective values help the individual to co-ordinate the parts of his plan.”⁴⁴ In order for its real function to be understood, the price system must be regarded as a means of information transmission.⁴⁵ As a product of knowledge and its processes often operating beyond the level of consciousness, his argument situates the price mechanism within human nature itself.⁴⁶ Remarkably reminiscent of George Herbert Mead’s concept of self-imposed social control of the individual through taking the role of the other, von Hayek argued that

42 F. A. von Hayek, *The Road to Serfdom*, (Chicago, IL: The University of Chicago Press, 1969), p. 33.

43 Hayek, *ibid.*, p. 56 (my italics).

44 F. A. von Hayek, ‘The Use of Knowledge in Society’, *The Virtual School*, ¶20 reprinted from the *American Economic Review*, 35(4) (1945), pp. 519-30, retrieved November 12, 2008 (<http://www.virtualschool.edu/mon/Economics/HayekUseOfKnowledge.html>).

45 Hayek, *ibid.*

46 Hayek, *ibid.*

the problem is precisely how to extend the span of our utilization of resources beyond the span of the control of any one mind; and therefore, how to dispense with the need of conscious control, and how to provide inducements which will make the individuals do the desirable things without anyone having to tell them what to do.⁴⁷

Though von Mises had been Chief Economic Advisor to the Austrian Government in the 1920s and his business cycle theory had been adopted by many of the younger English economists in the early 1930s to explain the American Great Depression, his work had become largely forgotten by the late 1930s amidst the Keynesian revolution.^{48, 49} He did not make the splash that Hayek had, but nonetheless, for the Old Right, his great efforts were part of a small upsurge in libertarian thought. His *Omnipotent Government* was published in 1944 (along with his book, *Bureaucracy*), and was being read at Columbia University at that time as a counter-position to Franz Neumann's *Behemoth*.⁵⁰ National Socialism, argued von Mises, was a by-product and modification of central planning and socialism.⁵¹ Conversely, Neumann held that adequate legal restrictions were not enacted by the German state and therefore the growth of monopolies went on unfettered.⁵² Neumann concluded that National Socialism was thus a totalitarian variant of monopoly capitalism.⁵³ Contrary to Neumann and consistent with Hayek's prognosis, von Mises wrote that "every step which leads from capitalism towards planning is necessarily a step nearer to absolutism and dictatorship."⁵⁴

Mises' nearly 1000 page tome, *Human Action*, was published in 1949 and was received by many in the movement as a sort of "capitalist manifesto."⁵⁵ While Karl Polanyi's widely read, *The Great Transformation* argued that the advent of machines and mechanized production gave rise to the ideology of the self-regulating market, in *Human Action* von Mises saw the process as the

47 Hayek, *ibid.*, ¶23.

48 M. N. Rothbard, 'Ludwig von Mises (1881-1973)', The Ludwig von Mises Institute (N.d.), retrieved November 13, 2008 (<http://mises.org/about/3248>).

49 Rothbard, *op. cit.*, Ref. 6.

50 Rothbard, *ibid.*

51 L. von Mises, *Omnipotent Government: The Rise of the Total State and Total War*,

(New Haven, CT: Yale University Press, 1944).

52 F. Neumann, *Behemoth: The Structure and Practice of National Socialism* (New York: Octagon Books, Inc., [1944] 1963).

53 Neumann, *ibid.*

54 Mises, *op. cit.*, Ref. 52, p. 53.

55 Nash, *op. cit.*, Ref. 3, p. 9.

reverse.⁵⁶ He argued that the technological achievements leading to the industrial revolution had been the consequence of the innovations and efforts of the *laissez-faire* economic theorists.⁵⁷ The Marxian identification of *laissez-faire* principals as part of the “ideological superstructure” of the capitalist mode of production and its assumption that the improvement of the engines of production were simply contemporaneous with the doctrine of the free-market were viewed by von Mises as inaccurate.⁵⁸ Also in his analysis, he credited the “*laissez-faire* methods of the past” with the advent of the shorter workday and the higher standard of living of US workers compared to those of other societies, methods which refrained from interfering with capitalism’s “evolution.”⁵⁹ Government and reformers were not identified as the historical thrust for these social transformations, and like Hayek, he attached the blame for the emergence of “aggressive nationalism” on collectivism and central planning.⁶⁰ Central planning can only result from the despotic consolidation of power and thus promotes the emergence of conflicts “for which no peaceful solution can be found,” since such peaceful resolutions are only possible through a world government constituted by absolute free trade and free-markets.⁶¹ The utopianism of von Mises’ framework is especially evident in his apologia for imperialism and his description of social conditions in a society where capitalism is left unfettered. He argued that, “It is false to blame the European powers for the poverty of the masses in their colonial empires. In investing capital, the foreign rulers did all they could for an improvement in material well-being.”⁶² Rather, he explains, it is the fault of the colonized who are not willing to leave traditional beliefs behind and accept the capitalism which is being offered to them. To be fair, von Mises assumed that these societies would struggle for their independence, but his assumption that European colonizers were engaging in nation building efforts is at best naïve.⁶³ In envisioning a society with “unhampered capitalism,” he foresees that there would no longer be a question of poverty as it exists in “backwards” nations; such a capitalist utopia would create a society in which “there are no able-bodied paupers.”⁶⁴ Throughout *Human Action*, von Mises discounts what he viewed as myth, e.g. Marxism, metaphysical superstition, and social scientific methodologies which claim to result in complete understanding. While any

56 Polanyi, *op. cit.*, Ref. 2.

57 L. von Mises, *Human Action: A Treatise on Economics* (San Francisco, CA: Fox and Wilkes, [1949] 1996).

58 Mises, *ibid.*, p. 9.

59 Mises, *ibid.*, p. 741.

60 Mises, *ibid.*, p. 819.

61 Mises, *ibid.*, p. 819-820.

62 Mises, *ibid.*, p. 832.

63 Mises, *ibid.*

64 Mises, *ibid.*, p. 832.

methodological claim of ultimate knowledge is immediately false, Von Mises' view of unhampered capitalism as a "logically incontestable procedure" presents itself as pure metaphysics.⁶⁵

The pressures of war further isolated and split libertarian scholars, not just in terms of their views towards government involvement in foreign wars but also in terms of their proximity to each other. The war had left classical liberalism in a feeble and disorganized state. There was a need to regroup and organize a political strategy. By 1945, von Hayek would begin to advocate for and plan the formation of an international organization to meet annually to provide a forum for the exchange of ideas for like-minded libertarian scholars. The effort would prove to be fruitful, but was predicated on contradictory principles. While heavy on rhetoric which warned of the evils of collectivism/central planning, nuances of the program continued to move away from an unadulterated *laissez-faire*, free-market position. The Acton-Tocqueville Society was the name proposed by von Hayek, but after objections by von Mises during the group's first meeting, they took the name of the spa where the meeting took place, Mont Pelerin.⁶⁶ Hayek, in an August 1945 memorandum, explained his partiality to Lord Acton and Alexis de Tocqueville's political philosophies, for which he identifies a "kinship" with the "ideas of Edmund Burke."⁶⁷ In Burke, we find an early modern, and reluctant, expression of the possibility for reconciliation between classical conservative and classical liberal ideals in response to the brutality of the French Revolution, i.e. an acknowledged legitimacy of claims to individual freedom and liberty but also deference and respect toward the old, hierarchical, order.⁶⁸ So it was with trepidation that Burke wrote of the victors of the French Revolution, "... They may do what they please: We ought to see what it will please them to do before we risque [sic] congratulations."⁶⁹ Hayek was careful to indicate that he did not want to apply Burke's philosophy as a whole, but rather his "wisdom purged of its excrescences [sic] and developed in the light of the experience of the last century."⁷⁰ Just which aspects he intended to retain and which to discard as excrescences is not totally clear, but Hayek's intention of using political philosophers with an intellectual heritage in the thought of Burke for the namesake of his new organization is not insignificant. While the Acton-Tocqueville Society name was disposed of, its choice by von Hayek, especially that of Acton is revealing. He saw in this work the elevation of "Burkean

65 Mises, *ibid.*, p. 239.

66 H. Hazlitt, 'The Mont Pelerin Society', *The Freeman* (November 2004), p. 37-38.

67 F. A. von Hayek Papers, Stanford University, Hoover Institution, Box 61, Folder 8.

68 E. Burke, *Reflections on the Revolution in France* (New York: Penguin Books USA, Inc.).

69 Burke, *Ibid.*, p. 91.

70 Hayek Papers, *op. cit.*, Ref 68, Box 61, Folder 8.

philosophy to the highest point it has yet reached.”⁷¹ While contradictory, this choice was a gesture of readiness to accept “legitimate” government authority and perhaps a socio-political formation based on traditional or even religious conviction. We find in the work of Acton the predominance of the “collective will” or “free will of the collective people” over “every man’s free will.”⁷² In God and in His will, Acton identified a “will superior to the collective will of man,” which was made known by the ancients.⁷³ Ultimately, he resolved that Christ’s words during his last visit to the temple three days prior to his crucifixion – “Render unto Caesar the things that are Caesar’s, and unto God the things that are God’s,” – were a symbolic “repudiation of absolutism” and an “inauguration of freedom.”⁷⁴ Here, a christening of sorts of civil governance i.e. a legitimate collective will over individuals, is recognized as the source of its legitimacy. This is not to cast Acton as a conservative (in the classical sense), but rather to highlight elements of what would become the ideology of neoliberalism which disclose its inner contradictions. Rothbard’s articulation of this contradiction is informative.⁷⁵ Remembering a debate he had while in graduate school with leftist friends, Rothbard acknowledged a valid challenge made to his *laissez-faire* position which pushed him toward the opposite philosophic pole from von Hayek:

They: What is the legitimate basis for your *laissez-faire* government, for this political entity confined solely to defending person and property?

[Rothbard]: Well, the people get together and decide to establish such a government.

They: But if “the people” can do that, why can’t they do exactly the same thing and get together to choose a government that will build steel plants, dams, etc.?

I [Rothbard] realized in a flash that their logic was impeccable, that *laissez-faire* was logically untenable, and that either I had to become a liberal, or move onward into anarchism.⁷⁶

In calling for the formation of his proposed organization, von Hayek exhibited a calamitous and urgent tone. Hayek argued that civilization was in danger and that there was an urgent need for a common effort to reconsider our moral and political values and to sort out those which must in all circumstances be preserved and never sacrificed

71 Hayek Papers, *ibid.*, Box 61, Folder 9.

72 J. E. D. Acton, *The History of Freedom and Other Essays* (New York: Cosimo, Inc, 2005), pp. 24, 94.

73 Acton, *ibid.*, p. 24.

74 Acton, *ibid.*, p. 29.

75 Rothbard, *op. cit.*, Ref. 6.

76 Rothbard, *ibid.*, p. 74.

or endangered for some other ‘advances’, and a deliberate effort to make people aware of the values which they take for granted as the air they breathe and which may yet be endangered if no deliberate effort is made to preserve them.⁷⁷

In terms of organizational structure, von Hayek had in mind the carrying out of the task of providing “channels and facilities of communication, of bringing together the people whose common outlook and interests make fruitful collaboration possible.”⁷⁸ These same points were highlighted at an October 1946 talk von Hayek gave at Stanford University. He warned of the “serious dangers on the path on which we are moving,” that if nothing was done the “gradual advance of totalitarian control” would not be prevented.⁷⁹ Democratic countries were in some ways in more jeopardy than the “ex-belligerent countries” because the libertarian intellectuals from the formerly totalitarian societies understood the mechanism by which totalitarian regimentation emerged.⁸⁰ Americans, he argued, felt falsely secure from the “horrors of totalitarian government,” and that the commonly held opinion was the same in Europe prior to the rise of fascism.⁸¹ For von Hayek, a state of opinion which reflected a hopefulness that the government had an important role to play in ensuring a minimal standard of living was evoking government control for a desirable outcome but was “bound to lead us into a system where the government controls everything.”⁸² In an effort to vilify the New Deal and government planning during the same speech, he quoted Rexford Tugwell and generalized that what “American ‘planners’ have in store for you” is Soviet-style totalitarianism.⁸³ But as the “American would-be-dictators” were not taken seriously as a threat, he advocated for a collaborative, international effort including intellectuals from those countries where momentum toward totalitarianism was greater and more advanced.⁸⁴ Thus he announced his intention of forming an organization “half-way between a scholarly association and a political society” with its “most urgent task” of bringing together intellectuals who have taken on the common undertaking of “elaborating a workable philosophy for a free society.”⁸⁵

“THE REASSERTING OF VALID IDEAS”

77 Hayek Papers, *op. cit.*, Ref. 68, Box 61, Folder 8.

78 Hayek Papers, *ibid.*, Box 61, Folder 8.

79 Hayek Papers, *ibid.*, Box 69, Folder 9.

80 Hayek Papers, *ibid.*, Box 69, Folder 9.

81 Hayek Papers, *ibid.*, Box 69, Folder 9.

82 Hayek Papers, *ibid.*, Box 69, Folder 9.

83 Hayek Papers, *ibid.*, Box 69, Folder 9.

84 Hayek Papers, *ibid.*, Box 69, Folder 9.

85 Hayek Papers, *ibid.*, Box 69, Folder 9.

From April 1-April 10, 1947, a group of classical liberal intellectuals, revolving around von Hayek and including von Mises and Milton Friedman, convened in the Swiss Alps to exchange ideas and attempt to collectively strengthen the position of their movement.^{86, 87, 88} This event and the resultant organization which arose was effectively the first think tank committed to researching and advocating, through the production and deployment of ideas, libertarian principles. The Mont Pelerin Society had convened its first meeting. On the ropes and weak compared to Keynesian state-based interventionist economics, the laissez-fairists met in an atmosphere of crisis and gloom. In the two years leading up to that first meeting, von Hayek spelled out early the measures which needed to be taken for him and his colleagues to fulfill their mission. Although he claimed the group would refrain from propagandizing or affiliating itself with any particular party, he said of the Mont Pelerin Society, "It's aim must remain directed towards creating a state of public opinion in which the desirable will be possible rather than at finding out what is possible in the existing state of opinion."⁸⁹ He stated that the task of the organization could well be considered "educational," since the effort would be "to cultivate and to spread beliefs which would have to achieve wide support if the sort of world most people want is to become a possibility."⁹⁰ After all, this is how the statist and central planners, in his view, had successfully created the prevailing state of affairs during that time, i.e. how the "new philosophy of government... [had] penetrated every-day thinking."⁹¹ Thus, when the "intellectual struggle to develop" free-market ideas comes to a halt, the battle has been lost; "a stationary creed is a dying creed."⁹² The economists, philosophers, historians, and other figures that had joined von Hayek in the Swiss Alps agreed on the following statement of aims:

The central values of civilization are in danger. Over large stretches of the earth's surface the essential conditions of human dignity and freedom have already disappeared. In others they are under constant menace from the development of current tendencies of policy. The position of the individual and the voluntary group are progressively undermined by extensions of arbitrary power. Even that most precious possession of Western Man, freedom of

86 Nash, *op. cit.*, Ref. 3.

87 Hazlitt, *op. cit.*, Ref. 67

88 D. Harvey, *A Brief History of Neoliberalism* (New York: Oxford University Press, 2005).

89 Hayek Papers, *op. cit.*, Ref. 68, Box 61, Folder 8.

90 Hayek Papers, *ibid.*, Box 61, Folder 8.

91 Hayek Papers, *ibid.*, Box 69, Folder 9.

92 Hayek Papers, *ibid.*, Box 69, Folder 9.

thought and expression, is threatened by the spread of creeds which, claiming the privilege of tolerance when in the position of a minority, seek only to establish a position of power in which they can suppress and obliterate all views but their own.

The group holds that these developments have been fostered by the growth of a view of history which denies all absolute moral standards and by the growth of theories which question the desirability of the rule of law. It holds further that they have been fostered by a decline of belief in private property and the competitive market; for without the diffused power and initiative associated with these institutions it is difficult to imagine a society in which freedom may be effectively preserved.⁹³

Before listing the matters the Mont Pelerin Society would chiefly address, the statement read that an “essentially ideological movement” is threatening civilization and it “must be met by intellectual argument and the reassertion of valid ideals.”⁹⁴ In other words, an ideological counter offensive was necessary. In a statement made during the conference, von Hayek indicted the teaching and interpretation of history during the previous two generations with the crime of spreading “essentially anti-[classical] liberal conceptions of human affairs.”⁹⁵ He argued that this teaching of history had incorrectly attributed social change with historical advancement even when the transformations taking place were impeding of liberty.⁹⁶ Further, the historical approach denied all moral standards by way of historical relativism, emphasized social movements instead of individual achievement in explaining historical transformation, and highlighted historical necessity rather than the power of ideas in shaping the future.⁹⁷ In short, a metaphysical conception of economic rationality was proposed over and against historical and materialist reasoning. The crisis faced by the libertarians was perceived as an ideological one, and the model for engagement provided by the Mont Pelerin Society would come to influence others who would go on to create similar organizations, including the conservative, pro-capital think tanks which would come to heavily influence policy decisions in the US around various issues, including health care, education, and welfare. The *laissez-faire* rhetoric of the libertarians would later prove to be effective in attacking and dismantling the

93 Hayek Papers, *ibid.*, Box 71, Folder 3.

94 Hayek Papers, *ibid.*, Box 71, Folder 3.

95 Hayek Papers, *ibid.*, Box 61, Folder 10.

96 Hayek Papers, *ibid.*, Box 61, Folder 10.

97 Hayek Papers, *ibid.*, Box 61, Folder 10.

social, philosophical, and economic bases on which the welfare states of the United Kingdom and especially the US had been constructed.

Many important figures would follow von Hayek's prescriptions and turn to utopian intellectualism and the power of ideas instead of politics.⁹⁸ At von Hayek's advice, Leonard E. Read founded the Foundation for Economic Excellence (FEE) in 1946. The FEE would serve as a central forum around which libertarians would be attracted and brought into the movement.⁹⁹ It was Cornell economist, F.A. Harper, who had led the first group of libertarian economists at the FEE.¹⁰⁰ Read had assured Harper that the foundation would serve as a research institute or think tank for advanced libertarian scholarship.¹⁰¹ Harper was particularly open to mentoring newcomers to the libertarian movement and to the FEE. The foundation offered to those on its mailing list (28,712 people by the summer of 1952 and roughly 50,000 by the late 1950s and beyond) a growing assortment of libertarian literature.¹⁰² Its staff included von Mises, and Read was in regular correspondence with and advised by von Hayek, Ayn Rand, and other advocates of *laissez-faire*, classical liberal thought who were growing in prominence. The FEE provided libertarians with a forum and sanctuary during a low point for *laissez-faire* ideas. Highlighting the absolutism in the philosophical framework of free-market ideology, Read would write what would become an iconic essay, which would later be used by Milton Friedman in his television show and Book, *Free to Choose*. In this 1958 pamphlet, Read gives us an example of true *laissez-faire* piety – a Genesis narrative of a commodity, the pencil. He writes that the reader should “have faith that free men and women will respond to the Invisible Hand. This faith will be confirmed. I, Pencil, seemingly simple though I am, offer the miracle of my creation as testimony that this is a practical faith, as practical as the sun, the rain, a cedar tree, the good earth.”¹⁰³ Interestingly, at the time he wrote his pamphlet about the pencil, he would have conceded some of his more militant *laissez-faire* tenets. In 1954, he would write a booklet which created a stir at the FEE among the more radical free-marketers and which to many of the foundation's members put him back in the “pro-government camp” and out of the camp of the anarcho-capitalists.¹⁰⁴ The organization's strict libertarian orientation would decline further as the fusionist line of the emerging New Right (which selectively and contradictorily combined

98 J. Blundell, *Waging the War of Ideas*, (London, UK: Institute of Economic Affairs, 2003).

99 Rothbard, *op. cit.*, Ref 6.

100 Rothbard, *ibid.*

101 Rothbard, *ibid.*

102 Nash, *op. cit.*, Ref. 3.

103 L. E. Read, ‘I, Pencil’, Foundation for Economic Education (1958), retrieved November 12, 2008 (<http://www.fee.org/pdf/books/I,%20Pencil%202006.pdf>).

104 Rothbard, *op. cit.*, Ref. 6.

laissez-faire tenets with militarist and social conservative principles) was gaining prominence.

Harold Luhnnow, nephew of William Volker, succeeded his uncle as head of his wholesale company and the William Volker Fund in 1944.^{105, 106} He too would take von Hayek's advice, orienting the Volker Fund in the direction of supporting and promoting *laissez-faire* scholarship after his uncle's death in 1947. In addition to this, the Volker Fund would help some of the more prolific but marginalized libertarian scholars to find posts at American universities.^{107, 108, 109} Mises was offered a visiting professorship post at New York University's business school, and Luhnnow arranged for Hayek a professorship at the Committee on Social Thought at the University of Chicago.¹¹⁰ The activities of the Volker Fund contributed to the formation and activities of institutions with corresponding aims, including the Intercollegiate Society of Individualists (ISI), which was founded by Chodorov and later renamed the Intercollegiate Studies Institute, and the FEE.^{111, 112} Chodorov never wavered from his Nockian individualism, but his successor at the ISI had brought the organization into traditionalist conservative territory (hence the name change).¹¹³ Old Right groups were increasing the distance between themselves and pure libertarian principles, what Rothbard and others began to call "anarcho-capitalism."¹¹⁴ In the case of the FEE's retreat from its strict *laissez-faire* individualist position, Harper would resign and join the staff of the Volker Fund.

Sir Antony Fisher of England read the condensed version of Hayek's book in *Reader's Digest* and was deeply influenced as well.¹¹⁵ Fisher was a pilot during World War II, and after the war he felt that the fight against totalitarianism had yet to be finished. Hayek's view that totalitarianism was merely a step further from the embrace of socialist ideas and reforms resonated with Fisher. In 1945, he sought out von Hayek at the London School of Economics where he was teaching at the time, and asked his advice about what he could do. Fisher's daughter recounts that "Hayek said to him, 'Don't go in to politics. You have to alter public opinion. It'll take a long time. You do it through the intellectuals, the

105 Blundell, *op. cit.*, Ref. 99.

106 Rothbard, *op. cit.*, Ref. 6.

107 Nash, *op. cit.*, Ref 3.

108 Blundell, *op. cit.*, Ref. 99.

109 Rothbard, *op. cit.*, Ref. 6.

110 Rothbard, *ibid.*

111 Blundell, *op. cit.*, Ref. 99

112 Rothbard, *op. cit.*, Ref. 6.

113 Rothbard, *ibid.*

114 Rothbard, *ibid.*, p. 78.

115 Blundell, *op. cit.*, Ref. 99.

second-hand dealers in ideas.”¹¹⁶ In 1952, Fisher would visit Harper at the FEE in United States and, among other things, learn about the factory farming of chickens; he would later amass a fortune in the UK as the “British Frank Perdue.”¹¹⁷ The means and resources were acquired for Fisher to enter the struggle in the arena of ideas and opinion, and in 1955, he would found the Institute of Economic Affairs (IEA) in London. This would prove to be an important launch pad from which numerous ideas and other think-tanks would spring, including several institutes in the US, making Fisher a full-time “think-tank entrepreneur.”¹¹⁸ This undertaking would prove to be successful, so much so that a 2006 BBC documentary on the political and ideological roots of Thatcherism begins with the narration, “It all began with chickens, lots of chickens.”¹¹⁹ In a 1985 video, Fisher identifies the source of Britain’s economic woes after World War II as not the cost of two major wars and the loss of a productive empire, as was commonly argued; rather, the “major cause of Britain’s economic decline... was the famous welfare state.”¹²⁰

Following von Hayek’s counsel to produce ideas instead of enter politics, the IEA and its allied planning organizations set out to make the case for a “sound economy amongst intellectuals, that is teachers, students, and the media, [otherwise] there would be little hope of anyone’s achieving anything as a politician” (Atlas Economic Research Foundation 1985).¹²¹ In the same video, Fisher outlined the strategy of the IEA and other organizations modeled on its structure. The strategy began with the production of publications on an assortment of economic issues – rent control, nationalization of industry, agricultural subsidies, tariffs, inflation, social security, and welfare among others. The model for the production of the publications was as follows: they were purposefully developed

regardless of the political feasibility. [A] publication is then promoted in universities, in the press, through seminars, on radio and television until its concepts are well dispersed. Its influence can be immediate among students who are reading free-market economics for the first time.

116 D. Hillman and D. Jordan, ‘Tory! Tory! Tory!’, VEOH Website (2006), retrieved December 3, 2008 (<http://www.veoh.com/videos/v1019042pA2KeXHn?rank=1&order=mr&c=torytory>).

117 Blundell, *op. cit.*, Ref. 99, p. 41.

118 Blundell, *ibid.*, p. 19.

119 Hillman and Jordan, *op. cit.*, Ref. 117.

120 Atlas Economic Research Foundation, ‘Antony Fisher’, Google Video Website (1985), retrieved December 4, 2008

(<http://video.google.com/videoplay?docid=998798983265285291&q=sir+anthony+fisher&total=5&start=0&num=10&so=0&type=search&plindex=0>).

121 Atlas Economic Research Foundation, *ibid.*

These are potential journalists, commentators, teachers, and future policy makers.¹²²

Fisher goes on to boast that at that time, there were 19 institutes in 12 countries modeled on the IEA, including the Pacific Institute in San Francisco, California, the Frasier Institute in British Columbia, Canada, and the Manhattan Institute in New York City.¹²³ Thatcher would write a letter to Fisher giving the IEA credit for “creating the climate of opinion which made our victory possible,” and Ralph Harris, the IEA’s general director, was given a seat in the House of Lords as a reward.¹²⁴ Fisher recalls von Hayek encouraging him to “make those policies politically possible which otherwise to practical people appear to be politically impossible. And we can only do this by first establishing the case among the intellectuals.”¹²⁵

MAKING “COMMON CAUSE” WITH CONSERVATIVES

How does one make classical liberal, free-market economic ideology appear feasible to practical people? In addition to attacking rival ideas through a substantial ideological effort, von Hayek proposed a more inclusive stature from within the free-market movement and stressed the necessity to cooperate with scholars who espouse views which may be less rigorous than those of “good liberals in the old sense” or who are even conservative in the classical sense.¹²⁶ Illustrative in this respect is a comment in von Hayek’s introduction to *The Road to Serfdom*, and its prescience in acknowledging the necessity for compromise with traditionalist conservatives to make libertarian ideas and proposals more viable. Though he highlighted the lack of harmony between these two political groupings, von Hayek openly noted that

in the struggle against the believers in the all-powerful state the true [classical] liberal must sometimes make common cause with the conservative, and in some circumstances, as in contemporary Britain, he has hardly any other way of actively working for his ideals. But true [classical] liberalism is still distinct from conservatism [sic], and there is danger in the two being confused.¹²⁷

While the book prompted some libertarian scholars to criticize that it was conciliatory and not *laissez-faire* enough, it was perhaps this feature of the book

122 Atlas Economic Research Foundation, *ibid.*

123 Atlas Economic Research Foundation, *ibid.*

124 Blundell, *op. cit.*, Ref. 99, p. 26.

125 Atlas Economic Research Foundation, *op. cit.*, Ref. 121.

126 Hayek Papers, *op. cit.*, Ref. 68, Box 61, Folder 10.

127 Hayek, *op. cit.*, Ref. 43, p. xi.

that ultimately made it so popularly appealing and effective. Chodorov complained that he was let down, and even von Mises, von Hayek's mentor, implicitly criticized the contradictory position of *Road to Serfdom*. He did not agree with von Hayek's conceptual acceptance of the state playing a limited role in economic planning. Mises commented that planning by the state for competition and the planning of each person or household to determine its own fate should remain a significant distinction.^{128, 129} He staunchly asserted that in such proposals, advocates of even limited planning offer the following, "Let *us* raise wage rates, let *us* lower profits, let *us* curtail the salaries of executives."^{130, 131} However, provocatively, he asserted that the "*us* ultimately refers to the police."^{132, 133} Those who propose such projects, complains von Mises, naively claim that they are "planning for freedom."^{134, 135} Despite his misgivings, von Mises was more enthusiastic about the book's virtues, impact, and success than what he saw as logical inconsistencies. In correspondence to a colleague, he explained, "The positive [statist] program developed by Hayek matters little when compared with these virtues of his book. However, it is a very comforting fact that your friends were shrewd enough to see the contradictions in this program."¹³⁶ Rothbard lamented that von Hayek's work attracted more scholarly attention than did von Mises.¹³⁷ He argued that unlike von Mises, "Hayek was unable to recognize people's understanding of the significance of *laissez-faire* economics in terms of the flourishing and survival of human society or of rejecting forcible interferences of the free market system."¹³⁸ Further, he contended that von Hayek's thought was muddled, inconsistent, and contradictory, and that the style of *Road to Serfdom* was brutally Germanic and not as readable as von Mises' work. These criticisms aside, both von Mises and Rothbard were in awe of von Hayek's success.

As he had expressed in *Road to Serfdom*, there was a willingness of von Hayek to collaborate with those who were believers in traditional social hierarchy and opponents of individual liberty. Thinkers like Mencken, Nock, Chodorov,

128 L. von Mises, *Planned Chaos* (Irvington-on-Hudson, NY: The Foundation for Economic Education, Inc., 1947).

129 L. von Mises, *Planning for Freedom* (South Holland, IL: Libertarian Press, 1962).

130 Mises, *op. cit.*, Ref. 129, p.11.

131 Mises, *op. cit.*, Ref. 130.

132 Mises, *op. cit.*, Ref. 129, p. 11.

133 Mises, *op. cit.*, Ref. 130.

134 Mises, *op. cit.*, Ref. 129, p. 11.

135 Mises, *op. cit.*, Ref 130.

136 Quoted in J. G. Hülsmann, *Mises: The Last Knight of Liberalism* (Auburn, AL: Ludwig von Mises Institute, 2007), p. 843.

137 M. N. Rothbard, 'Ludwig von Mises (1881-1973)', The Ludwig von Mises Institute, reprinted from *The Free Market* (June 1992), retrieved October 19, 2009 ([Http://mises.org/story/212](http://mises.org/story/212)).

138 Rothbard, *ibid.*

and Rothbard were not only opposed to state power, but were in opposition to any type of political or legislative efforts based on traditional authority, morality, or religion. *Laissez-faire* intellectuals like Mencken and Ayn Rand were unapologetic atheists.^{139, 140} In a 1945 book review of George Bernard Shaw's *Everybody's Political What's What*, Nock finds a positive note in Shaw's work, one he wishes was evident in the work of alleged anti-statist writers such as von Hayek. He writes that Shaw "does not make the slightest concession to anybody. ...It is either "eighteen-carat collectivist statism, by God, or nothing."¹⁴¹ Nock continued,

One wishes our anti-Statist writers had that much intrepid faith in their principles and as clear knowledge of what their principles are. ... What completely vitiates Mr. Hayek's work, Mr. Eric Johnston's, and a whole shoal of others, is that they concede a small and strictly limited measure of State intervention — a sort of five-percent Statism. Apparently, like Mr. Shaw, these writers never heard of the Law of Parsimony, and have no idea of what it can do. If they had even considered the history of this country's twenty-five years' experience under the Income Tax Amendment, they would begin to see the reason why their notion is as absurd as the notion of a small and strictly limited implantation of tuberculosis, syphilis, or cancer. There is no such shuffling nonsense about Mr. Shaw's work, and the sooner anti-Statist writers take example by him, the better.¹⁴²

So despite the warnings and unease of many of his free-market, *laissez-faire* contemporaries, von Hayek began a direction of advocacy and coordination around the formation of the Mont Pelerin Society which revealed an urgent readiness to make concessions. For von Hayek, libertarian intellectuals who followed Shaw's example of unwavering allegiance to their doctrine need not apply. In his address to the first Mont Pelerin Society conference, von Hayek told the participants that while such staunch classical liberals were admirable in their convictions, they were not of much use for the group's purposes.¹⁴³ He went on to tell those in attendance, "What we need are people who have faced the

139 A. J. Nock, *op. cit.*, Ref. 21.

140 H. L. Mencken, *Treatise on the Gods* (Baltimore, MD: The Johns Hopkins University Press, [1930] 2006).

141 A. J. Nock, 'The Socialism of Mr. Shaw', The Ludwig von Mises Institute, reprinted from the *Economic Council Review of Books*, 2(6) (1945), retrieved December 5, 2008 (<http://www.mises.org/story/2432#edn1>).

142 Nock, *ibid.*

143 Hayek Papers, *op. cit.*, Ref. 68, Box 61, Folder 10.

arguments from the other side, who have struggled with them and fought themselves through to a position from which they can both critically meet the objection against it and justify their views.”¹⁴⁴ In the search for a representative and universal statement of “true liberal principles,” von Hayek explained that he had considered Mill’s *On Liberty*, but was made to hesitate because of Mill’s and other nineteenth century classical liberals’ hostility toward religion.¹⁴⁵ Hayek saw this hostility as counterproductive in that it had driven many “true friends of liberty” from libertarianism.¹⁴⁶ Approaching the theoretical territory of traditional Tory conservatism, he attributed this hostility by *laissez-faire* scholars towards religion to an “aggressive rationalism” which rejected all values whose utility could not “be demonstrated by individual reason” and which relied on science to determine “what is” and “what ought to be.”¹⁴⁷ Hayek explained that the influence of this rationalism owes itself to Hegelianism and positivism.¹⁴⁸ This tendency, he continued, had created an “intellectual hubris” which is opposed to “the essence of true liberalism ...which treats with respect those spontaneous social forces through which the individual creates things greater than he knows.”¹⁴⁹ This aggressive rationalism, von Hayek continued, created the gulf separating religious people from the libertarian movement, and unless the breach “can be healed there is no hope for a revival of liberal forces.”¹⁵⁰ While Rothbard and von Mises expressed unease at such assertions, von Hayek moved forward with their ultimate approval since libertarian principles would be advanced, even though it was through a neo-Burkean *laissez-faire* theoretical framework. As the Old Right would fade into the late 1950s and the New Right came in to its own, libertarian intellectuals from Chodorov to von Hayek would find themselves in intellectual confrontations with many of the features and notables of the budding fusionist conservative current.

The conciliatory posture exhibited by von Hayek was predictive of a more general intellectual disposition which was gradually emerging. By the time Leonard Read of the FEE had written his liturgical passages about the pencil, free-market, and good earth, he had already backpedaled from the *laissez-faire* zeal of the FEE’s borderline free-market anarchism. Sainly proclamations can present themselves as a sort of intellectual reaction-formation to developed tendencies contrary to what is being professed. By the time Read wrote these words, many in the FEE circle had come to see him as a sort of government-supporting “sellout,” again signaling an emerging free-market ideology which

144 Hayek Papers, *ibid.*, Box 61, Folder 10.

145 Hayek Papers, *ibid.*, Box 69, Folder 9.

146 Hayek Papers, *ibid.*, Box 69, Folder 9.

147 Hayek Papers, *ibid.*, Box 61, Folder 10.

148 Hayek Papers, *ibid.*, Box 61, Folder 10.

149 Hayek Papers, *ibid.*, Box 61, Folder 10.

150 Hayek Papers, *ibid.*, Box 61, Folder 10.

was more surface than substantive. Hayek's concerns over an alliance with traditionalist conservatism, given its "paternalistic, nationalistic, and power-adoring tendencies," and his lamentations that this form of conservatism is often closer to socialism, would ultimately bear out in what came to be called fusionism and later in neoconservatism.¹⁵¹ Buckley, Rusher, Kirk, Meyer, and others at *NR* regarded as necessary a fusion between the libertarian's advocacy for liberty, individualism, and a small state on the one hand, and the new conservative promotion of order, championing the global anti-communist crusade, and support for the formation of a massive military industrial complex on the other.

The affect of *laissez-faire* thought on the burgeoning neoconservative political formation was also significant. The so called godfather of neoconservatism, Irving Kristol, had described that initially the early neoconservatives (himself, Daniel Bell, Nathan Glazer, et al.) had developed a skepticism "of government programs that ignored history and experience in favor of then-fashionable left-wing ideas spawned by the academy."¹⁵² Later, While Kristol was not a true believer in the branch of neo-*laissez-faire* doctrine which emerged in the 1970s, supply-side economics, he had "quickly saw its political possibilities" when first exposed to it at the American Enterprise Institute.¹⁵³ In *Road to Serfdom*, Hayek conceded that in order for the advocates of libertarianism to make gains, a political alliance with traditionalist conservatism is sometimes necessary. But the changes which would take place in the approaching circumstances would eventually bring about much dissatisfaction and a sort of purging of libertarians and other discomfoting "extremists."¹⁵⁴ Hindsight is always 20/20. In 1960, von Hayek would write a postscript in his *Constitution of Liberty* titled "Why I am Not a Conservative," where he warned of the "danger" of conditions which bring "defenders of liberty" and conservatives together.¹⁵⁵ After a careful explication of how libertarianism and conservatism differ, he specifically cited the latter's embracing of authority and coercion as well as its reluctance for change as weaknesses which tend "to harm any cause it allies itself with."¹⁵⁶

CONCLUSION

151 Hayek, *op. cit.*, Ref. 43, p. xi.

152 I. Kristol, 'An Autobiographical Memoir', in I. Kristol (Ed.), *Neoconservatism: The Autobiography of an Idea* (Chicago, IL: Ivan R. Dee, Publishers, 1995), p. 31.

153 Kristol, *ibid.*, p. 35.

154 Rothbard, *op. cit.*, Ref. 7.

155 F. A. Hayek, 'Why I am Not a Conservative', in G. L. Schneider (Ed.), *Conservatism in America Since 1930* (New York: New York University Press), p. 180.

156 Hayek, *ibid.*, p. 186.

The anti-state and individualist philosophy of the Old Right and its politics were radical and reproached the traditional authority of inherited rank, throne, and altar. Its adherents included anti-war isolationists, atheists, and self-proclaimed anarchists. Its writing could be persuasive, engaging, and at times witty. Its slogans and spirit had carried through to and been taken over by the contemporary conservative movement. This includes today's antigovernment populist conservatives, recently so visible in the coverage and commentary around the Tea Party Movement, in the latest efforts toward health care reform in the US, and in the grass roots political successes in recent elections. The occurrence of fusionism in the 1950s would prove to be important for the later political success of the conservative movement, e.g. the elevation of Barry Goldwater to the status of a grassroots and populist conservative icon and the subsequent capturing of the Republican Party by the right in the 1960s. Incorporating free-market doctrine with their chiefly behavioral analysis of welfare and poverty and critique of the New Left, the neoconservatives further transformed the political right to make it "more acceptable to a majority of American voters" and therefore contributed to moving the political culture rightward.¹⁵⁷ This helped pave the way for the presidential victory of Ronald Reagan in 1980 and the implementation of the Reagan tax and spending cuts in 1981. Though the language of the *laissez-faire* individualists was appropriated by the New Right and later, though in a different variation, by the neoconservatives, it was maintained for ideological purposes only, and the economism *cum* moralism of the contemporary antigovernment conservatives is in significant measure an intellectual and political inheritance from both the fusionists and neoconservatives. Economic conservative and Texas Congressman, Ron Paul has criticized today's conservative movement on similar grounds. One occasion was on the floor of the House of Representatives in July 2003. The highlights of that event can be widely seen on the World Wide Web in a video which had gone viral in that same year.¹⁵⁸ While *laissez-faire* individualism in its pure form was abandoned and isolationist and atheistic "extremist" libertarians were, in effect, expelled from the conservative movement, a libertarian façade has been maintained in the form of neoliberalism. The outcome was remarkably ideological, fixing how we think about poverty, inequality, and social policy in terms divorced from historical and political processes. The concrete consequences of this process has been to reinforce quasi-

157 I. Kristol, 'The Neoconservative Persuasion', *The Weekly Standard* (August 25 2003), retrieved May 22, 2009

(<http://www.weeklystandard.com/Content/Public/Articles/000/000/003/000tzmlw.asp>), ¶4.

¹⁵⁸ R. Paul, 'Neo-CONNED!' YouTube Web site. Speech on the floor of the House of Representatives on July 10, 2003. Retrieved May 5, 2009 (http://www.youtube.com/watch?v=8w_aT6L44Mg&feature=Playlist&p=B0DB59BC62ECF68A&index=5).

aristocratic features of the American class structure but with language couched in the Enlightenment discourse of individual freedom and liberty.