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*A life spent worthily should be measured by
deeds, not years.*

— *Richard Sheridan*

FUTURE OF FREEDOM

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<i>The Roots of American Dysfunctionality, Part 1</i>	2
Jacob G. Hornberger	
<i>Biden Weaponizes Hate to Win Votes</i>	10
James Bovard	
<i>Republican Déjà Vu</i>	16
Laurence M. Vance	
<i>The Life and Significance of F. A. Hayek</i>	25
Richard M. Ebeling	
<i>Fiat Money and the French Revolution</i>	37
Phil Duffy	

The Roots of American Dysfunctionality, Part 1

by *Jacob G. Hornberger*



Among the best examples of the dysfunctional nature of American society are the mass killings that take place on a regular basis. As everyone knows, many of them occur without any rational motive. Someone just decides that he is going to go out and kill a bunch of people.

Whenever one of these mass killings take place, inevitably there are those who call for gun control. If only America had stricter gun-control laws, or if only America could cause all guns to disappear, the argument goes, the mass killings would stop. It's all because of guns, they say.

Yet, practically every family in Switzerland is armed to the teeth. The Swiss certainly don't have daily

mass killings. The same holds true for nineteenth-century Americans. They had virtually no gun-control laws, but they didn't experience this daily mass-killing phenomenon. Moreover, some of today's mass killings take place in states or localities that have strict gun-control laws.

If we are going to get to the roots of America's dysfunctional society, it is necessary for the American people to do some serious soul-searching. We need to ask some fundamental questions, such as: What were the sound founding principles of our nation? To what extent were those founding principles abandoned by later generations of Americans? What have been the consequences of that abandonment? We need to explore whether the abandonment of those principles is the root cause of today's dysfunctional society.

America's founding principles

Let's first acknowledge that there were some bad founding principles. Slavery was the biggest one. There were others, such as the denial of women's rights.

But there were also some sound founding principles. Among these were no taxation on income. People were free to keep everything they

earned, and there was nothing the federal government could do about it.

People were also free to do whatever they wanted with their own money. There were no programs based on coerced charity. No Social Security. No Medicare. No education grants. No SBA loans. No corporate bailouts. No welfare. No welfare state.

There was sound money. The official monetary system of the United States was based on gold and silver coins, not paper money “backed by gold.”

Our American ancestors rejected the notion of a national-security state, a type of governmental system that is characterized by omnipotent powers. They chose instead a type of governmental system known as a limited-government republic, one whose powers were limited to the few that were enumerated in the Constitution. Thus, there was no Pentagon, vast military-industrial complex, CIA, or NSA; instead, simply a relatively small military force.

America had a system of open immigration, one that respected the right of everyone anywhere in the world to freely come to the United States to live, work, visit, tour, invest, or open a business.

There were no public (i.e., government) school systems. No compulsory school-attendance laws. No school taxes. No school boards. No school buses. Education was private and based on free-market principles.

There were no drug laws. People in America were free to possess, ingest, or distribute whatever they wanted, without fear of being punished by either the federal government or the state governments.

**Our American ancestors
rejected the notion of a national-
security state.**

There was a foreign policy of noninterventionism. That founding concept was that the U.S. government would not go abroad to invade, conquer, and occupy foreign nations. It would also not involve itself with the internal affairs of other countries, including backing foreign candidates or parties, bribing foreign public officials, or initiating coups, state-sponsored assassinations, or other regime-change operations. There were no sanctions and embargoes. America wished all foreign nations well but avoided entering into entangling alliances with them.

Those were the sound founding

principles of our nation. They lasted for more than 100 years.

The results were incredible. By the late 1800s and early 1900s, Americans were experiencing the most prosperous, charitable, peaceful, healthy, educated, and harmonious society in history. In fact, it would not be an exaggeration to say that the American people had discovered the way to defeat poverty, which was precisely why thousands of penniless immigrants, many of whom could not speak English, were coming to America on a daily basis.

How we lost our republic

Critics sometimes claim that the fact that all of those principles were abandoned demonstrates that limited, constitutional government doesn't work. They are wrong. Actually, it works very well. After all, a century is a very long time. And there is no denying that the sound founding principles of America lasted for more than a century.

But no system can withstand a tsunami-sized change in public opinion, which is what caused America to abandon its sound founding principles. The Constitution serves much the same purpose as a sea wall. A sea wall protects a community from high tides. That's

its purpose. If a tsunami hits and floods the community, it can't be said that the sea wall failed, because that wasn't the purpose of the sea wall. By the same token, the Constitution was designed to protect the nation against periodic assaults on the liberty and well-being of the people, but it wasn't designed to protect America from a tsunami-sized change in public opinion.

All too many Americans
are absolutely wedded to the
welfare-warfare-state
way of life.

I submit that it was the abandonment of America's sound founding principles in the twentieth century that is the root cause of America's dysfunctional society today. If we are to achieve the type of society most of us want — one based on liberty, peace, prosperity, and harmony — it is necessary to reject the welfare-warfare-state system under which we live today and restore the principles of economic liberty and a limited-government republic on which our nation was founded.

One of the big problems we face today is that all too many Americans are absolutely wedded to the welfare-warfare-state way of life.

They are steadfastly opposed to letting it go. As far as they are concerned, the welfare-warfare-state way of life is now America's permanent system. Everyone is expected to accept that as a given and then simply come up with reform proposals on how to fix and improve the system.

In this essay, I will examine the reasons I believe that America's welfare-warfare-state way of life is the cause of America's dysfunctionality and also why measures to reform and improve this system are doomed to fail. In fact, they might even make a bad situation worse.

But before embarking on that analysis, it is important to note something about the legal ramifications of America's conversion to a welfare-warfare state.

When the Constitution was established, the assumption was that the system could not be changed by legislative action or by executive decree. To change America's founding system in a fundamental way would require going through the amendment process outlined in the Constitution. That's an extremely arduous and difficult process, which is how our ancestors wanted it.

Nevertheless, America was converted to a welfare-warfare state without even the semblance of a con-

stitutional amendment. The conversion occurred entirely through executive and legislative action, which means that the conversion was illegitimate from the standpoint of our constitutional system. After all, the Constitution is supposed to be the highest law of the land. It controls the actions of the executive and legislative branches, not the other way around.

America was converted to a welfare-warfare state without even the semblance of a constitutional amendment.

The welfare-state way of life was adopted in the 1930s under the Franklin Roosevelt administration. This was the time of the Great Depression, when the American people were suffering extreme economic distress. Roosevelt used the crisis as an opportunity to convert the nation to a welfare state.

The nature of the welfare state

What is a welfare state? It's a type of political/economic system in which the government is charged with taking care of people. Keep in mind that this was precisely the type of system that the American people had rejected when they approved the Constitution. They

didn't want the federal government to be taking care of people. As far as they were concerned, that was not a legitimate function of government. They brought into existence a system in which people were free to take care of people, on a voluntary basis, without governmental involvement.

Obviously, in America's founding system, people were free to say no to helping out others. Our American ancestors understood that that is what freedom is all about. When people are forced to care for others, there is no way that they can genuinely be considered free. A free people are free to say yes or no to helping out their fellow man. As I indicated earlier, this type of system brought into existence not only the most prosperous period in history but also the most charitable period in history. When people were free to accumulate unlimited amounts of wealth, many of them used it to build hospitals, museums, schools, libraries, opera houses, and more — all on a voluntary basis — not to get an income-tax deduction, because there was no income tax or IRS.

FDR's New Deal program, which ushered in the welfare state, changed America's founding system to one based on coerced chari-

ty. From then on, Americans would be forced to participate in a system in which government was caring for people. Americans became convinced that this type of collective governmental system reflected their goodness and compassion.

The cornerstone of the welfare state

FDR's premier welfare-state program was Social Security. Today, this program remains the crown jewel of America's welfare state way of life. It is considered untouchable, especially by seniors. People are free to come up with ways to reform or improve it, but calling for its eradication is considered beyond the pale of legitimate political discourse.

**A free people are free
to say yes or no to helping out
their fellow man.**

At the risk of belaboring the obvious, Social Security is a socialist program, just like all other welfare-state programs. In fact, the notion of Social Security originated among socialists in Germany in the late 1800s. Having read the socialist works of Karl Marx, much of the world, including Germans, was excitedly embracing his ideas. When American students went to Germa-

ny to study in the late 1800s, they brought back socialist ideas with them, among which was Social Security.

Social Security is based on using the government to seize a portion of people's income through taxation and use it to fund the retirement of older people. In other words, money is forcibly taken from one group of people and given to another group of people. It is a classic example of the Marxian principle: from each according to his ability, to each according to his need.

Ever since the advent of Social Security, generation after generation of seniors have steadfastly maintained that they “put their money” into a retirement account and that they are simply withdrawing their money from that account. At the risk of stating the obvious, the first generation of Social Security recipients back in the 1930s couldn't claim that.

But the fact is that Social Security has always been nothing more than a welfare program, no different from food stamps, public housing, education grants, and corporate bailouts. It has never been a federal retirement program, one in which the government taxes people and then places the money in a special account where it earns interest.

The reason that some people convinced themselves that Social Security is a retirement program is that they were forced to pay FICA taxes, in addition to income taxes. That caused some people to believe that the FICA taxes were going into some sort of retirement account. But in reality, the FICA tax is just another way that the government raises revenue. Like other federal taxes, the money raised with the FICA tax is spent as soon as it is received. In the case of today's seniors, the money they paid in FICA taxes was spent on such things as the invasions and occupations of Afghanistan and Iraq, the war on terrorism, the drug war, and all other welfare-warfare-state programs, including sending money to seniors for Social Security.

**In the case of today's seniors,
the money they paid in FICA taxes
was spent on such things as
invasions and occupations.**

Social Security works the same as all welfare-state programs. The federal government taxes everyone and then gives the money to selected people. Those who are producing wealth are taxed so that the federal government can help those it considers need the money more.

This is all part of the process involved in having the federal government helping people, which is what the welfare state is all about.

One big problem with this process is one that people don't like to confront and talk about. But it needs to be confronted and talked about because it's part of why we now live in such a dysfunctional society.

One major point about the welfare state that needs to be confronted and talked about is that Americans are actually waging war against each other. It's a subtle war, one that goes unnoticed and unmentioned. But it is a war nonetheless, one in which people are doing their best to seize other people's income while, at the same time, doing everything they can to protect their own income from being seized.

Thus, on one side of the war are the producers of income. On the other side of the war are the recipients of government largesse. The latter group is waging a vicious and nasty war to seize income from the former group.

Of course, sometimes there is an overlap. You have people in the producing group that are also recipients of governmental largesse. This group of people does its best to protect its income while, at the

same time, also doing its best to improve its position by using the government to seize income from other producers.

Meanwhile, everyone lives his life as if nothing is going on. Most everyone is courteous and cordial to others. Many people go to church on Sunday, where they pray for their fellow man. The rest of the week, however, the war to seize other people's income continues apace.

Social Security has produced a mindset of hopeless dependency among many seniors.

With Social Security, it's an intergenerational war that involves seniors using the federal government to wage war against their children and grandchildren, many of whom are struggling to start families, by using the government to seize large portions of their income and giving it to seniors.

This socialist program has contributed to the destruction of traditional family values, which are based on children honoring their mother and father on a purely voluntary basis.

Additionally, Social Security has produced a mindset of hopeless dependency among many seniors. They are convinced that if Social

Security were to be repealed, they would die in the streets. Of course, we should bear in mind that our American ancestors lived without this socialist program from more than a hundred years, and no one died in the streets as a result.

Social Security is also a war that has racial implications. That's because, on average, whites live longer than blacks. Since Social Security is a welfare program and not a retirement program, when a person dies, his Social Security payments cease rather than pass to his heirs. Thus, since blacks, on average, die sooner than whites, Social Security is actually a socialist program that is based on seizing and transferring money from blacks to whites.

Moreover, the welfare state has caused Americans to lose faith in themselves, in others, in liberty, and in God. That faith has been transferred to the federal government, to whom society has delegated the task of taking care of people through its coercive apparatus of taxation and its bureaucrat apparatus of welfare.

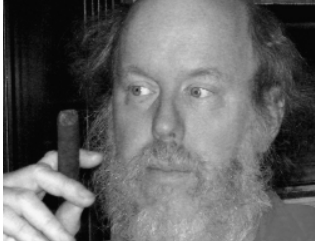
But where is the care and compassion involved in a system that is based on a coercive tax apparatus headed by the IRS and a faceless governmental welfare bureaucracy? How can people genuinely be considered good, caring, and compassionate simply because they live under a governmental system that is based on legalized robbery? And how is it possible to have a healthy, harmonious society when people are engaged in a nasty, ruthless, and vicious war with each other, a war that uses the Internal Revenue Service to seize people's income in order to have welfare bureaucrats give it to the winners?

Jacob G. Hornberger is founder and president of The Future of Freedom Foundation.

NEXT MONTH:
**"The Roots of American
Dysfunctionality, Part 2"**
by Jacob G. Hornberger

Biden Weaponizes Hate to Win Votes

by James Bovard



Historian Henry Adams observed a century ago that politics “has always been the systematic organization of hatreds.” President Biden confirmed this axiom in his raging speeches prior to the mid-term congressional elections.

Throughout his career, Biden has relied on a two-step routine — first appealing to “our better angels” before demagogically vilifying his opponents. In December 2020, after the Electoral College had certified his presidential victory, he declared, “Now it is time to turn the page, to unite, to heal.” In his inaugural address last year, Biden appealed to his audience: “We can join forces, stop the shouting, and lower the temperature.”

Except when turning up the temperature. After rowdy protes-

tors briefly entered the U.S. Capitol on January 6, 2021, Biden and his Democratic allies portrayed any Republican who did not unquestioningly endorse the 2020 election as a traitor. President-elect Joe Biden condemned the protestors as “domestic terrorists” and said their action “borders on sedition.” (Actually, Republican members of Congress who objected to the Electoral College verdict were being denounced as the “sedition caucus” even before January 6.) Pervasive allegations of treason are demands for a political death sentence (if not actual execution) for one’s opponents. This became the template for the Biden administration’s effort to preemptively demonize dissent. Biden piled on additional charges, such as his comparison of Sen. Ted Cruz (R-Texas) to Nazi propaganda chief Joseph Goebbels.

In May 2021, Biden proudly signed the COVID-19 Hate Crimes Act, creating new federal penalties for attacks against Asian Americans or other groups blamed for COVID. But Biden subsequently sought to maximize hatred toward anyone who did not obey his COVID edicts. In 2020, Biden pledged not to impose a compulsory mandate for COVID vaccines. When he betrayed that pledge in a September

2021 televised speech, Biden portrayed the unvaxxed as Public Enemy No. 1, warning that “your refusal has cost all of us.” Biden sneered that vaccine skeptics only wanted “the freedom to kill you” with their COVID. In December 2021, Biden delivered ghastly Christmas greetings to Americans: “We are looking at a winter of severe illness and death for the unvaccinated.” But within a few weeks after that fearmongering, the efficacy of COVID vaccines collapsed and more than a million Americans a day were being hit with COVID infections — even though the large majority had followed Biden’s admonition. Biden kept railing about a “pandemic of the unvaccinated” long after the efficacy of the Pfizer vaccine had fallen even lower than Biden’s approval ratings.

Biden’s hate speech campaign against the opposition

Biden’s harsh rhetoric in the congressional campaign races last fall made a mockery of his preening as the Great Unifier. Hatred became simply another issue conscripted for a desperate Democratic “get out the vote” drive.

In an August 26 campaign rally in Rockville, Maryland, Biden scoffed at Republicans before an-

nouncing: “We’ve chosen a different path: forward, the future, unity, hope, and optimism.” But Biden railed that “the MAGA Republicans don’t just threaten our personal rights and economic security, they’re a threat to our very democracy. They refuse to accept the will of the people. They embrace — embrace — political violence. They don’t believe in democracy.” Biden warned, “It’s not hyperbole, the very survival of our planet is on the ballot.” Anyone voting for Republicans became complicit with the destruction of Earth.

Biden’s harsh rhetoric in the congressional campaign races last fall made a mockery of his preening as the Great Unifier.

A few hours earlier, at a private event for Democratic donors in ritzy Bethesda, Biden denounced Republicans for “semi-fascism.” Other Democrats quickly picked up that gauntlet. Democrat Max Frost, running for a Florida congressional seat, denounced Republicans such as Gov. Ron DeSantis for seeking to build “right-wing fascist power.”

On September 1, Biden made history with the first prime-time presidential speech with a backdrop

inspired by the movie “V for Vendetta” and Nazi filmmaker Leni Riefenstahl. The harsh red atmospherics perfectly complemented Biden’s attempt to portray ex-President Donald Trump and Republicans as the Antichrist waiting to crucify American democracy.

Denouncing hatred is one of the best ways to spur hatred.

Biden called for everyone to “unite behind the single purpose of defending our democracy.” In other words, everyone must support Joe Biden or democracy will be destroyed. Biden’s endless calls for “unity” were a demand for submission to whatever he decrees. Law professor Jonathan Turley observed, “President Biden has arguably the worst record of losses in [federal court] the first two years of any recent presidential administration.” Biden “compensated” for such losses by denouncing Republican-appointed judges whenever convenient.

In that Philadelphia speech, Biden declared that “Trump and the MAGA Republicans represent an extremism that threatens the very foundations of our republic.” But he didn’t confess to the audience that he considered almost half

of all Americans to be “extremists.”

A few hours before Biden’s speech, White House press secretary Jean-Pierre asserted, “When you are not with where majority of Americans are, then, you know, that is extreme. That is an extreme way of thinking.” Was this wacko definition of extremism designed to vilify anyone who doubts Biden will save America’s soul? (The speech was titled, “The Continued Battle for the Soul of the Nation.”) But denouncing hatred is one of the best ways to spur hatred — especially if you identify the “haters” to include practically half the U.S. population.

Four days later, speaking in Wisconsin, Biden declared, “Extreme MAGA Republicans in Congress have chosen to go backwards — full of anger, violence, hate, and division.... Extreme MAGA Republicans don’t just threaten our personal rights and our economic security, they embrace political violence.” Biden made it sound as if tolerating hardline Republicans would be the death of the nation. The only way to defeat hate is to worship Biden and cheer when he denounces all his opponents as “semi-fascists.”

On September 15, Biden hosted a White House “United We Stand” summit. That summit verified that,

for Team Biden, “hate” is a flag of political convenience. In announcing the summit, White House Press Secretary Karine Jean-Pierre stretched back a decade to list a “disturbing series of hate-fueled attacks, from Oak Creek [Wisconsin Sikh temple, 2012] to Pittsburgh [synagogue, 2018], from El Paso [Walmart shootings, 2019] to Poway [California synagogue, 2019], from Atlanta [massage parlors, 2021] to Buffalo [grocery store, 2022].” The common element in those attacks is that the killers are white — fitting the Biden administration theme that “white supremacists” are the biggest terror threat in America. Yet, while those killers deserve the harshest punishment, the Biden scorecard ignored 99.9% of the murders committed in America.

“Kill all the extremists” was the natural conclusion of Biden’s demonology.

Biden told the summit attendees: “Hate-fueled violence is born into the fertile soil of a toxic division. We won’t solve the problem by going after the extreme fringes alone. We have to confront the ways in which our toxic divisions fuel this crisis for all of us — our differ-

ences.” And then Biden suggested fighting hate by banning assault weapons — as if federal agents confiscating tens of millions of privately owned firearms would magically commit peace in our times, give or take a few dozen Waco-type slaughters. And just in case disarming peaceful Americans didn’t create paradise, Biden also tub-thumped for a big boost in pay for AmeriCorps recruits.

Biden’s incitement to violence

While Biden was seeking to hold all Republican officials and voters collectively guilty for the rhetoric of any Republican candidate, Democrats also uncorked plenty of “full moon” howlers. On a Sunday morning talk show, Senate Intelligence Committee Chairman Mark Warner (D-Va.) equated participants in the Jan. 6 Capitol ruckus with the 9/11 terrorists. Vice President Kamala Harris also equated Jan. 6 with 9/11 and threw in Pearl Harbor to score a trifecta. Rep. Tim Ryan (D-Ohio), then a Senate candidate, proclaimed: “We have to kill and confront that [“extremist” Republican] movement.” “Kill all the extremists” was the natural conclusion of Biden’s demonology.

Throughout his career, adulatory media coverage has enabled

Biden to get away with his Jekyll and Hyde routines. Two weeks before the mid-term congressional election, the *New York Times* weighed in with a comically slanted piece that implied that the rhetorical sins were almost all on one side of the ledger. The *Times* blazoned its front page with a story about Republicans' use of "devil terms." *Times* reporters sifted through millions of documents to prove that Republicans "used divisive words and phrases more than twice as often as Democrats in tweets." The *Times* quoted a Texas A&M professor who explained that devil words are "things that are so unquestionably bad that you can't have a debate about them."

When did questioning any president's mental acuity become illicit?

The *Times* piece is akin to a TV wrestling referee who ignores the wrench that his favored wrestler pulled from his trunks to whack his opponent on the head. The *Times* condemned Texas Republican congressman Pat Fallon for saying that Biden "needs to take a cognitive test." When did questioning any president's mental acuity become illicit? Inflation has increased more

than fivefold since Biden took office, but the term "Bidenflation" was condemned as extremist rhetoric. The *Times* even considered the phrase "Biden border crisis" as devil words.

A few days before the congressional elections, Biden shuffled to Union Station in Washington, D.C., to do some last-minute fearmongering. Biden railed against "lies told for power and profit, lies of conspiracy and malice, lies repeated over and over to generate a cycle of anger, hate, vitriol and even violence." He assured the audience that they were in a "struggle for democracy, a struggle for decency and dignity, a struggle for prosperity and progress, a struggle for the very soul of America itself."

Speaking on the edge of Capitol Hill, Biden portrayed himself as the savior of the republic. He declared, "Autocracy is the opposite of democracy. It means the rule of one, one person, one interest, one ideology, one party." But Biden offers a "Trust Me" version of democracy in which the Supreme Leader is entitled to be revered, regardless of how many secrets he keeps from the American people. Biden warned, "Make no mistake, democracy is on the ballot for all of us. We must remember that democracy is a cove-

nant.” And Biden is the Moses waiting to lead his people out of the chains of hatred.

No matter how much vitriol Biden uses on opponents, his pundit and press corps allies will soon be portraying him as Uncle Joe — the kindly grandfather simply concerned about his wayward flock. No matter how many Orwellian “two-minute hate” routines that Biden performs, he will be Mr. Nice Guy within moments after he ceases vilifying opponents.

Unfortunately, the media has focused far more on political rhetoric than on Biden’s abuses of power. The greatest threat our democracy faces is not the words of political candidates but the dictatorial actions of elected politicians. Neither Biden nor his opponents have done

anything to disprove the verdict of Thomas Paine: “The trade of governing has always been monopolized by the most ignorant and the most rascally individuals of mankind.”

James Bovard is a policy advisor to The Future of Freedom Foundation and the author of the ebook Freedom Frauds: Hard Lessons in American Liberty, published by FFF, Public Policy Hooligan, Attention Deficit Democracy, and eight other books.

NEXT MONTH:
“**Biden’s Atrocious Assange Prosecution**”
by James Bovard

By liberty I mean the assurance that every man shall be protected in doing what he believes his duty against the influence of authority and majorities, custom and opinion.

— Lord Acton

Republican Déjà Vu

by *Laurence M. Vance*



The year was 1994. A Democratic president had been in the White House for two years. The Democrats controlled the Senate and the House of Representatives. House Republicans issued a document detailing the actions they would take if they gained control of the House. Republicans were projected to win big. A midterm election was held.

A red wave then swept the country. The Republicans gained control of both houses of Congress. A Republican revolution was proclaimed. The Democratic president was prevented from implementing his liberal agenda. The Republican faithful were ecstatic. The Democratic president had to work with Republicans in Congress. And nothing of substance happened that had any real effect on federal spend-

ing, the size and scope of government, or the welfare/warfare state.

In 2022, we experienced a Republican déjà vu. A Democratic president had been in the White House for two years. The Democrats controlled the Senate and the House of Representatives. House Republicans issued a document detailing the actions they would take if they gained control of the House. Republicans were projected to win big. A midterm election was held.

But then the red wave that all the conservative pundits had predicted never occurred. What control the Republicans gained was limited to the House. There was no Republican revolution. And regardless of the outcome, President Biden can freely wield the veto pen. But even with veto-proof Republican majorities in both Houses of Congress — Republicans being Republicans — nothing of substance would happen that would have had any real effect on federal spending, the size and scope of government, or the welfare/warfare state.

Republican control

Since the 1950s, the Republicans have controlled just the House, just the presidency, both houses of Congress but not the presidency, just the Senate with a Republican president,

just the house with a Republican president, and both houses of Congress with a Republican president.

Republicans had absolute control of the government for over four years during Bush's presidency.

Before the Republicans gained control of both the House and the Senate in 1994, the last time Republicans controlled the House was the 83rd Congress of 1953–1955 — the first two years of the presidency of Dwight D. Eisenhower. The last time Republicans controlled the Senate was during the first six years of Ronald Reagan's presidency (1981–1987). Republican control of the House and Senate that was obtained in 1994 continued for six more years through the end of President Bill Clinton's second term. Then the unthinkable happened. In the election of 2000, Republicans held on to their majorities in the House and Senate, and a Republican, George W. Bush, was elected president. Republicans had absolute control of the government for over four years during Bush's presidency. They held their initial slim majority until May of 2001 when Republican senator Jim Jeffords switched from Republican to Independent. Republicans regained

control of the Senate in the 2002 midterm election and then remained in control of both houses of Congress until their defeat in the 2006 midterm election. Following four years of Democratic control of the Congress, Republicans regained control of the House in the 2010 midterm election. Four years later, they regained control of the Senate as well. This Republican control of the Congress lasted four years — from the last two years of Barack Obama's presidency through the first two years of Donald Trump's presidency. During the last two years of Trump's presidency, Republicans held a slim majority in the Senate after losing 41 seats in the House in 2018.

Since the 1950s, there have been three Republican presidents who had a Democratic-controlled Congress throughout their presidency: Richard Nixon, Gerald Ford, and George H. W. Bush. There have been three Republican presidents who had a Democratic-controlled Congress for at least two years of their presidency: Dwight D. Eisenhower, Ronald Reagan, and George W. Bush. There have been two Republican presidents who had a Republican majority in just the Senate for at least two years of their presidency: Ronald Reagan and Donald

Trump. And there have been three Republican presidents who had a Republican-controlled Congress for at least two years of their presidency: Dwight D. Eisenhower, George W. Bush, and Donald Trump.

If history is any indication, Americans have good reason to be skeptical of Republican claims of what they will do once they regain control of the government. Whether they control only one chamber of Congress or have a Republican trifecta, the result is always the same: the federal budget, the national debt, and government control over the economy, society, and the individual increase while the welfare/warfare state continues unabated.

The Republican agenda

Back in 1994, it was the Republican Contract with America. In 2022, it was the Republican Commitment to America. The “Commitment to America represents a new direction and better approach that will get our nation back on track.” It revolved around four commitments:

- Because Americans are workers and builders, we commit to remove government-imposed obstacles to

their success. Hardworking taxpayers should be valued, not punished.

- Because no American should live in fear, we commit to reverse soft-on-crime policies that have caused violence in our communities. Public safety is a necessity, not a privilege.
- Because Americans are learners and dreamers, we commit to advance excellence in education and respect for dedicated parents and teachers. Our future depends on it.
- And because Americans deserve fairness and real accountability, we commit to make Washington finally serve the needs of the people. We can no longer afford business as usual.

Americans have good reason to be skeptical of Republican claims of what they will do once they regain control of the government.

These commitments have resulted in four GOP slogans: “Starting Day One, we will work to deliver an economy that’s strong, a nation that’s safe, a future that’s built on freedom, and a govern-

ment that's accountable."

Now, I don't know of any American who wouldn't want a strong economy, a safe nation, a future built on freedom, and an accountable government, so perhaps we should see what details the Republicans actually provide about each of these things. In their one-page fact sheet about their Commitment to America, the Republicans have three bullet points, with explanations, under each of their slogans. Although the points all differ, they might as well say: nationalism, socialism, and militarism.

Ending the war on drugs that is the cause of drug trafficking is not part of their agenda.

Under "An Economy that's Strong," Republicans talk about curbing wasteful government spending that raises prices and grows the national debt. This is laughable, considering that the debt increased by almost \$4 trillion over the course of Donald Trump's three "pre-pandemic" years as president — years where the Republicans controlled the Senate the whole time and the House for two out of the three years. There is no mention of the role of the Federal Reserve in causing inflation. America is to be

made "energy independent," supply chains are to be moved away from China, and U.S. manufacturing is to be expanded. There is no mention of the national industrial policy that it will take to do these things.

Under "A Nation That's Safe," Republicans repeat their "secure the border" mantra. One reason for this is to prevent "trafficking by cartels." Ending the war on drugs that is the cause of drug trafficking is not part of their agenda. All forms of illicit fentanyl are to be permanently criminalized, as if they were not already. Republicans "support 200,000 more police officers through recruiting bonuses and oppose all efforts to defund the police." This is all well and good, but police officers are recruited and funded by states, counties, cities, and towns. The federal government is not authorized by the Constitution to have anything to do with local law enforcement. In order to defend America's national security, Republicans want to "support our troops, invest in an efficient, effective military, establish a Select Committee on China, and exercise peace through strength with our allies to counter increasing global threats." What this actually means, of course, is that Republicans want to support overseas military exercises and operations by

U.S. troops in places where they have no business going, increase the military budget, make China a boogeyman, and build up the military to counter global threats of our own making.

Under “A Future that’s Built on Freedom,” Republicans want to “recover lost learning from school closures” and “expand parental choice so over a million more students can receive the education their parents know is best.” (I wonder if this includes school closures during the “pandemic” by Republicans at the state and local levels?) Republicans used to call for the elimination of the federal Department of Education. Now they want to expand federal involvement in education. Republicans also want to expand federal involvement in health care by personalizing care “to provide affordable options and better quality, delivered by trusted doctors and hospitals,” lowering prices “through transparency, choice, and competition,” investing in “lifesaving cures,” and improving “access to telemedicine.” Republicans don’t even bother to talk about repealing Obamacare anymore.

And finally, under “A Government that’s Accountable,” Republicans want to “preserve our constitutional freedoms” while they “save

and strengthen Social Security and Medicare”—the two largest socialist programs that are not authorized by the Constitution. Republicans want to “safeguard the Second Amendment.” Yet, they have gone along with decades of federal gun-control legislation that make a mockery of the Second Amendment. Republicans want to “protect the lives of unborn children and their mothers.” Instead of being content with the Supreme Court overturning *Roe v. Wade* and returning the abortion question to the states, where it belongs, Republicans want to use the power of the federal government to restrict abortion. It is laughable that Republicans want to “conduct rigorous oversight to rein in government abuse of power and corruption.”

**Republicans also want
to expand federal involvement in
health care.**

There is nothing in the Republican agenda about abolishing the hundreds of unconstitutional programs and agencies of the federal government. There is nothing in the Republican agenda about laying off thousands of government bureaucrats that run these programs and work at these agencies. And there is nothing in the Republican

agenda about rolling back the welfare state, the warfare state, the police state, the surveillance state, and the national-security state that oppresses the American peoples' life, liberty, and property.

The issues

The real issues were nowhere to be found in the midterm election. One would think that since Republicans continually recite their conservative mantra — fidelity to the Constitution, federalism, limited government, fiscal conservatism, privatization, less government, capitalism, lower taxes, less regulation, the free market, free enterprise, and a strong national defense — they would focus on some of these issues to differentiate themselves from Democrats. But they can't, and here is why.

Republicans believe that some Americans should be forced by the government to pay for the health care of other Americans.

Republicans support antidiscrimination laws that violate freedom of conscience and the natural rights of private property and free association.

Republicans believe that Americans should be locked in a cage for possessing substances that the government doesn't approve of.

Republicans support an interventionist foreign policy.

Republicans believe that the U.S. military should police the world.

Republicans believe that the U.S. military should have bases and troops all over the world.

Republicans believe that the government should take money from Americans and give it to foreigners and their governments.

Republicans believe that the government should give students grants and loans.

Republicans support an interventionist foreign policy.

Republicans believe that some Americans should receive a refund of tax money that they never paid in.

Republicans believe in saving the largest socialist program in the United States: Social Security — an intergenerational wealth-redistribution scheme.

Republicans believe that the government should take money from those who work and give it to those who don't.

Republicans believe that the government should operate a rail service.

Republicans believe in social-

ized medicine via Medicare and Medicaid.

Republicans believe that the government should undertake space exploration.

Republicans believe that the government should provide breakfast and lunch for school children.

Republicans believe that the government should provide airport security.

Republicans support federal subsidies to certain occupations and sectors of society: agriculture, the arts, cultural organizations, scientific and medical researchers, and low-income renters.

It is conservative Republicans in state legislatures who throw more money at public education every year.

Republicans believe that the federal government should have a National Instant Criminal Background Check System (NICS) that Americans must submit to before they can purchase a gun.

Republicans believe that the federal government should make home loans, guarantee loans, give out housing vouchers, and have a Department of Housing and Urban Development.

Republicans believe that the

federal government should have laws to prohibit or regulate gambling.

Republicans believe that some Americans should be forced by the government to pay for the education of other Americans and their children.

Democrats believe and support the exact same things. They just sometimes disagree with Republicans over how much should be spent on them.

The problem

The problem is a deep philosophical one. It is not just the Republican leadership, the Republican establishment, Republicans in name only (RINOs), liberal Republicans, progressive Republicans, moderate Republicans, or congressional Republicans who believe the above things. It is Republicans who created the TSA. It is conservative Republicans in state legislatures with Republican majorities who throw more money at public education every year. It is conservative Republicans who have continually expanded refundable tax credits and reauthorized unconstitutional federal programs. When was the last time a Republican in any state campaigning for any office ever publicly advocated that Medicare

and Medicaid be abolished, federal background checks and unemployment compensation be eliminated, foreign aid and space exploration be ended, drug and anti-discrimination laws be repealed, and all U.S. troops be brought home after all overseas U.S. bases are closed?

Republicans seem to oppose only the most egregious cases of federal spending. They never seem to have a fundamental issue with most government programs or agencies. They only seem to get upset when the program or agency does something that violates some Republican talking point or conservative position.

There are no real political differences between most Democrats and Republicans.

Republicans seem to criticize the TSA only when the agency or one of its security screeners does something outrageous. Republicans seem to criticize federal funding of Planned Parenthood only because the organization performs abortions. Republicans seem to criticize NPR only when it manifests a liberal bias. Republicans seem to criticize the National Endowment for the Arts (NEA) only when it funds pornographic art.

Republicans seem to criticize Medicare only for waste, fraud, and abuse. Republicans seem to criticize the National Institutes of Health (NIH) only when it awards grants for ridiculous things. Republicans seem to criticize the Centers for Disease Control and Prevention (CDC) only when it recommends that people wear face masks in certain situations.

Conclusion

The conclusion is inescapable. Although there are notable cultural differences between most Democrats and Republicans, there are no real political differences between most Democrats and Republicans when it comes to the fundamental issues of individual liberty, private property, peace and nonintervention, and limited government. Former Republican member of Congress and presidential candidate Ron Paul summarized it well: “One of the dirty secrets of American politics is that the establishment of both parties supports the corporatist welfare-warfare state and the fiat money system that makes it all possible. While they quibble over the details, the only real disagreement between the two parties is over which one is better able to run the economy, run the world, and run

our personal lives.” Future of Freedom Foundation president Jacob Hornberger has pointed out that the Democrats and Republicans “both are just fighting to control the welfare-warfare-state regulated society that they both have foisted on the American people.” This is why Judge Andrew Napolitano maintains that there is really just one political party in America — the Big Government Party — with two wings that “believe that they can right any wrong, regulate any behavior, tax any event and interfere in any process, whether the Constitution authorizes their legislation or not.” And yet the Republicans say that the Republican party is “the party of the Constitution.”

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NEXT MONTH:
“Law and Order’ and
Libertarianism”
by Laurence M. Vance

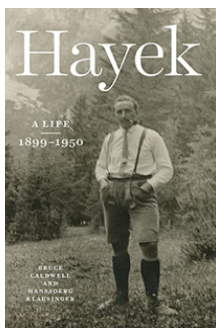
Excessive partiality for one foreign nation and excessive dislike of another cause those whom they actuate to see danger only on one side.

— George Washington

The Life and Significance of F. A. Hayek

by *Richard M. Ebeling*

Hayek: A Life, 1899–1950 by Bruce Caldwell and Hansjoerg Klausinger (University of Chicago Press, 2022)



People who knew Friedrich A. Hayek before he won the Nobel Prize for Economics in 1974 sometimes said that he went through bouts of depression that interrupted his research and writing. Some also said that he could be aloof and distant when interacting with others. I must say, however, that was not the Friedrich Hayek that I had the good fortune to meet and interact with in the years immediately following his Nobel Prize.

In 1975 and 1977, I was one of a number of young “Austrian” scholars selected for summer research fellowships at the Institute for Humane Studies (IHS) when it was headquartered in Menlo Park, California. Hayek was also at IHS as a senior resident scholar, and, as luck would have it, his office was only one or two doors down from mine.

At the time, I was in my mid-20s just finishing my undergraduate degree in economics and starting my graduate studies. I had become interested in classical-liberal and Austrian economic ideas when I was a teenager, so by the time I met Hayek, I had already read most of his writings on monetary and business cycle theory, his critique of “scientism” in the social sciences, and his works on political and social philosophy. I was not going to miss the opportunity of making regular visits to his office whenever he was around. I was determined to pick his mind about the “old Vienna days” when he worked closely with Ludwig von Mises in the 1920s, or during his years at the London School of Economics in the 1930s and 1940s when he battled with John Maynard Keynes over the causes of and cures for the Great Depression and clashed with advocates of socialist central planning.

Personal impressions of F. A. Hayek

I always found Hayek cheerful, open, and delighted to share his time with a pesky young man imposing himself on his time and patience. Hayek spoke in a careful, deliberative voice that in spite of his long years in Great Britain and the United States still carried a very distinct and pronounced German accent, which at first made it necessary to really concentrate to understand him. He often was self-deprecating in his reminiscences about his conflicts and debates with Keynes or with others, like Arthur C. Pigou or the British socialists of the interwar period. He would sometimes say, “Well, during one of my other famous defeats...”

The last time I saw Hayek was in 1980 in Frieberg, Germany.

Hayek had been a lifelong pipe smoker, but his physician finally made him give it up. However, he still needed a nicotine fix, so he took up sniffing snuff. I would sit in his office listening intently to what he was saying, but then he would take out his snuff box and inhale some into his nostrils. I would be terribly distracted by watching to see where on his mustache or tie the snuff residue would fall. I consider

the opportunity to spend so many hours in Hayek’s company those two summers to be one of the true high points of my intellectual life.

The last time I saw Hayek was in 1980 in Frieberg, Germany, where he was then living. I was traveling from Vienna to Paris by train, and he most graciously suggested my stopping to see him after I had written to him that I would be passing his way on my journey. We spent a delightful morning in long conversation, after which he insisted upon taking me to lunch. While we were eating, I commented that it seemed that since winning the Nobel Prize in 1974 he had suddenly started publishing a good deal more, especially on economic and monetary-policy issues. Hayek replied, “Well, I tried old age and I did not like it, so I decided to come back.”

When we parted, he wished me well and said that I should come and see him again next time I was in that part of Germany. Alas, there was no next time in the years before his death.

A monumental biography

While it is now more than 30 years since Hayek passed away on March 23, 1992, at the age of 92 (he was born on May 8, 1899), the legacy of his lifework as economic theo-

rist, intellectual historian, and social philosopher lives on. Helping to preserve it is the 19-volume *Collected Works of F. A. Hayek* that for a good part of the last three decades has been overseen under the outstanding general editorship of Bruce Caldwell, professor at Duke University and director of its Center for History of Political Economy.

This book covers his career as a leading monetary and business cycle theorist and rival of Keynes.

Now, Bruce Caldwell has published another monumental 800-page biography, *Hayek: A Life, 1899–1950*, with coauthor Hansjörg Klausinger, a distinguished professor emeritus at the Vienna University of Economics and Business. It covers approximately the first half of Hayek's life, the most fascinating and controversial part, some would say, which includes his career as a leading monetary and business cycle theorist and rival of Keynes in the 1930s through his international recognition as the author of *The Road to Serfdom* (1944) and his founding of the Mont Pelerin Society in 1947.

Caldwell had earlier published *Hayek's Challenge: An Intellectual Biography of F. A. Hayek* (2004), an

extremely scholarly and very readable work covering Hayek's ideas and their significance. But this new volume far exceeds what was already an outstanding contribution by Caldwell for understanding Hayek's place in the intellectual controversies of the twentieth century.

Hayek's personal life and his return from the war

As is the case with many notable and thorough biographies, the authors detail his personal and family life, as well as his professional career. Growing up in the Vienna before the First World War, Hayek lived in the twilight years of the pre-World War I era of a still generally political and economic liberal world order. Hayek's family surroundings were that of a cultured Viennese environment. His father was a medical doctor and noted botanist, and his home life was one of literature, music, and scientific ideas. One chapter discusses the embarrassing circumstances in the 1930s when, while Hayek was an uncompromising classical liberal and antitotalitarian residing in London, many members of his immediate family living in Vienna before and after the Nazi annexation of Austria in 1938 were strongly pro-Hitler. There are also the details

of his first marriage and his two children and his divorce and remarriage to an earlier love from the 1920s that led him to leave the London School of Economics and take up a position at the University of Chicago at the end of the 1940s.

The general focus throughout the book is on the evolution and development of Hayek's ideas and their impact and controversies.

But, of course, the general focus throughout the book is on the evolution and development of Hayek's ideas, their impact and controversies in the context of the times, and how the historical circumstances through which Hayek was living influenced and shaped the forms and directions of his scholarly writings. Hayek served in the Austrian army, seeing action on the Italian front during the First World War. Returning to Vienna in November 1918, he entered the University of Vienna and earned two advanced degrees, one in law in 1921 and another in political science in 1923. Those interested in economics did so through the law faculty at the University of Vienna, during which he studied with one of the earlier leading members of the Austrian School of Economics, Friedrich von

Wieser, who Hayek once referred to as his "revered teacher."

Ludwig von Mises's influence on Hayek

But the most important and lasting intellectual influence on Hayek as an economist was Ludwig von Mises, who was already famous as a prominent monetary theorist, the author of *The Theory of Money and Credit* (1912). Mises had also served in the Austrian army during the war, mostly on the Russian front. At the end of the war, Mises returned to his duties as a senior economic analyst at the Vienna Chamber of Commerce and the head of a temporary office charged with sorting out prewar debt obligations left over from the Austro-Hungarian Empire. Needing a job after leaving the university, Hayek approached Mises with a letter of recommendation from Wieser. Given that Wieser spoke so highly of him, Mises asked why he had never seen him in his seminar at the university. In later years, Hayek would say that he had sat in one of Mises's lectures but had not found his style appealing.

Nonetheless, Mises's influence not only shaped Hayek's theoretical orientation on monetary and business cycle theory, upon which

Hayek constructed his own “Austrian” contributions in this field in the late 1920s and 1930s. It was while Hayek was working on a day-to-day basis with Mises that there appeared Mises’s second important work, *Socialism: An Economic and Sociological Analysis* (1922). Mises’s critique of socialist central planning and the impossibility for a rational economic order without private ownership of the means of production, free markets, and a competitively based price system, was the starting point for all of Hayek’s later own writings on the limits, contradictions, and impossibilities of a centrally planned economy. As Hayek would sometimes say it, starting from Mises’s premises, he would usually reach the same conclusions as his mentor, only by a slightly different chain of reasoning.

Austrian Institute for Business Cycle Research

After a 15-month visit to America in 1923–1924, during which he acquired knowledge of the then cutting-edge statistical methods used in business cycle research, Hayek returned to Vienna. With academic positions few and far between in postwar Austria, Mises helped arrange and finance the es-

tablishment of the Austrian Institute for Business Cycle Research, which opened in January 1927, with a 28-year-old Friedrich Hayek as its director and Mises as acting vice-president. Within a short period of time, Hayek’s institute publications and collaborations with the economic research department of the League of Nations in Geneva, Switzerland, had won the Austrian Institute wide and respected recognition.

Mises helped arrange and finance the establishment of the Austrian Institute for Business Cycle Research.

While a chapter is devoted to Hayek’s time as director of the institute from 1927 to 1931, I found it peculiar that there wasn’t more detail on the institute’s internal workings or multiple activities under Hayek’s watch. Having personally gone through the Austrian Institute’s archives in Vienna, the board meeting minutes offer a fuller understanding than the chapter presents. Also seemingly unreferenced are materials about the Austrian Institute’s activities during this period that may be found in the archives of the old League of Nations in Geneva. This includes summary

minutes of league-sponsored conferences at which Hayek was in attendance and at which he sometimes delivered reports about the economic situation in Austria during the early part of the Great Depression.

A Treatise on Money turned this 31-year-old Austrian economist into a “player.”

Also, I found it rather amusing, going through the internal documents, that under Hayek’s leadership all the institute’s daily and monthly records and accounts were kept in blissful “spontaneous” disorder. Only when Oskar Morgenstern took over as director with Hayek’s departure for the London School of Economics in late summer 1931 did all the institute’s files and paperwork demonstrate strictly “planned” and meticulous order and arrangement; this continued until 1938, when, following the Nazi occupation and annexation of Austria, the institute was absorbed as a branch of the German Institute for Business Cycle Research headquartered in Berlin. Morgenstern, who was on a lecture tour in America at the time of Hitler’s takeover of Austria, found himself exiled in the United States, ending up with a

teaching position at Princeton University.

Hayek at the London School of Economics

Hayek had published “Inter-temporal Price Equilibrium and Movements in the Value of Money” (1928) and *Monetary Theory and the Trade Cycle* (1929), but his opening to the international stage of professional recognition emerged out of a series of lectures that he was invited to deliver at the London School of Economics in early 1931, and which were published later that year as *Prices and Production*. This slender volume of less than 115 pages, and a lengthy two-part review essay by Hayek that appeared in late 1931 and early 1932 that critically dissected John Maynard Keynes’s recently published two-volume work, *A Treatise on Money*, turned this 31-year-old Austrian economist into a “player” on the stage of monetary and business cycle theory and policy.

On the basis of those lectures, Hayek was offered a visiting position at the London School of Economics that soon became a permanent one that he held until the late 1940s. With his “Austrian”-oriented colleague at the LSE, Lionel Robbins, the school soon became a cen-

ter of higher learning not only with diverse economic perspectives but with a strong dose of Austrian economics as a counterweight to both the budding Keynesian economics at Cambridge University and the general intellectual drift toward socialism.

What if, instead, we assume, as is the case in the real world, knowledge is imperfect and divided and dispersed.

Caldwell and Klausinger tell well the stories and events of Hayek's debates and seeming defeats at the hands of those who challenged his attempt to defend the Austrian theory of the business cycle on the basis of the "Austrian" capital theory of Eugen von Böhm-Bawerk, with its emphasis on a series of time-stages through a period of production. As critics raised points on the logic of Austrian capital theory or the greater complexity of production processes than Hayek first approximated in *Prices and Production*, he was driven to devote nearly a decade of time and writing in an attempt to successfully recast Austrian capital theory that culminated in his *The Pure Theory of Capital* (1941). But the upshot was that reviewers, even those sympathetic

to Hayek's purpose, were dissatisfied and unconvinced by his final product. And neither was Hayek, who gave up any further serious work on the topic.

Hayek's turn to economics and knowledge

Instead, Hayek followed other strands of thought that had emerged out of his work on business-cycle theory, the first important product of which was his 1937 article, "Economics and Knowledge." In fact, in later years, Hayek stated that this essay was the starting point for virtually all his later thinking and writings on both economics and the wider questions of social and political philosophy and institutional order.

Again, the authors of the book under review do an exceptional job in tracing out in detail how Hayek had come to the ideas first expressed in a particular way in "Economics and Knowledge." Basically, Hayek asked, what if we assume that market participants do not initially possess full or sufficient knowledge to always correctly buy and sell at market-clearing or equilibrium prices? What if, instead, we assume, as is the case in the real world, knowledge is imperfect and divided and dispersed with limited

and different content in the minds of each person in the system of division of labor? How could it ever come about that the actions of all these multitudes of suppliers and demanders on the two sides of the market would or could ever come to know what they needed to know to coordinate what they, respectively, did with all the others in a world of constantly changing circumstances?

Hayek and socialist central planning

In the 1930s, Hayek was also drawn into the debates then current in Great Britain and many other parts of the world that with the coming of the Great Depression, the “failure of capitalism” had been demonstrated. It was now time to transform society into socialist planned economies, under which scientific methods of engineering and technology could be brought to bear for successful, centralized direction of the social order through “expert”-guided government command and control.

In 1935, Hayek edited *Collectivist Economic Planning*, a collection of essays, including a seminal one on economic calculation under socialism by Ludwig von Mises. The book also contained introductory and concluding chapters by Hayek

summarizing and extending the discussion on the limits and impossibilities of socialist centralized planning. Part of the socialist response to all this was the proposal for a form of “market socialism,” under which a central planning agency would set and periodically change prices for inputs and outputs in a socialist economy that would be used by the government managers in state-owned enterprises to guide their internal production decisions. In 1940, Hayek responded to these proposals with a devastating critique of the idea of a socialism playing with markets and prices.

Hayek and *The Road to Serfdom*

These were preludes to what became the idea for a far wider project in which Hayek would discuss the intellectual history, the reasoning behind, and the fundamental errors and impossibilities in the idea of a centrally designed, planned, and directed society, supposedly far superior to the random and chaotic development of market societies under which individuals pursued their own purposes in voluntary associations and trades with others. Part of this project appeared as published essays eventually put together in Hayek’s *The Counter-Rev-*

olution of Science (1952).

Another part of the project was published in a form that became Hayek's most famous "popular" work, *The Road to Serfdom* (1944). As an Austrian by birth, though a British citizen since 1938, Hayek was not accepted for any active role in the war against Nazi Germany by the British government. So, instead, he decided that his contribution to the defeat of totalitarianism would be a book that demonstrated how and why government control and planning of economic activities necessarily carried with it the danger of loss of personal, civil, and political freedom in its many facets.

Furthermore, he would show how and why Nazism was not a wicked and dictatorial form of capitalism but rather had its origins in the wider idea of political, social, and economic collectivism that had emerged and gained dominance in Imperial Germany in the decades before the First World War. Thus, he entitled one of the chapters in *The Road to Serfdom*, "The Socialist Roots of Nazism."

In a devastating chapter, he answered the question, "Why the Worst Get on Top" in collectivist societies. In essence, the determination to impose, implement, and attempt to bring about the desired outcome

of "the Plan" requires government agents who increasingly have few or no scruples in seeing that what those above them in the centralized planning authority command want to be done is done, including the how and when and by whom. The planned society needs enforcers who end up viewing the ordinary citizens as expendable cogs in the wheel in pursuit of the planning goals.

**The planned society
needs enforcers who end up
viewing the ordinary citizens as
expendable cogs.**

The book was an almost immediate success, not only in Great Britain but even more so in the United States once an American edition appeared. This was helped by a condensed version that appeared in *Reader's Digest* and a cartoon version that was published in the pages of *Look* magazine. After the war ended in 1945, Hayek went on a grand book tour around the United States. The book was viewed as one of the most important and trenchant demonstrations on the inescapable dangers from following a socialist road that could lead to the type of tyranny that the Allies had been fighting against in the Second World War. His public ad-

dresses and interviews around America only reinforced this.

The use of knowledge in society

That same year there also appeared one of Hayek's most famous articles, "The Use of Knowledge in Society." Here Hayek answered his question from 1937 concerning how the decentralized and different knowledge existing in dispersed fragments in different people's minds can be successfully coordinated for interpersonal betterment and efficiency. The answer is the competitive market price system.

It is sufficient for market prices to serve as the requisite shorthand to inform anyone, anywhere, what consumers want.

It is not necessary for everyone to know everyone else in society or what all those others know in their corners of the marketplace. It is sufficient for market prices to serve as the requisite shorthand to inform anyone, anywhere, what consumers want, and the value they place on being able to buy them. And the same applies on the supply-side of the market. Prices inform competing and rival entrepreneurs what values other potential employers place on the various means of pro-

duction for the manufacture of alternative goods and services that consumers want as expressed in the prices for the finished items those inputs can assist in producing. No central planners could ever succeed in discovering or utilizing all that decentralized knowledge in the world, but the market price system effectively organizes and integrates this knowledge for the mutual benefit of all of humanity.

The Mont Pelerin Society

Through his long-established intellectual associations with like-minded, market-oriented liberals in Western and Central Europe, plus the additional contacts with similar thinking people in America, Hayek developed the idea of an international association of those concerned with the drift toward various forms of collectivism. The authors offer an excellent and detailed account of how Hayek arranged the funding and the organizational structure and the invitations to the interested participants that finally culminated in the first meeting of what came to be called the Mont Pelerin Society in April 1947 at a hotel atop Mont Pelerin in Switzerland.

Bruce Caldwell recently edited for publication the transcripts of

that first meeting. Brought together were many of the leading free-market-oriented economists, journalists, and interested businessmen from both sides of the Atlantic. It was a far more eclectic group than has often been suggested, from consistent advocates of *laissez faire* (Ludwig von Mises) to proponents of various forms of interventionism and redistribution.

What they all shared in common, nonetheless, was a strong belief that a free and prosperous society had to be based on the institutions and protection of private property, open competition, and wide freedom of choice in people's roles as consumers and producers. They may have differed on what and how far some forms of intervention might be introduced into a market system without threatening its foundations. But they all opposed the free market's opposite: the centrally planned society. (See my review, "At the Beginning: The Mont Pelerin Society, 1947," *Future of Freedom*, May 2022.)

Hayek's divorce and move to Chicago

Most of the remainder of the biography revolves around the disruptive events surrounding Hayek's decision to divorce his wife. Not long after the end of the war, Hayek

had made a trip to Vienna, and made contact again with his earlier love from the 1920s; they had kept in touch over the years. They concluded they wanted to be together, but this necessitated divorces by both of them. The sequence of events, as the authors recount them, were difficult, acrimonious, and bitter. It resulted in many of Hayek's long-time English friends, including Lionel Robbins, turning against him due to their interpretation of his behavior toward his wife.

It finally came to a head with Hayek arranging a new position for himself at the University of Chicago, not in the economics department, but with the Committee on Social Thought. But before taking up that position, Hayek spent the 1949–1950 academic year teaching at the University of Arkansas, due to the more liberal divorce laws in Arkansas that freed him up to remarry.

Friedrich Hayek lived until 1992. The rest of his story and his role in classical-liberal and free-market ideas in the second half of the twentieth century will be the subject of volume two of this amazing and monumental biography of one of the great voices for liberty in the last 100 years. The reader waits for it with impatient anticipation.

Richard M. Ebeling is the BB&T Distinguished Professor of Ethics and Free Enterprise Leadership at The Citadel. He was professor of Economics at Northwood University and at Hillsdale College and president of The Foundation for Economic Education, and served as vice president of academic affairs for FFF.

NEXT MONTH:
“The Great German
and Austrian Inflations,
100 Years Ago”
by *Richard M. Ebeling*

We are all Republicans — we are all Federalists. If there be any among us who would wish to dissolve this Union or to change its republican form, let them stand undisturbed as monuments of the safety with which error of opinion may be tolerated where reason is left free to combat it.

— *Thomas Jefferson*

Fiat Money and the French Revolution

by Phil Duffy



W eimar Germany's hyperinflation is well known, as are more recent hyperinflations in Argentina and, most recently, Venezuela. Perhaps fewer people have heard of John Law's Mississippi Scheme in France and the issuance of paper money that underlay it. And perhaps even fewer still have heard that the issuance of paper money by the government contributed to the French Revolution and the Reign of Terror.

One of the best sources on this subject is Andrew Dickson White, a mid-nineteenth-century American student at the Sorbonne, diplomat, cofounder/first president of Cornell University, and author of *Fiat Money Inflation in France*. During his

stay in Paris, White had unusual access to primary sources about the French Revolution, lectured on the subject as a professor of history at the University of Michigan, and subsequently made it a lifelong pursuit.

Excluding the excellent introduction by Henry Hazlitt in the 1959 edition, *Fiat Money Inflation in France* covers the subject in a mere 90 pages, 83 of which are essentially chronological and descriptive, with only seven pages dedicated to a "logical order — the order of cause and effect."

Several terms require definition before exploring this subject. Fiat money is money issued by government decree. During the French Revolution, fiat money referred to money created on paper, not monetary coins. Those slips of paper became a medium of exchange in the transfer of goods and services, or currency.

Today, currency plays a minor role in the money supply of the United States. Most transactions occur through the use of bank credit. A much misunderstood term, inflation, is the expansion of the money supply itself, not the effect it has on prices, although significant inflation does cause a rise in the general price level.

The roots of the French Revolution

Fiat Money Inflation in France documents one of the causes of the French Revolution and the triggering cause that pressured Louis XVI to convene the Estates General in May 1789. The first sentence of *Fiat Money Inflation* describes the challenges the delegates faced: “Early in the year 1789 the French Nation found itself in deep financial embarrassment: there was a heavy debt and serious deficit.”

Although the danger of paper money was well known, “oratory prevailed over science and experience.”

The cause can be traced as far back as the wars waged by Louis XIV as well as by his luxurious spending. At his death in 1715, a regency government faced a similar challenge and pursued a similar paper money strategy in order to avoid the harsh actions that economics dictated. The result was the disastrous Mississippi Scheme engineered by a charismatic Scot, John Law, who had made his way into the position of Controller General of Finances in France. The Mississippi Scheme collapsed spectacularly in 1720, less than 70 years prior to the crisis that the Estates

General (soon to be renamed General Assembly) attempted to address. Although the danger of paper money was well known and there was adequate financial knowledge in the General Assembly, “oratory prevailed over science and experience.”

The rationalization for the issuance of irredeemable paper money was the familiar appeal to ignore history — “This time is different.” Part of the argument was that the money was backed by the value of land seized from the Catholic Church by the General Assembly. In addition, according to one paper money supporter:

Paper money under a despotism is dangerous; it favors corruption. But in a nation constitutionally governed, which itself takes care in the emission of notes, which determines their number and use, that danger no longer exists.

It was the ultimate statement of faith in the wisdom of the majority.

The first issue of *assignats* occurred in April 1790 in the amount of 400 million livres (later, francs). Initially, this was to be the only issue of paper money, but in five

months the promise was broken, and 1,200 million francs were in circulation. Two years after the first issuance of paper money, the fifth issue had occurred, and 2,800 million francs circulated. In 1796, when the machinery, plates, and paper for printing assignats were finally destroyed, there were 40,000 million assignats in circulation, 100 times as many as were initially issued. Assignats were then replaced with new notes, *mandats*, which suffered a similar devaluation a year later when legal-tender protection of both paper currencies was revoked, rendering them worthless.

None of these measures addressed the underlying economic problems but served only to introduce further chaos.

The immediate challenge for the government in 1790 had been the elimination of the deficit, but the Revolution's leaders had another goal: "to get this land distributed among the thrifty middle classes, and so commit them to the Revolution and the government that gave their title."

Who paid the price?

For some, the plan worked very well, as they paid off their obliga-

tions to the government with future devalued assignats. But overall, the plan had a flaw: "One simple fact, as stated by John Stuart Mill, ... was that the vast majority of people could not afford to make investments outside of their business."

Nor was the alleged relief of the debtor class relief of the poor. The wealthy could accumulate debt, but the poor live hand to mouth. Additionally, increasing unemployment from failed business and wages unable to keep up with price increases on necessities resulted in a situation in which "all that saved thousands of laborers in France from starvation was that they were drafted off into the army and sent to be killed on foreign battlefields."

Inflation impacted the poor more than the wealthy. The washerwomen of Paris found they could no longer pay, nor could shopkeepers afford to sell the soap for the depreciated assignats.

[Radical revolutionary journalist Jean-Paul] Marat declared loudly that the people, by hanging shopkeepers and plundering stores, could easily remove the problem.

This was followed by forced loans on the wealthy, by repudia-

tion of the first issue of paper money that was considered more valuable because it bore the image of the king, and by a decreed “maximum” of prices that might be charged. None of these measures addressed the underlying economic problems but served only to introduce further chaos into the economy. Those who did not comply with the government’s coercive measures found themselves at the guillotine, followed by those who were merely suspected of infractions or just lack of support for the Revolution. The Reign of Terror was on.

White observed moral deterioration: “Out of the inflation of prices grew a speculating class; and, in the complete uncertainty as to the future, all business became a game of chance, and all businessmen, gamblers.”

Some speculators were successful and became immensely rich, but the French nation in general abandoned thrift, which ultimately is the basis for sound investment in future improved productivity:

Financiers and men of large means were shrewd enough to put as much of their property as possible into objects of permanent value. The working classes had no such foresight or skill or means. On them finally came the great crushing weight of the loss.

The lessons of *Fiat Money Inflation in France* appear to have been lost to twenty-first-century Americans. The French at least had the supposed security of lands seized from the Catholic Church to back their initial paper-money inflation. What security has been offered to Americans for the inflation their government has created?

Phil Duffy is a regular contributor to WFYU's We the People, the Constitution Matters, a lifelong student of history, and the author of the forthcoming A Tale of Four Cities, an investigation about who really wrote the first modern text on economics and why it matters today.

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