

# The legacy of Friedrich von Hayek: Fascism didn't die with Hitler

by Richard Freeman and Jeffrey Steinberg

In the summer 1994 edition of the Heritage Foundation's *Policy Review*, a group of leading American conservatives, including Sen. Phil Gramm (R-Tex.), Rep. Dick Arney (R-Tex.), and free-market economist Milton Friedman, were asked to contribute essays commemorating the 50th anniversary of Friedrich von Hayek's book *The Road to Serfdom*. That 1944 book, written before the guns of World War II had been silenced, could very well be described as the *Mein Kampf* of the postwar revival of the "Conservative Revolution."

Representative Arney, among the "Hayekians" invited to comment, was the most fanatical about the jacobin nature of their efforts:

"Liberation is at hand. For all the gloom of the Clinton term, we must remember that a paradigm-shattering revolution has just taken place. In the signal events of the 1980s—from the collapse of communism to the Reagan economic boom to the rise of the computer—the idea of economic freedom has been overwhelmingly vindicated. The intellectual foundation of statism has turned to dust. This revolution has been so sudden and sweeping that few in Washington have yet grasped its full meaning. . . . But when the true significance of the 1980s freedom revolution sinks in, politics, culture—indeed, the entire human outlook—will change. . . . Once this shift takes place—by 1996, I predict—we will be able to advance a true Hayekian agenda, including a flat tax, radical spending cuts, the end of the public school monopoly, a free market health-care system, and the elimination of the family-destroying welfare dole. Unlike 1944, history is now on the side of freedom."

Also during the summer of 1994, another, more secretive, commemorative event for von Hayek's *Road to Serfdom* took place in Cannes, France. This was the annual gathering of the Mont Pelerin Society, the institution founded by von Hayek in 1947 to advance his particular brand of Conservative Revolution and launch the radical insurgency that has now overrun the corridors of power in Washington and a number of other capitals around the globe.

Writing *The Road to Serfdom* in London in 1944 (he held the Tooke Chair in economics at the British Fabian Society-founded London School of Economics), von Hayek

could hardly have penned an apologia for Adolf Hitler and National Socialism. Instead, he took a sophisticated detour to arrive at the same end. Von Hayek denounced National Socialism as a classic expression of statist, totalitarian socialism, and then advanced the phony argument that any form of dirigist government involvement in the economy strangled freedom, crushed the free market, and led inevitably to Hitlerian totalitarianism.

Von Hayek counted Friedrich List, Germany's great "American System" economist, and the Weimar-era German political figure Walter Rathenau as part of the same "socialist" camp as Hitler. He pilloried List as the principal author of the "German thesis" that "free trade was a policy dictated solely by, and appropriate only to, the special interests of England in the nineteenth century."

He wrote about Rathenau, whose assassination in 1923 was an essential step toward the Nazi Party accession to power: "Ideas very similar to these [anti-individualism] were current in the offices of the German raw-material dictator, Walter Rathenau, who, although he would have shuddered had he realized the consequences of his totalitarian economics, yet deserves a considerable place in any fuller history of the growth of Nazi ideas."

Moreover, the radical alternatives that von Hayek posed—strict monetarism, near-total deregulation, and Pan-European federalism—were all expressions of the same feudalist outlook that produced Hitler's National Socialism and the thousand other varieties of Conservative Revolutionism after World War I.

*The Road to Serfdom*, while ostensibly a polemic against statist totalitarianism, proposed a feudal model for society that would mean a return to feudal serfdom for the vast majority of human beings: "We shall not rebuild civilization on the large scale," von Hayek wrote. "It is no accident that on the whole there was more beauty and decency to be found in the life of the small peoples, and that among the large ones there was more happiness and content in proportion as they had avoided the deadly blight of centralization."

Many of the earliest and most devoted followers of von Hayek's new "anti-socialist" crusade were themselves leading sponsors and players in the Conservative Revolution in

Germany, Austria, and Great Britain. For example, von Hayek's Mont Pelerin Society counted among its founding members Max von Thurn und Taxis, the head of the old Venetian oligarchic family that was transplanted to Bavaria. The Thurn und Taxis family was prominent in the occult Thule Society that fostered Hitler's rise to power, and members of the family ran the Allgemeine SS out of their Regensburg, Bavaria castle.

In his keynote speech at the Mont Pelerin Society meeting in 1980 in Palo Alto, California, Max von Thurn brazenly praised the "underground economy" as the perfect "Hayekian" system—complete with its narcotics trafficking, unchecked violent crime, and tax evasion.

### The 'Austrian School'

Friedrich von Hayek was born in Vienna in 1899. After obtaining a doctorate in political science from the University of Vienna and spending 1923-24 in New York City, von Hayek returned to Vienna to participate in the private seminars given by Austrian School ideologue Ludwig von Mises.

The Austrian School had been founded by Carl Menger (1840-1921), a retainer of the Hapsburg and Wittelsbach royal houses of Austria and Bavaria, who was a fanatical opponent of Prussia's industrialization policies, which were explicitly modeled on Alexander Hamilton's "American System of Political Economy." Menger was the first of the Austrian free-market economists to equate these American System ideas with state socialism, lumping Friedrich List together with Saint Simon, Hegel, and Marx.

Menger trained a generation of Austrian School economists, including Eugen von Boehm-Bawerk, Ludwig von Mises, and Friedrich von Hayek. Before his brief New York City venture, von Hayek attended the Boehm-Bawerk seminars in Vienna—along with future Bolshevik leader Nikolai Bukharin. This convergence of radical free-market and Bolshevik personalities under the Vienna School tutelage is not as strange as it might seem on first reflection. Boehm's insistence on the inevitability of the collapse of capitalism due to "overproduction" caused by the reinvestment of profit into new infrastructure, research and development, and other capital improvements through the mechanism of credit, was stolen directly from Karl Marx. And Boehm fully subscribed to the idea of the superiority of the pre-capitalist feudal guild society over the modern industrial state, a theme Bukharin would elaborate in his 1914 work, *The Economic Theory of the Leisure Class*.

Another seminal figure in the formation of the Austrian School's radical anti-capitalist ideology, the "individualist philosopher" Jacob Burckhardt, openly attacked the fifteenth-century Golden Renaissance as one of the worst events in history. For Burckhardt, the pre-Renaissance feudal alliance between the oligarchy and the church represented the high point of civilization. It was a theme that von Hayek would take up more than half a century later in *The*

*Road to Serfdom*. Burckhardt was the inspiration for von Hayek, and the mentor of other leading Austrian School figures, as well as of Nazi precursor Friedrich Nietzsche and Nazi ideologue Martin Heidegger.

After attending the von Mises seminars in the mid-1920s, von Hayek became the first director of the Austrian Institute for Business Cycle Research. Wesley Clair Mitchell, during the same period, founded a parallel institution in the United States—the National Bureau of Economic Research. Both institutes peddled the quack notion that economic blowouts are inevitable, and should be encouraged through draconian austerity and the shutoff of credit. Thus, the Austrian School pioneered the "shock therapy" policies that have brought economic ruin to many nations of the developing sector, and more recently has done so to the nations of the former Warsaw Pact.

Mitchell would later train Milton Friedman. In 1950, von Hayek would move to Chicago and join Mitchell and Friedman to build the so-called Chicago School, based at the University of Chicago, as the North American outpost for the Vienna apparatus.

In 1931, von Hayek accepted an invitation to come to London to deliver a series of lectures at the London School of Economics, where he eventually accepted a full-time teaching position, and also became affiliated with the British Fabian Society. In 1939, he initiated an organization that would soon evolve into the Mont Pelerin Society. The earlier group, the Society for the Renovation of Liberalism, included Frank Knight and Henry Simons, both of whom trained Friedman at the University of Chicago; the American Fabian socialist Walter Lippmann; Viennese Aristotelian Society leader Karl Popper; Ludwig von Mises; and Sir John Clapham, a senior official of the Bank of England, who from 1940-46 was the president of the British Royal Society, the British monarchy's preeminent center for cultural warfare against the ideas of the Renaissance.

It was this group of people (with the exception of Frank Knight, who had died) that gathered—at von Hayek's initiative—at Mont Pelerin, Switzerland in April 1947 to form the Mont Pelerin Society. Among the other founders of the society were Archduke Otto von Hapsburg, the heir to the Austro-Hungarian throne, and Max von Thurn und Taxis. The explicit purpose of the society was to implement the new global feudal order spelled out in von Hayek's *Road to Serfdom*.

The most important sister organization to the Mont Pelerin Society from the very outset was the already-established Pan-European Union. Leading Mont Pelerin figures, including Otto von Hapsburg and Walter Lippmann, were pivotal in the Pan-Europa movement; the concept of a pan-European federation was a cornerstone of von Hayek's *The Road to Serfdom*, which argued for the replacement of the nation-state with a "benign" feudal system, ultimately linked to a world federalist institution based on the proposals of the

evil Lord Bertrand Russell (whom von Hayek praised as one of the leading practitioners of nineteenth-century British liberalism).

Count Richard Coudenhove-Kalergi, the founder of the Pan-European Union, was a descendant of an 800-year-old family. The Kalergi branch had ruled the island of Crete and forged the thirteenth-century treaty that brought Crete under Venetian control. The family eventually migrated to England as part of the "Venetian Party" colonization and takeover of the British Isles. However, as late as the turn of the twentieth century, the Kalergi family maintained a salon in Venice which provided refuge to such degenerate figures as the composer Richard Wagner.

In 1923, Count Coudenhove-Kalergi launched the Pan-Europa Union, an organization that won the immediate support of the very people who would install Hitler in power. The first person to join the PEU was Hjalmar Schacht, later Hitler's economics minister and the author of Hitler's slave-labor programs. Other Nazi and Fascist luminaries were supporters or members of the PEU, including Walter Funk, Schacht's handpicked successor as economics minister; Prof. Karl Haushofer, the head of the Geopolitical Institute in Munich and a leading ideologue of the Nazi Party; and Benito Mussolini.

In 1943, Coudenhove-Kalergi wrote *Crusade for Pan-Europe: Autobiography of a Man and a Movement* to set the stage for the postwar revival of his vision of a feudal Europe—regardless of the outcome of the war. Even at this late date, Coudenhove-Kalergi noted with pride, "Haushofer, Schacht, and Funk did and probably still do everything to convince Hitler of the necessity of creating some kind of European federation under German hegemony." At the same time, Pan-Europa enjoyed the active backing of Winston Churchill, Columbia University president and Frankfurt School patron Nicholas Murray Butler, Otto von Hapsburg, and Walter Lippmann.

### The Mont Pelerin Society

From the very outset, the Mont Pelerin Society was conceived as an insurgent movement committed to the implementation of the "Hayekian" version of the Conservative Revolution. Ever since 1947, the group has held an annual conference, attended by members and prospective recruits. Membership is restricted to approximately 500. By invitation only, it follows several years of screening and guest attendance to at least two of the annual gatherings. The society does not publish a membership list; all its publications are for internal distribution only, and the proceedings

## The Mont Pelerin Society at a glance

John Chamberlain's articles in the *National Review* offer a highly partisan look inside the annual meetings of the Mont Pelerin Society. Nevertheless, a picture emerges of the secretive group's agenda. Here are highlights of some recent sessions, according to Chamberlain's published accounts.

**1980:** Meeting of 600 members and guests in Palo Alto, California on the eve of Ronald Reagan's victory in the U.S. presidential elections. Discussion focused on the role of the underground economy. Antonio Martino and Max von Thurn und Taxis provided detailed and laudatory reports on the thriving black market economy in Europe and Ibero-America, calling for integration of the underground and above-ground economies. (*National Review*, Nov. 28, 1980)

**1981:** Regional meeting at Viña del Mar, Chile, heralding the Pinochet junta's "economic miracle," under the direction of the "Chicago Boys." Praise for Gen. Augusto Pinochet's 25% budget cuts and privatization of state-owned industry and other facilities. Another major theme

of the event was the launching of a drive to privatize education and bring to an end the public school system worldwide. (*National Review*, April 2, 1982)

**1982:** Meeting at the Intercontinental Hotel in West Berlin pushed expansion of the Hongkong model of Free Enterprise Zones. (*National Review*, Nov. 12, 1982)

**1983:** Western Hemisphere Regional Meeting in Vancouver, British Columbia took up need for the privatization of all federal government-owned and -managed land. The U.S. government would earn over \$1 trillion by selling off all remaining public land to groups like the National Wildlife Federation, Sierra Club, and Audubon Society. (*National Review*, Oct. 28, 1983)

**1984:** Fortieth anniversary of von Hayek's *The Road to Serfdom* was commemorated at the Mont Pelerin Society meeting in Cambridge, England. Antonio Martino returned to the need to propagandize for the underground economy, arguing that the "off the books" economy is the only means to ensure freedom. (*National Review*, Jan. 11, 1985)

**1986:** St. Vincent, Italy in the Alps was the site of the Mont Pelerin meeting, convened to accelerate the expansion of new front groups worldwide. Institute of Economics Affairs reported that the underground economy now accounts for 15-20% of Britain's GNP. Reviewed global privatization patterns. (*National Review*, Feb. 13, 1987)

of the annual meetings are only distributed to the attendees. *EIR* has been able to obtain a handful of society documents, including proceedings of the 1980 session in Palo Alto, and a 1994 letter of greetings to attendees of the annual meeting in Cannes, France.

Despite this veil of secrecy, the activities of the Mont Pelerin Society can be tracked. A handful of journalists are members, and one *National Review* contributor, John Chamberlain, has published a brief summary of the annual meetings since 1980 in the pages of that magazine. A partial list of members has been reconstructed by *EIR* investigators through biographical research on the leading personalities at the Heritage Foundation, the Reason Foundation, the Cato Institute, and other leading U.S. conservative think-tanks—all of which are dominated by Mont Pelerin members.

Despite propaganda to the contrary, the postwar Conservative Revolution has been run by the oligarchy from the top down. The Mont Pelerin Society has spawned a global network of small, tax-exempt think-tanks that have targeted susceptible politicians for indoctrination.

One of the key figures in this effort has been Antony Fisher. Born in London in 1915, educated at Eton and Cambridge, Fisher was elected to the Mont Pelerin Society in 1954. The following year, he founded the Institute of Economic Affairs in London, as the first explicit front group for Mont Pelerin. Other IEA founders included von Hayek, then at the University of Chicago; Ralph Harris, a leader of the British Eugenics Society (which had earlier helped draft Hitler's race laws); Keith Joseph, and Allan Walters. In 1979, when Margaret Thatcher came to power, she signalled her debt of gratitude to the IEA apparatus by appointing Ralph Harris a Peer for life (Lord Harris of High Cross), and by knighting Antony Fisher and Allan Walters. Walters was moved into 10 Downing Street as Thatcher's resident economic adviser.

Fisher had already furthered the Mont Pelerin subversion by establishing the Fraser Institute in Vancouver, Canada in 1974, the Manhattan Institute in New York City in 1977, and the Pacific Institute for Public Policy Research in San Francisco in 1978. By 1978, the Mont Pelerin Society had also taken over the small Coors family think-tank, the Heritage Foundation, in Washington, D.C., and launched an ambitious overhaul of that outfit in anticipation of the 1980 presidential bid of Ronald Reagan. Sir Keith Joseph, one of the Tory politicians most thoroughly indoctrinated in the "Hayekian Revolution," led the British takeover of Heritage, along with Fabian Society ideologue Stuart Butler.

### **Launching a new fascist international**

Following the election of Margaret Thatcher in Britain, Fisher contacted von Hayek, Milton Friedman, and other leading Mont Pelerin figures and spelled out an ambitious expansion effort: in effect, the launching of a new fascist international.

On New Year's Day 1980, von Hayek wrote back to Fisher: "I entirely agree with you that the time has come when it has become desirable and almost a duty to extend the network of institutes of the kind of the London Institute of Economic Affairs. Though it took some time for its influence to become noticeable, it has by now far exceeded my most optimistic hopes. . . . What I argued 30 years ago, that we can beat the Socialist trend only if we can persuade the intellectuals, the makers of opinion, seems to me more than amply confirmed. Whether we can still win the race against the expanding Socialist tide depends on whether we can spread the insights, which prove much more acceptable to the young if rightly expounded than I had hoped, fast and wide enough. . . . The future of civilization may really depend on whether we can catch the ear of a large enough part of the upcoming generation of intellectuals all over the world fast enough. And I am more convinced than ever that the *method* practiced by the IEA is the only one which promises any real results. . . . This ought to be used to create similar institutes all over the world and you have now acquired the special skill of doing it. It would be money well spent if large sums could be made available for such a concerted effort."

On Feb. 20, 1980, Margaret Thatcher added her endorsement to the project in a letter to Fisher; and on May 8, Milton Friedman threw his support behind the international effort: "Any extension of institutes of this kind around the world is certainly something ardently to be desired."

To carry out this global effort, Fisher launched the Atlas Economic Research Foundation in 1981. Originally based in San Francisco, Atlas is now headquartered on the campus of George Mason University in Fairfax, Virginia near Washington, D.C. In a strategy paper written in February 1985, Fisher wrote of the need to transform the "extremist" anti-government, radical free-market policies of the Mont Pelerin Society apparatus into the "new orthodoxy," through the launching of hundreds of small think-tanks on every continent. "To inform the public, it is necessary to avoid any suggestion of vested interest, or intent to indoctrinate. . . . Furthermore, increasing numbers of academic experts feel free to criticize government when their research is not sponsored by government grants."

Today, there are 108 IEA affiliated think-tanks, in 38 countries, including 12 Ibero-American countries, Russia, Belarus, Lithuania, and Poland, and in the drug centers of the Bahamas and Hongkong. In England alone, there are eight IEA-affiliated institutes, including the Adam Smith Institute and the David Hume Institute. In the United States, at last count, there were 41, with such names as the Acton Institute, the Andrew Jackson Institute, the John Locke Foundation, and Toward Tradition. In Auburn, Alabama, there is a Von Mises Institute, and plans are now under way to establish a Von Hayek University in the Miami, Florida area.