

RICE UNIVERSITY

**Fighting a New Deal:
Intellectual Origins of the Reagan Revolution, 1932-1952**

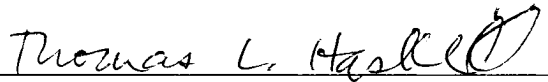
by


Gregory Teddy Eow

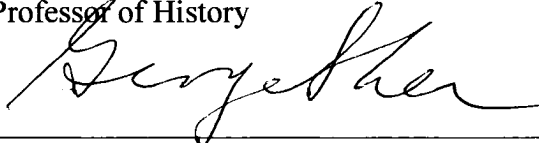
A THESIS SUBMITTED
IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE

Doctor of Philosophy

APPROVED, THESIS COMMITTEE:


Thomas L. Haskell, Samuel G. McCann
Professor of History, Chair


Allen Matusow, William Gaines Twyman
Professor of History


George Sher, Herbert S. Autrey
Professor of Philosophy

HOUSTON, TX
MAY 2007

UMI Number: 3256685

Copyright 2007 by
Eow, Gregory Teddy

All rights reserved.

INFORMATION TO USERS

The quality of this reproduction is dependent upon the quality of the copy submitted. Broken or indistinct print, colored or poor quality illustrations and photographs, print bleed-through, substandard margins, and improper alignment can adversely affect reproduction.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if unauthorized copyright material had to be removed, a note will indicate the deletion.

UMI[®]

UMI Microform 3256685

Copyright 2007 by ProQuest Information and Learning Company.

All rights reserved. This microform edition is protected against
unauthorized copying under Title 17, United States Code.

ProQuest Information and Learning Company
300 North Zeeb Road
P.O. Box 1346
Ann Arbor, MI 48106-1346

**COPYRIGHT
GREGORY TEDDY EOW
2007**

ABSTRACT

Fighting a New Deal: Intellectual Origins of the Reagan Revolution, 1932-1952

By

Gregory Teddy Eow

This dissertation locates the origins of the modern conservative movement in the intellectual history of the 1930s and 1940s. I argue that it was during the years of the Great Depression, when laissez-faire capitalism was most discredited, that a group of conservative academics and intellectuals began to lay the foundations for its postwar resurgence. Angered by the New Deal, those intellectual activists honed their free market ideology and began to develop a network through which to distribute it. As a result, they began to lay the intellectual and institutional foundation for the conservative movement.

This dissertation recovers a number of narratives that reveal the rudimentary makings of a movement. It was during the 1930s and 1940s that economist Henry Simons worked to turn the University of Chicago's economics department into a bastion of free market sentiment; Leonard Read, after a decade of free market advocacy, created the first libertarian think tank, the Foundation for Economic Education, in 1946; legal scholar Roscoe Pound, worried by the spread of legal realism in the academy and growth of government in Washington, dramatically moved to the political right to make common cause with conservatives; Albert Jay Nock, his protégé Frank Chodorov and Felix Morley created a network of conservative writers and publications that paved the way for William F. Buckley's *National Review*; and writers such as Rose Wilder Lane and Isabel

Paterson made the case for laissez-faire in the pages of popular publications such as the *Saturday Evening Post* and the *New York Herald Tribune*.

Historians have generally attributed the rise of the modern right to the conservative political mobilization in response to the civil rights movement, campus agitation of the 1960s, and the campaign for women's rights. As a result, historians tend to view the modern conservative movement as a distinctly postwar social and political phenomenon. This dissertation enriches that account by revealing the ties the modern conservative movement has to the years of the Great Depression and the debate over the government's role in the economy.

ACKNOWLEDGEMENTS

First and foremost, I thank my adviser Thomas L. Haskell, who has been everything a graduate student could hope for in a mentor. He has been unfailingly generous, patient, and kind. He has set a professional example that I will strive to emulate in my own career. I consider myself exceedingly lucky to have been able to work with him. I also thank Professors Allen Matusow and George Sher for serving on my dissertation committee.

I thank the history department staff, Paula Platt, Rachel Zepeda, Verva Densmore, and Anita Smith for always being at the ready with encouragement and advice. I must also thank an able and supportive cohort of colleagues and friends. Despite the fact that the dissertation did not fall in their area of expertise (or, in some cases, even area of interest), Kersten Biehn, Uzma Burney, Christina Diaz, Ryan Foster, Ryan Indovina, Rush Simpson, and Nick Zolas all read parts of this dissertation and offered helpful comments. Marty Wauck went beyond the call of duty by spending some time in the University of Chicago library procuring archival materials for me. I am also indebted to Justin Simard, who read through multiple drafts and gave me a timely reminder that there might be something of use in Karl Mannheim, and to Jacobo Rodríguez, who convinced me that the early Chicago School of Economics was a worthy topic to pursue.

I have benefited from the assistance of people who were unknown to me when I began this dissertation. At an early stage in the project, George H. Nash, the author of the best intellectual history of conservatism that now exists, generously treated me to lunch in his hometown in Massachusetts. Dr. Nash provided me with a number of helpful suggestions. I received travel funds from both the Herbert Hoover Presidential

Library Association, and H. Russell Pittman (who prodded me to finish when I ran into him at the gym). I have also benefited from fellowship support from the Institute for Humane Studies. I am grateful to the archivists and staffs at the Foundation for Economic Education (especially Richard and Anna Ebeling, who graciously allowed me access to the Foundation's archives), the Herbert Hoover Presidential Library, the University of Chicago's Special Collections Research Center, and the UCLA Library's Department of Special Collections.

Of the libraries I used, none was more important to me than Rice University's Fondren Library. For much of the last six years, Fondren has been my home away from home. The Interlibrary Loan Department tirelessly fulfilled requests for materials, and this project would have been immeasurably more difficult without their help. Even more importantly, the Kelley Center for Government Information and Microforms provided me with a job during the final year of dissertation writing and gave me a new career focus. I thank Ann Bazile, Esther Crawford, German Diaz, Eva Garza, Linda Spiro, and Siu Min Yu for being such wonderful colleagues.

I also thank my family for their support. The completion of the Ph.D. marks the end not only of graduate school, but many years of earlier schooling. Some of those years were difficult, not only for me but for my family (who know what I'm talking about), and I thank my parents for standing by me without fail. I like to think that I get my interest in politics, as well as my skeptical disposition, from my parents. It is to them that I dedicate this dissertation.

TABLE OF CONTENTS

Introduction	1
Ch. 1: Schumpeter's Department	14
Ch. 2: Henry Simons and the Chicago School of Economics	65
Ch. 3: Leonard Read and the Foundation for Economic Education	109
Ch. 4: The Second Thoughts of Roscoe Pound	160
Ch. 5: The Remnant: Albert Jay Nock, Frank Chodorov, and Felix Morley	200
Ch. 6: Rose Wilder Lane and Isabel Paterson Defend Modernity	237
Conclusion: The Laissez-faire Religion	265
Bibliography	270

Introduction.

I have often said that my election victories in 1980 and 1984 were not political victories so much as they were triumphs of ideas.

– Ronald Reagan, 1985¹

This dissertation provides an answer to a question: how did a particularly aggressive brand of laissez-faire capitalism become so predominant in the closing years of the twentieth century? Surveying the early history of the twentieth century, the sudden proliferation of free market policies comes as a surprise. From the close of the nineteenth century through the first third of the twentieth century, the debate over government involvement in the economic affairs of the nation dominated American politics. On one side of the debate were economic conservatives who supported a system of largely unregulated free enterprise, seeing it as being suited to economic growth and congenial to individual autonomy. Pitted against them were progressive reformers who felt that left to their own devices markets were injurious to society. These reformers worked to enact laws to shelter elements of life from the workings of capitalism.

Numerous historians have studied the conflict between economic conservatives and progressive reformers and most contend that the debate was won – and won definitively – by proponents of the welfare state in the first half of the twentieth century.²

¹ Letter from Ronald Reagan to Henry Regnery (6/19/1985), *Memoirs of a Dissident Publisher*, Henry Regnery (Chicago: Regnery, 1985), 1.

² See Sidney Fine, *Laissez-faire and the General Welfare State* (Ann Arbor: University of Michigan Press, 1956), Richard Hofstadter, *The Age of Reform* (New York: Random House, 1955) and *Social Darwinism in American Thought* (Philadelphia: University of Pennsylvania Press, 1944), James T. Kloppenberg,

According to this narrative, the depression of the 1930s and Roosevelt's New Deal put an exclamation point on the triumph of the welfare state. Speaking of the 1930s and the New Deal, Sidney Fine concluded that "the ideological conflict of the late nineteenth century between the advocates of laissez-faire and the advocates of the general welfare state [had] been resolved in theory, practice, and in public esteem in favor of the general-welfare state."³

Despite Fine's claim, the brand of unrestricted capitalism that was ostensibly discredited by the economic cataclysm of the 1930s has been hardier than anyone could have predicted. Indeed, by the close of the twentieth century supporters and critics alike watch in wonder as free markets – whether under the label "neoliberalism" or "globalization" – cover nearly every part of the globe. As Antonio Negri and Michael Hardt observe in the beginning of *Empire*, "as we write this book and the twentieth century draws to a close, capitalism is miraculously healthy, its accumulation more robust than ever."⁴ The heartiness of capitalism exists not only in practice but also in theory. "There was a time in the not-so-distant past," Amartya Sen writes, "when every young economist 'knew' in what respect the market systems had serious limitations."⁵ By the dawn of the twenty-first century, however, Sen concludes that "virtues of the market mechanism are now standardly assumed to be so pervasive that qualifications seem

Uncertain Victory: Social Democracy and Progressivism in European and American Thought, 1870-1920 (New York: Oxford University Press, 1986), Daniel T. Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age*, (Cambridge, M.A.: Harvard University Press, 1998).

³ Fine, Sidney. *Laissez-faire and the General Welfare State: A Study of Conflict in American Thought, 1865-1901*. (Ann Arbor: University of Michigan Press, 1956), 400.

⁴ Hardt, Michael and Antonio Negri. *Empire*. (Cambridge: Harvard University Press, 2000), 270.

⁵ Sen, Amartya. *Development as Freedom*. (New York: Random House, Inc., 1999), 111.

unimportant. Yesterday's unexamined faith has become today's heresy, and yesterday's heresy is now the new superstition."⁶

The resurgence of laissez-faire is part and parcel of one of the most important socio-political trends in recent United States history: the rise of a well-organized and powerful conservative movement. In light of conservatism's widespread influence, it is surprising that historians have only recently begun studying it with the frequency one might expect. So conspicuous was the lack of scholarly attention to conservatism that in 1994 Alan Brinkley famously referred to it as "the orphan within American historical scholarship."⁷ Subsequently, historians have begun to address the lack of scholarly attention paid to conservatism in American history.

In their attempt to explain the rise of conservatism in recent U.S. history, historians have tended to downplay economic debates and focus instead on social and political history, especially on the issue of race. Dan Carter and Kevin Kruse, in particular, have persuasively demonstrated that racism played a key role in the conservative ascendance.⁸ Although this body of work highlights an important aspect of

⁶ Ibid., 111.

⁷ Brinkley, Alan. "The Problem of American Conservatism." *The American Historical Review*, Volume 99 (April 1994): 5. In the same forum Leo Ribuffo took issue with Brinkley's observation, calling to the reader's attention a number of works that addressed conservatism in U.S. history. See "Why is There so Much Conservatism in the United States and Why Do So Few Historians Know Anything About It?" *The American Historical Review*, 99 (April 1994): 438-449. In a sense both Brinkley and Ribuffo were correct. There was a relative, though not absolute, absence of scholarly attention to conservatism, broadly conceived.

⁸ See Dan Carter, *From George Wallace to Newt Gingrich: Race and the Conservative Counterrevolution, 1963-1994* (Baton Rouge: LSU, 1999) and *The Politics of Rage: George Wallace, the Origins of the New Conservatism, and the Transformation of American Politics* (Baton Rouge: LSU, 2000); Joseph Crespino, *In Search of Another Country: Mississippi and the Conservative Counterrevolution* (Princeton: Princeton University Press, 2007), and Kevin Kruse, *White Flight: Atlanta and the Making of Modern Conservatism* (Princeton: Princeton University Press, 2005). The highly regarded work of journalists Thomas and Mary

the modern conservative movement, it would be misleading to reduce conservatism to racial prejudice. Kruse raises an important question when in his study of white flight he writes:

On the surface, its [the conservative movement's] policies appear to have little to do with the forgotten struggles over segregation. Upon closer examination, however, much of the modern suburban conservative agenda – the secessionist stance toward the cities, the individualistic outlook, the fervent faith in free enterprise, and the hostility to the federal government – was, in fact, first articulated and advanced in the resistance of southern whites to desegregation.⁹

In his work, Kruse demonstrates that at the grass-roots level conservatives used free market ideas to serve their political needs. An examination of the intellectual history of conservatism reveals, however, that conservatives were articulating the case for school vouchers, Social Security privatization, and privatization of social services well before desegregation became a national issue. It is this back-story that I want to uncover.

Also important is the work of Lisa McGirr, whose study of grass-roots conservative activists in southern California, *Suburban Warriors* has been justly praised. Although McGirr also focuses on postwar social and political history, she takes the role of conservative ideology seriously. Taking note of the fact that that many conservatives she studied were “avid readers” of conservative publications, McGirr concludes, “The

Edsall also makes the connection between racial backlash and conservative power. See Thomas and Mary Edsall, *Chain Reaction: The Impact of Race, Rights, and Taxes on American Politics* (New York: W.W. Norton, 1992).

⁹ Kruse, Kevin M. *White Flight: Atlanta and the Making of Modern Conservatism*. (Princeton: Princeton University Press, 2005), 266.

importance of the availability of books and literature to these well-educated middle-class citizens cannot be overstated.”¹⁰ Moreover, claims McGirr, “By failing to take into account the deep-seated conservative ideological traditions on which the Right drew and by refusing to closely examine the ideological universe of the conservatives, liberal intellectuals underestimated the resilience and staying power of the Right in American life.”¹¹

Recent scholarship on conservatism still leaves one curious about the revival of laissez-faire at the close of the twentieth century. The debate between economic conservatives and progressive reformers has occupied an important place in American politics for well over a century. One wonders what ties – if any – the modern revival of laissez-faire had to an earlier conservative tradition. Relatedly, when McGirr writes that in the 1950s “right-wing tracts, books, and magazines [that] were passed from hand to hand through a network of friends, neighbors, and family,” one wants to know who produced these materials and what were their motives in so doing.¹²

An answer to this question is found in the decade when it was widely believed that laissez-faire had been buried once and for all: the 1930s. Revisiting this decade in light of subsequent developments leads to a startling and ironic insight: it was precisely the time when laissez-faire was most discredited that a committed group of academics and intellectuals began to organize to defend it. By extension, they began to lay the foundations of the modern conservative movement. By the 1950s the

¹⁰ McGirr, Lisa. *Suburban Warriors: The Origins of the New American Right*. (Princeton: Princeton University Press, 2001), 95.

¹¹ *Ibid.*, 148.

¹² *Ibid.*, 97.

organizational activity of these activists eventually developed into the interconnected network of think tanks, magazines, and foundations that helped put Ronald Reagan in the White House. When the New Deal consensus foundered during the economic malaise of the 1970s, there was already in existence a well-established network of conservative economists, journalists, think tanks, and media outlets to promote free market policies when policymakers were ready to listen.¹³

By focusing on the intellectual history of laissez-faire during the depression, this study adds to the current narrative of conservatism's rise in three ways. First, it demonstrates the deep and lasting role that laissez-faire thought played in laying a foundation for the modern conservative movement. It would be foolish to contend that laissez-faire economics represents the whole of conservative thought. Yet, I submit that it was the battle over the government's role in economic affairs that first animated the conservative movement.¹⁴ As Clinton Rossiter observed in 1955, "The contemporary Right remains remarkably steadfast in its devotion to laissez-faire conservatism. If its faith is somewhat less laissez-faire and somewhat more conservative . . . it has nevertheless changed surprisingly little in this changing world."¹⁵ The tenacity of laissez-faire ideology was made possible by a group of committed intellectual activists

¹³ For essays on the break-up of the New Deal consensus, see Steve Fraser and Gary Gerstle, Eds. *The Rise and Fall of the New Deal Order, 1930-1980* (Princeton: Princeton University Press, 1989). Also useful is Philip Jenkins, *Decade of Nightmares: The End of the Sixties and the Making of Eighties America* (New York: Oxford University Press, 2006), and Bruce Schulman, *The Seventies: The Great Shift in American Culture, Society, and Politics* (New York: Da Capo, 2001).

¹⁴ In *The Conservative Intellectual Movement in America Since 1945* (New York: Basic, 1976), George Nash demonstrates that there were three distinct strands of conservative thought in the modern conservative movement: free market libertarianism, anti-communism, and social conservatism (traditionalism). In this dissertation I focus on the free market strain of conservatism, believing both that it has been underappreciated by historians and that it played a key role in launching the conservative movement.

¹⁵ Rossiter, Clinton. *Conservatism in America*. (New York, Alfred A. Knopf, 1955), 187.

who were unwilling to abandon the cause in the 1930s. By recovering their stories, I reestablish economic conservatism as a crucial ingredient in the rise of modern right.

Second, by focusing on the 1930s and 1940s, this dissertation reveals the prewar origins of modern conservatism. Historians too often view the conservative movement as exclusively a postwar social and political phenomenon. This tendency needlessly severs contemporary conservatism from its roots in the prewar period and hides from view the deep and lasting ties the modern conservative movement has to an earlier American tradition. I reveal how the free-market ideology of modern conservatism was forged and packaged in the years of and immediately following the Great Depression. This story complements the grass-roots narratives told by historians such as Kevin Kruse and Lisa McGirr. While I discuss a prewar intellectual movement, they demonstrate how these ideas became politically important in the postwar period when grass-roots actors latched on to them and used them for their own purposes.¹⁶

Third, this study offer a reassessment of the intellectual history of the 1930s, a time that scholars have portrayed as a time of left wing agitation.¹⁷ Instead of interpreting the 1930s solely as the “Red Decade,” as Eugene Lyons famously called it, I

¹⁶ Thanks to Allen Matusow and Ann Ziker for helping me appreciate this.

¹⁷ See Daniel Aaron *Writers on the Left: Episodes in American Literary Communism* (New York: Harcourt, Brace & World, 1961); Ralph Bogardus and Fred Hobson *Literature at the Barricades: The American Writer in the 1930s* (University, A.L.: University of Alabama Press, 1982); Terry A. Cooney *The Rise of the New York Intellectuals* (Madison: University of Wisconsin Press, 1986); Arthur Ekrich *Ideologies and Utopias: The Impact of the New Deal on American Thought* (Chicago: Quadrangle Books, 1969); Harvey Klehr, *The Heyday of American Communism: The Depression Decade* (New York: Basic, 1984); Eugene Lyons *The Red Decade: The Stalinist Penetration of America* (New York: Bobbs-Merrill, 1941); David Madden *Proletarian Writers on the Thirties* (Carbondale: Southern Illinois University Press, 1968); Richard Pells *Radical Visions, American Dreams: Culture and Social Thought in the Depression Years* (New York: Harper & Row, 1973); Paula Rabinowitz *Labor and Desire: Women's Revolutionary Fiction in Depression America* (Chapel Hill: University of North Carolina Press, 1991); Walter Rideout *The Radical Novel in the United States* (Cambridge, M.A.: Harvard University Press, 1956); Jack Salzman *Years of Protest* (New York: Pegasus, 1967).

argue that the 1930s marked a transition between the high-tides of laissez-faire thought in the closing years of both the nineteenth and twentieth centuries. The story of how in the 1930s a dedicated group of activists laid the foundation for the postwar resurgence of laissez-faire is an important and largely unappreciated part of the intellectual history of this period.

Chapter one, “Schumpeter’s Department,” sets the stage for the rest of the dissertation by demonstrating the degree to which free market ideology was marginalized in the 1930s and 1940s. At the beginning of the 1930s economic planning was anathema to the free market economists that dominated Harvard’s economics department. Among the defenders of the market at Harvard, no one was more influential than Joseph Schumpeter. Yet Schumpeter’s hostility to New Deal reforms and Keynesian theories put him at odds with the general trend of the department. With younger faculty and graduate students embracing the “new economics,” Schumpeter was increasingly alienated from his colleagues in the department. Depressed about his professional status and profoundly pessimistic about the future of market capitalism, Schumpeter published his classic lament *Capitalism, Socialism, and Democracy* (1942). Here Schumpeter famously predicted the death of capitalism because, as he saw it, capitalism brought into existence a class of intellectuals blind to its benefits and intent on replacing it with some form of socialism. The fortunes of laissez-faire ideology at Harvard mirrored its fortunes elsewhere. In fact, the triumph of the idea of economic planning was so pronounced in the 1930s that historian Sidney Fine identified the period as the end of a fifty-year battle between proponents of laissez-faire and supporters of the welfare state.

Chapter two, “Henry Simons and the Chicago School of Economics,” traces the origins of the Chicago school of economics, a school of thought known today both for its staunch free-market ideology and its ability to produce Nobel laureates. Although often accused of ideological rigidity, the department has won the respect of so many economists in this country and elsewhere that laissez-faire enjoys a legitimacy today that no one could have imagined in the 1930s. A closer look at the origins of the Chicago school, however, reveals that political activism rather than scholarship first led to the creation of this school of thought. In fact, the Chicago school was largely created through the activism of a single man: Henry Simons. As a young professor of economics in the 1930s Simons, like Schumpeter, was deeply concerned about the direction of economic thinking. Unlike Schumpeter, Simons was not resigned to watch events take their course. As Harvard was becoming the beachhead for Keynesian economics in the United States, Simons, with help from his mentor Frank Knight and colleague Aaron Director, worked tirelessly to establish the University of Chicago as a bastion of free market thought. Publishing a steady stream of pro-market literature during the 1930s and 1940s, Simons stamped his particular brand of laissez-faire on star graduate students, including Milton Friedman and George Stigler. In addition, Simons helped introduce Friedrich Hayek to a U.S. audience by getting the University of Chicago Press to publish Hayek’s *The Road to Serfdom* in 1944. Simons also worked with Hayek to create the Mont Pelerin Society, an international organization dedicated to promoting free market ideas, though Simons’s untimely death prevented his participation in the organization’s inaugural meeting in 1947.

Chapter three, “Leonard Read and the Foundation for Economic Education,” describes the events leading up to the creation of the first libertarian think tank in 1946. The Foundation for Economic Education (FEE), a seminal think tank of the modern conservative movement, was the culmination of over a decade of political activism on the part of its founder Leonard Read. Read, who had become a harsh critic of the New Deal in the early years of Roosevelt’s presidency, believed that the way to combat the trend toward collectivism was through education. As the manager of the Los Angeles Chamber of Commerce in the late 1930s, and with the help of a retired Harvard economics professor Thomas Nixon Carver, Read began his educational activities by organizing lectures and programs to spread the free market gospel. These early efforts paved the way for the founding of the Foundation of Economic Education in 1946. With its staff of economists, including Newsweek editor Henry Hazlitt and the émigré economist Ludwig von Mises, FEE would go on to play a critical role in the postwar libertarian movement.

Chapter four, “The Second Thoughts of Roscoe Pound,” discusses the dramatic volte-face that the prominent legal thinker experienced in the 1930s. In the first two decades of the twentieth century Pound earned a reputation as one of the nation’s leading progressive scholars. Yet during the 1930s, alarmed by the sudden growth of government both at home and abroad, Pound turned his back on progressive politics. Making the case that individual liberties were threatened by the rise of what he called the “service state” – a government that expanded so that it touched almost every aspect of its citizens’ lives, from health care to retirement – Pound mounted a campaign against the growth of government in polemical articles and books with titles such as “The Twilight

of Liberty,” (1940) and “*The Rise of the Service State and Its Consequences*” (1949).¹⁸

Pound’s concerns led him to participate in the incipient conservative movement, both by joining the newly created American Enterprise Association (later the American Enterprise Institute) and the Foundation for Economic Education.

Chapter five, “The Remnant: Albert Jay Nock, Frank Chodorov and Felix Morley,” explores the world of conservative magazines. Historians of conservatism have focused a good deal of attention on William F. Buckley’s *National Review*, which was founded in 1955. However, the degree to which Buckley relied on both on the ideas and the organizational experience of earlier writers is not greatly appreciated. This chapter explores how Albert Jay Nock, his protégé Frank Chodorov, and Felix Morley developed a loose network of conservative magazines in the 1940s. As a result of their efforts, when Buckley began his career as a conservative activist in the early 1950s there was already a foundation of conservative organization on which he could build.

Finally, chapter six, “Rose Wilder Lane and Isabel Paterson Defend Modernity,” explores the careers and writings of two libertarian public intellectuals. At the beginning of the 1930s Rose Wilder Lane was a novelist and writer for publications such as *Harper’s* and *The Saturday Evening Post* while her friend Isabel Paterson – also a novelist – made her living writing a weekly column for the *New York Herald Tribune*. Unlike many of their literary colleagues who moved to the left in the 1930s, Lane and Paterson moved to the right, and attacked the New Deal as a form of creeping socialism. Lane equated the New Deal with communism in her fiery tract “Give Me Liberty!” –

¹⁸ Pound, Roscoe. “The Twilight of Liberty.” *Nation’s Business* (August, 1940), 15-6, 42, 46, 47; Pound, Roscoe. *The Rise of the Service State and Its Consequences*. (New Wilmington, P.A.: The Economic and Business Foundation, 1949).

published by the *Saturday Evening Post* in 1935 – while Paterson’s weekly column at the *New York Herald Tribune* increasingly became a showcase for her conservative political views. Their writings in the 1930s, however, were merely a warm-up for the 1943 publication of Lane’s *The Discovery of Freedom* and Paterson’s *The God of the Machine*. Both books laid out a strident defense of free market capitalism to libertarian classics. Though neither writer was as intellectually accomplished as conservatives such as Joseph Schumpeter or Thomas Nixon Carver, they popularized the case for laissez-faire for a large audience of middle class readers.

Before beginning the first chapter, the reader is entitled to know the reasoning I employed in choosing the subjects that I did. Frankly, much of my motivation was presentist in nature. I looked at the landscape of contemporary conservatism – its schools of thought, magazines, and think tanks – and explored their origins. In some cases I chose figures, such as Rose Wilder Lane and Isabel Paterson, simply because conservatives repeatedly cite them as intellectual influences.¹⁹ This presentist orientation, however, did not affect all my choices. Chapter one, in particular, is an effort to properly contextualize the rest of the dissertation. In it, I not only explore the ways and degree to which laissez-faire thought was marginalized by Keynesianism in the 1930s, but I also explore some New Deal policies in detail. After all, it would be impossible to understand why and how conservative intellectuals reacted so strongly to the New Deal without an understanding of what the New Deal entailed. Additionally, in

¹⁹ I have bracketed this dissertation to a discussion of supporters of laissez-faire capitalism, and readers can safely assume that when I use the term “conservative” I intend for it to be synonymous with “economic conservative,” “libertarian,” or “promoter of free market capitalism.” I am not referring to traditionalist conservatives, such as the Southern Agrarians, who have generally been deeply skeptical of capitalism. For a good account of traditionalism and the conservative movement, see Paul V. Murphy, *The Rebuke of History: The Southern Agrarians and Modern Conservative Thought* (Chapel Hill: University of North Carolina Press, 2001).

the case of Roscoe Pound, I have explored a well-known figure whose ties to the conservative movement have not been previously appreciated.

Although I did not set out to divide my subjects into camps of high-brow and middle-brow, scholars and popularizers, the end result has had this effect. As a result, this dissertation reveals that the case for laissez-faire has been made – and continues to be made – at various levels of sophistication. Academics such as Joseph Schumpeter and Henry Simons, for instance, articulated learned and reflective cases for the market. On the other hand, popularizers such as Leonard Read, Frank Chodorov, Rose Wilder Lane, and Isabel Paterson defended laissez-faire in a crude and dogmatic fashion. My intention was neither to rehabilitate nor denigrate particular thinkers, yet in the story that follows some figures inevitably come out looking better than others.

Although I believe this study makes an important contribution to the historiography of conservatism and recasts our understanding of the intellectual history of the 1930s, in the end my claims are modest. I do not claim that the individuals or ideologies I discuss completely represent conservative thought during the 1930s and 1940s. Nor, by focusing on economic issues, do I maintain that free market libertarianism is the only intellectual tradition to which conservatives appeal. My claims are like those of Christopher Hill who, when he wrote the preface to his classic *Intellectual Origins of the English Revolution* explained, “It is far from my intention to argue that the intellectual trends which I discuss were the only ones that mattered, or even the most important. I want merely to suggest that they existed, were of some significance, and have been neglected.”²⁰

²⁰ Hill, Christopher. *Intellectual Origins of the English Revolution*. (Oxford: Oxford University Press, 1965), xiii.

Chapter One: Schumpeter's Department

Can capitalism survive? No. I don't think it can.
– Joseph Schumpeter, 1942²¹

In his famous 1942 work, *Capitalism, Socialism, and Democracy*, Joseph Schumpeter presents himself as a latter-day Cassandra, predicting the eventual demise of capitalism. Like Marx, a social theorist he held in high regard, Schumpeter believed that capitalism contained within itself the seeds of its own destruction. Marx had argued that capitalism would be overthrown by the working class it exploited. Schumpeter, on the other hand, believed it was capitalism's beneficiaries who would be the cause of its undoing. According to Schumpeter, it was the intelligentsia, not the workers, who would bring about the end of capitalism. Schumpeter took no pleasure in his analysis. He believed capitalism was an incomparable engine for the creation of wealth. Moreover, he was convinced that the depression of the 1930s was temporary and that left alone the market would soon right itself. The cause for Schumpeter's cynicism was that the economic depression of the 1930s led to a revolution in economic theory that marginalized Schumpeter's rosy view of capitalism. Nowhere was this revolution more profoundly felt than at Harvard, where Schumpeter had been teaching since 1932.

When Schumpeter joined the Harvard faculty, it was a bastion of economic orthodoxy. Yet by the early 1940s, the most acclaimed faculty members had abandoned their traditional views in favor of the views of John Maynard Keynes, who articulated a radical new program for economic inquiry in his 1936 book *A General Theory of*

²¹ Schumpeter, Joseph. *Capitalism, Socialism, and Democracy*. (New York: Harper & Brothers Publishers, 1950), 61.

Unemployment, Interest, and Money. The reception of Keynesianism at Harvard created a deep division within the department, not only between orthodox and Keynesian economists, but also between the more established faculty and the young faculty and graduate students. Although Schumpeter argued that the depression was a healthy correction to an overheated economy, John Maynard Keynes told an increasingly receptive audience that the economic malaise could only be remedied by government action.

The Keynesian revolution was arguably more complete at Harvard than anywhere else, and its effects rippled across economic departments throughout the country and influenced policymakers in Washington. In fact, the story of how Keynesian ideas came to dominate the Harvard department of economics is one of the more important and interesting chapters in the history of modern economic thought.

Schumpeter at Harvard.

Edward Mason reports that when Schumpeter arrived in Cambridge in 1932, the Harvard economics department was experiencing a “changing of the guard” that was “sufficiently sweeping to remove all the senior faculty who had made the Department outstanding in the years before the First World War.”²² In order to replace such luminaries as Frank Taussig, Thomas Nixon Carver, and C.J. Bullock, Harvard actively recruited a group of economists who would ensure that it remained at the forefront of the discipline. Schumpeter was the most distinguished economist in a group of talented recruits that included scholars such as Wassily Leontief, Gottfried Haberler, and Alvin

²² Mason, Edward S. “The Harvard Department of Economics from the Beginning to World War II.” *The Quarterly Journal of Economics* XCVII (August 1982): 419.

Hansen. "Joseph Alois Schumpeter was, without doubt," says Mason, "the outstanding member of the Department in the 1930s and 1940s."²³

Schumpeter's prestige stemmed from the fact that he was considered the best active economist from a distinguished school of economic thought that had been established in Vienna by Carl Menger in 1871.²⁴ What Menger had accomplished was to establish the modern form of economic analysis known as marginal utility.²⁵ Before the "marginalist revolution," economists from Adam Smith to Karl Marx had theorized that the value of a commodity was determined by the costs, such as labor, associated with creating it. Marginalist theorists, on the other hand, argued that the value of a commodity had little to do with its intrinsic qualities. To quote from Carl Menger's classic 1871 marginalist text *Principles of Economics*: "Value is therefore nothing inherent in goods, no property of them, but merely the importance we attribute to the satisfaction of our needs, that is, to our lives and well-being, and in consequence carry over to economic goods as the exclusive causes of the satisfaction of our needs."²⁶ Instead of treating value as an unquantifiable (and somewhat mystical) quality, marginalism reduced value to consumer decisions as reflected in market prices. Used together with the idea of *homo economicus*, marginalism established a new basis for the field of economics. If they

²³ Ibid., 420.

²⁴ For a splendid accounts of the fecund intellectual life in Vienna at the time see Carl Shorske's *Fin-de-Siècle Vienna* (New York: Vintage, 1981) and Allan Janik and Stephen Toulmin's *Wittgenstein's Vienna* (New York: Simon and Schuster, 1973).

²⁵ Marginal analysis was simultaneously arrived at in England and France by Stanley Jevons and Leon Walras, respectively. The founders of marginal analysis, however, worked independently of each other.

²⁶ Menger, Carl. *Principles of Economics* (New York: New York University Press, 1981), 116. It was the marginalist revolution that largely discredited the labor theory of value, which, while most often associated with Karl Marx, had been a fixture of political economy since the days of Adam Smith and David Ricardo. See Schumpeter, Joseph. *A History of Economic Analysis* (New York: Oxford University Press, 1996).

simultaneously assumed that value was synonymous with price, and that consumers conducted themselves as pleasure-seeking calculators, then economists could apply mathematical models to economic phenomena.

Although marginalism was an intellectual breakthrough, it was not without its detractors. In the 1880s and 1890s, Menger engaged critics of marginal utility in a debate that is known as the *methodenstreit*. Opposed to Menger was Gustav Schmoller, a professor of economics at the University of Berlin and the leader of the German Historical School of Economics. Schmoller, and the proponents of the German Historical School, disputed the assumption that individuals acted like *homo economicus* in all times and places. They argued that economic behavior was part and parcel of the culture in which it took place, and since cultures varied dramatically, it stood to reason that economic behavior was a far less predictable phenomenon than the marginal analysis accounted for.²⁷

Although Carl Menger retired from the university in 1901, the year Schumpeter arrived, his legacy was carried on by professors such as Eugen von Bohm-Bawerk and Friedrich von Wieser. Through them, Schumpeter was thoroughly trained in the school of marginal analysis. Despite his training in this tradition, Schumpeter was well-versed in the critique of the German Historical School of Economics and, in his own work, attempted to bridge the gap between theory and empiricism. In an environment that regularly produced star economists, Schumpeter was recognized early on for having

²⁷ Proponents of the German Historical School also argued that marginal analysis was uncritical of the market economy. They had a point. It is no accident that two of the most vigorous defenders of laissez-faire capitalism, Ludwig von Mises and Friedrich von Hayek, were Austrian school economists. For an overview of the Austrian School of Economics and its particular defense of the market economy see Sandye Gloria-Palermo, *The Evolution of Austrian Economics* (New York: Routledge, 1999). For an analysis of the Austrian influence in the United States see Karen Vaughn, *Austrian Economics in America* (New York: Cambridge University Press, 1994).

considerable talent. He published his first book, *The Nature and Essence of Theoretical Economics* in 1908 (at the age of 24), his second book, *The Theory of Economic Development*, appeared in 1911. Nine years later, at age thirty-five, Schumpeter became the minister of economics for Austria. Despite his auspicious start, the 1920s brought unforeseen disappointments to Schumpeter. First, an extravagant taste for spending and poor business decisions got Schumpeter into debt. Then in 1926 his mother and his young wife died within a month of each other.²⁸ As a welcome break from his troubles, Schumpeter accepted a visiting professorship at Harvard for the academic year 1927-1928. In 1932 he joined the faculty fulltime.

When he began teaching at Harvard, Schumpeter delighted in entertaining his students. He told them that he had had three ambitions in life: to be the world's greatest horseman, the world's greatest economist, and the world's greatest lover. (He would wryly add without specification that he had so far achieved two of his three goals.)²⁹ When a student once asked Schumpeter what the English economist Joan Robinson looked like, Schumpeter paused for a moment as if deep in thought and then replied, "I would give her about a B plus."³⁰

Schumpeter also enjoyed the company of an informal group of faculty members who called themselves the "Seven Wise Men."³¹ The group met frequently for dinners, and conversation. As a senior scholar of wide reputation Schumpeter became the group's unofficial leader. Edward Mason remembers that during their outings, Schumpeter

²⁸ Swedberg, Richard. *Schumpeter: A Biography*. (Princeton: Princeton University Press, 1991), 73-4.

²⁹ Heilbroner, Robert L. *The Worldly Philosophers*. (New York: Simon and Schuster, 1999), 292.

³⁰ Regnery, Henry. *Memoirs of a Dissident Publisher*. (Chicago: Regnery, 1985), 15.

³¹ Swedberg, *Schumpeter: A Biography*, 120.

would entertain his colleagues with “sparkling reminiscences of life and loves in Czernowitz and elsewhere.”³² One participant, O.H. Taylor, described the group as a “shop club . . . in which Professor Schumpeter was the central figure and the rest of us were younger scholars ‘sitting at his feet.’”³³

These informal meetings evolved into more than simply social gatherings. The members of the group were concerned both about the Depression that racked the country and the Roosevelt Administration’s effort to address it. Soon, their concerns resulted in a book, *The Economics of the Recovery Program* (1934), which criticized the New Deal and the economic theories that justified it.³⁴ Before discussing *The Economics of the Recovery Program*, it is necessary to first describe, at some length, the New Deal policies that gave them such concern. After all, it would be impossible to understand why the New Deal generated such hostility without a familiarity with the personalities and policies of Roosevelt’s Administration.

The New Deal.

Whether the New Deal was radical or cautious is debatable, but what is certain is that both Roosevelt and his critics believed that the New Deal marked a significant

³² Mason, 422.

³³ Taylor, O.H. *Economics and Liberalism*. (Cambridge: Harvard University Press, 1955), 7.

³⁴ O.H. Taylor, one of Schumpeter’s group, had this to say about their publication effort: “Our monthly dinners and long evenings of high intellectual discussion were lively, memorable affairs. And during that fall [1933] we used them, and our spare time in the intervals between them, to collaborate in producing that small book – a symposium of our individual, critical essays on diverse, selected, major parts or aspects of the then current early New Deal and body of popular thought involved in it.” *Ibid.*, 7.

departure from past forms of governance.³⁵ The occasion for this political upheaval, of course, was the fact that the U.S. economy was in the midst of the worst financial crisis in its history. In the four-year span from 1929 to 1933, the GNP dropped by thirty-one percent, capital investment essentially evaporated, falling from 17 billion to 1.1 billion, and unemployment skyrocketed from 3 to twenty-five percent.³⁶ The crisis was so deep, observed Edmund Wilson, “that between 1929-1933 the whole structure of American society seemed actually to be going to pieces.”³⁷

At his inauguration on March 4, 1933 Roosevelt spoke to Americans about the conditions that had left one out of four Americans without a job. The blame, according to Roosevelt, was with business leaders, whom he referred to as “unscrupulous money changers,” and their allies in government who had “failed through their own stubbornness and their own incompetence” and their fealty to what Roosevelt referred to as “outworn tradition.”³⁸ Instead, Roosevelt promised that his Administration would be a laboratory of experimentation and action. As he put it, “This Nation asks for action, and action now.”³⁹

It was clear to those who heard the President’s speech that the new Administration would play a more active role in planning the economic affairs of the

³⁵ Compare, for instance, Barton J. Bernstein, “The New Deal: Conservative Achievements in Liberal Reform,” published in *Towards the Past: Dissenting Essays in American History*, Barton J. Bernstein, editor (New York: Pantheon Books, 1968) with William Leuchtenburg, *FDR and the New Deal* (New York: Harper, 1963).

³⁶ U.S. Department of Commerce. *Historical Statistics of the United States*, Part 1. (Washington, D.C.: Government Printing Office, 1975), 224, 263, 135.

³⁷ Wilson, Edmund. *The American Earthquake*. (New York: Da Capo, 1996), 12.

³⁸ Roosevelt, Franklin. *The Public Papers and Addresses of Franklin D. Roosevelt: Volume II: The Year of Crisis, 1933*. (New York: Random House, 1938), 12.

³⁹ *Ibid.*, 12.

nation. Rexford Tugwell, the most prominent economist in the group of advisers surrounding Roosevelt, had made the case for government management of the economy for over a decade.⁴⁰ In 1927, Tugwell had visited the Soviet Union and came away impressed with what economic planning was able to accomplish in that country.⁴¹ During the economic boom of the 1920s, Tugwell's calls for central planning seemed dangerously out-of-place. The depression of the following decade, however, brought a sudden relevancy to Tugwell's views.

Tugwell argued that the depression had been caused by a poisonous environment of cut-throat competition, and the solution was for the government to take a leading role in directing the economic affairs of the nation. Tugwell presented these views at the annual meeting of the American Economic Association in December, 1931. His paper, "The Principle of Planning and the Institution of Laissez-faire," made clear Tugwell's view that the path to recovery involved "the abandonment, finally, of laissez-faire."⁴² Tugwell's vision of government planning was so extensive that it would, in his own words, be tantamount to "the abolition of 'business.'"⁴³ What Tugwell meant by this was that corporations simply could not be allowed to freely compete in an open marketplace. His argument was that the depression had decisively demonstrated the baleful consequences of competition and, by implication, the idea of laissez-faire.

⁴⁰ See, for instance, Rexford Tugwell, ed. *The Trend of Economics* (New York: Knopf, 1924).

⁴¹ See Stuart Chase, Robert Dunn, and Rexford Tugwell, eds. *Soviet Russia in the Second Decade* (New York: John Day, 1928).

⁴² Tugwell, Rexford. "The Principle of Planning and the Institution of Laissez-faire." *The American Economic Review: Supplement, Papers and Proceedings of the Forty-fourth Annual Meeting of the American Economic Association* 22 (March, 1932): 76.

⁴³ *Ibid.*, 76.

To Tugwell, the idea that each person working in his own best interest served the interests of society, the very premise of market economics since Adam Smith wrote *The Wealth of Nations*, was bankrupt. As Tugwell put it, the idea of competition and economic conflict was dangerous, and the economic planning he endorsed would “require the laying of rough, unholy hands on many a sacred precedent” and call for “an enlarged and nationalized police power for enforcement.”⁴⁴ It was necessary, he argued, to abandon the idea that there was a difference between private and public spheres. “There is no private business,” Tugwell claimed, “if by that we mean one of no consequence to anyone but its proprietors; and so none exempt from compulsion to serve a planned public interest.”⁴⁵ Tugwell explicitly called for an end to competitive, profit-seeking enterprise:

It has already been suggested that business will logically be required to disappear. This is not an overstatement for the sake of emphasis; it is literally meant. The essence of business is its free venture for profits in an unregulated economy. Planning implies guidance of capital uses; this would limit entrance into or expansion of operations. Planning also implies adjustment of production to consumption; and there is no way of accomplishing this except through a control of prices and of profit margins.⁴⁶

⁴⁴ Ibid., 88.

⁴⁵ Ibid., 88-9.

⁴⁶ Ibid., 89.

Accepting the full implications of his argument, Tugwell boldly admitted that “to take away from business its freedom of venture and of expansion, and to limit the profits it may acquire, is to destroy it as business and to make it something else.”⁴⁷ He welcomed such a change, and insisted that under a system of planning, greed and competition would be replaced with “a kind of civil-service loyalty and fervor.”⁴⁸

Economists were well-aware of Tugwell’s views of economic planning, so when Tugwell became a high-visible member of Roosevelt’s brain trust and, later, the Assistant Secretary of Agriculture, economists had reason to expect that the “action” that Roosevelt promised would involve the implementation of thoroughgoing economic planning.⁴⁹ They did not have to wait long to get confirmation. The first months of Roosevelt’s presidency were a time of feverish activity, through which the new Administration attempted to subject three large sectors of the U.S. economy – finance, agriculture, and manufacturing – to government oversight.

Roosevelt’s first move was to address chaos in the financial sector, and especially the rash of bank closures that plagued the nation. On March 16th he announced a bank holiday, which closed all of the nation’s banks on March 16th. Banks would only be allowed to reopen, one-at-a-time, after federal regulators signed-off on their financial health. Most observers applauded this action as a necessary step to foster confidence in

⁴⁷ Ibid., 89.

⁴⁸ Ibid., 89.

⁴⁹ Although Tugwell was an important member of the Roosevelt Administration, he represented only one faction Roosevelt’s advisers. As Arthur Schlesinger recounts in *Coming of the New Deal*, Tugwell was almost constantly at odds with other advisers who regarded his views on economic planning to be extreme. See Arthur Schlesinger, Jr. *The Coming of the New Deal* (Boston: Houghton Mifflin, 1965). Still, Tugwell was an outspoken (and conspicuous) member of the Administration and the person with whom economists were most familiar.

the country's financial system. More controversial was Roosevelt's decision to take the country off of the gold standard in June. With falling prices leading to business closings and increased unemployment, Roosevelt wished to inject more liquidity into the nation's economy. Standing in the way of this was the nation's adherence to the gold standard, which guaranteed that every U.S. dollar was backed by a corresponding store of gold. The primary benefit of the gold standard was that it served as an instrument of international trade and exchange. The problem with the gold standard, however, was that it limited the Administration's control over fiscal policy. Roosevelt abandoned the gold standard in early 1933 to pursue a more discretionary national monetary policy. So discretionary was his new monetary policy that Roosevelt is reported to have set the price of gold himself each morning while reading the morning paper, a practice so irresponsible that William Leuchtenburg says it alienated some of Roosevelt's financial advisers.⁵⁰

To reform agriculture, a sector particularly hit hard by depression, Roosevelt presented a bill, "New Means to Rescue Agriculture," to Congress on March 16. Roosevelt understood that the radical proposals the bill entailed would be cause for concern. "I tell you frankly that it is a new and untrod path," he told Congress, "but I tell you with equal frankness that an unprecedented condition calls for the trial of new means to rescue agriculture."⁵¹ His proposal was, he claimed, "the most drastic and far-reaching piece of farm legislation ever proposed in time of peace."⁵² In order to boost the price for

⁵⁰ Leuchtenburg, William E. *Franklin D. Roosevelt and the New Deal: 1932-1940*. (New York: Harper & Row Publishers, 1963), 80.

⁵¹ Roosevelt, Franklin. *The Public Papers and Addresses of Franklin D. Roosevelt: Volume II: The Year of Crisis, 1933*. (New York: Random House, 1938), 74.

⁵² *Ibid.*, 79.

crops, which had fallen to levels that put enormous strains on the farming community, the Act called for a new alliance between farmers and federal regulators. In many ways it was the embodiment of Rexford Tugwell's vision of economic planning. The plan, which was passed into law on May 12, empowered federal regulators to oversee much of the country's agricultural production. Concerned with falling prices that hurt farmers' bottom line, regulators set limits on crop and livestock production, and offered cash subsidies to farmers who agreed to plow under crops and kill livestock in order to meet the scaled-back limits. (A policy that famously led to the destruction of six million piglets in an effort to raise the price of pork.) Additionally, regulators imposed price floors on crops in order to protect farmers from falling prices.

The centerpiece of the New Deal in 1933, however, was the National Industrial Recovery Act, Roosevelt's plan to rewrite the rules of production for the nation's heavy industry. Like the A.A.A., the National Industrial Recovery Act, which passed on June 16th, drew heavily on the economic planning ideas outlined by Rexford Tugwell. The problem with the nation's industry was seen to be an excess of competition, which pushed businesses into bankruptcy and left people without work. Although competition had traditionally been seen as a good thing, something that protected consumers against the threat of monopoly, the idea now was how to regulate, manage, and minimize the destructive effects of run away competition.

The National Industrial Recovery Act limited competition by requiring businesses to agree to follow industry-wide codes of conduct. These codes would regulate all aspects of business, from the setting wages and establishing maximum work hours, to setting the prices of finished products. The Act called for a partnership between business

and government. Members of each industry would together establish codes of conduct for themselves and submit it the National Recovery Agency for approval. Once approved, businesses that had agreed to the code were bound by its terms. In return, they would gain immunity from anti-trust law and, in effect, be allowed to function as large, industry-wide monopolies. If an industry failed to establish a code on its own, the President had the power to impose one on it.⁵³ The National Recovery Act was an enormous departure from previous forms of governance. The first head of the new agency charged with enforcing the Act, General Hugh Johnson, described the Act as “the greatest social and economic experiment of our age,” a form of “industrial self-government under Federal supervision.”⁵⁴

Initially the idea of suspending economic competition and forming monopolies with government approval was attractive to many corporations.⁵⁵ Indeed, the National Industrial Recovery Act was even seen as a pro-business measure. In his history of the 1930s, the journalist Frederick Allen Lewis observed, “For a long time the Chamber of Commerce of the United States had been opposing what it called ‘cut-throat competition’ and had wanted the Sherman Anti-Trust Act modified so that trade associations might set wages and adopt ‘codes of practice’ with government permission. Hoover had flatly opposed any such scheme as monopolistic . . . Roosevelt seemed to have no such fears . .

⁵³ Emerson, Thomas I. *Young Lawyer for the New Deal: An Insider's Guide of the Roosevelt Years*. (Savage, M.D.: Rowman & Littlefield, 1991), 9.

⁵⁴ Johnson, Hugh S. *The Blue Eagle from Egg to Earth*. (Garden City, N.Y.: Doubleday, Doran & Co., Inc., 1935), ix, 188.

⁵⁵ Corporations seeking government protection from economic competition was not new. See, for instance, Gabriel Kolko, *The Triumph of Conservatism* (New York: The Free Press of Glencoe, 1963).

.”⁵⁶ Although many businesses were enticed by the chance to work in an environment of diminished economic competition, there was always the problem of those who chose to remain outside of the industry-wide codes. In order to rid the economy of competition, it was necessary to ensure that all businesses fell under the business codes approved by the N.R.A. It was a problem anticipated by Tugwell, who complained that the participation in the industry codes should have been mandatory for all businesses. Instead, what evolved was a system of inciting citizens to boycott companies that did not cooperate. Thus was born the so-called Blue Eagle campaign, through which businesses that agreed to N.R.A. codes were allowed to prominently display the sign of the blue eagle, the symbol of the N.R.A.

The Blue Eagle campaign proved enormously effective in persuading companies to sign-on to the program. Hugh Johnson in particular proved effective at using the pulpit of his office to publicly condemn businessmen who held out against the codes. In a speech in St. Louis Johnson told the public, “Those who are not with us are against us, and the way to show that you are a part of this great army of the New Deal is to insist on this symbol [the Blue Eagle] of solidarity . . .”⁵⁷ General Johnson was especially fond of using military language in his campaign to bring businesses under the codes. “If people who are willing to cooperate for a great national purpose are not permitted to wear a badge to distinguish friend from foe,” he said, “then soldiers ought not to be permitted to

⁵⁶ Allen, Frederick Lewis. *Since Yesterday: The Nineteen Thirties in America*. (New York: Harper & Brothers Publishers, 1940), 119. For an account of the Chamber of Commerce’s varied response to the New Deal, see Robert Collins, *The Business Response to Keynes, 1929-1964* (New York: Columbia University Press, 1981).

⁵⁷ Johnson, Hugh S. *The Blue Eagle from Egg to Earth*. (Garden City, N.Y.: Doubleday, Doran & Co., Inc., 1935), 264.

wear a uniform or carry a flag.”⁵⁸ His campaign was enormously successful, and in four months the Blue Eagle campaign had brought 96% of the nation’s industrial businesses under N.R.A. codes.⁵⁹

In 1933 Roosevelt moved quickly to address the depression and in doing so he radically altered the federal government’s role throughout the major sectors of the economy. Behind these reforms was the specter of national economic planning and a final departure from the nineteenth century ethos of laissez-faire. Roosevelt himself understood the issue in these terms. Presidential adviser Raymond Moley recalled a telling moment in the early years of Roosevelt’s presidency. When Roosevelt was drafting his second fireside speech, the two discussed a certain passage in the talk. The passage in question called for FDR to strike out at his critics, proclaiming it “wholly wrong to call the measures we have taken government control of farming or government control of industry.”⁶⁰ Wondering if the President appreciated the far-reaching nature of reforms such as the N.R.A., Moley asked Roosevelt if he understood that he was “taking an enormous step away” from the philosophy of laissez faire.⁶¹ Upon hearing the question, “F.D.R. looked graver than he had been at any moment since the night before his inauguration. And then, when he had been silent a few minutes, he said, ‘If that philosophy hadn’t proved to be bankrupt, Herbert Hoover would be sitting here right now.’”⁶²

⁵⁸ Ibid., 265.

⁵⁹ Ibid., 267.

⁶⁰ Moley, Raymond. *After Seven Years*. (New York: Harper & Brothers Publishers, 1939), 189.

⁶¹ Ibid., 189.

⁶² Ibid., 189.

In case there was any confusion regarding the spirit behind the New Deal, Rexford Tugwell wrote two pieces defending the President's policies to the general public. First, Tugwell published a special piece, "The Ideas Behind the New Deal, in the *New York Times Sunday Magazine* on July 16, 1933. Tugwell explained to readers of the *New York Times* that the measures Roosevelt had taken needed to be understood in the political and economic context of the times. The New Deal measures might appear radical to some but were necessary since, in Tugwell's opinion, the country faced "a choice between an orderly revolution – a peaceful and rapid departure from past concepts – and a violent and disorderly overthrow of the whole capitalist structure."⁶³ The problem that had brought the country to economic ruin, he argued, was the ill-placed commitment to free market shibboleths. "Competition in most of its forms is wasteful and costly," explained Tugwell, and corporations should be allowed to exist "only under such conditions of control as assure a just-distribution of the wealth they develop and now accumulate to the people as a whole."⁶⁴ For good measure, Tugwell expanded his ideas in a new book, *The Industrial Discipline and the Governmental Arts*, which extolled the benefits of centralized planning. By this time Tugwell was Assistant Secretary Agriculture, and had the ear of a President who not only promised dramatic action but had delivered on a number of fronts. For those who disagreed with Tugwell's views, his apparent influence within the Administration was a cause for great concern.

⁶³ Tugwell, Rexford G. "The Ideas Behind the New Deal." *New York Times Sunday Magazine* (July 16, 1933), 2.

⁶⁴ *Ibid.*, 2.

Harvard defends the market.

Since Harvard economists would later play an important role in the Roosevelt Administration, it is ironic that their initial reaction to Roosevelt's program was overwhelmingly hostile.⁶⁵ Representing this critical response was the 1934 book by Schumpeter and the seven wise men, *The Economics of the Recovery Program*. The book was a wholesale attack on the New Deal. Despite the fact that the authors insisted that they had "no intention to defend or attack" the Administration and claimed that they were "very far indeed from believing that nineteenth century individualism is the summit of wisdom for all times," Schumpeter and his colleagues presented a strong critique of the New Deal from a free market perspective.⁶⁶

The book began with Schumpeter's essay "Depressions," which argued that the current depression was part of the normal business cycle of the market economy. Asking the question "can we learn from past experience?" Schumpeter compared the economic downturn in the 1930s with previous depressions. He concluded that the current depression was in no way fundamentally different from what had happened in the past. The implication was that the current economic depression was simply part of the normal business cycle and, left alone, the market economy would recover.

Schumpeter did acknowledge, however, one important difference between the depression of the 1930s and previous economic slumps. While past governments had left the business cycle to recover largely on its own, the Roosevelt Administration was actively working to encourage recovery. "Now it is of the utmost importance to realize,"

⁶⁵ Mason, 422.

⁶⁶ Brown, Douglass V. et al. *The Economics of the Recovery Program*. (New York: McGraw-Hill, 1934), viii, ix.

wrote Schumpeter, “that the only distinctive characteristic of the present world’s crisis, the only thing, that is, which makes it *fundamentally* and not only quantitatively differ from such crises as those of 1825 and 1873, is the fact that non-economic causes play the dominant role in its drama.”⁶⁷ As he saw it, these activist policies were “things which make catastrophe of what without them would have been mere depression.”⁶⁸ Policies that according to Schumpeter would prolong the depression included “economic nationalism” (tariffs), “a fiscal policy incompatible with the smooth running of industry and trade,” “a mistaken wage policy, political pressure on the rate of interest,” and an “organized resistance to necessary adjustment.”⁶⁹ The problem was not with capitalism, argued Schumpeter, “but of a capitalism which *nations are determined not to allow to function.*”⁷⁰

In short, Schumpeter’s assessment, and his advice, was similar to the advice he is reported to have given in the classroom. As Robert Heilbroner, who was one of Schumpeter’s students, remembers:

When he lectured on the economy at Harvard in the midst of depression, Joseph Schumpeter would stride into the lecture hall, and divesting himself of his European cloak, announce to a startled class in his Viennese accent, ‘Gentlemen, you are worried about the depression. You should not be. For capitalism, a depression is a good cold douche.’⁷¹

⁶⁷ Ibid., 14-5.

⁶⁸ Ibid., 15.

⁶⁹ Ibid., 15.

⁷⁰ Ibid., 16. (emphasis in original)

⁷¹ Heilbroner, 291.

The other essays were similarly critical of the Roosevelt Administration's attempts to address the depression. Edward Mason's essay "Controlling Industry" criticized the National Industrial Recovery Act by suggesting that it was both an ineffective way to fight the Depression and a dangerous step towards government control of the economy. The problem with the National Recovery Administration as a tool to fight depression, Mason argued, was that it interfered with the natural functioning of the economy's price mechanism. Prices provided signals to producers and consumers as to the relative scarcity and value of products and services, and thus indicated where best to allocate their resources. There was simply no way that the Administration could possess the information needed to allocate resources as efficiently as the price system of a market economy. "To go only as far toward economic planning as the Recovery Administration now appears to be willing to go," asserts Mason, "it is necessary [to know] . . . "When is the output of a commodity 'adjusted' to the demand?" and "When is investment of capital in an industry 'adapted' to its needs?"⁷² The problem was that planners would never be able to satisfactorily answer these questions.

The statistical data necessary to such a decision are not available nor are they likely ever to be available to the planning committee of the N.R.A. or to any other committee. Consumer demand is in constant process of shifting from one commodity to another. Certain industries are declining, others are growing and still others are yet unborn. To attempt to arrest the decline of the first by setting prices sufficient to cover costs would be suicidal. To limit the price of the products of the second would only arrest

⁷² Brown, et. al., *The Economics of the Recovery Program*, 58.

their normal growth. And the dead hand of government resting on the price and output policies of all industries would prevent the third group, new or nascent industries, from coming into being at all.⁷³

It was simply unreasonable to imagine that government bureaucrats could have all of the information that they would need to effectively plan a modern economy. What is more, even if they did have such information, there was no reason to image that public officials could parse this data more ably than economic players in the private sector.

Mason was not only concerned with the economic inefficiency of the National Industrial Recovery Act; he was also concerned with what it could lead to. Echoing the argument later made famous by Friedrich Hayek in *The Road to Serfdom*, Mason asserted that the political apparatus needed to enforce the N.I.R.A., while not itself an example of out-and-out government control of the economy, was a dangerous step in that direction. Indeed, Mason felt that this was precisely what the creators of the N.R.A. had in mind. Referring indirectly to Rexford Tugwell, Mason complained that “An examination . . . of the public statements and writings of certain officials high in administration councils leaves no doubt that a strong group of Presidential advisors had the ideal of a planned economy close at heart and sees in the National Recovery Act the proper instrumentality to achieve that end.”⁷⁴ As Mason put it, “What N.I.R.A. may possibly become is as potent a source of alarm as the damage it is at present doing to recovery.”⁷⁵ He warned that “before we go far along the road toward a planned economy a more thoroughgoing

⁷³ Ibid., 59-60

⁷⁴ Ibid., 58.

⁷⁵ Ibid., 61.

demolition and reconstruction of our system even than that contemplated by the sponsors of the Recovery Act will have to be undertaken.”⁷⁶

The remaining essays were similarly orthodox in their economic analysis. In his essay “Purchasing Power,” Edward Chamberlain argued that the New Deal’s efforts to boost consumption by deficit spending did nothing to increase the money supply. Explicitly making the orthodox case that Keynes would later challenge, Chamberlain reminded readers that government policies geared towards spending hitherto invested money only served to shift money from investment intensive undertakings to businesses close to the retail trade. “A policy of favoring consumption over against investment,” wrote Chamberlain, “merely gives jobs to those workers who are employed in the retail trades and in manufacturing industries near the consumer, while denying them to workers in the ‘heavy’ capital-producing industries where invested money is spent.”⁷⁷ Douglas Brown argued in his essay “Helping Labor,” that spending money on welfare relief hurt recovery by taking money away from other areas of the economy. In “Higher Prices,” S.E. Harris questioned the Roosevelt Administration’s goal of maintaining price stability, arguing that lower prices in times of economic downturns are necessary. In “Helping the Farmer,” Wassily Leontief questioned the efficacy of farm support programs.

The most strident essay is the one that ended the collection. In “Economics Versus Politics,” Overton H. Taylor presented a spirited defense of laissez-faire. According to Taylor, the New Deal was terrible economics. In fact, the only justification he saw for Roosevelt’s program was that of political expediency. Horrible as it was, if

⁷⁶ Ibid., 63.

⁷⁷ Ibid., 31.

the New Deal prevented even worse economic reforms from taking place, then perhaps it was justified. But the economic rationale for the New Deal was nonexistent.

The problem with the government intervention in economic affairs, as Taylor saw it, was that it encouraged special interests to lobby politicians for favors. As a result, politics and economics would devolve into a Hobbesian world of all against all. Such a world might suit politicians, who would be increasingly powerful in an arrangement where everyone looked to government for favors. But the economic results would be disastrous. The remedy to such a Hobbesian political struggle was the ideal of *laissez-faire*, in which the government played the role of dispassionate umpire rather than a dispenser of special favors. As Taylor described it, *laissez-faire* was “a scheme of policy eliminating all interference of all ‘politics,’ or the power strategy and rivalry of special interests in the fields of business and of government.”⁷⁸ For Taylor, the New Deal presaged an era of special interests that, with the help of politicians, corrupted the *laissez-faire* ideal of the neutral state.

With *The Economics of the Recovery*, a work which began with Schumpeter’s essay arguing that depressions were healthy corrections for overheated economies and ending with Overton Taylor’s celebration of *laissez-faire* as the “true economists heaven,” the Seven Wise Men had produced a critique of the New Deal that was every bit in accord with orthodox economic theory. In 1934 those ideas still held sway in the Harvard Department of Economics. That was about to change.

⁷⁸ Ibid., 187-8.

The Keynesian Revolution at Harvard.

I believe myself to be writing a book on economic theory which will largely revolutionise – not, I suppose, at once but in the course of the next ten years – the way the world thinks about economic problems.

– Letter from John Maynard Keynes to George Bernard Shaw, 1935.⁷⁹

Schumpeter and the authors of *The Economics of the Recovery* had little to assuage their concerns regarding policy in the years from 1934 to 1936. It is true that the Supreme Court struck down the National Recovery Act on Constitutional grounds in May of 1935. Despite this setback, the Administration pushed the New Deal reforms into a new phase that some historians have called “the Second New Deal.”⁸⁰ In August 1935 alone, the Roosevelt Administration successfully shepherded through Congress the Social Security Act, which established a government pension program, the Public Utilities Act, which imposed further regulations on the nation’s power companies, and the Revenue Act, which raised taxes on large incomes and estates. Although these measures avoided the outright national planning that Tugwell had called for, they did not allay Schumpeter’s concerns about activist government. In his opinion, the government was needlessly interfering with the functioning of the market economy. As bleak as the current state of political affairs was, conservative economists could at least take solace in the fact that orthodox views still carried weight within academic economics. However, this state of affairs did not last. John Maynard Keynes soon provided a far more

⁷⁹ Letter from J.M. Keynes to G.B Shaw, 1/1/1935, published in Donald Moggridge, editor, *The Collected Writings of John Maynard Keynes*, vol. XIII, part 1 (London: Macmillan, 1973): 492.

⁸⁰ The best description of the “Second New Deal” and how it differed from the initial Roosevelt reforms is found can still be found in Arthur Schlesinger, *The Politics of Upheaval* (Boston: Houghton Mifflin, 1960), esp. 385-423.

sophisticated justification for Roosevelt's economic program than Rexford Tugwell's calls for national planning.

Before 1936, Keynesianism had little direct influence on the Roosevelt Administration. If some of Roosevelt's policies could be seen as Keynesian, this was a result of coincidence rather than design. As historian Robert Lekachman has observed, the relationship between Keynes and the Administration amounted to little more than "one of tepid affection."⁸¹ In fact, Keynes was critical of much of Roosevelt's initial program to combat depression. On December 31, 1933 the *New York Times* published an "open letter" from Keynes to Roosevelt, in which the British economist, while applauding Roosevelt's willingness to experiment with policy, criticized many Roosevelt policies. Like Schumpeter and the authors of *The Economics of the Recovery Program*, Keynes considered the N.R.A. to be a hindrance to business activity and an impediment to economic recovery. Keynes also suggested that the President develop a coherent monetary policy. Keynes was no supporter of a return to the gold standard. It was his belief that governments should in fact have discretionary control over their money supplies. Yet in Keynes opinion Roosevelt had not exercised this discretion prudently. "The currency and the exchange policy of a country," he wrote, "should be entirely subservient to the aim of raising output and employment to the right level. But the recent gyrations in the dollar have looked to me more like a gold standard on the booze than the ideal managed currency of my dreams."⁸²

⁸¹ Lekachman, Robert. *The Age of Keynes*. (New York: Random House, 1966), 125.

⁸² Keynes, John Maynard. "From Keynes to Roosevelt: Our Recovery Plan Assayed; The British Economist Writes an Open Letter to the President Finding Reasons, in Our Policies, for Both Hopes and Fears." *New York Times* (December 31, 1933): 2.

Despite Keynes's concerns with some elements of Roosevelt's New Deal, it was clear that he was a friendly critic. Moreover, his letter suggested that Roosevelt was right to pursue large-scale spending projects in order to build up the nation's infrastructure and, more importantly, get more money into circulation. It was this endorsement of deficit spending that so irritated Schumpeter and his Harvard colleagues; when Keynes published his landmark *The General Theory of Employment, Interest, and Money* in 1936 the debate over government spending divided the economics profession.⁸³

Although *The General Theory* is a complicated and sophisticated book, in essence it is a critique of economic theory's account of unemployment. Up until 1936, most economists believed that in a free market, goods and services tended toward equilibrium. This was the miracle of the invisible hand. In a free market, the theory went, the laws of supply and demand worked in such a way that all goods and services were constantly moving toward the most efficient and beneficial allocation possible.

Take, for instance, the problem of unemployment, perhaps the most frightful problem of the depression. While everyone recognized that unemployment was a problem, classic economic reasoning suggested that the best thing for the government to do was to let the forces of supply and demand work themselves out unimpeded. The problem of unemployment was essentially an oversupply of workers relative to demand. In the short-term this caused hardship for the unemployed. However, logic held that in the long-term, declining wages would lead to lower production costs and higher profit margins for businesses, which would eventually lead to business expansion. Economic growth fueled by increased efficiency and low wages would, in the end, lead to economic expansion and new jobs. Faced with the problem of unemployment, public policy ought

⁸³ From here on referred to simply as *The General Theory*.

not tamper with the workings of supply and demand, the free workings of which would lead to economic recovery and a solution to what was essentially a short-term problem.

Keynes's general theory turned this reasoning on its head. The problem with the classic account of unemployment was not simply that it focused on long-term solutions and ignored short-term suffering, as suggested in Keynes's oft-quoted remark, "In the long run we are all dead."⁸⁴ Keynes's critique of classic economic theory was more substantive and damning than the line suggests. In *The General Theory*, Keynes argued that economic theory had a terrifying flaw. Keynes believed that under the right circumstances, the economy could be both in equilibrium and still have unemployment. If this were the case, this meant that left to itself, the free market could create a problem with unemployment that was both severe and permanent.

The reason for this, Keynes argued, was that during an economic depression businesses and individuals were prone to save money rather than invest it. If the lack of confidence was extreme, businesses might not expand operations even after their bottom-lines had recovered. Their "liquidity preference," as Keynes called it, led to the hoarding of capital rather than investment.⁸⁵ As a result, the economy might never recover on its own. In Keynes's logic, an economy in depression resembled a stalled car, and the key to jump-starting the car was for the government to turn private savings into public expenditures. Therefore, the solution to economic recovery was not laissez-faire economics, but a fiscal policy of lower taxation and higher expenditure. Keynes had

⁸⁴ Keynes, John Maynard. *A Tract on Monetary Reform*. (Amherst, N.Y.: Prometheus Books, 2000), 80.

⁸⁵ Keynes, John Maynard. *The General Theory of Employment, Interest, and Money*. (New York: Harcourt, Brace, Jovanovich, 1964), 166.

offered a theoretical justification of Roosevelt's use of public expenditures in order to combat depression.

The Keynesian revolution in the United States began at Harvard a year before *The General Theory's* publication. Robert Bryce, a young professor who had studied with Keynes in England, spread the word that Keynes was working on a book that would explain in detail how government policy could manage the business cycle with judicious fiscal policy. Graduate students in particular flocked to hear Bryce speak about Keynes's new ideas, leading an annoyed Schumpeter to comment, "Keynes is Allah, and Bryce his prophet."⁸⁶ A Harvard graduate student who had visited England heightened the excitement by spreading word that economic circles in England were already debating what was becoming known as "Keynesianism."⁸⁷ A group of graduate students were so eager to have copies of *The General Theory* that they placed a bulk order for the book, enabling them to get their copies earlier than otherwise possible.⁸⁸

The reception of Keynesian ideas at Harvard immediately began to separate economists into two groups: those who agreed with Keynes in his challenge to orthodox economic theory and those who felt, for various reasons, that Keynes's book was off-the-mark. In short order the division became more vitriolic and mean-spirited, and polarized the department between young and old, liberal and conservative. The debate over Keynes was inescapable. John Kenneth Galbraith, a young professor at Harvard at the

⁸⁶ Quoted in Galbraith, John Kenneth. *A Life in Our Times*. (New York: Ballantine Books, 1981), 90.

⁸⁷ Tobin, James. "Beginning with Keynes at Harvard," in Breit, William and Roger W. Spencer, eds. *Lives of the Laureates: Ten Nobel Economists*. (Cambridge: MIT Press, 1990), 115.

⁸⁸ Swedberg, *Schumpeter: A Biography*, 118.

time, reports that when the book finally arrived it hit “with tidal force.”⁸⁹ Through 1936 and 1937, reports Galbraith, “everyone was reading Keynes, the older faculty members mostly with disdain, the younger with joy.”⁹⁰ James Tobin, the future Nobel Laureate, who at the time was a Harvard graduate student, reports that at the time he was

fascinated by his [Keynes] theoretical duel with the orthodox classical economists. Keynes’s uprising against encrusted error was an appealing crusade for youth. The truth would make us free, and fully employed too. I was already an ardent and uncritical New Dealer, much concerned about the depression, unemployment, and poverty. According to Keynesian theory, Roosevelt’s devaluation of the dollar and deficit spending were sound economics after all.⁹¹

Tobin and his fellow graduate students envisioned themselves as “crusaders against the old classical macroeconomics.”⁹² Paul Samuelson, another future Nobel Laureate, wrote of the book’s arrival:

The General Theory caught most economists under the age of 35 with the unexpected virulence of a disease first attacking and decimating an

⁸⁹ Galbraith, *A Life in Our Times*, 67.

⁹⁰ *Ibid.*, 68.

⁹¹ Tobin, 116.

⁹² The full quote is worth reading, since it speaks to the vicissitudes of twentieth century economic thought and the postwar resurgence of laissez-faire. “I have lived long enough to see the revolution to which I was an eager recruit fifty years ago become in its turn a mainstream orthodoxy and then the target of counterrevolutionary attack,” says Tobin. “The tides of political opinion and professional fashion have turned against me. Many of my young colleagues in the profession are as enthusiastic exponents of the new classical macroeconomics as I and my contemporaries were crusaders against the old classical macroeconomics in the 1930s. Many of the issues are the same, but the environment is quite different from the great depression. I do not despair of over the present divisions of opinions in economics. Our subject has always thrived and advanced through controversy, and I expect a new synthesis will evolve, maybe even in my lifetime.” [*Ibid.*, 134]

isolated tribe of south sea islanders. Economists beyond fifty turned out to be quite immune to the ailment. With time, most economists in-between began to run the fever, often without knowing or admitting their condition.⁹³

Schumpeter led the attack on *The General Theory*, giving his negative assessment of *The General Theory* in a review he wrote for the *Journal of the American Statistical Association* in December 1936.⁹⁴ Despite referring to Keynes as “one of the most brilliant men who ever bent his energies to economic problems,” Schumpeter’s review of *The General Theory* was overwhelmingly negative.⁹⁵ Commenting on the excitement the book had caused, Schumpeter offered a backhanded compliment. “Those who had the opportunity to witness the expectations of the best of our students, the impatience they displayed at the delay in getting hold of their copies, the eagerness with which they devoured them . . . must first of all congratulate the author on a singular personal success . . .”⁹⁶ The implication, of course, was that the excitement *The General Theory* aroused, especially among the young, indicated that the book was more hype than substance.

Schumpeter believed that *The General Theory* was little more than Keynes’ attempt to dress up his own political preferences in the language of scholarship.

“Everywhere he [Keynes] pleads for a definite policy,” wrote Schumpeter, “and on every

⁹³ Samuelson, Paul A. “The General Theory,” published in Seymour E. Harris, ed., *The New Economics: Keynes’ Influence on Theory and Public Policy*. (New York: Alfred A. Knopf, 1947): 145-160, 146.

⁹⁴ Schumpeter, Joseph. “Review of Keynes’s General Theory.” *Journal of the American Statistical Association* (December 1936), 791-5.

⁹⁵ Ibid., 791.

⁹⁶ Ibid., 791.

page the ghost of that policy looks over the shoulder of the analyst and guides his pen.”⁹⁷

The problem was such that it “sublimates practical issues into scientific ones, divides economists – as in fact we can see already from any discussion about this book – according to lines of political preference.”⁹⁸ Keynes was in the service of a social vision, alleged Schumpeter, a vision that “is entitled to the compliment that it expresses forcefully the attitude of a decaying civilization.”⁹⁹ By masking political preferences in the language of academic theory, Keynes was undermining the profession. Politics and economics should be separate undertakings, and according to Schumpeter, “Economics will never have nor merit any authority until that unholy alliance is dissolved. But this book throws us back again.”¹⁰⁰ It is curious that Schumpeter was quick to dismiss *The General Theory* as nothing more than politics camouflaged by academic language. Keynes’ arguments were far more sophisticated than those of Tugwell and the early New Dealers. Despite this, Schumpeter failed to distinguish between Keynes and the enthusiasts behind the early New Deal. To his thinking, the reformers were all of a piece.

More substantively, Schumpeter argued that Keynes failed to appreciate that the market economy was fundamentally a dynamic process that by its very nature had periods of growth and depression. Keynes’s view that unemployment could occur in equilibrium failed to appreciate, in Schumpeter’s view, the dynamic of capitalism. “The capitalist process is essentially a process of change of the type which is being assumed away in this book,” Schumpeter argued, “and all its characteristic phenomena and

⁹⁷ Ibid., 791.

⁹⁸ Ibid., 791.

⁹⁹ Ibid., 791.

¹⁰⁰ Ibid., 792.

problems arise from the fact that it is such a process.”¹⁰¹ The only way to assess such a system was to look at the workings of the market over a large expanse of time. Taking the long view, economists could see that depressions were not a permanent condition of a flawed system but rather temporary downturns in a long series of economic ups and downs which, over time, led to more growth than would otherwise have been possible. By using only the 1930s as his frame-of-reference, Keynes failed to see that the current slowdown in investment was merely a natural reaction to over-investment in previous years.

In the words of his advisee James Tobin, one of the most enthusiastic graduate student promoters of the new economics, Schumpeter “had no use for Keynes.”¹⁰² David Rockefeller, the grandson of the oil magnate and the future head of Chase Manhattan was also a Schumpeter student at the time. In his memoirs Rockefeller says that Schumpeter’s quarrel with Keynesianism boiled down to Schumpeter’s concern that Keynesianism led to too much government interference in the economy. According to Rockefeller, Schumpeter “rejected the central element of Keynes’s theory that without government intervention the capitalist economy is vulnerable to prolonged periods of massive unemployment and reduced levels of economic activity. Schumpeter feared that Keynesianism would permanently substitute government control for the normal and healthy operations of the marketplace.”¹⁰³

¹⁰¹ Ibid., 793

¹⁰² Tobin, 119.

¹⁰³ Rockefeller, David. *Memoirs*. (New York: Random House, 2002), 79.

Whether it was the especially charged atmosphere of the depression or the personalities of the individuals involved, the battle over Keynesianism at Harvard became rancorous. John Kenneth Galbraith did not take seriously the criticisms of the old guard. “Most economists of established reputation had not taken to Keynes,” said Galbraith, leading him to conclude, “Faced with the choice between changing one’s mind and proving that there is no need to do so, almost everyone gets busy on the proof.”¹⁰⁴ In addition to the students who were fond of the new economics and the established professors who were critical, there was a third important group that played a critical role in establishing Keynesianism at Harvard: professors who embraced the new economics. John Kenneth Galbraith, who began teaching agricultural economics at Harvard in 1934 at the age of twenty six, for instance, was an early and eager supporter of the new economics. Yet Galbraith, for all his later eminence, was still a very junior scholar at the time. More important in this respect was Alvin Hansen, who would soon become the leading Keynesian in the United States.

Hansen’s conversion to Keynesianism was notable because he wrote one of the most famous critiques of *The General Theory*. Hansen was a highly regarded professor of economics at the University of Minnesota when he reviewed *The General Theory* in 1936 for *The Journal of Political Economy*. Hansen had several concerns about Keynes’s plan. For instance, he worried that the forced spending that Keynes advocated to jumpstart the economy would be ineffective. According to Hansen, there was “a vast difference between a spontaneous expansion of investment and employment . . . and a forced investment such as Keynes seeks to bring about by artificially contrived

¹⁰⁴ Galbraith, John Kenneth. *A Life in Our Times*. (Boston: Houghton Mifflin, 1981), 50.

measures.”¹⁰⁵ What he meant by this was that if private parties were withholding investments, it was probably because there was a dearth of viable investment opportunities and government spending by itself did not create good investments where previously none existed. Like Schumpeter, Hansen also thought Keynes had underestimated the power of capitalism to renew itself through innovation and invention. In his opinion, “it is not improbable that the continued workability of the system of private enterprise will be made possible, not by changes in prevailing economic institutions (such as those advocated by Keynes), but rather by the work of the inventor and the engineer.”¹⁰⁶ While Hansen found Keynes’s ideas intriguing, he was far from convinced that Keynes had presented a powerful new framework through which economists could understand and regulate the economic affairs of nation states. In the end, Hansen concluded that Keynes’s work was “more a symptom of economic trends than a foundation stone upon which a science can be built.”¹⁰⁷

In 1937 Hansen left the University of Minnesota to join the economics faculty at Harvard. It was during his first year at Harvard that Hansen began to have second thoughts about his negative assessment of Keynes and *The General Theory*. In fact, Hansen was on the way to becoming the leading Keynesian in the United States and a mentor and father figure to the young faculty and graduate students at Harvard who were excited about the new economics. Had Hansen’s role in these vituperative debates been known before his arrival, one wonders if the offer from Harvard would have been

¹⁰⁵ Alvin H. Hansen, “Keynes on the Underemployment Equilibrium,” *The Journal of Political Economy*, 44 (October 1936): 682.

¹⁰⁶ *Ibid.*, 683.

¹⁰⁷ *Ibid.*, 686.

forthcoming. Paul Samuelson later wrote that he “always hazarded the guess that Hansen received his call to Harvard by miscalculation. They didn’t know what they were getting.”¹⁰⁸

There are two explanations for Hansen’s conversion to Keynesianism. Hansen himself attributed his change-of-heart to the development of what would become known as his “stagnation thesis.” Hansen’s stagnation thesis, which had overtones of Frederick Jackson Turner’s frontier thesis, was that the economic conditions facing the United States in the 1930s were fundamentally different from the ones of the previous century and as a result, economic principles that worked in the past no longer held true. Specifically, Hansen argued that in the nineteenth century western expansion, population growth, and technological innovations such as the railroad and the telegraph worked as powerful engines of growth to the U.S. economy and provided investors with plenty of investment opportunities. In the 1930s, however, the frontier had been settled, population growth had slowed, and all that was left was technological change, which most likely would not come at the rate it did in the past. As a result, investment opportunities had dried up and stagnation set in.

Hansen introduced his fellow economists to his stagnation thesis in his 1938 presidential address to the annual meeting of the American Economic Association. “It is my growing conviction,” he told his audience, “that the combined effect of the decline in population growth, together with the failure of any really important innovations of a magnitude sufficient to absorb large capital outlays, weighs very heavily as an

¹⁰⁸ Paul Samuelson, “Alvin Hansen as a Creative Economic Theorist,” *The Quarterly Journal of Economics* 90 (February 1976): 29.

explanation for the failure of the recent recovery to reach full employment.”¹⁰⁹ The idea had immediate implications for the ongoing debate over Keynes’s *The General Theory*. Keynes had argued that spending was the best way to combat depression. Moreover, Keynes argued that during a depression the government needed to play a crucial role in injecting money into the economy through taxing and spending money because the private sector was reluctant to invest during depressions. Hansen’s stagnation thesis offered more justification for Keynes’s argument that private investment could not be relied upon to stimulate economic growth. While Keynes had argued that government spending was necessary to break a cycle of depression, Hansen argued that government spending might be a necessary and permanent condition of economic life. In an industrialized, mature economy, investment opportunities eventually dry up, and the only way to combat economic malaise is for the government to step in and provide the investment that previously was provided by the private sector.

Hansen appeared genuinely ambivalent about the implications of his argument. The thrust of his stagnation thesis called for increased government spending, for instance, but Hansen was quick to warn his audience that, “Public spending is the easiest of all recovery methods, and therein lies its danger.”¹¹⁰ He told his audience that the challenge of reconciling increased government activity with the system of free enterprise was “a problem with which economists . . . will have to wrestle in the future far more intensely than in the past.”¹¹¹ He also attempted to distance himself from partisans in the debate

¹⁰⁹ Alvin H. Hansen, “Economic Progress and Declining Population Growth,” *The American Economic Review* 29 (March 1939): 11.

¹¹⁰ *Ibid.*, 14.

¹¹¹ *Ibid.*, 13.

over government's proper role in economic affairs. His position was to find a middle ground between those who preached laissez-faire in the hope that "the recuperative forces to which we have long been accustomed will, in the absence of political interference, reassert themselves" and those who wished "to go forward under full steam with unrestrained governmental expansion until full employment has been reached."¹¹² Hansen's reservations notwithstanding, the stagnation thesis provided a powerful justification for the kinds of government measures that Keynes called for in *The General Theory*.

More cynical critics of Hansen suggest that his about-face had more to do with the "Roosevelt slump" of the 1937-8 recession and his wish to offer justification for increased public expenditures than his belief in the merits of the stagnation thesis. Hansen's friend and Harvard colleague Gottfried von Haberler thought that this was the main reason for Hansen's change-of-heart. Haberler remembers that when he attended a conference with Hansen in the fall of 1936, Hansen "did not take a very Keynesian position in the discussions at the conference."¹¹³ Yet, when Hansen joined the faculty at Harvard in the fall of 1937 and began teaching a seminar on fiscal policy, it was clear that he "had changed his mind on Keynes's *The General Theory*."¹¹⁴ "Precisely how this sudden conversion had come about I do not know. But perhaps it was not so surprising after all. Hansen was, of course, deeply worried about the severe depression and by the inability of orthodox theory to suggest a remedy that would work in the short term.

¹¹² Ibid., 13.

¹¹³ Gottfried Haberler, "Alvin Hansen: Some Reminiscences," *The Quarterly Journal of Economics*, 90 (February 1976): 11.

¹¹⁴ Ibid., 11.

Although he was interested in theory and appreciated elegant theoretical reasoning, economic theory for him was never an end in itself but a means to derive prescriptions for effective policy.”¹¹⁵ An economist close to Hansen described the 1937-8 recession as “an intellectually traumatic episode.”¹¹⁶

Whatever the reason behind Hansen’s conversion, he soon became the most influential Keynesian economist in the United States. At Harvard, he became the center of the graduate students and young faculty who readily accepted Keynes’s challenge to economic orthodoxy and who looked to the new economics as a tool to fight the most pressing political concerns of the age. Hansen’s graduate seminar on fiscal policy, which he co-taught with John Williams, became a training ground for policy makers in Roosevelt’s second Administration, thereby solidifying the once tenuous connection between Keynes and the New Deal. Officials from Washington would come to sit in on the class, and upon graduation Hansen sent students to fill government positions. The course was so popular that students overflowed into the halls and sat on the floor. Future Nobel laureates Paul Samuelson and James Tobin listened to Hansen lecture on the role fiscal policy could play in mitigating the swings of the business cycle and, perhaps, relegate depressions to a past age. John Kenneth Galbraith remembers that sitting in Hansen’s course, “One felt that it was the most important thing currently happening in the country. . .”¹¹⁷ Tobin says that he “had the feeling that history was being made in that

¹¹⁵ Ibid., 11.

¹¹⁶ Walter S. Salant, “Alvin Hansen and the Fiscal Policy Seminar,” *The Quarterly Journal of Economics* 90 (February 1976): 15.

¹¹⁷ Galbraith, *Economics, Peace, and Laughter*, 50.

room.”¹¹⁸ If in 1936 the Harvard Department of Economics was divided among established faculty members critical of Keynes and graduate students enthusiastically embracing the new economics, the hiring of Hansen in 1936 tipped the scales in favor of the Keynesians.

The Walsh-Sweezy Affair.

The years of the depression were a time of ferment on U.S. campuses and Harvard was no exception. As John Kenneth Galbraith remembered in his memoirs, “The leftward movement led to the great Harvard explosion of the late thirties, the equivalent of the strike and student/faculty revolt of thirty years later.”¹¹⁹ It was in this politically charged atmosphere that the department of economics, already embroiled in internal debates, became the center of a university-wide scandal that highlights the somewhat venomous environment that engulfed the Keynesian takeover at Harvard.

The scandal had to do with hiring decision within the economics department. On the eve of the depression, Harvard had expanded its faculty, including that of the economics department. However, the financial position of the university declined as the Depression progressed, leading James Conant to instruct departments to curtail making new faculty appointments when he assumed the presidency of the university in 1933.¹²⁰ It was this new policy that led to what can be called the “Walsh-Sweezy Case,” which put the Harvard economics department in the national spotlight in the spring of 1937. Previous to the new hiring policy, the department of economics at Harvard often hired its

¹¹⁸ Tobin, 117.

¹¹⁹ Galbraith, *A Life in Our Times*, 96.

¹²⁰ Mason, 428.

own Ph.D.s to serve as instructors for two-year terms. Based on their performance during these two years, the department would often promote the more promising instructors to full faculty status. The problem was that in the spring of 1937 there were seven eligible candidates and, because of the new hiring policies, only two available positions. When the faculty failed to choose either Alan Sweezy or Raymond Walsh, two instructors with leftist sympathies, the scandal was born. Edward Mason remembers the situation as follows:

Harvard was, at that time (as were so many other universities) in radical ferment; student activists and younger faculty members frequently referred to senior professors as ‘retreads’ who had outlived their usefulness.

Neither Walsh nor Sweezy was particularly left wing . . . but they were respected members of what was clearly the opposition. Walsh was a labor economist strongly in favor of the newly formed Congress of Industrial Organizations. He had also recently criticized former President Lowell at a public hearing on the Child Labor Amendment before a committee of the Massachusetts legislature.¹²¹

When Walsh and Sweezy failed to get job offers from Harvard, the *Boston Traveler* published a story on April 5, 1937, claiming that the event served as a rebuke to radical economists within the department.¹²² The growing controversy led Conant to defend the economics department publicly in front of the Harvard Board of Overseers.

¹²¹ Mason, 426.

¹²² Ibid., 426.

The issue was not one of politics, Conant claimed, but only a simple matter of there being more qualified candidates than available positions.¹²³ Despite Conant's assurances that no malfeasance had occurred, over one hundred faculty members from throughout the university signed a letter calling for an investigation into the affair. To deal with the growing scandal, President Conant appointed a committee of nine senior Harvard faculty members and members of the board to investigate the issue and make a report. Included on the so-called Committee of Nine were some of the most distinguished names at the university, including Felix Frankfurter, Arthur Schlesinger and member of the Harvard Board of Visitors, Walter Lippmann. The Committee of Nine, which would become the Committee of Eight when Frankfurter resigned to take up his duties as a newly appointed Supreme Court Justice, issued two reports finding no impropriety in the department's refusal to hire Walsh and Sweezy.¹²⁴ The committee, however, recommended that both Walsh and Sweezy be granted three year appointments, a recommendation that Conant later denied.¹²⁵ Whether or not politics played a role in the Walsh-Sweezy affair, it was clear that all was not well in the department of economics. Lippmann let Conant know that in his opinion the atmosphere in the economics department was toxic. As he wrote to Conant during the furor, "Three years' contact with it has convinced me that the atmosphere is not healthy . . ."¹²⁶

¹²³ "Dr. Conant Denies Ban on Liberals," *New York Times* (Apr 13, 1937), 14.

¹²⁴ "Terminating Appointments of Dr. J.R. Walsh and Dr. A.R. Sweezy," (5/24/1938) and "Some Problems of Personnel in the Faculty of Arts and Sciences," (3/25/1939). Mason, 427.

¹²⁵ "Harvard Refuses to Reinstate Two," *New York Times* (June 2, 1938), 14.

¹²⁶ Blum, John Morton, ed. *The Selected Letters of Walter Lippmann*. (New York: Ticknor & Fields, 1985), 360.

With the work of the Committee of Eight going on in the background, a group of the graduate students, Alan Sweezy's younger brother Paul among them, and young faculty got together to publish a response to the arguments laid forth by Schumpeter and the other Seven Wise Men in *The Economics of the Recovery*. They published their book, *An Economic Program for American Democracy*, in 1938. James Tobin, who despite his Keynesian sympathies was not a participant in the venture, referred to the book as a "popular tract" that "preached the new gospel with a left-wing slant."¹²⁷ "We take as our starting point," the authors made clear in their preface, "the conviction that the underlying objectives and methods of the New Deal were and remain sound and necessary to the future progress of the nation. The conception of government as the organized expression of the collective strength and aspirations of the great mass of the people has come to stay."¹²⁸ It was, they proclaimed, the "duty of true progressives . . . to rally around the banner of the New Deal," and their book was "designed precisely for the purpose of assisting them in the fulfillment of this duty."¹²⁹

Throughout the book, the authors enthusiastically trumpeted the teachings of Keynesianism. In fact, they tended to go further than Keynes himself. For instance, the authors denied that there were any problems at all with government deficit spending. While orthodox economic theory taught that deficit spending would lead to inflationary pressures, according to them this was of little concern. Deficit spending, they argued, should be undertaken as a matter of course – it was necessary to kick-start a moribund

¹²⁷ Tobin, 117.

¹²⁸ Seven Harvard and Tufts Economists. *An Economics Program for American Democracy*. (New York: Vanguard, 1938), ix.

¹²⁹ *Ibid.*, ix.

economy – and if inflation occurred as a result, then it could be controlled by the use of price controls. The chapter “A Program for the Future,” explicitly called for more borrowing and spending. The government should expand the Works Progress Administration, the public works arm of the New Deal, to “provide jobs for all unemployed workers who want them” and to fund this expansion through borrowing, since “banks, insurance companies, and wealthy individuals have large cash reserves for which they can find no attractive investment outlets.”¹³⁰ In addition, the authors argued that the government should pursue a “moderate amount of income redistribution,” since the poor were less likely to leave funds sitting idle in savings accounts.¹³¹ The authors also called for increased spending on public works programs.

Their goal, they claimed, was not to end the free enterprise system. They simply wanted to make the capitalism system work better. But if socialism was not the goal, social justice clearly was. For instance, they argued that “it is clearly urgent that the Federal government, in co-operation with the medical profession, begin immediately to work out measures for providing adequate medical care and hospitalization for every person in the country.”¹³² In addition, they proposed that the Federal Government expand social security benefits to include the disabled, poor children and single mothers, increase worker compensation, ease restrictions on welfare, and pass minimum wage and maximum hour legislation.¹³³ They recommended thoroughgoing urban planning, “Starting with the provision of decent housing for those who are now in slum areas, this

¹³⁰ Ibid., 42.

¹³¹ Ibid., 48.

¹³² Ibid., 51.

¹³³ Ibid., 49-53.

activity should be broadened as time goes on to include the redesigning of cities and towns in accordance with sound principles of urban and regional planning.”¹³⁴ The government should also pursue the expansion of public parks and public transportation.

Although the financing of such programs would be enormous, the young economists were not concerned about funding the increased spending through deficits. “The long-range public investment program should be financed chiefly through borrowing. This will of course mean a steadily increasing total of public debt. To many people – perhaps to most people – the prospect is terrifying. The public debt, they say, cannot continue to increase forever. The government will not be able to pay it back.”¹³⁵ The authors maintained that it was misleading to equate public debt with the finances of individuals. As they put it, “what applies to personal debt does not in the least apply to the business and public debt of the entire nation” and they chided “the economists and publicists who have failed in their responsibility for educating the public on so important a matter.”¹³⁶ “It is ridiculous,” they claimed, “to maintain that debt in general must be repaid.”¹³⁷

If orthodox economists might have cause to worry that such economic policies might make private lenders chary about loaning the government funds, these economists argued that they might have to be threatened with nationalization. “If the commercial banks should continue to refuse their co-operation, the public would clearly be justified in

¹³⁴ Ibid., 56.

¹³⁵ Ibid., 62.

¹³⁶ Ibid., 63.

¹³⁷ Ibid., 65.

assuming control of the entire banking system.”¹³⁸ As for the “supposed danger of inflation,” they maintained that if it began to pose a problem it could be “disposed of briefly” through “measures of price control.”¹³⁹

An Economic Program for American Democracy was not an isolated work by a group of overenthusiastic young economists, but a distillation of the Keynesian views that increasingly influenced policy in Washington. In fact, F.D.R. recommended the book to his son who was interested in creating a documentary film on the New Deal, and Joseph Lasch, editor of Roosevelt’s correspondence, referred to the book as “a bible of the New Dealers.”¹⁴⁰

Capitalism, Socialism, and Democracy.

“Can capitalism survive? No, I don’t think it can.”¹⁴¹ Thus begins the famous second section of Schumpeter’s *Capitalism, Socialism and Democracy*. Published in 1942, the book was the result of Schumpeter’s thinking in the closing years of the thirties. Dismayed by the New Deal, saddened by the shrinking of his circle of friendly colleagues, and increasingly passed over by the best and brightest of the young graduate students, Schumpeter by this time was a deeply pessimistic and lonely man. According to Schumpeter’s biographer Richard Swedberg, the years the years from 1939 to 1945

¹³⁸ Ibid., 73.

¹³⁹ Ibid., 73, 74.

¹⁴⁰ Roosevelt, Franklin D. *F.D.R.: His Personal Letters, 1928-1945, II, Volume 4*. (New York: Duell, Sloan and Pearce, 1950), 857-8.

¹⁴¹ Schumpeter, Joseph. *Capitalism, Socialism, and Democracy*. (New York: Harper & Brothers Publishers, 1950), 61.

were “among the worst that Schumpeter experienced during his entire life.”¹⁴²

Schumpeter had “become used to an admiring circle of students in the 1930s, but this changed when Keynesianism became popular. The students now began to desert him and flock to other teachers. Schumpeter conceded as much in his personal diary. “I am vexed,” he wrote, “at my inability to convey my message to youngsters.”¹⁴³ Hansen had also overtaken Schumpeter as the undisputed “great man” of the department, with Paul Samuelson saying that Hansen “came to overshadow his colleagues in an almost embarrassing manner.”¹⁴⁴

These professional problems led Schumpeter to consider moving to Yale University, which had tendered him an offer. When word got back to Harvard about Yale’s offer, the faculty and graduate students signed a petition asking him to remain at Harvard.¹⁴⁵ Although Schumpeter’s departure was prevented by this last minute measure, it did little to salve Schumpeter’s pessimism. He expressed his fears to a friend in May of 1941: “When I see how the government goes about defense and when I consider what kind of fiscal policy and what kind of government control over industry is likely to emerge once the President becomes absolute on our entry into the war, I cannot help feeling that this will be the end of the American way of life.”¹⁴⁶ It was in this spirit that Schumpeter would write his popular masterpiece, *Capitalism, Socialism, and*

¹⁴² Swedberg, Richard. *Schumpeter: A Biography*, 137.

¹⁴³ Quoted in Swedberg, *Schumpeter: A Biography*, 139.

¹⁴⁴ Paul Samuelson, “Alvin Hansen as a Creative Economic Theorist,” *The Quarterly Journal of Economics* 90 (February 1976): 24.

¹⁴⁵ Swedberg, *Schumpeter: A Biography*, 139-40.

¹⁴⁶ Letter from Joseph Schumpeter to Charles C. Burlingham, 5/21/1941, published in Richard Swedberg, *Schumpeter: A Biography*. (Princeton: Princeton University Press, 1991), 228.

Democracy in which he predicted the fall of the capitalist system, in spite of all the spectacular growth of wealth over the previous two centuries. His book is not a celebration of laissez-faire. It is a dirge, a funeral oration for capitalism.

“The thesis I shall endeavor to establish,” writes Schumpeter, “is that the actual and prospective performance of the capitalist system is such as to negative the idea of its breaking down under the weight of economic failure, but that its very success undermines the social institutions which protect it . . .”¹⁴⁷ Like Marx, Schumpeter believed that capitalism contained within it the seeds of its own destruction. But for Schumpeter, it was capitalism’s success, not its failures, that was its undoing. Indeed, Schumpeter acknowledged that his prognostication “does not differ, however much my argument may, from that of most socialist writers and in particular from that of all Marxists.”¹⁴⁸ But of course there is a huge difference between prognosticating something and hoping that it comes to pass. “If a doctor predicts that his patient will die presently, this does not mean that he desires it,” he wrote, “One may hate socialism . . . and yet foresee its advent.”¹⁴⁹

How could Schumpeter write, so close on the heels of the worst depression in the nation’s history, that capitalism was doomed not because of its failures but because of its success? Schumpeter’s answer to this problem echoed his argument regarding depressions in *The Economics of the Recovery Program*. As he did earlier, Schumpeter argued that the economic downturn of the 1930s was no different than previous economic

¹⁴⁷ Schumpeter, *Capitalism, Socialism, and Democracy*, 61.

¹⁴⁸ *Ibid.*, 61.

¹⁴⁹ *Ibid.*, 61.

downturns. Left alone, the economy would recover. The problem in the 1930s, however, was that the government had exacerbated the depression by interfering with the normal workings of the market. The reason the depression had lasted so long, according to Schumpeter, was that the economy was struggling with “the difficulties incident to the adaptation to a new fiscal policy, new labor legislation and a general change in the attitude of government to private enterprise.”¹⁵⁰ It was the New Deal, not capitalism, that was the problem and the cause of what Schumpeter called a “subnormal recovery.”¹⁵¹

So if capitalism’s trouble was not caused by its inability to function and the depression was a normal phenomenon that had been prolonged by improvident public policy, then what was the reason for capitalism to be replaced by socialism? One reason was that capitalism was a process of what he would famously describe as “creative destruction.”¹⁵² By rewarding entrepreneurship and technological advancement, capitalism fostered an economic system that was in a process of continual upheaval. Marx was correct in his assessment that capitalism would unmake itself just as it had unmade feudal society. Yet it was not the immiseration of the working class that would lead to capitalism’s destruction but rather the skeptical mindset that accompanies a system of constant upheaval. As Schumpeter saw it, capitalism “creates a critical frame of mind which, after having destroyed the moral authority of so many other institutions, in the end turns against its own; the bourgeois finds to his amazement that the rationalist

¹⁵⁰ Ibid., 64.

¹⁵¹ Ibid., 64.

¹⁵² Ibid., 81.

attitude does not stop at the credentials of kings and popes but goes on to attack private property and the whole scheme of bourgeois values.”¹⁵³

Leading this attack on the “bourgeois values” were intellectuals, to whom Schumpeter accorded great power. Schumpeter defined intellectuals as persons “who wield the power of the spoken and the written word, and one of the touches that distinguish them from other people who do the same is the absence of direct responsibility for practical affairs.”¹⁵⁴ While these intellectuals might not have “direct responsibility for practical affairs,” they were still, at least according to Schumpeter, enormously powerful. Like Weber, Schumpeter had enormous respect for the power of ideas. In fact, any significant social change demanded intellectual ferment. In a well-known passage from *Capitalism, Socialism, and Democracy*, Schumpeter claimed:

Neither the opportunity of attack nor real or fancied grievances are in themselves sufficient to produce, however strongly they may favor, the emergence of active hostility against a social order. For such an atmosphere to develop it is necessary that there be groups to whose interest it is to work up and organize resentment, to nurse it, to voice it and to lead it.¹⁵⁵

If challenges to a “social order” demanded intellectual ferment, one of the distinguishing features of the capitalist order was that it did this so effectively, even inevitably. “Unlike any other type of society,” wrote Schumpeter, “capitalism inevitably and by virtue of the very logic of its civilization creates, educates and subsidizes a vested

¹⁵³ Ibid., 143.

¹⁵⁴ Ibid., 147.

¹⁵⁵ Ibid., 145.

interest in social unrest.”¹⁵⁶ These intellectuals, turning against the social order that Schumpeter says brought them into existence, would spell the very downfall of the free market system by championing reforms that would engender its extinction. “Faced by the increasing hostility of the environment and by the legislative, administrative and judicial practice born of that hostility,” Schumpeter claimed, “entrepreneurs and capitalists – in fact the whole stratum that accepts the bourgeois scheme of life – will eventually cease to function.”¹⁵⁷

Schumpeter’s claims regarding the structural instability of capitalism in *Capitalism, Socialism, and Democracy* were not new to his work. He outlined the same ideas, though without coining the famous term “creative destruction,” in a 1928 article “The Instability of Capitalism.”¹⁵⁸ What was new, however, was the explanatory power he now accorded to the leadership of intellectuals. After the experiences of the 1930s, Schumpeter saw the role intellectuals played in fomenting animus against the free market as crucial. It seems that the triumph of Keynesianism within the academy convinced Schumpeter that capitalism’s days were numbered. Keynes might have thought he was saving capitalism, but to Schumpeter the views that Keynes had popularized had opened a veritable Pandora’s box that would lead to the end of capitalism as a system. Crude Keynesians such as the Seven Harvard and Tufts Economists would tinker with the economy until it collapsed. This was hardly desirable, as capitalism had been falsely

¹⁵⁶ Ibid., 146.

¹⁵⁷ Ibid., 156.

¹⁵⁸ Schumpeter, Joseph. “The Instability of Capitalism,” *Economic Journal*, Vol. XXXVIII (September 1928): 361-68.

accused and wrongly convicted by its detractors. Yet from the vantage point of the early 1940s the evidence was too much to ignore. Capitalism was doomed.

In a move that appeared to confirm his thesis, in 1948 two of his former protégées S.E. Harris and O.H. Taylor, members of the Seven Wise Men group, published essays endorsing Keynesianism in a collection of essays entitled *Saving American Capitalism*. Unlike their contributions to *The Economics of the Recovery Program* fifteen years earlier, their essays in this volume were explicitly pro-New Deal. Since Taylor had written the most unapologetically laissez-faire essay in *The Economics of the Recovery Program* the change was especially striking.¹⁵⁹ For Schumpeter, it was just one more example in support of his claim that intellectuals had abandoned capitalism.

Although Schumpeter was elected president of the American Economics Association in 1948, demonstrating that he was still a respected member in the economics profession, the work on which he had established his reputation was seen as passé. In the remaining years of his life, Schumpeter retreated from his theoretical work by writing his celebrated *The History of Economic Analysis*, published posthumously in 1954. On December 30, 1949, two weeks before his death, Schumpeter presented a paper, “The March Into Socialism,” to the American Economic Association. In his address he reiterated his thesis that capitalism was not long for the world. If Marx was wrong “in his diagnosis of the manner in which capitalist society would break down,” said Schumpeter,

¹⁵⁹ Taylor would later appear troubled by his dramatic change of opinion, saying that “while in the 1933 essay I went to one extreme in representing all political and governmental action as (necessarily) amoral in nature . . . in the concluding part of the 1948 essay I went to the other extreme of optimism about the potential, high ethical quality of all the governmental action desired by full-fledged New Dealers . . .” [Taylor, 17.]

he “was not wrong in the prediction that it would break down eventually.”¹⁶⁰ Assuming the posture of the detached historian, coolly commenting on phenomena in which he had no personal stake, Schumpeter stated that his assessments were not intended to pass judgment on specific government policies or programs. He was, he said, merely making two observations. First, he wished to establish that over the past decade “we have traveled far indeed from the principles of laissez-faire.”¹⁶¹ Second, he wished to point out that the “stagnationists” such as Hansen were advocating policies that were self-fulfilling. Although the stagnation theorists were, he pointed out, “wrong in their diagnosis of the reasons why the capitalist process should stagnate; they may still turn out to be right in their prognosis that it will stagnate – with sufficient help from the public sector.”¹⁶² The stagnation theorists advocated public policies that would in turn lead to stagnation. Despite his assessment, Schumpeter displayed little interest in correcting what he saw as the mistakes of other economists. He was resigned to the fact that the world was moving inexorably towards a socialist future that would be far worse than the capitalist era that had preceded it.

¹⁶⁰ Schumpeter, Joseph. “The March into Socialism,” published in Joseph Schumpeter. *Capitalism, Socialism, and Democracy*. (New York: Harpers, 1950), 424-5.

¹⁶¹ Ibid., 418-9.

¹⁶² Ibid., 425.

Chapter Two: Henry Simons and the Origins of the Chicago School of Economics

In the 1930s, Chicagoans like myself are apt to say that the mainstream of economics suddenly went on a detour and Chicago continued forward on what should have been but was not the main channel. Non-Chicagoans will, of course, interpret the matter differently, but both would agree that Chicago, in the 1930s, developed a particular brand of economics and a school of thought.

- Gordon Tullock¹⁶³

It was thenceforth no longer a question, whether this theorem or that theorem were true, but whether it was useful to capital or harmful, expedient or inexpedient, politically dangerous or not. In place of disinterested enquirers, there were hired prize-fighters . . .

- Karl Marx, *Capital*¹⁶⁴

While the Harvard Department of Economics embraced Keynesianism, leaving Joseph Schumpeter feeling marginalized and depressed, the balance of ideological power was moving in the other direction at the University of Chicago. This ideological shift at Chicago resulted in the creation the “Chicago School of Economics,” a school of thought known for its free market policy prescriptions. The Chicago School of Economics has lent considerable legitimacy to conservative policies by demonstrating that free market policies have a foundation in disinterested academic inquiry. Examining the origins of the Chicago School of Economics, however, reveals that political concerns were an important part of its theorizing from the beginning.

¹⁶³ Emmett, Ross B., ed. *The Chicago Tradition in Economics, 1898-1946, Volume III*. (London: Routledge, 2002), 4.

¹⁶⁴ Marx, Karl. “Preface to the Second Edition,” *Capital*. (Chicago: Charles H. Kerr & Company, 1909), 19.

In some ways it is not surprising that the department of economics at the University of Chicago would come to be known for having a pro-market orientation. Founded by John D. Rockefeller in 1890, the university itself was the creation of a Gilded Age fortune. The first chairman of the department, James Laurence Laughlin, was a committed defender of laissez-faire. It is to Laughlin's credit as an academic, however, that despite his own personal politics he hired faculty members more for their intellectual talent rather than their political views. During Laughlin's tenure, which lasted from the university's opening in 1892 to 1916, the department of economics at Chicago became famous for having a politically diverse faculty. Laughlin hired scholars such as Thorstein Veblen, who in 1899 published *The Theory of the Leisure Class*, a withering critique of consumer capitalism. In fact, if Laughlin's department leaned toward any particular school of thought, it was towards the "new institutionalism" of Veblen and Wesley Mitchell.¹⁶⁵ A member of the department once commented that Laughlin, "one of the most conservative heads of an economics department in the country" had created "the most liberal and economically the least orthodox department."¹⁶⁶

¹⁶⁵ Institutional economists took their inspiration from the German Historical School of economics of the late nineteenth century. This school of thought differed from the neoclassical theories that dominated economic thought in England and the United States at the time by insisting that historical inquiry had a central role in understanding economic phenomenon. Like the German Historical School of Economics, the Institutionalists believed that social and cultural context played an important role in determining economic behavior. The way to economic understanding was to understand the institutions that shaped peoples' economic decisions. On the other hand, the neoclassical school started with some basic assumptions – the most important being that all people at all times act like a calculating 'economic man' – and then created models based on these assumptions to predict future economic phenomenon. Whereas Institutionalism was based on inductive inquiry, neoclassical economics was based on deductive reasoning.

¹⁶⁶ Nef, John. "James Laurence Laughlin (1850-1934)," *Journal of Political Economy* 42 (February 1934): 4.

There are conflicting opinions as to when the Chicago School of economics lost its reputation for heterodoxy and became known as hotbed of free market thought. Some observers say there were two incarnations of a free market Chicago school of economics, an early school led by Jacob Viner and Frank Knight in the 1930s, and the more well-known postwar Chicago school of Milton Friedman and George Stigler.¹⁶⁷ According to this view, both incarnations of the Chicago school had a laissez-faire orientation. The difference between the two, however, was that the second Chicago school was far more ideologically committed and politically activist. The distinction collapses, however, when one looks at the career of Henry Simons. In fact, it can be said that there was a single “Chicago school of economics and that its story began when Henry Simons joined the faculty in 1927.

From his arrival at Chicago in 1927 until his untimely death in 1946, Henry Simons worked to establish the Chicago department of economics into a bastion for free market thought. Initially, Simons campaign was limited to writing a handful of pamphlets pointing out what he saw as flaws with New Deal economic policy. As the decade progressed, however, Simons ideological views and resolve to work on their behalf hardened. By the 1940s, Simons was disillusioned by what he saw as the twin evils of the New Deal and the increasingly popular Keynesian ideas that seemed to support it. In response, Simons first attempted to establish a free market think tank at the University of Chicago. When that effort failed, he resolved to establish a critical mass of like-minded scholars at Chicago, including former students such as Milton Friedman and

¹⁶⁷ See Paul Samuelson, “Paul Samuelson Remembers Jacob Viner,” published in *Remembering The University of Chicago*. Shils, Edward, ed. (Chicago: University of Chicago Press, 1991), 538. In his recently published memoirs David Rockefeller, who earned a Ph.D. at Chicago in 1940, likewise claims that there was a sharp disconnect between the Chicago School of the 1930s and the postwar group centered around Milton Friedman. See David Rockefeller, *Memoirs* (New York: Random House, 2002).

George Stigler. The group he assembled – which included a number of his former students at Chicago – formed the nucleus of the Chicago School.

Henry Simons was a Midwesterner. Born in Illinois in 1899, he graduated from the University of Michigan in 1920 and then moved on to the University of Iowa, where he pursued graduate studies under the direction of Frank Knight. Although still in his thirties, Knight was one of the most prominent economists of the day. Knight's considerable reputation rested on his 1921 book *Risk, Uncertainty, and Profit*, which was based on his doctoral thesis. What Knight had accomplished in *Risk, Uncertainty, and Profit* was to provide an explanation for how entrepreneurs made profits in a free market economy. Unlike theorists such as Veblen, who argued that market players profited through advertising and other means of manipulation, Knight argued that profits were the result of entrepreneurs taking informed risks based on knowledge of similar previous events.¹⁶⁸ That is, Knight provided a well-reasoned justification for profits.¹⁶⁹ In 1927 Knight moved to the University of Chicago and brought along Simons as a lecturer. Throughout his tenure at Chicago, Simons would be considered, fairly or unfairly, as disciple of Knight, though “one with an independent mind.”¹⁷⁰

At Chicago, Knight and Simons joined two stars of the profession, Jacob Viner and Paul Douglas. Viner shared Knight's penchant for neoclassical theorizing and, like Knight, was skeptical of the institutional school of economics. Both Viner and Knight believed that price theory, with its universal laws of supply and demand, had to be at the

¹⁶⁸ Breit, William and Roger Ransom. *The Academic Scribblers* (Princeton: Princeton University Press, 1998), 201-204.

¹⁶⁹ *Ibid.*, 204.

¹⁷⁰ Breit, William and Roger W. Spencer, eds. *Lives of the Laureates*. (Cambridge: The MIT Press, 1990), 96.

heart of any sound economic analysis. George Stigler remembers Viner as “immensely erudite, rigorous and systematic in instruction” and “the founder of the Chicago tradition of detailed training in neoclassical microeconomics.”¹⁷¹ The other leader in the department, Paul Douglas, was known for two things. The first was his impressive quantitative skills. The second, and better known, was his tireless advocacy for left-of-center causes. In 1927, for instance, Douglas participated in the same tour of the Soviet Union as Rexford Tugwell. Historian David Engerman has recently pointed out that Douglas came away from the visit with an “enthusiasm for the Soviet Union as Progressivism incarnate.”¹⁷² During the 1930s, Douglas campaigned against the Chicago utility mogul Samuel Insull, and attempted to found a third party to promote progressive causes.¹⁷³ Douglas was, as Milton Friedman sums up, a “leading defender of greater government intervention in the economy.”¹⁷⁴

In the early 1930s, a diverse and remarkably talented group of graduate students entered into this mix. Included were Aaron Director and his younger sister Rose, the children of Ukrainian Jews who had immigrated to Portland, Oregon; Milton Friedman, the child of Hungarian Jewish immigrants who was raised in New York; George Stigler from Seattle, whose parents were immigrants from Germany and Austria; and W. Allen Wallis from Philadelphia. The first experience these student had at Chicago was in the

¹⁷¹ Ibid., 97.

¹⁷² Engerman, David C. *Modernization from the Other Shore: American Intellectuals and the Romance of Russian Development*. (Cambridge: Harvard University Press, 2003), 137.

¹⁷³ Ibid., 137. See also Roger Biles, *Crusading Liberal: Paul H. Douglas of Illinois* (DeKalb, I.L.: Northern Illinois University Press, 2002) and Paul H. Douglas, *In the Fullness of Time* (New York: Harcourt, Brace, Jovanovich, 1972).

¹⁷⁴ Friedman, Milton and Rose D. Friedman. *Two Lucky People*. (Chicago: University of Chicago Press, 1998), 195.

introductory course in economic theory taught alternatively by Jacob Viner and Frank Knight. Most students took the class twice in order to work with both professors. As Rose Director later explained, “Jacob Viner and Frank Knight were brilliant men who could hardly have differed more from one another . . . Viner had an incisive and organized mind, was rigorous and not given to suffer fools gladly. Knight was far less organized, given more to philosophical and even sophistical reasoning. The same course was very different when taught by Knight than when taught by Viner.”¹⁷⁵ Not only did Rose Director learn from Jacob Viner, who taught the introductory class in 1933, but due to the fact that Viner arranged his class in alphabetical order, she sat next to Milton Friedman, and the two married in 1938. Perhaps it is no surprise, then, that Milton Friedman has described Viner’s fall 1933 course in economic theory as “unquestionably the greatest intellectual experience of my life.”¹⁷⁶

Yet it was Knight, not Viner, who drew a following. Three future Nobel Laureates have commented on Knight’s influence on the next generation of scholars. George Stigler once said, “The teacher who greatly influenced me and most of my fellow students was Frank Knight,” and referred to Knight as an “improbable Moses.”¹⁷⁷ Paul Samuelson, a Chicago undergraduate in the 1930s, once called Knight an “irresistible Pied Piper,” and says, “from the time I was sixteen until I was twenty one – I was bewitched by Knight,” says Samuelson.¹⁷⁸ James Buchanan, who studied with Knight in

¹⁷⁵ Ibid., 35.

¹⁷⁶ Ibid., 83.

¹⁷⁷ Stigler, George J. *Memoirs of an Unregulated Economist*. (New York: Basic Books, 1988), 16-7.

¹⁷⁸ Samuelson, Paul. “Paul Samuelson Remembers Jacob Viner.” Published in *Remembering The University of Chicago*. Shils, Edward, ed. (Chicago: University of Chicago Press, 1991), 536.

the 1940s, has said that he and his fellow Knight students were “stamped with a different logo: One that we display in the small imitative gestures and attitudes that we carry with us, even after almost a half century.”¹⁷⁹ They found this intellectual freedom exhilarating. Friedman, who along with Rose Director arrived for the 1933 fall semester, remembers that at Chicago he found “a vibrant intellectual atmosphere of a kind that I had never dreamed existed.”¹⁸⁰ George Stigler, who along with W. Allen Wallis arrived in 1934, claims that he arrived at Chicago a “tabula rasa,” and says that he “had never before encountered minds of that quality at close quarters and they influenced me strongly.”¹⁸¹

The no holds barred style of inquiry at Chicago no doubt made Chicago an exciting place for graduate work. In Milton Friedman’s words, “Controversies among faculty members, mostly on an intellectual basis, helped to make the department an exciting place to study.”¹⁸² Yet the growth of the “affinity group” around Knight and Simons helped make the controversies among faculty members more than intellectual. One hesitates to reduce these intellectual differences to mere politics. Yet it would be wrong to discount the role that ideological differences played in polarizing the department. Politics, in fact, drove a wedge between Knight’s group and Douglas. This is best illustrated in the graduate career of Aaron Director.

¹⁷⁹ Buchanan, James. “James Buchanan remembers Frank Knight,” published in *Remembering The University of Chicago*. Shils, Edward, ed. (Chicago: University of Chicago Press, 1991), 244.

¹⁸⁰ Friedman, *Two Lucky People*, 35.

¹⁸¹ Stigler, George J. *Memoirs of an Unregulated Economist*. (New York: Basic, 1988), 95; Stigler, George. Official Nobel Prize Autobiography. Available on the Internet at <http://nobelprize.org/economics/laureates/1982/stigler-bio.html>. (Accessed 3/15/2006)

¹⁸² Friedman, *Two Lucky People*, 35.

Aaron Director had begun his life not unlike many other politically active Jewish radicals in the early twentieth century. Born in 1902, Director lived in his native Ukraine for twelve years before his parents immigrated to the United States. Like so many immigrants with a passion for politics, Director was a committed socialist in his youth. At Yale, Director founded an underground newspaper with his childhood friend Mark Rothkowitz, better known as the artist Mark Rothko.¹⁸³ Upon graduating from Yale in 1924, Director traveled the world as a sort of proletarian free agent, working in a coal mine, a textile mill, and even for a time as a migrant worker.¹⁸⁴ Upon his return to the United States, Director taught labor history at the Portland Labor College before matriculating at the University of Chicago in 1927 to study with Paul Douglas. At Chicago, Director increasingly came under the influence of Viner, Knight, and Simons. Although he co-authored a book with Douglas in 1931,¹⁸⁵ he decided that he no longer shared Douglas' beliefs, dropped Douglas as an adviser, and continued working on his thesis with Frank Knight serving as chair of his committee.¹⁸⁶ This shift resulted in lasting enmity between Knight and Douglas and led to Douglas opposing Simon's tenure bid in 1933. Knight led the successful fight to keep Simons but bitterness remained.¹⁸⁷ Over the next decade it would only get worse. Paul Samuelson has a nice quote that

¹⁸³ James Breslin's biography of Mark Rothko includes an interesting account of the relationship between Director and Rothko, the role their Jewish heritage played in their lives, and their activities at Yale. See James Breslin, *Mark Rothko: A Biography*. (Chicago: University of Chicago Press, 1993), especially 51-4.

¹⁸⁴ See Bernstein, Adam. "Aaron Director Dies at 102; Helped Fuse Economics, Law." (*Washington Post*, 9/14/2004), B04.

¹⁸⁵ Douglas, Paul H. and Aaron Director. *The Problem of Unemployment*. New York: Macmillan, 1931.

¹⁸⁶ Friedman, *Two Lucky People*, 43.

¹⁸⁷ George Stigler discusses the volatile relationship between Douglas and Knight in his memoirs. See Stigler, George. *Memoirs of an Unregulated Economist*. (New York: Basic Books, 1988), 180-190.

sums up the differences in the Chicago department in the 1930s. “The University of Chicago economics department, like Gaul, was divided into parts,” he explains. “Knight and Viner were the theorist patriarchs and rivals. Paul Douglas was the more-than-token liberal . . . Henry Simons, critic of the regulated state and advocate of redistributive income taxation, was in Knight’s camp. Although Aaron Director began in the Douglas workshop, his heart was with Knight.”¹⁸⁸ If the department was divided into parts in the 1930s, by the 1940s the department was dominated by the conservatives.

A “Positive Program” for Laissez-faire.

When the worst financial crisis in the nation’s history hit in 1929, there were already ideological divisions between Knight and Simons’ group and Paul Douglas. But the department was not yet polarized along ideological fault lines. Over the 1930s, that changed. Throughout the decade the locus of power at Chicago moved to the political right. Star graduate students adopted the anti-New Deal positions of their professors, emerging from the decade as dedicated proponents of laissez-faire. It was the mirror image of what happened at Harvard during the 30s. While the balance of power at Harvard shifted to the political left during the decade, leaving Joseph Schumpeter feeling marginalized, at Chicago it was the champions of laissez-faire who would win the ideological battles of the 1930s.

Frank Knight’s reaction to the New Deal was similar to that of Schumpeter. Knight despaired at the recent course of events but, like Schumpeter, resigned himself to the role of the cynical observer. In May of 1934 Knight confided in Friedrich Hayek, at

¹⁸⁸ Samuelson, Paul. “Paul Samuelson Remembers Jacob Viner.” Published in *Remembering The University of Chicago*. Shils, Edward, ed. (Chicago: University of Chicago Press, 1991), 536.

the time a young Austrian economist teaching at the London School of Economics, that he had become “terribly discouraged about economics.” The politics of the New Deal had made economic theory subservient to political expedience and, as Knight explained to Hayek, in his opinion the New Deal represented a “general movement of west European civilization away from liberalism to authoritarianism.” “In other words,” explained Knight, “it is just a detail of the failure of the project of a society based on freedom and intelligence – the one fairly favorable chance ever seen in history and the like of which will probably never be seen again.”¹⁸⁹ So depressed was Knight that Viner felt he was “on the verge of a nervous breakdown in the 1930s.”¹⁹⁰

Like Knight and Schumpeter, Henry Simons also found the developments of the early 1930s a cause for despair. Simons, however, was going to do something about it. While Knight complained to Hayek about his powerlessness to fight what was occurring in Washington, Simons was completing his first, and most famous, political tract, the book-length essay *A Positive Program for Laissez-faire: Some Proposals for a Liberal Economic Policy*. Published in 1934, the book was an undisguised polemic in defense of the market economy. In the introduction Simons identifies his work as a “propagandist attack” in defense of the proposition that “traditional liberalism . . . offers, at once, the best escape from the moral confusion of current political and economic thought and the best basis or rationale for a program of economic reconstruction.”¹⁹¹ Simons made clear

¹⁸⁹ Letter from Frank Knight to F.A. Hayek, 5/9/1934. Box 60, Folder 10, Frank H. Knight Papers, Special Collections Research Center, University of Chicago Library.

¹⁹⁰ Samuelson, Paul. “Paul Samuelson Remembers Jacob Viner.” Published in *Remembering The University of Chicago*. Shils, Edward, ed. (Chicago: University of Chicago Press, 1991), 537.

¹⁹¹ Simons, Henry C., “A Positive Program for Laissez-faire: Some Proposals for a Liberal Economic Policy,” published in Henry C. Simons, *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1948), 40.

that he was well aware that his brand of classical liberalism had been “widely ridiculed of late” by “Communists, “Fascists,” and “most of our ‘liberal’ reformers and politically ambitious intellectuals.”¹⁹² While this was bad enough, what was even worse was the fact that those who believed in classical liberalism were failing to come to their own defense. “Old-fashioned liberals, and the more orthodox economists especially, have responded meagerly to the attack,” he explained, and in his opinion the libertarian critique was “inadequately represented in the welter of current controversy.”¹⁹³ This fact was unacceptable to Simons. The stakes in the current intellectual and political controversies could not have been any higher, and they demanded action. His aim was to try, “humbly but uncompromisingly” to explain how the current economic crisis could be dealt with “along lines dictated by a faith in liberty.”¹⁹⁴

Simons criticized the New Deal for doing both too much and too little. Like the Seven Harvard Economists who published *The Economics of the Recovery Program* in the same year, Simons focused a good deal of criticism on the National Recovery Act and its price codes. “No diabolical ingenuity could have devised a more effective agency for retarding or preventing recovery (or for leading us away from democracy),” he claimed, “than the National Recovery Act and its codes.”¹⁹⁵ His critique of the N.R.A. paralleled Edward Mason’s “Controlling Industry” essay in *The Economics of the Recovery Program*. By attempting to regulate prices, the N.R.A. perverted the entire enterprise of

¹⁹² Ibid., 40.

¹⁹³ Ibid., 40.

¹⁹⁴ Ibid., 40.

¹⁹⁵ Ibid., 75.

a free market economy. Not only were such efforts counterproductive – no one had the information at hand to successfully plan a modern economy – but such an effort led to political controls that would by necessity have to take an undemocratic position. “If we dislike inequality of power,” warned Simons, “it is appropriate to view with especial misgivings the extension of political (and monopoly) control over relative prices and incomes. Either socialization or the mongrel system of ‘national planning’ implies and requires extreme concentration of political power, under essentially undemocratic institutions.”¹⁹⁶

For Simons, the efforts of the government to fix prices through the National Recovery Act and the bureaucratic agencies set up to enforce it were unnecessary, counterproductive, and even dangerous. Yet it would be wrong to assume that Simon’s criticism of the N.R.A. was simply based on a general opposition to government action. As the title of his essay suggests, Simons was interested in demonstrating that laissez-faire was not simply a doctrine calling for government inactivity in regard to economic matters but instead required some degree of “positive” planning. Simons understood the point that Karl Polanyi later made famous, that laissez-faire was predicated on government activity every bit as much as it was on government inaction.¹⁹⁷ One of the most important responsibilities of government policy in such a system was the maintenance of competition. This, according to Simons, was one of the main failings of the N.R.A. By suspending antitrust laws in order to maintain price stability the N.R.A. allowed firms to collude on prices. According to Simons, large corporations engaged in

¹⁹⁶ Ibid., 52.

¹⁹⁷ See Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Times* (Boston: Beacon Press, 1944).

legal price fixing were anathema to the free market system and the suspension of competition in the economy would only retard rather than encourage economic recovery. While the NRA allowed corporations to fix prices, Simons felt that the government should vigorously enforce antitrust laws to maintain competitive pressure in the economy. To those who would charge that cutthroat competition had brought about the Depression, Simons would retort that it was the lack of competition – partly because of lax enforcement of antitrust laws – rather than overabundance of competition that exacerbated the Depression. In this way, Simons wrote, “the so-called failure of capitalism (or the free-enterprise system, of competition) may reasonably be interpreted as primarily a failure of the political state in the discharge of its minimum responsibilities under capitalism.”¹⁹⁸ For Simons it was tragic that the cause of the depth of the depression was “regarded as resulting from competition, *instead of from the lack of it*” because such misunderstanding led to exactly the wrong kind of policy measures to address the crisis.¹⁹⁹ What was needed was more competition and federal regulators who encouraged price fixing rather than trust busting were addressing the depression in exactly the wrong way. In Simon’s opinion it was the Federal Trade Commission, rather than the National Recovery Administration, that should have led the Federal response to the depression. As he put it, “The Federal Trade Commission must become perhaps the most powerful of our governmental agencies; and the highest standards must be maintained, both in the appointments of its members and in the recruiting of its large

¹⁹⁸ Simons, Henry C., “A Positive Program for Laissez-faire: Some Proposals for a Liberal Economic Policy,” published in Henry C. Simons, *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1948), 43.

¹⁹⁹ *Ibid.*, 45-6. (emphasis in original)

technical staff. In short, restraint of trade must be treated as a major crime and prosecuted unremittingly by a vigilant administrative body.”²⁰⁰ Interestingly, members of Roosevelt’s brain trust came to the same conclusion. During his tenure as assistant attorney general from 1938-1943, Thurman Arnold extolled the benefits of competition and the antitrust laws intended to foster it.²⁰¹ By that time, however, Simons would have other arguments with which to criticize the Administration.

Simons was not opposed to the New Deal in its entirety. To be sure, he was appalled with the N.R.A. Yet within the confines of a competitive market economy in which prices are allowed to fluctuate, Simons accorded the government a good amount of latitude in combating the worst effects of the depression. As Milton Friedman remembers of the time, “Like our teachers and fellow students at Chicago, and indeed most of the nation, we regarded many early New Deal measures as appropriate responses to the critical situation – in our case not, I hasten to add, the price- and wage-fixing measures of the National Recovery Administration and the Agricultural Adjustment Administration, but certainly the job-creating Works Progress Administration, Public Works Administration, and Civilian Conservation Corps.”²⁰² Simons’ positive program, in fact, called for a surprising amount of government activity. He thought the banking industry should be fully nationalized to give the federal government complete control over the supply of money. He felt that some industries – such as utilities – should be nationalized rather than regulated, and advocated using the tax code to redistribute

²⁰⁰ Ibid., 58.

²⁰¹ For Arnold’s take on the problems with the N.R.A. and the early New Deal’s policy of corporate planning, see Arnold, Thurman. *The Bottlenecks of Business*. New York: Reynal and Hitchcock, 1940.

²⁰² Friedman, Milton and Rose D. Friedman. *Two Lucky People*. (Chicago: University of Chicago Press, 1998), 59.

wealth. So sweeping were these calls that later Chicago school economists have called into question Simon's standing as a libertarian altogether. However, as Brad DeLong has pointed out, Simons' departures from libertarianism need to be read in context.²⁰³ As Simons put it, at the time he wrote he felt that the country was "drifting rapidly toward political and economic chaos." Because of this "the cause of economic liberalism and political democracy faces distinctly unfavorable odds and, therefore, requires above all a strategy boldly and intelligently conceived."²⁰⁴ That is to say, he was willing to make compromises that in other times he would be unwilling to make. Most striking in this respect, perhaps, was Simons' concern with income inequality and his advocacy for using the tax system as a way to redistribute wealth. In a catching phrase Simons summed up his opinion regarding inequality. "There is something unlovely, to modern as against medieval minds, about market inequality, either in power or material well-being."²⁰⁵ For Simons, the redistribution of wealth was an acceptable goal of public policy. What he found objectionable, however, were measures that tampered with prices and economic competition, cornerstones of the market economy.

When published in 1934, *A Positive Program for Laissez-faire* had an immediate effect. The graduate students at Chicago responded with an enthusiasm akin to that displayed by the Harvard students for Keynes' *General Theory*. Speaking for himself and his fellow graduate students, George Stigler has recalled how Simons' essay

²⁰³ See DeLong, J. Bradford. "In Defense of Henry Simons' Standing as a Classical Liberal." *Cato Journal* 9 (Winter 1990): 601-618.

²⁰⁴ Simons, Henry C., "A Positive Program for Laissez-faire: Some Proposals for a Liberal Economic Policy," published in Henry C. Simons, *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1948), 56.

²⁰⁵ *Ibid.*, 51.

“captivated many of us.”²⁰⁶ The reason for this is not hard to explain. Like Keynes, Simons offered a practical application of economic theorizing, a roadmap out of the depression. As dire as the economic crisis was, Simons brought to the discussion the view that what was at stake wasn’t simply an economic depression but the future of society itself. In George Stigler’s words, “Simons believed with all his heart that the crisis of the 1930s had to be handled well or the basic values of civilization would be lost, and he dedicated his life to that task.”²⁰⁷

The publication of the *A Positive Program for Laissez-faire* brought Simons to the attention of Friedrich Hayek. Although originally from Austria, Hayek was at the time a young professor of economics at the London School of Economics, where he was fast gathering attention as a staunch defender of laissez-faire. David Rockefeller, a Harvard graduate student who studied with Schumpeter, spent the 1937-1938 academic year at LSE and was therefore able to study both with Schumpeter and Hayek. “Like Schumpeter,” Rockefeller remembered, “Hayek placed his trust in the market, believing that over time, even with its many imperfections, it provided the most reliable means to distribute resources efficiently and to ensure sound economic growth.”²⁰⁸ Hayek was also concerned with contemporary intellectual and economic developments. Rockefeller recounts, “On more than one occasion I remember his [Hayek] taking from his wallet a

²⁰⁶ Stigler, George J. *Memoirs of an Unregulated Economist*. (New York: Basic Books, 1988), 20-1.

²⁰⁷ Ibid., 96. Simons was not alone in using extremely pessimistic language to discuss the problems of the 1930s. For instance, President Roosevelt was himself prone to talk in millenarian terms, in his Second Fireside Chat declaring that his Administration was working to prevent “the return of conditions which came very close to destroying what we call modern civilization.” See Roosevelt, Franklin. *The Public Papers and Addresses of Franklin D. Roosevelt: Volume II: The Year of Crisis, 1933*. (New York: Random House, 1938), 165.

²⁰⁸ Rockefeller, David. *Memoirs*. (New York: Random House, 2002), 83.

crumpled, dog-eared paper on which he had written a list of the remaining ‘liberal economists.’ He would look at it sadly and sigh. He was convinced the list was shrinking rapidly as the older believers in the free market died off and most of the new economists followed the new Keynesian fashions.”²⁰⁹ While Hayek shared Schumpeter’s pessimism, he did not share his resignation. In this respect Hayek resembled Simons with whom he shared a willingness to play the role of polemicist and political combatant.

Hayek wrote to Simons in December of 1934 in regard to *The Positive Program*. Hayek began by telling Simons that he had “the greatest sympathy for the general spirit” of the book and felt that it raised “the problems which economists ought to discuss today more than any others.”²¹⁰ Hayek admitted, however, that he had misgivings about several aspects of his plan, including Simons’ willingness to give the Federal Government control of the money supply (Hayek preferred a return to the gold standard rather than granting discretionary control of money to the government), his support for nationalizing some industries such as electric companies, and his calls for using the tax code for the redistribution of wealth. Regarding the redistribution of wealth, Hayek told Simons that he had “the greatest sympathy with the motives from which it springs” and “in the past held the same view myself.”²¹¹ Yet his fears of government overreach – growing up in Vienna he was painfully aware of the development of fascist elements in Europe – trumped his tolerance for using the machinery of government to pursue economic equality. Hayek explained “My experience in Central Europe, where the decay of

²⁰⁹ Ibid., 83.

²¹⁰ Letter from F.A. Hayek to Henry Simons, 12/1/1934, Box 3, Folder 40, Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

²¹¹ Ibid.

Economic Life due to Government interference has gone so much further than anywhere else, is that the main danger is that it will at a certain point start a cumulative process of consumption of capital from which it is exceedingly difficult to emerge.”²¹²

In his response, it is clear that Simons viewed Hayek as an ally, a friendly critic with whom he might have some points of contention but who, overall, shared his concerns. For Simons the tax measures were needed not because they made economic sense but because they were politically necessary. From Simons’ perspective, “the kind of tax measures proposed in the pamphlet” were “probably indispensable for preserving the degree of internal political security essential to large saving.” He continued:

If my proposals seem, as a whole, too drastic, let me explain that both the religion of freedom, and intellectual interests along liberal lines, seem deadlier here than in England. One must struggle as hard with friends as with enemies; the competent people are mainly, like Frank Knight, ready to abandon all their hope and faith, and to occupy themselves largely with explanations of why the deluge is both imminent and inevitable.²¹³

If Hayek thought that Simons was in some places a poor classical liberal, Simons wanted to ensure that Hayek understood the political and intellectual climate in which he composed his work. It might not present optimal policies, but under the circumstances Simons knew of no other way to defend, as he put it, the “religion of freedom.”

²¹² Ibid.

²¹³ Henry Simons to F.A. Hayek, 12/18/1934, Box 3, Folder 40. Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

Defender of the faith.

While Knight was reluctant to actively campaign against the New Deal, Simons was only too willing to play the part of the happy warrior. In fact, he followed up *A Positive Program from Laissez-faire* with a series of lectures that revealed he was becoming more rigid in his thinking. In a 1935 speech on the New Deal, for instance, Simons addressed this change directly. “Tonight I must talk,” said Simons, “I believe for the first time in my life, as an extreme conservative, as an exponent of that much ridiculed political philosophy, nineteenth century liberalism and as one who believes firmly that the present generation, especially the so-called brain-trust, needs nothing so badly as an understanding of Adam Smith.”²¹⁴ As in *A Positive Program for Laissez-faire*, in these lectures Simons made the case that the N.R.A. did damage to the economy by tampering with prices and encouraging the creation of large corporate trusts. His tone, however, became more strident and accusatory. He referred to the probable “futility” of making his case to a “generation whose intelligentsia has accepted as economics the romantic nonsense” of figures such as the journalist Stuart Chase, the historian Charles Beard, and economist Rexford Tugwell.²¹⁵ Now the price control measures of the N.R.A. were not only bad policy but “the legislative consequence of the recent effusions of romantic pseudo-economists on the subject of planned economy.”²¹⁶ These economic policies called for government powers that, in Simons’ opinion, would eventually have terrible political consequences. As he put it, by attempting to get the “economic machine

²¹⁴ Simons, Henry. “The New Deal,” (speech delivered 6/7/1935, Box 9, Folder 5, Henry Simons Papers, Special Collections Research Center, University of Chicago Library), 1-2.

²¹⁵ Ibid, 2.

²¹⁶ Ibid, 3.

in order by planning” reformers were in actuality proposing that “the government grab hold of every exposed part of the machine and put it in order by following the instructions of literary people who lack the slightest notion of how the machine works.”²¹⁷ “To indicate where this sort of thing leads,” Simons warned, “one need only to point to Germany’s experience with the cartel system – indeed, to Hitlerism itself.”²¹⁸

In an article published in the March 1936 *American Economic Review*, “The Requisites of Free Competition,” Simons again warned that the choices before policy makers were grave. It was, quite simply, a choice “between a competitive system and authoritarian collectivism.”²¹⁹ “There are many routes back to authority,” he explained. “We may abandon economic and political freedom, either deliberately, or merely by continuing to drift, to temporize, to experiment, without any policy at all.”²²⁰ This result of such temporizing, however, could already be seen in the totalitarian governments in Europe. American policymakers now stood at a crossroads and the question was whether they would follow Europe back to totalitarianism or lead Europe out of the abyss. “The stakes in this contest are tremendous,” Simons wrote. “The future of the liberal faith and of the democratic ideal is now in American hands. And, ignoring factors far outside my competence, I submit that the choice we make between freer competition and increasing

²¹⁷ Ibid, 3.

²¹⁸ Ibid, 4.

²¹⁹ Henry C Simons, “Requisites of Free Competition,” in *Economic Policy for a Free Society*, Henry C. Simons (Chicago: University of Chicago Press, 1948), 78.

²²⁰ Ibid., 79.

regulation of prices and wages will largely determine whether we lead Europe out the valley or follow it down and down.”²²¹

Also in 1936, Simons published his article “Rules versus Authorities in Monetary Policy,” which later exerted a tremendous influence on subsequent Chicago economists. The article criticized the Roosevelt Administration’s monetary policy and articulated an entirely new vision for the government’s role in managing the money supply. Simons made the case for what, in the postwar years, would become known as monetarism: the view that management of the money supply was the key to controlling macroeconomic phenomena such as inflation and unemployment.

Unlike Hayek and some other devotees to the market who advocated a return to the gold standard, Simons felt the government was perfectly within its rights by taking control of the money supply. It was part of the “positive program” for laissez-faire. But government control of the money supply had to be exercised in accordance with well-defined rules. As Simons put it, “The liberal creed demands the organization of our economic life largely through individual participation in a game *with definite rules*. It calls upon the state to provide a stable framework of rules within which enterprise and competition may effectively control and direct the production and distribution of goods.”²²² Without clear rules – the rule of law – the free enterprise system would cease to function. Rules were important to maintain price stability, without which businessmen would not be able to enter into long-term contracts with any degree of confidence. “An enterprise system cannot function effectively in the face of extreme uncertainty as to the

²²¹ Ibid., 89.

²²² Henry C. Simons, “Rules Versus Authorities in Monetary Policy,” in *Economic Policy for a Free Society*, Henry C. Simons (Chicago: University of Chicago Press, 1948), 160.

action of monetary authorities or, for that matter, as to monetary legislation,” Simons explained.²²³ It is important to note that Simons placed the responsibility for monetary policy squarely on the shoulders of the federal government. “In the past, governments have grossly neglected their positive responsibility of controlling the currency; private initiative has been allowed too much freedom in determining the character of our financial structure and in directing changes in the quantity of money and money substitutes.”²²⁴

Simons continued to make the case for laissez-faire by critically reviewing works that articulated the case for economic planning. In 1938, for instance, John Kenneth Galbraith published his book *Modern Competition and Business Policy* and he – or at least his publisher – arranged to have a copy sent to Henry Simons. Central to Galbraith’s thesis was the idea that the price system was fundamentally broken and the government needed to pursue policies to set prices throughout all areas of the economy.²²⁵ Among Galbraith’s plan were calls for minimum wage legislation and maximum hour laws. Simons, of course, had a negative reaction to the book and immediately sent word to Galbraith to let him know that his “general impressions” of the book were “not such as to lower my blood pressure.”²²⁶ “The largest jumps in my blood pressure resulted,” Simons explained, “from the frequent adversions to the awful burdens

²²³ Ibid., 161.

²²⁴ Ibid., 161-2.

²²⁵ Dennison, H.S. and John Kenneth Galbraith. *Modern Competition and Business Policy*. New York: Oxford University Press, 1938. During the Second World War Galbraith got his wish regarding government regulation of prices. As deputy head of the Office of Price Administration Galbraith was known as the “Price Czar,” and his agency set price controls for virtually all goods and services in the U.S. economy.

²²⁶ Letter from Henry Simons to J.K. Galbraith, 10/6/1938. Box 3, Folder 1, Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

of wage reductions – and from the flirtings with Mr. Roosevelt’s slogans about wage rates and purchasing power. These blemishes will doubtless give the book a wide and sympathetic reception; but it seems to me an awful irony that people should be so solicitous about wage rates in an age whose overwhelming problem is unemployment.” Regarding the dangers of planning, Simons cautioned Galbraith that, “Competition can be very imperfect without being as unsatisfactory as the politically real alternatives of control.”²²⁷

Reviewing Alvin Hansen’s *Fiscal Policy and Business Cycles* in the April 1942 issue of the *Journal of Political Economy*, Simons continued to strike a hostile stance toward Keynesian ideas. Simons began his review – “Hansen on Fiscal Policy” – by noting that the “decade of the thirties marks an abrupt break with traditions of monetary and fiscal practice.” As Simons saw it:

younger economists close to the administration, found explanation of the recession merely in fiscal policy and went on solemnly to argue for perpetual deficits and uninterrupted increase in the federal debt. Their arguments, of course, are heavenly music to political leaders as opportunists and to collectivists as strategists. Now, from the ranks of older, distinguished economists, comes Professor Hansen to argue their case and to espouse their cause.²²⁸

Simons announced that he has come not to praise but to “bury Hansen.” “As an unreconstructed, old-fashioned liberal,” he wrote, “I must counterattack as best I can,

²²⁷ Ibid.

²²⁸ Simons, Henry C, “Hansen on Fiscal Policy,” published in Henry Simons, *Economic Policy for a Free Society* (Chicago: University of Chicago Press, 1948), 184.

hoping thereby to diminish slightly the impetus which the book must give to trends of thought and action which to me seem wholly dangerous.”²²⁹

Hansen’s book, according to Simons, was nothing more than an “academic apology par excellence for the inner New Deal and all its works” and he predicted that it could very well become “the economic bible for that substantial company of intellectuals, following Keynes and recklessly collectivist, whose influence grows no less rapidly in academic circles than in Washington.”²³⁰ Hansen “concedes all that extreme collectivists could possibly ask by way of proximate measures” and “gives his full blessing to those whose economics is epitomized in the fashionable remark: ‘Don’t worry about the debt; that will take care of itself’ – as indeed it will if revolution is the highest desideratum.”²³¹ The substantive difference between Hansen and Simons (and, for that matter, Keynes and Simons) is found in the difference between fiscal and monetary policy. To get more money into the depressed economy, Hansen advocated massive deficit spending. Although this had the benefit of injecting more liquidity into the economy, from Simons’ perspective this was an inefficient, and perhaps even dangerous, method to reach that end. Far preferable in Simons’ opinion was an expansion of the money supply by printing money and lowering interest rates.

Although the goal of their respective policies was the same – to get more money into circulation – the policy implications of their proposals differed greatly. Under Hansen’s plan, a relatively small number of government bureaucrats would decide how to spend growing government expenditures. In Simons’ opinion, giving bureaucrats the

²²⁹ Ibid., 185.

²³⁰ Ibid., 185.

²³¹ Ibid., 207.

power to spend was at best inefficient and at worst a dangerous aggregation of power to public officials. With Simons' plan, millions of borrowers and lenders, rather than bureaucrats, would make economic decisions for themselves. Simons would write to Hayek that he was not entirely pleased with his critical review of Hansen but thought it necessary to launch an intellectual counterattack against the Keynesian tide. "I'm not proud of the job, but have felt it imperative that someone should launch an attack, however inadequate, against ideas which win ascendancy here partly because there is little or no competent published criticism."²³²

Walter Lippmann and *The Good Society*.

If Keynes's *General Theory* touched off a storm at Harvard when it was published in 1936 – dividing economists between young and old, pro-Keynes and anti-Keynes – the reception of the book at the University of Chicago was notable only in its lack of influence. Viner and Knight dismissed the book as political opinion dressed up as economic theory.²³³ Instead it was a different book that would have a lasting effect on the future direction of the economics department at Chicago, though at the time probably no one could have anticipated it. In 1937, the well-known journalist, author, and public intellectual Walter Lippmann published, *An Inquiry into the Principles of the Good Society*, which at first blush seemed wholly out-of-step with his previous commitments. Lippmann famously had begun his career as socialist, helping to found the Harvard

²³² Letter from Henry Simons to F.A. Hayek, 3/7/1942, Box 3, Folder 40, Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

²³³ See Knight, Frank H. "Unemployment: And Mr. Keynes's Revolution in Economic Theory." *Canadian Journal of Economics & Political Science* 3 (February 1937): 100-23; Viner, Jacob. "Mr. Keynes on the Causes of Unemployment." *Quarterly Journal of Economics*, 51 (November 1936): 147-167.

Socialist Club as an undergraduate in 1909 and then working for various progressive causes, most famously founding the *New Republic* with Herbert Croly and Walter Weyl in 1913. An early supporter of Franklin Roosevelt and the New Deal, over the course of Roosevelt's first Administration Lippmann had grown increasingly worried about the implications of economic planning.

One of the authors who had moved Lippmann toward these new positions was Henry Simons. Upon reading *A Positive Program for Laissez-faire* in early 1935, Lippmann began a correspondence with Simons. "I have been reading your tract on laissez-faire and wish to thank you for it," wrote Lippmann. "With its fundamental analysis, its general aims, and most of its recommendations, I am in hearty agreement . . . My observations have led me to think that throughout the western world, as well as in the minds of the very men who set up the original New Deal, the concept of planned economy is rapidly becoming discredited . . ."²³⁴ Lippmann wrote again to Simons in March of 1936, in response to Simon's article on monetary policy. "I have read with interest and profit your article on 'Rules versus Authorities in Monetary Policy,'" Lippmann told him.²³⁵ "I have been engaged for a long time in a study of liberal policy and had come to much the same conclusion as you do, namely that we must not go in the direction of management and authorities but in the direction of fixed rules, so I am very grateful for your article and for the illumination which it gives."²³⁶

²³⁴ Letter from Walter Lippmann to Henry Simons, 1/21/1935, Box 4, Folder 18, Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

²³⁵ Letter from Walter Lippmann to Henry Simons, 3/19/1936, Box 4, Folder 18, Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

²³⁶ Ibid.

When Walter Lippmann published *An Inquiry into the Principles of the Good Society* in 1937 (later editions were titled simply *The Good Society*) it caused an international stir. Divided into two parts, Lippmann's study was an attempt to reconcile his progressive views with what he considered to be the legitimate concerns of free market economists. Economic planning was indeed a dangerous thing, argued Lippmann, and without proper restraints could easily lead down the path to the types of totalitarian governments that had now taken control in Europe. For Lippmann and Simons alike, the problem began in the realm of ideas. The belief that "government with its instruments of coercion must . . . direct the course of civilization and fix the shape of things to come," wrote Lippmann, had become the "dominant dogma of the age."²³⁷ From the "recently enfranchised masses" to the "leaders of thought who supply their ideas," he continued, everyone seemed to have fallen "under the spell of this dogma." What disturbed Lippmann even more, perhaps, was the fact that the belief in government planning was embraced by progressives who might otherwise be concerned about the threat of sweeping government power.

For the premises of authoritarian collectivism have become the working beliefs, the self-evident assumptions, the unquestioned axioms, not only of revolutionary regimes, but of nearly every effort which lays claim to being enlightened, humane, and progressive . . . virtually all that now passes for progressivism in countries like England and the United States calls for the

²³⁷ Lippmann, Walter. *An Inquiry into the Principles of the Good Society*. (Boston: Little, Brown and Company, 1937), 3-4.

increasing ascendancy of the state: always the cry is for more officials
with more power over more and more of the activities of men.²³⁸

When published, *The Good Society* made a splash, perhaps because it was written by Lippmann, a well-known political progressive. The caustic libertarian critic Isabel Paterson, though she appreciated Lippmann's change-of-heart, poked fun at him in the *New York Herald Tribune Books*.

He [Lippmann] began by believing that everything could be fixed for everybody forever . . . but the more he worked at the world the worse it grew. So he began to think, why is this thus? If it can be fixed, why can't I fix it? He worried that around till he saw it in reverse. If I can't fix it nobody can. Hence the book. We have never read anything more logical – or more superfluous, because most people know that much at a glance.²³⁹

Simons wrote to Lippmann to congratulate him for the book in fall of 1937. "It goes without saying," wrote Simons, "that I enjoyed the book immensely, am enthusiastic about its position and argument; and that I am urging it upon all my literate friends."²⁴⁰ Simons confessed, however, that he was "a bit annoyed" that Lippmann had some kind things to say about John Maynard Keynes and by "those few pages in the text which reveal his influence." "From the standpoint of the liberal cause," explained Simons, "Mr.

²³⁸ Ibid., 4-5.

²³⁹ Paterson, Isabel. "Turns with a Bookworm." *New York Herald Tribune Books* (10/3/1937), 22.

²⁴⁰ Simons to Lippmann, October 5, 1937, Box 4, Folder 18, Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

Keynes is irresponsible and untrustworthy . . . and his followers are simply a menace, politically and intellectually.”²⁴¹

The Good Society led to an abortive effort to create a formal network of free-market intellectuals. A year after the publication of *The Good Society*, the French philosopher Louis Rougier brought together twenty-six participants, including such intellectual luminaries as Raymond Aron, Michael Polanyi (brother of Karl), and Friedrich Hayek to discuss Lippmann’s work.²⁴² The proceedings – *Compte-Rendu des Seances du Colloque Walter Lippmann* – were held the last week of August in 1938. The conference, which consisted of panels and lectures on the threat to liberal values, concluded with the participants deciding to create an organization. Tentatively titled the Centre International d’Etudes sur la Renovation du Liberalisme (Center for the Re-establishment of Liberalism), the umbrella organization would be made of various national chapters, led by Rougier in France, Hayek in England, William Roepke in Germany, and Walter Lippmann in the United States. These inchoate plans, however, were a casualty of the war that would break out across the continent in 1939. Despite the fact that these efforts at organization came to a premature end, Lippmann was delighted with the French reception of his book and the conference. As Lippmann biographer Ronald Steel reports, Lippmann “basked in the acclaim surrounding the publication of the French edition of *The Good Society*,” with the French government even making Lippmann a “knight of the Legion of Honor.”²⁴³

²⁴¹ Ibid.

²⁴² For a brief account of the conference and its aftermath, see Hartwell, R.M. *A History of the Mont Pelerin Society* (Indianapolis: Liberty Fund, 1995), 20-1.

²⁴³ Steel, Ronald. *Walter Lippmann and the American Century*. (New Brunswick, N.J.: Transaction, 1998), 367-8.

The Institute for Political Economy.

While the plans to create an organization to promote classical liberal ideas in the wake of the publication of Lippmann's *The Good Society* failed in the short term, the idea had longer resonance for Simons and Hayek, who together would develop plans to create a permanent organization dedicated to the promotion of classical liberal ideas. While the 1930s had been a time for intellectual debate, for Simons the 1940s became a time for organization.

While Simons obviously thought it important to publicly attack the spread of Keynesian and collectivist ideas in public, like Hayek, he understood that if classical liberal ideas were going to stage a comeback it would require a longstanding effort over many years, or even decades. Writing to Hayek in April 1939 Simons confessed that while he was “not sanguine about the future . . . one need not call our situation hopeless.” “It is still possible for us to reestablish a free-market economy – to escape from the impasse to which collectivist tendencies in policy have long been leading us.”²⁴⁴ The key was to win the war of ideas.

One way to go about winning this war was to continue to write for more popular audiences rather than focusing only on the academic audience. This was Hayek's plan when he set about writing his *Road to Serfdom* in the early years of the Second World War. The book was a synthesis of the conversation that Simons and Hayek had been having over the previous decade. Government regulation of economic matters – especially if it tampered with the role of prices in a market economy – led steadily and

²⁴⁴ Letter from Henry Simons to F.A. Hayek, 4/14/1939, Box 3, Folder 40, Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

inexorably toward a loss of individual liberty. Regardless of the good intentions of planners, all economic planning was reactionary, a turning back of the clock to mercantilism, to autocracy. Earnestly dedicated to “the socialists of all parties,” it was Hayek’s wish to demonstrate to political progressives that the move toward socialism was hardly progressive but in fact retrograde, a return to a condition akin to medieval serfdom. Originally written with an English audience in mind, the book made its American debut in 1944 when Aaron Director, with support and encouragement from Simons, arranged to have *The Road to Serfdom* published by the University of Chicago Press. The book was a publication phenomenon. *Reader’s Digest* ran an abridged version of *The Road to Serfdom* in its April 1, 1945 issue, trumpeting the book on its cover as “One of the Most Important Books of Our Generation!” There was even a comic book version distributed by General Motors. “*The Road to Serfdom* is a magnificent contribution,” Simons told Hayek. “I like to think that I had something to do with its local publication (Knight advised the editors against asking me to read it, assuring them that there could be no question of what my report would be.)”²⁴⁵ The success of *The Road to Serfdom* provided Simons and Hayek with evidence that intellectuals committed to classical liberalism might successfully wage a long-term war of ideas.

Despite the success of *The Road to Serfdom*, Simons felt that their efforts were still too informal. As he put it in a letter to Hayek, “I cannot muster or sustain much enthusiasm for any short-term project, or for any project which aims merely at another

²⁴⁵ Letter from Henry Simons to F.A. Hayek, 9/1/1944, Box 3, Folder 40 Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

book or series or tracts.”²⁴⁶ What Simons wanted was a more formal institutional apparatus to help them promote their free-market views. To fulfill this vision, Simons proposed to create an organization known as the Institute of Political Economy. He outlined his vision in a lengthy memo he sent to Hayek in May of 1945.

Simons proposed that the new organization be headquartered at the University of Chicago. Chicago was the perfect place for such an organization, Simons claimed, since it was already known as a center of sorts for free market thought. “A distinctive feature of ‘Chicago economics,’ as represented recently by Knight and Viner,” wrote Simons, “is its traditional-liberal political philosophy – its emphasis on the virtues of dispersion of economic power (free markets) and of political decentralization (real federalism for large nations and for supra-national organization).”²⁴⁷ Indeed, not only was Chicago a natural place to house such an organization but the intellectual shift that had taken place at most institutions made it quite possible that Chicago was the only place. As Simons put it, the “vastly changed complexion of economics at Cambridge and Harvard” ensured that “this intellectual tradition . . . is now almost unrepresented among the great universities, save for Chicago; and it may not long be well represented at Chicago.”²⁴⁸ “There should, I submit, be at least one university in the United States where this political-intellectual tradition is substantially and competently represented – and represented not merely by

²⁴⁶ Letter from Henry Simons to F.A. Hayek, 5/18/1945, Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

²⁴⁷ Simons, Henry. “Memorandum I on a proposed Institute for Political Economy,” (Box 8, Folder 9, Henry Simons Papers, Special Collections Research Center, University of Chicago Library), 1.

²⁴⁸ *Ibid.*, 1.

individual professors but also by a small group really functioning as a social-intellectual group.”²⁴⁹

In regard to the ideology, the mission of the Institute could not have been more explicit. Simons insisted that the Institute “be frank about its purposes and about its ideological position.” All of its members – from the director and the governing board to all of its affiliated scholars – would be “ardent, confirmed free traders,” “anti-collectivists, anti-syndicalists, anti-‘Planners.’”²⁵⁰

While the presence of Jacob Viner and Frank Knight might have given Chicago a reputation as a department friendly to libertarian ideas, the new Institute would consist of scholars who not only harbored libertarian sentiments but who, in addition, were willing to fight for them. Neither Knight nor Viner, although “the best of libertarians” in Simons’ opinion, could be counted upon. The problem was that, according to Simons, Knight was “increasingly preoccupied with philosophy and philosophers, not to mention historians, theologians, anthropologists, et al., and is not deeply interested in concrete problems of economic policy” while Viner seemed to “increasingly disassociate himself both by interests outside economics and by very special preoccupations in his own writing and research.”²⁵¹ The Institute of Political Economy would have to rely on the work of more stalwart libertarians than these. Simons was so concerned with the ideological purity of the new organization that he stipulated that the directors of the new

²⁴⁹ Ibid, 1.

²⁵⁰ Ibid., 10.

²⁵¹ Ibid., 6.

Institute, while “young enough to do creative work” still be “mature enough to assure against his stepping out of character as a libertarian.”²⁵²

The goal of the Institute was to “promote cooperation and communication among economists of a traditional- liberal persuasion” with an eye toward making “such economists more cohesive and more articulate as a group.”²⁵³ The Institute proposed by Simons would become “a center to which economist liberals everywhere may look for intellectual leadership and support” and it would “seek to influence affairs mainly through influencing professional opinion and by preserving at least one place where some political economists of the future may be thoroughly and competently trained along traditional-liberal lines.”²⁵⁴ To fulfill his requirement that the Institute be staffed only by committed libertarians, Simons proposed that Aaron Director fill the role as head of the Institute for Political Economy and Milton Friedman serve as the Institute’s statistician.²⁵⁵

In August, Hayek responded to Simons’ proposal with his own memorandum outlining the plans for a new organization to promote classical liberalism. Hayek’s planned organization, which he tentatively called the “Acton-Tocqueville Society,” resembled Simons’ Institute for Political Economy. Like Simons, Hayek rued the fact that intellectuals sympathetic with the classical liberal position were plagued, in his opinion, by “an uncertainty of aim and a lack of assured basic convictions which makes

²⁵² Ibid, 3.

²⁵³ Ibid., 9.

²⁵⁴ Ibid., 12.

²⁵⁵ Ibid., 7, 8.

their isolated endeavors to stem the tide largely ineffective.”²⁵⁶ In Hayek’s opinion, an organization to support libertarian scholars was just the sort of thing to hone their ideology and broadcast their ideas. In fact, such an organization could follow through on the plans for the abandoned Center for the Re-establishment of Liberalism, which had been forgotten over the course of the war. But for Hayek, for such an organization to have “any chance of success” it “must not be confined to a single country but must be based on the collaboration of individual men and women all over the world.”²⁵⁷ The Tocqueville-Acton Society, therefore, would have chapters in various countries and a greater international perspective than Simons’ Institute for Political Economy, which focused on U.S. domestic public policy. Other than a greater international presence, Hayek’s organization was nearly identical to Simons’ vision. The Acton-Tocqueville Society would sponsor an annual meeting, publish and distribute position papers, and monographs, and establish a network of scholars sympathetic with Hayek and Simons’ political vision.

In the effort to execute their respective plans, Simons quickly ran into an insurmountable problem. Simons was insistent that the Institute for Political Economy have an official relationship with the University of Chicago yet the president of the university, Robert Hutchins, was understandably reluctant about throwing the university’s support behind an avowedly political organization. Hutchins felt, quite rightly, that the Institute for Political Economy, which after all was a prototype for a partisan think tank, was clearly at odds with the university’s dedication to the pursuit of

²⁵⁶ Hayek, F.A. “Memorandum on the Proposed Foundation of an International Academy for Political Philosophy Tentatively Called ‘The Acton-Tocqueville Society.’” (Box 8, Folder 9, Henry Simons Papers, Special Collections Research Center, University of Chicago Library), 1.

²⁵⁷ *Ibid.*, 1.

disinterested knowledge. Thus forced to abandon his hope of creating his Institute for Political Economy outright, Simons continued his efforts to achieve a critical mass of libertarian colleagues at Chicago. The way to do this, he thought, was getting them to the University of Chicago, whether that be in the department of economics or in another department. That is, if Simons could not set up his Institute for Political Economy with the blessing of the university and install Aaron Director and Milton Friedman on its staff, then he would simply add Director and Friedman to the Chicago faculty.

In the fall and winter of 1945, with his hopes of creating the Institute for Political Economy becoming increasingly unrealistic, Simons networked and cajoled friends and administrators into hiring several of the former graduate students who had made up the core of the 1930s affinity group surrounding him and Frank Knight. He was remarkably successful. Three former students joined the Chicago faculty in time for the 1946 academic year. Aaron Director, then working for the Department of Commerce in Washington, accepted an offer to teach not within the department of economics but within the law school, applying economic theory to the study of the law.²⁵⁸ Director's brother-in-law Milton Friedman, an assistant professor of economics at the University of Minnesota, joined the economics department, and W. Allen Wallis returned from Stanford to teach in Chicago's Graduate School of Business. Simons failed in getting only a couple of the people he wanted to Chicago, including George Stigler. Since both Milton Friedman and George Stigler were working at the University of Minnesota at the time Simons wanted to recruit them, Simons candidly told Chicago president Robert

²⁵⁸ This appointment would pay enormous dividends, as it virtually launched the law and economics movement. Seen from the context of 1945, however, it seems likely that Director's appointment to the law school was motivated less by the promise of a research project and more by the desire to get libertarian scholars to the university.

Hutchins, “My scheme thus requires raiding the Minnesota staff for two men, within a few years.”²⁵⁹ Stigler would not join the Chicago faculty until the 1950s.

Although Henry Simons was unable to officially establish the Institute for Political Economy at Chicago, he was able to establish a critical mass of libertarian academics at Chicago. Moreover, since these scholars had faculty appointments at the University of Chicago (though it is instructive to note that only Friedman and Stigler had appointments in the economics department), all were free to promulgate their ideas as academics rather than the employees of a think tank, thus giving their ideas a heightened degree of legitimacy.

Simons’ efforts did not go unnoticed within the department. Upon returning to the department in 1946 after four years in the Marine Corps, Paul Douglas immediately noticed the changed atmosphere.²⁶⁰ Douglas recalls that he was “disconcerted to find that the economic and political conservatives had acquired an almost complete dominance over my department.”²⁶¹ “The opinions of my colleagues,” he complained, “would have confined government to the eighteenth-century functions of justice, police, and arms, which I thought had been insufficient even for that time and were certainly so for ours.”²⁶² Douglas continued:

²⁵⁹ Letter from Henry Simons to Robert Hutchins, 10/6/1945, Box 8, Folder 9, Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

²⁶⁰ Douglas’ wartime career was remarkable. Despite being a well-respected academic, Douglas insisted on entering the Marines as a private in 1942. Having completed boot camp at the age of fifty, over the next four years Douglas rose to the rank of Lt. Colonel, even winning the Purple Heart. He later became a U.S. Senator from Illinois, serving in office from 1948-1964.

²⁶¹ Douglas, Paul H. *In the Fullness of Time: The Memoirs of Paul H. Douglas*. (New York: Harcourt Brace Jovanovich, Inc., 1972), 127.

²⁶² *Ibid.*, 128.

So I found myself out of tune with many of my faculty colleagues and was keenly aware of their impatience and disgust with me. The university I had loved so much seemed to be a different place . . . Knight was now openly hostile, and his disciples seemed to be everywhere. If I stayed, it would be in an unfriendly environment. I felt stifled and did not think I could live in that atmosphere.²⁶³

For his part, Jacob Viner recalls that it was only after he had left the department in 1946 that he “began to hear rumors about a ‘Chicago School’ which was engaged in organized battle for laissez-faire and ‘quantity theory of money’ and against ‘imperfect competition’ theorizing and ‘Keynesianism’ . . . at no time was I consciously a member of it, and it is my vague impression that if there was such a school it did not regard me as a member, or at least as a loyal and qualified member.”²⁶⁴

Mont Pelerin.

By 1946 virtually all of the parts of what would become known as the Chicago School of Economics were in place. Yet there were two dramas left to play out. The first was Simons’ abrupt and premature death on June 19, apparently by suicide. He was forty six years of age. One must keep in mind that in 1946 Simons despaired over the course of intellectual and political events. In 1946, after all, much of Europe was literally in ruins and, though Nazism had been defeated, the totalitarian regime of Joseph Stalin was at its height of power and influence. Moreover, the intellectual trends that Simons honestly

²⁶³ Ibid., 128.

²⁶⁴ Viner, Jacob. “The Chicago Tradition,” published in Patinkin, Don. *Essays On and In the Chicago Tradition*. (Durham: Duke University Press, 1981), 266.

believed led to these developments – down the “road to serfdom” as his co-conspirator Hayek called it – still held, in his view, pride of place within the intellectual life of the nation. Add to this pessimistic view the fact that Simons was often physically unwell, likely suffered from alcoholism and depression, and his death by his own hand is not shocking. *Fortune* magazine referred to him as an “embattled Midwest prophet,” and eulogized Simons in a glowing four-page obituary.²⁶⁵ “He came to maturity when it was particularly necessary that *some* American stand up for the principles on which the republic was founded and fit them to the complexities of the day. In proposing that we render unto government the things that are government’s and unto the free spirit the things that only freedom can accomplish he fulfilled his task.”²⁶⁶

Despite Simons’ untimely death, Hayek continued to put their plans into effect and part of that plan involved rounding up all of the colleagues that Simons was bringing to Chicago. Hayek wrote to Frank Knight and Aaron Director in December of 1946 to explain his plans for meeting to establishment of the organization. “In conversations I have had during the last two years with friends in a number of countries,” Hayek explained, “I have found a strong desire for closer contacts between all those who have become gravely concerned about the chances of preserving a free civilization, and who feel that not only the whole relation between governmental coercion and individual freedom requires re-examination, but also that current views of recent history will have to be revised if the dominant beliefs and misconceptions are not to drive us ever further in a

²⁶⁵ *Fortune*. “Table of Contents.” *Fortune* v. 34, n. 3 (Sept. 1946): 1.

²⁶⁶ Davenport, John. “The Testament of Henry Simons,” *Fortune* v. 34, n. 3 (Sept. 1946), 119.

totalitarian direction.”²⁶⁷ Referring to the feeling of alienation that liberal intellectuals felt, Hayek reassured Knight and Director that although “in each country those who think actively on these questions are comparatively few, combined they represent a considerable force. . .” Hayek then invited Knight, Director, and anyone they felt would be sympathetic to such an organization to a meeting in Switzerland in April of 1947. Knight, with characteristic pessimism, replied, “I shouldn’t expect a conference to make any immediate visible effect on the course of history, but it would surely be worth a serious try.”²⁶⁸

American participants in the conference were sponsored by the Volker Fund, one of the first of a new institution: the right wing foundation. The Volker Fund had been created in 1932 by William Volker, the head of the eponymous William Volker Furniture Company of Kansas City. The fund became politicized when Volker’s nephew Harold Luhnow took over management of the fund in 1944.²⁶⁹ Luhnow had been converted into a committed libertarian activist upon reading Hayek’s *Road to Serfdom* in the same year he took control of the Volker Fund, and he gave the organization a decidedly more political orientation.²⁷⁰ As part of this mission (and at the personal behest of Hayek) Luhnow agreed to finance the travel expenses of all American participants to Hayek’s conference. The largest contingent of the American group came from the University of Chicago, and included Frank Knight, Aaron Director, W. Allen Wallis, and Milton

²⁶⁷ Letter from F.A. Hayek to Frank Knight, 12/1946, Box 60, Folder 11, Frank H. Knight Papers, Special Collections Research Center, University of Chicago Library.

²⁶⁸ Letter from Frank Knight to F.A. Hayek, 12/31/1946, Box, 60, Folder 10, Frank H. Knight Papers, Special Collections Research Center, University of Chicago Library.

²⁶⁹ Blundell, John. *Waging the War of Ideas*. (London: Institute for Economic Ideas, 2001), 34.

²⁷⁰ *Ibid.*, 34.

Friedman and George Stigler, both of whom were making their first trip overseas for the conference.²⁷¹ A sense of the exuberance of the young economists is evident in a letter Stigler wrote to Friedman in December to share news of the conference. “A junket to Switzerland in April is contemplated, to save liberalism,” Stigler wrote. “I assume you and Aaron will go. If this comes off, 1) train Aaron in bridge, and 2) let’s find a fourth liberal; and teach him.”²⁷²

The meeting took place from April 1 through April 10, 1947 in Mont Pelerin, Switzerland, a small town on the north shore of Lake Geneva. The inaugural meeting brought together leading classical liberals from the United States and Europe. Joining the University of Chicago delegation from the United States were Leonard Read, Henry Hazlitt, and F.A. Harper of the newly created Foundation for Economic Education.²⁷³ European participants included accomplished economists, such as John Jewkes from England and Wilhelm Röpke from Germany, philosophers, such as the Austrian Karl Popper, and the chemist Michael Polanyi, who increasingly wrote on political matters.²⁷⁴

To inform the gathered participants of exactly what he envisioned for the organization, Hayek welcomed everyone in a long opening address. In his greeting, Hayek quickly thanked two men who had helped him plan the meeting, both of whom had recently passed away. The first was Hayek’s friend, the British historian John

²⁷¹ Friedman, Milton and Rose D. Friedman. *Two Lucky People* (Chicago: University of Chicago Press, 1998), 158.

²⁷² Friedman, Milton. “George Stigler: A Personal Reminiscence.” *Journal of Political Economy* (October 1993), 769.

²⁷³ See chapter three.

²⁷⁴ For an overview of the Mont Pelerin Society from its founding to recent years see R.M. Hartwell, *A History of the Mont Pelerin Society*. Indianapolis: Liberty Fund, 1995.

Clapham a professor of economic history at Cambridge who had passed away in March of 1946. The second was Henry Simons, who had passed away in June. “I must also mention others on whose support I had particularly counted but who will never again be with us,” Hayek explained. “The two men with whom I had most fully discussed the plan for this meeting both have not lived to see its realization.” Regarding Simons, Hayek told his audience: “It is now less than a year since I discussed the plan in all its detail with another man whose whole life had been devoted to the ideals and problems with which we shall be concerned: Henry Simons of Chicago. A few weeks later he was no more.”²⁷⁵

At the conclusion of the meeting, the participants decided to create an organization to promote their ideas and host an annual meeting. For the name of the organization they adopted the name of the town in which they met, Mont Pelerin. The Mont Pelerin Society would go on to meet annually to the present. From Chicago, all of Simons’ early circle of libertarians – including Frank Knight, Aaron Director, W. Allen Wallis, Milton Friedman, and George Stigler – became members of the Mont Pelerin Society. In fact, Friedman and Stigler and later Chicago school luminaries James Buchanan and Gary Becker, would all serve as presidents of the organization.²⁷⁶ All four have won the Nobel Prize for Economics. In 1983, Hayek, now a Nobel Laureate himself, would say that in his opinion the creation of the Mont Pelerin Society

²⁷⁵ Hayek, F.A. “Opening Address to a Conference at Mont Pelerin,” published in Klein, Peter G., ed. *The Fortunes of Liberalism, The Collected Works of F.A. Hayek, Vol. IV*. (London: Routledge, 1992), 241-2.

²⁷⁶ Friedman (1970-1972); Stigler (1976-1978); James Buchanan (1984-1986); Gary Becker (1990-1992).

“constituted the rebirth of a liberal movement in Europe.”²⁷⁷ “Americans have done me the honor of considering the publication of *The Road to Serfdom* [1944] as the decisive date, but it is my conviction that the really serious endeavor among intellectuals to bring about the rehabilitation of the idea of personal freedom especially in the economic realm dates from the founding of the Mont Pelerin Society in 1947.”²⁷⁸

Hayek might date the resurgence of classical liberal ideas to 1947, but the creation of the Mont Pelerin Society was the result of over a decade of activity on the part of people such as Henry Simons. From the time he arrived on the Chicago campus as a faculty member in 1927 to his premature death in 1946 Henry Simons was a committed defender of capitalism and the free market. While Schumpeter was content to adopt the role of the world-weary cynic, despairing of political and intellectual trends but above the messy activities that one might pursue to combat them, Simons worked to stem the statist tide the only way he knew how: by waging a war of ideas. Although unable to create his Institute for Political Economy at the University of Chicago, Simons recruited libertarian scholars to the university and thereby create a critical mass of ideologically committed academics. Quite tellingly, although the Mont Pelerin Society was founded on the shores of Lake Geneva, it was incorporated in Chicago – with its address being Aaron Director’s office.

In time the group of libertarian scholars that Simons had put together at Chicago in the last year of his life grew. Hayek himself joined the Chicago faculty in 1950 though, like Aaron Director and Allen Wallis, he did not have an appointment within the

²⁷⁷ Hayek, F.A. “The Rediscovery of Freedom: Personal Recollections.” Published in *The Fortunes of Liberalism*, The Collected Works of F.A. Hayek, Vol. IV, Klein, Peter G., ed. (London: Routledge, 1992), 192.

²⁷⁸ Ibid., 192.

economics department. Hayek instead joined the Chicago faculty as a member of the Committee for Social Thought with a salary paid for by the Volker Fund. For his part, Stigler returned to Chicago in 1958 with a joint appointment in the economics department and the Graduate School of Business, the dean for which was his old friend W. Allen Wallis. Simons' plan was working.

Chapter Three: Leonard Read and the Foundation for Economic Education

Our Nation and her people have been vastly enriched by his devotion to the cause of freedom, and generations to come will look to Leonard Read for inspiration.

– Ronald Reagan, 1983²⁷⁹

There is hardly anyone who at the same time sees the great issues of our time as intellectual problems and also is so familiar with the thinking of the practical man that he can put the crucial arguments in a language which is meaningful to the man of the world. If Leonard Read's position is probably unique today, it is precisely because he possesses both capacities.

– F.A. Hayek, 1968²⁸⁰

When the Mont Pelerin Society gathered on the banks of Lake Geneva for its first meeting in the spring of 1947, the United States contingent outnumbered that of any other country. The largest group of Americans came from the University of Chicago. The second largest American group was affiliated with an organization called the Foundation for Economic Education. This organization had economic scholars on its staff and published scholarly-looking material, but it was not associated with a university or college. The Foundation was the first of its kind: a libertarian think tank. The man behind the Foundation was Leonard Read.

Read founded the Foundation for Economic Education in 1946, only a year before the inaugural meeting of the Mont Pelerin Society. The Foundation, or FEE as it was known, had enjoyed a promising first year. It had leading businessmen on its board of trustees, a stately new headquarters situated in a Westchester County mansion a few miles from Manhattan, and a rapidly growing list of donors. More importantly, two

²⁷⁹ Foundation for Economic Education. "In Memoriam: Leonard Read, 1898-1983." Irvington, N.Y.: Foundation for Economic Education, 1983), 12.

²⁸⁰ Foundation for Economic Education pamphlet. "What's Past is Prologue: A Commemorative Evening to the Foundation for Economic Education on the Occasion of Leonard Read's Seventieth Birthday." (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1968), 42.

prominent free market economists had joined the staff, the economist Ludwig von Mises, a refugee from Nazi Europe with an international reputation as champion of free enterprise, and Henry Hazlitt, who had long championed free market sentiments as editor of the financial section of the *New York Times*. In 1946, Hazlitt's *Economics in One Lesson* – a popularization of Mises' free market views – was a runaway bestseller. By the time of the Mont Pelerin meeting, the Foundation for Economic Education had established itself as a viable organization dedicated to promoting laissez-faire. Although the Foundation looked to be a success in 1946, the story of its creation was most improbable, considering that thirteen years before its founder, Leonard Read, had not yet demonstrated the tiniest interest in politics or economics.

To say that Leonard Read came from humble beginnings would be an understatement.²⁸¹ Born in 1898 into a farming family in the rural town of Hubbardston, Michigan, Read spent his childhood working on his family's farm. When he could, he attended school in the nearby town of Big Rapids. His formal education never progressed beyond sporadic schooling. After a brief stint in the military during the First World War, Read moved to Ann Arbor with the dream of attending the state university. He failed to achieve this goal, however, and instead worked a series of menial jobs. He sold insurance, men's clothing, and even worked the cashier at an ice cream parlor. In 1920, he started a small wholesale produce business. Though the hours were brutal, often beginning at early as 2 a.m. and lasting until sundown, Read was successful enough in this venture that he felt secure enough to marry and have two children. Before long his luck went sour and he was forced out of business. In 1925, with little education, a family

²⁸¹ For biographical details of Read's life I have relied mainly on Mary Sennholz, *Leonard Read: Philosopher of Freedom* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1993).

to support, and few attractive prospects in Michigan, Read moved to California with his wife and children. It is doubtful that Leonard Read would have become a dedicated political activist had he moved anywhere else.

California.

When Read arrived in California in 1925, the state already had a well-earned reputation as a haven for political extremists. Activists on opposite ends of the political spectrum seemingly reinforced the political commitment of their rivals. The most visible elements of the political left were associated with California's large and active labor movement. On a few notable occasions the stridency of trade unionists in the state generated national headlines. As early as 1910 and 1911, for instance, the country sat in rapt attention through the trials of James and John McNamara, two brothers and labor activists who had conducted a series of bombing campaigns throughout southern California. The most notorious of these bombings was the destruction of the *Los Angeles Times* building in 1910, which resulted in the deaths of twenty one individuals.²⁸² Later, in 1916, another group of labor activists were accused of detonating a bomb in San Francisco. The subsequent trial, conviction, and eventual pardon of the two labor activists polarized political opinion in California for the next two decades. The Depression in the 1930s would later exacerbate these divisions. From 1934 to 1935, California headlines were filled with tales of unrest, including Upton Sinclair's socialist takeover of the California Democratic Party and the Townsend movement, which called for a nationalized pension system. The showdowns between management and labor also

²⁸² See Starr, Kevin. *Inventing the Dream: California Through the Progressive Era*. (New York: Oxford University Press), 74-5.

continued, with a 1934 Longshoremen strike resulting in martial law being declared in San Francisco.²⁸³

Although California was known as an epicenter for left-of-center sentiment, it was simultaneously hospitable to right-wing elements. Southern California, in particular, proved to be fecund ground for right-wing sentiment. According to Lisa McGirr, three factors contributed to the region's conservatism. First, there was the region's concentration of military bases and close ties to the defense industry. Second, a large proportion of the settlers to the area originally hailed from the rural South, and they brought with them a particularly strident brand of evangelical Protestantism and social conservatism. Finally, the business community in southern California defended an uncompromising brand of laissez-faire. The ethos of the West was rugged individualism, they believed, and the success of their region depended on entrepreneurship rather than state aid (despite the fact, as McGirr notes, that the economy of southern California relied heavily on Federal expenditures). As McGirr puts it, "Staunch individualism, Protestant piety, and resentment against Washington 'collectivists' had already made a deep impact on the political culture of the region in the first half of the twentieth century."²⁸⁴

When Leonard Read arrived in the Bay Area in 1925, there was no indication that he had a special interest in politics or economics. His first job in California was selling homes in the booming real estate market around Palo Alto. Read's enthusiasm and hard work caught the attention of the Burlingame Chamber of Commerce director, Henry

²⁸³ Kevin Starr's *Endangered Dreams: The Great Depression in California* (New York: Oxford University Press, 1996) offers a compelling account of the often contentious and sometimes violent political situation in California.

²⁸⁴ McGirr, Lisa. *Suburban Warriors: The Origins of the New American Right*. (Princeton: Princeton University Press, 2001), 30.

Maier. In a move that would have a profound affect on Read's career, Maier offered Read the job of Secretary of the Burlingame Chamber. Though the position paid less than two hundred dollars per month (which Read would have to take out of the membership dues he was able to collect from Chamber members), the job was perfectly suited to Read's talents. His work ethic and considerable personal charm revitalized the membership of the Burlingame Chapter and endeared him to business leaders in the area. Read's original success led him to higher positions within the Chamber of Commerce, and in 1932 he left Northern California to become, at age thirty-three, the Manager of the Western Division of the National Chamber headquartered in Seattle.

It was through his work with the Chamber of Commerce that Read found his voice as a spokesperson for laissez-faire. Interestingly, Read's political conversion to libertarianism came in spite of his work on behalf of the Chamber of Commerce rather than as a result of it. In the 1930s, the Chamber of Commerce was not a bastion of free market radicalism. In fact, during the early years of the Depression the National Headquarters of the Chamber of Commerce called on the Hoover Administration to enact many of the policies that Roosevelt would include in the New Deal. The President of the National Chamber of Commerce, Henry Harriman, had fashioned an outline of what would become the National Industrial Recovery Act. The policy was good for business, Harriman argued, because it would suspend the enforcement of antitrust laws, allow businesses to collectively set the prices for goods and services, and prevent cut-throat competition from driving more businesses to bankruptcy. Since the National Industrial Relations Act would later come under heated attack by many business leaders, it is ironic that the Chamber of Commerce initially hailed the Act for ushering in a new era of

cooperation between industry and government.²⁸⁵ Later, when New Deal reformers attempted to play down the price-fixing qualities of the N.R.A., businessmen fought to keep them. In the words of Arthur Schlesinger, Jr., “it was the businessmen who wished to turn their backs on the free market and set up a system of price and production control” while the New Dealers tried to back away from their initial practice of colluding with business to set price codes.²⁸⁶

Leonard Read was the manager of the Western Division of the Chamber of Commerce at the time of the passage of the National Industrial Recovery Act. Having no strong political convictions either way, he took his lead from the Chamber of Commerce’s National Headquarters and encouraged the members of the Chamber to comply with the price regulations put out by the National Recovery Administration. As he would later remember, in 1933 he went “out peddling the Blue Eagle,” the symbol of the National Recovery Administration. Read then got word of “an important businessman in Los Angeles who was making disparaging references about National Chamber Policy.”²⁸⁷ The businessman in question was William Clinton Mullendore, an executive of the Southern California Edison Company.

²⁸⁵ See Hawley, Ellis W. *The New Deal and the Problem of Monopoly*. (Princeton: Princeton University Press, 1966), 19-27. Donald Brand says that the Chamber of Commerce initially supported the N.I.R.A. but had “significant reservations” about some of its provisions, especially those concerning organized labor. See Brand, Donald R. *Corporatism and the Rule of Law: A Study of the National Recovery Administration*. (Ithaca: Cornell University Press, 1988), 90-1. See also, Robert Collins, *The Business Response to Keynes, 1929-1964* (New York: Columbia University Press, 1981), 23-52. For an interesting discussion of the positive role that business interests played in the New Deal and the growth of the welfare state consult Peter A. Swenson’s *Capitalists against Markets* (Oxford, 2002).

²⁸⁶ Schlesinger, Arthur M. Jr. *Age of Roosevelt: The Coming of the New Deal*. (Boston: Houghton Mifflin, 1965), 160.

²⁸⁷ Foundation for Economic Education. “What’s Past is Prologue: A Commemorative Evening to the Foundation for Economic Education on the Occasion of Leonard Read’s Seventieth Birthday.” (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1968), 56.

Like Read, W.C. Mullendore was originally from the Midwest. Even though Mullendore and Read hailed from the same region, they differed in important respects. While Read was struggling to make ends meet in Ann Arbor, Mullendore was earning his law degree at the University of Michigan. After graduating from law school in 1916, Mullendore served as Herbert Hoover's personal assistant at the U.S. Food Administration. He worked closely with Hoover in the widely-praised effort to supply war-torn Europe with food supplies.²⁸⁸ Mullendore moved to Los Angeles in 1923, where he embarked on a career in corporate law and immediately joined the Los Angeles Chamber of Commerce. By 1929, he was an executive with the region's largest utility company and a respected community leader. Unlike Read, Mullendore was a committed political activist. Mullendore was, in fact, the epitome of the southern Californian business conservative. He celebrated free enterprise and the values of rugged individualism and frequently spoke on these topics in the Los Angeles area.

In the fall of 1933 Leonard Read traveled to Los Angeles to meet with Mullendore to convince him to join the National Chamber of Commerce in its support for the National Recovery Administration. Read later described their meeting as follows:

He [Mullendore] received me courteously and let me talk, which I did for half an hour – dwelling on the virtues of National Chamber policy. When I ran out of breath, Mr. Mullendore took over. He talked to me for one hour. He was kindly. Literally, I would give \$1,000 for a recording of what he said. But he didn't know his talk was going to be so good; nor did I; so we had no recorder. Anyway – to show you who set whom straight –

²⁸⁸ See William C. Mullendore, *History of the United States Food Administration, 1917-1919* (Stanford, C.A.: Stanford University Press, 1941).

when it was over, I said, “Mr. Mullendore, I have never thought of these ideas this way before. But I think you are right.” And that was the moment of my liberation; that talk of his back in 1933 turned me on!²⁸⁹

This encounter marked the beginning of Leonard Read’s career as a political activist. Read would later say that at the time he met Mullendore he “knew next to nothing” of the “freedom philosophy.”²⁹⁰ After their meeting, this changed dramatically, as Mullendore supplied Read with reading recommendations that ensured that the ingenuous Read got a firm grounding in the literature of laissez-faire.

Mullendore not only instructed Read in libertarianism, but he also introduced him to a network of libertarian-minded community leaders in the Los Angeles area. It was an impressive group. These community leaders included Robert Millikan, the Nobel Prize winning physicist from Cal Tech and Ernest Carroll Moore, the first head of UCLA. Millikan had always been something of a conservative. As the president of Cal Tech in the 1920s, for instance, he had attempted to build-up Cal Tech only with private funding, believing that public support was inimical to the principle of self-help.²⁹¹ By 1933, and for the rest of the decade, Millikan was peppering his speeches with condemnations of what he believed to be the socialistic tendencies of the New Deal.²⁹² He would later serve as one of the first Trustees of the Foundation for Economic Education. For his part, Ernest Carroll Moore was alarmed by the left-wing activism in California and was known

²⁸⁹ Foundation for Economic Education. “What’s Past is Prologue: A Commemorative Evening to the Foundation for Economic Education on the Occasion of Leonard Read’s Seventieth Birthday.” (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1968), 57.

²⁹⁰ Ibid., 56.

²⁹¹ Kargon, Robert H. *The Rise of Robert Millikan*. (Ithaca: Cornell University Press, 1982), 104-8.

²⁹² Ibid., 162-3.

for cracking down on student activism on the UCLA campus, which he called a “hotbed of communism.”²⁹³ Of these men, none would have as lasting an influence on Read’s political thinking as Thomas Nixon Carver, an emeritus professor of economics from Harvard University. When Carver retired to Los Angeles in 1932, he would play a crucial role in the nascent libertarian movement in southern California. He would also make a lasting imprint on the mind of Leonard Read.

Thomas Nixon Carver.

Largely forgotten today, Thomas Nixon Carver was one of the prominent economists of the early twentieth century. Born on an Iowa farm in 1865, Carver earned his B.S. from the University of Southern California in 1891 and his Ph.D. from Cornell in 1894. At Cornell, Carver studied with the Chairman of the Economics Department, Jeremiah Jenks, who would later be responsible for bringing a young Friedrich Hayek to the United States in 1923.²⁹⁴ After beginning his teaching career at Oberlin College in Ohio, Carver moved to Harvard, where he was a member of the economics department from 1900 until 1932. Carver’s renown as an economist came from his committed and eloquent defense of laissez-faire in books such as the *Distribution of Wealth* (1905), *Essays in Social Justice* (1915) and *The Revolution of American Economics* (1925). In his work, Carver praised free enterprise, both for its compatibility with individualism and its ability to stimulate economic growth. Accepted by many as the economic truth in the nineteenth century, Carver wrote at a time when his views of classical political economy

²⁹³ Foote, Robert Ordway. “Ferment on the Campus.” *New York Times* (12/9/1934): XX6.

²⁹⁴ Caldwell, Bruce. *Hayek’s Challenge: An Intellectual Biography of F.A. Hayek*. (Chicago: University of Chicago Press, 2004), 150.

were no longer fashionable. As Richard Hofstadter put it, Carver was attempting to “keep alive the individualism of an earlier day.”²⁹⁵

Carver’s anonymity today is strange, since in his own day he was one of the nation’s most prominent economists. His Harvard colleague Edward Mason remembered him as “a considerable figure in the Department and in the profession during the first two decades of the century.”²⁹⁶ In his autobiography John Kenneth Galbraith called Carver a “noted conservative,” known for Carver’s Law: “The trouble with radicals is that they only read radical literature, and the trouble with conservatives is that they don’t read anything.”²⁹⁷ The novelist Robert Nathan, a Harvard student during Carver’s time, made “Carverism” a major theme in his autobiographical novel, *Peter Kindred*. Nathan’s protagonist comes under the spell of Carver while a student at Harvard, and describes Carver as a teacher surrounded by a “crowd of apostles.”²⁹⁸ Of the Carver stories, none can match that of the radical journalist Heywood Broun, who credited Carver with turning him into a socialist. As the story goes, Carver taught a class on social justice at Harvard that was set up so that socialists made their case during the first half of the semester and then, in the second half, Carver presented a rebuttal. Broun attended the first half of the spring semester and thus heard the case made by the socialists. Then the

²⁹⁵ Hofstadter, Richard. *Social Darwinism in American Thought*. (Boston: Beacon Press, 1955), 151.

²⁹⁶ Mason, Edward S. “The Harvard Department of Economics from the Beginning to World War II.” *The Quarterly Journal of Economics* XCVII (August 1982), 400.

²⁹⁷ Galbraith, John Kenneth. *A Life in Our Times*. (Boston: Houghton Mifflin, 1981), 31. Carver had little patience for conservatives who demonstrated little interest in politics; without being aware of the intellectual arguments for free enterprise, Carver thought, conservatives were in a weak position to defend them. See the “Preface” to Carver’s *What Must We Do to Save Our Economic System?* (Los Angeles, 1935).

²⁹⁸ Nathan, Robert. *Peter Kindred*. (New York: Duffield and Company, 1920), 70.

Red Sox season began in April and Broun, an avid fan, skipped the rest of the semester and thus missed Carver's refutation of the socialist arguments.²⁹⁹

Carver's reputation as a free market economist led to one of his most important, if inadvertent, contributions to scholarship. In 1923, the Columbia law professor Robert Hale attacked Carver's text *The Principles of National Economy* (1921) in a lengthy review essay in the pages of the *Political Science Quarterly*. Hale's essay, "Coercion and Distribution in a Supposedly Non-Coercive State," has since become a classic of legal realism, setting forth, as it does, an eloquent critique of the classical liberal conception of freedom.³⁰⁰ Free market enthusiasts such as Carver, Hale argued, mistakenly equated freedom to participate in the market with freedom itself. Economic freedom, however, was itself predicated on coercion. As Hale put it:

[Laissez-faire] . . . has the appearance of exposing individuals to but little coercion at the hands of government and to none at all at the hands of individuals or groups. Yet it does in fact expose them to coercion at the hands of both . . . What is the government doing when it "protects a property right"? Passively, it is abstaining from interference with the

²⁹⁹ Mason, 401, n. 14.

³⁰⁰ In her engaging intellectual biography of Robert Hale, Stanford law professor Barbara Fried finds it surprising that Hale would choose to attack Carver, in her words a "rather undistinguished economist at Harvard." Since in his own day Carver commanded a good deal of distinction, Fried stands on firmer ground if she claims that Carver was "dogmatic" or "unpersuasive" rather than undistinguished. [Fried, Barbara H. *The Progressive Assault on Laissez-faire: Robert Hale and the First Law and Economics Movement*. (Cambridge: Harvard University Press, 1998), 45.] Those interested in Barbara Fried's biography of Hale will also wish to consult Richard Epstein's substantial review, "The Assault that Failed: The Progressive Critique of Laissez-faire." *Michigan Law Review*, v. 97, n. 6 (1999), 1697-1721.

owner when he deals with the thing owned; actively, it is forcing the non-owner to desist from handling it, unless the owner consents.³⁰¹

To Carver, capitalism was freedom. To Hale, this was too-simple a definition of freedom, as it failed to consider the debatable state actions that lay at the heart of the free enterprise system. Carver was well aware of this criticism. He just refused to take it seriously. To Carver, this particular critique of the market dated back to the German Historical School of economics, a movement that in his view was motivated by nothing more than political ideology. Carver firmly believed that the theoretical defense of laissez-faire was simply the result of clear-headed analysis, or as he put it, of “logical analysis of economic factors.”³⁰² This being the case, any objection to free enterprise could only be attributed to ideology or political interest. “It was inevitable,” Carver wrote, “. . . that there should be a series of revolts against the conclusions of Adam Smith.”³⁰³ “The first revolt in the academic field came in Germany where government was assuming more power over industry than the British and American economists could justify,” he informed his readers.³⁰⁴ Carver had little regard for the German Historical School and celebrated the fact that its star had faded in the economic community, though bemoaned the fact that “Other schools of economics have followed, with no more logical justification.”³⁰⁵ Carver’s quick dismissal of any critique of laissez-faire was

³⁰¹ Hale, Robert L. “Coercion and Distribution in a Supposedly Non-Coercive State. *Political Science Quarterly*, v. 38, n. 3 (September 1923), 470-494. 471.

³⁰² Carver, Thomas Nixon. *Recollections of an Unplanned Life*. (Los Angeles: Ward Ritchie Press, 1949), 97.

³⁰³ *Ibid.*, 97.

³⁰⁴ *Ibid.*, 97.

³⁰⁵ *Ibid.*, 97.

unfortunate. Though capable of producing fine scholarship, his habit of quickly dismissing arguments that failed to conform to his own introduced a crude element into his work. Robert Hale had thoughtfully demonstrated that however you might defend the market, it simply would not do to equate free enterprise with “freedom” itself. It was a point that Carver, and later Leonard Read, never seemed to grasp.

Mullendore and the libertarians in Los Angeles could not have believed their luck when one of the foremost conservative economists in the country retired to Santa Monica. Like them, Carver was alarmed by much of the New Deal that was implemented in 1933. So it is little surprise that in the fall of 1934 Mullendore asked Carver to give a series of lectures to business and community leaders at the Los Angeles University Club on the subject “What Can Be Done With Our Present Economic System?” Carver’s lectures proved to be so popular that demand quickly outstripped available seating and two more series of lectures had to be scheduled in order to meet the demand to hear Carver.³⁰⁶ To build on the success of the lectures, the sponsors arranged to publish the talks, which in 1935 appeared in print under the title *What Must We Do to Save Our Economic System?* According to Carver, the pamphlet “was never advertised nor its sale pushed, but there were 16 different printings of 1,000 copies each.”³⁰⁷ Carver tirelessly marketed his pamphlet, sending copies to magazine editors, journalists, business leaders and politicians throughout the country in what amounted to an ad hoc direct mail campaign. Alfred Sloan of General Motors received a copy, as did Charles Lindberg, Harvard president

³⁰⁶ Carver, Thomas Nixon. *Recollections of an Unplanned Life*. (Los Angeles: Ward Ritchie Press, 1949), 240.

³⁰⁷ *Ibid.*, 240.

James Conant, Nobel Laureate Robert Millikan, and Herbert Hoover.³⁰⁸ Robert Millikan told Carver ““I have been greatly interested in your little pamphlet . . . It seems to me to be a peculiarly sane and sound analysis of our present situation.”³⁰⁹ Herbert Hoover was so impressed with the pamphlet that he wrote to Carver to request fifty additional copies.³¹⁰ “I am glad you liked my report,” Carver wrote back. “It seems to me that unless this or something like it is widely circulated and read, we are headed for disaster.”³¹¹

Indeed, the avoidance of political and economic disaster was the theme in Carver’s alarmist pamphlet. In the published version Carver explained to the reader that it was neither “polite literature” nor “pleasant reading.” Instead, his lectures presented “a plan of action” intended to avoid disaster. As Carver put it:

Our economic system is so infinitely worth preserving, and it is in such great danger that no one who understands the situation can remain inactive. The enemies of our system are all active and they are active all the time. Unless the constructive forces of our society rally to its defense, our economic system will be overthrown.³¹²

³⁰⁸ See Box 1, Folder 1, Thomas Nixon Carver Papers, Collection #858, Special Collections, UCLA, Los Angeles, California.

³⁰⁹ Letter from Robert Millikan to Thomas Nixon Carver, 7/26/1935, Box 1, Folder 1, Thomas Nixon Carver Papers, Collection #858, Special Collections, UCLA, Los Angeles, California.

³¹⁰ Letter from Herbert Hoover to Thomas Nixon Carver, Box 1, Folder 1, Thomas Nixon Carver Papers, Collection #858, Special Collections, UCLA, Los Angeles, California.

³¹¹ Letter from Thomas Nixon Carver to Herbert Hoover, 7/11/1935, Box 1, Folder 1, Thomas Nixon Carver Papers, Collection #858, Special Collections, UCLA, Los Angeles, California.

³¹² Carver, Thomas Nixon. *What We Must Do To Save Our Economic System?* Los Angeles, 1935.

Carver's lectures presented six propositions that together constitute a concise brief in defense of free enterprise. The argument reads like a geometric proof, with each proposition building on the one that preceded it. The first proposition was that the United States has traditionally had an economic system Carver referred to as "economic voluntarism." In a statement that captures the yawning gulf separating Carver's view of the market with that of Robert Hale, Carver described "economic voluntarism" as "freedom from violence, freedom to work together by voluntary agreement, freedom to own, to buy and sell, and to enjoy what one has produced or purchased."³¹³ The following propositions were: 2) The system of economic voluntarism was in danger. 3) Economic voluntarism must be protected; 4) The only reasonable attack on economic voluntarism was the allegation that it was responsible for the mass poverty; 5) Economic voluntarism was the only economic system with the power to combat poverty; 6) The government should provide short-term relief to those presently suffering the worst ravages of poverty.

There are at least two points of interest in Carver's lectures. One is the sense of crisis. Carver and his supporters clearly believed that the system of free enterprise was in imminent danger of being replaced with some form of socialism. Second, while Carver believed free enterprise to be the only system consistent with his definition of individual freedom, he premised his defense of the market on its ability to alleviate poverty. To fight the worst suffering in the short-term, the government ought to provide relief aid. What was needed in order to fight poverty in the long-run, however, was to create an economic environment conducive to business recovery. Among other things, that meant the maintenance of a stable money supply, low taxes, and minimal regulations.

³¹³ Ibid., 3.

The Romance of Reality.

In Carver and Mullendore, Read found the education he longed for. Though his work with the Western Division of the Chamber of Commerce based him in Seattle, his meeting with Mullendore was never far from Read's mind. Read was always self-conscious about his limited education and his meeting with Mullendore convinced him that he needed to read widely to meet the demands of his job, which required him to give lectures, meet with business leaders, and organize conferences. He was eager, therefore, to bone-up on economics and Mullendore, whom Read referred to as "one of the most profound men in political economy" he ever encountered, and Carver, the Harvard professor, were only too happy to provide him with reading lists.³¹⁴ Under their tutelage, he read the canonical works of classical liberalism, from Adam Smith to Herbert Spencer. Though this introduction to political economy was a one-sided affair, Read never seemed to question the truth of what Mullendore and Carver were teaching. After all, their credentials were impeccable. Mullendore and Carver presented a system with a few fixed rules (sound money, property rights, freedom to contract), and easily defined enemies (communists, socialists, labor activists). He was eager to learn, and the economic nostrums of Mullendore and Carver offered answers for any question Read could ask.

The culmination of these critical years was the publication of Read's first book, *The Romance of Reality*. Published in 1937, *The Romance of Reality* is neither an original or profound work. Read took the title from a speech, "Romanticism and Realism

³¹⁴ Foundation for Economic Education. "What's Past is Prologue: A Commemorative Evening to the Foundation for Economic Education on the Occasion of Leonard Read's Seventieth Birthday." (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1968), 57.

in Economics,” that Mullendore had delivered before Read’s Western Division of the Chamber of Commerce in 1934 and the book, as a whole, is derivative of Carver’s 1935 pamphlet *What We Must Do to Save Our Economic System?*³¹⁵ Read credited both Mullendore and Carver in the preface to the book. He thanked them for helping him avoid “economic blind alleys.”³¹⁶ Their influence was also apparent in the references Read made to numerous thinkers in the conservative pantheon, reflecting the education which they had given him. References to Herbert Spencer, William Graham Sumner, and Albert Jay Nock, for instance, are sprinkled throughout Read’s first book.

Carver’s influence was also evident in the fact that much of *The Romance of Reality* rehashed his pamphlet *What Must We Do to Save Our Economic System?* Read even went so far as to copy some of the wording of Carver’s preface. In the preface to *What Must We Do to Save Our Economic System?*, for instance, Carver included a quote he attributed to Tocqueville, “I trust that I have written this work without prejudice; but I do not claim to have written dispassionately. It would hardly be decent for a Frenchman to be calm when he speaks of his country, and thinks of the times.”³¹⁷ Likewise, Read wrote in *The Romance of Reality*, “The discussion, however, must not be dispassionate. It would hardly be decent for an American to be calm when he speaks of his country and thinks of the times.”³¹⁸ Read consciously modeled his book on Carver, both in analysis and style.

³¹⁵ Mullendore, William. “Romanticism and Realism in Economics,” speech delivered before the Western School for Commercial Secretaries at Stanford, 7/30/1934. Box 1, Folder 4, Thomas Nixon Carver Papers, Collection #858, Special Collections, UCLA, Los Angeles, California.

³¹⁶ Read, Leonard E. *The Romance of Reality*. (New York: Dodd, Mead & Co., 1937), xi.

³¹⁷ Carver, “Preface.” *What Must We Do to Save Our Economic System?* Los Angeles, 1953.

³¹⁸ Read, *The Romance of Reality*, 11.

Read argued that the solution to the Depression was economic growth, not politics or cultural issues. “The people are not uneasy because they desire more religion, better morals or a different political system,” Read wrote. “*They are uneasy because the desire for goods and services, for material things, for wealth, so notoriously exceeds their satisfactions.*”³¹⁹ Although the diagnosis of the problem was simple – the economy had failed to produce – correcting it would be difficult because, according to Read, few understood how to go about encouraging it.

Despite the popularity of the New Deal, according to Read the path to economic growth was more free enterprise, not less. Therefore public policy should be limited to small areas of activity. “A good government,” wrote Read, “will maintain order, suppress crime and racketeering, assure justice, conduct international relationships, do a minimum of necessary duties beyond the powers of private enterprise to perform, regulate certain monopolistic businesses in the public interest and maintain a minimum national defense compatible with national safety.”³²⁰ Taxes were strictly “for securing revenues only” not “to achieve a partisan-conceived social reform” or “to punish groups in political disfavor.”³²¹ In regard to the money supply, the government ought only to “effect a stable medium of exchange” by which he meant that inflationary policies were

³¹⁹ Ibid., 12. (emphasis in original)

³²⁰ Ibid., 104.

³²¹ Ibid., 105.

strictly prohibited.³²² In particular, Read stressed the importance of government impartiality in maintaining the “rules of the game.”³²³

Read’s thought suffered from the same crude confidence as that of his mentor Thomas Nixon Carver. Like Carver, Read failed to appreciate how government enforcement of so-called “rules of the game” could be interpreted as anything but fair. It is important to note, however, that Read’s appeal to government impartiality was sincere. He deplored the lobbying efforts of businessman as much as he criticized that of unions or any other interest group. In regard to the lobbying efforts of other branches of the Chamber of Commerce, Read claimed that they had not “entered the broader field not as the Sir Galahads of obviously right principles, but rather as organized exaggerations of the specialized interests they represent.”³²⁴

Like his mentor Thomas Nixon Carver, Read presented the case for laissez-faire solely on the system’s ability to produce wealth and meet economic wants. It was a line of reasoning that would later prove controversial and divide his base of support.

Prototype for a Think Tank: The Los Angeles Chamber of Commerce.

While Read was developing the ideas that would become *The Romance of Reality*, he slowly began to use his position with the Western Division to promote libertarian ideas. In the numerous speeches he delivered around the state, Read attacked the New Deal and encouraged businessmen to join the cause. For instance, in a speech entitled

³²² Ibid., 105.

³²³ Ibid., 106.

³²⁴ Ibid., 130.

“Political and Economic Fallacies,” Read rallied the gathered members of the Santa Monica Chamber of Commerce. “Too long have we remained silent while demagogues attacked unfairly the integrity of our business institutions and business processes,” he told his audience.³²⁵ “I should like to see every chamber of commerce in every part of the land become the center for carrying to the rank and file of our people the message of, and the eternally sound reasons for, a revived respect for America, American traditions, and American political institutions.”³²⁶

Read often sent copies of his speeches to Carver for editing and approval. “Enclosed is the first draft of a speech I am to give before a group of secretaries from all over the state,” Read told Carver on one such occasion. “I wish you would look it over and give me your criticisms. And don’t hesitate to be rough in your comment – that’s what I want. My objective is an attempt to get these local organizations intensely engaged in matters of national concern . . .”³²⁷ In 1935, Read brought Carver to Hawaii to speak at a large gathering of Chamber of Commerce affiliates. Read was so impressed with Carver’s presentation that he invited him to become a faculty member of the economics and business seminar the Western Division hosted each summer at Stanford University. Carver was too busy and his honorarium expectations too high for the duty, but he did suggest that Read ask one of his former students, V.O. Watts, a professor of

³²⁵ Read, Leonard. “Political and Economic Fallacies,” speech delivered before the Santa Monica-Ocean Park Chamber of Commerce, 1/20/1936. Box 1, Folder 3, Thomas Nixon Carver Papers, Collection #858, Special Collections, UCLA, Los Angeles, California.

³²⁶ Ibid.

³²⁷ Leonard Read to Thomas Nixon Carver, 1/30/1936, Box 1, Folder 3, Thomas Nixon Carver Papers, Collection #858, Special Collections, UCLA, Los Angeles, California.

economics at Carleton College with strong laissez-faire sentiments.³²⁸ What Read was doing at the Western Chamber was in effect learning how to use an organization to promote a political philosophy.

Read's activism on behalf of conservative causes, as well as the publication of *The Romance of Reality* in 1937, proved to Mullendore and Carver that Read was a useful ally in their efforts to promote laissez-faire. They persuaded Read to become the manager of the Los Angeles Chamber of Commerce in January of 1939, and during the next six years he turned it into a prototype for a free market think tank. While focused on a single metropolitan area, the L.A. Chamber was in fact the largest single bureau in the entire Chamber of Commerce network. It enjoyed a membership of roughly 10,000 dues paying members and a staff of over one hundred.³²⁹ From this significant base of operations, Read launched lecture and publication programs that brought the libertarian community of southern California national attention and Read a well-earned reputation as a capable promoter of laissez-faire.

One of Read's first acts as manager of the L.A. Chamber of Commerce was to get his staff in place. He appointed Thomas Nixon Carver to the Board of Directors (Mullendore was already a member), and he hired V.O. Watts as a full-time staff economist for the Chamber. Read greatly expanded the schedule of lectures sponsored by the Los Angeles Chamber of Commerce, and commissioned Mullendore, Carver, and Watts to lecture throughout the region under the auspices of the Chamber. Read also established a Free Trade Committee within the L.A. Chamber, the purpose of which was

³²⁸ Sennholz, 59.

³²⁹ Ibid., 60.

“to spotlight cases of federal interference in business, dangerous governmental practices, threats to the worker initiative system, and other elements inimical to freedom.”³³⁰ He also oversaw the creation of an annual week-long seminar, “Invest in America Week,” which was modeled on the annual program he ran at Stanford. The purpose of the seminar was to “make the general public conscious of the merits of a free enterprise system.”³³¹

These initiatives at the L.A. Chamber were so well received that Leonard Read pushed to spread the libertarian message to a larger audience. In 1943, the L.A. Chamber created a new publication, *The Economic Sentinel*, which made the Chamber’s lecture series available nationally. Under the masthead “That Works of Merit May Have a Wider Audience,” *The Economic Sentinel* published print versions of the lectures the Chamber sponsored, including Watts’ “Do We Want Free Enterprise?”, and Thomas Nixon Carver’s “The Economics of Freedom” and “How Can There Be Full Employment After the War?” Reviewing “Do We Want Free Enterprise?” for the Economic Council Review of Books, Albert Jay Nock proclaimed the book “one of the most astonishing” and “most encouraging” things that had happened to him in twenty years.³³² His astonishment was not in the ideas expressed in the book. “The economics of the book were not particularly new or strange to me,” wrote Nock.³³³ In fact, he thought the ideas

³³⁰ Stanley, Norman S. *No Little Plans: The Story of the Los Angeles Chamber of Commerce*. (Los Angeles: Los Angeles Chamber of Commerce, 1956), 27.

³³¹ *Ibid.*, 29.

³³² Nock, Albert Jay. *Economic Council Review of Books*, v. 1, n. 10 (March 1944), 1.

³³³ *Ibid.*, 1.

were “old hat.”³³⁴ Nock’s astonishment was due to the fact that it was a group of businessmen, and ones affiliated with the politically moderate Chamber of Commerce no less, who were promoting these ideas. As Nock explained:

Until this book appeared I would have bet my last penny that no such thing was possible; and even now, if I followed my impulse, I would start for Los Angeles tomorrow in order to look at those businessmen . . . and satisfy myself that they actually exist.³³⁵

Nock had reason to be surprised. The national Chamber of Commerce had a reputation for being politically moderate, yet here was a local chamber that was taking a hard-line against the New Deal.

Read recognized the difference between his chamber and the national headquarters. In an attempt to persuade other chapters to pursue the same kind of activism as the L.A. Chamber of Commerce, Read published a how-to guide explaining how to established a successful program of advocacy. The pamphlet was entitled “Free Competitive Enterprise: A Program for the Understanding and Skilled Advocacy of Free Enterprise Experimentally Undertaken by the Los Angeles Chamber of Commerce.”³³⁶ First, the pamphlet explained to businessmen that they would have to sell the free market ideology just as they would any other products. “Free competitive enterprise is our

³³⁴ Ibid., 1.

³³⁵ Nock, Albert Jay. *Economic Council Review of Books*, v. 1, n. 10 (March 1944), 1. To appreciate Nock’s surprise one must keep in mind that the National Chamber of Commerce was solicitous of, rather than opposed to, much of the New Deal. For more on Albert Jay Nock and the *Economic Council Review of Books*, see chapter five.

³³⁶ L.A. Chamber of Commerce. “Free Competitive Enterprise: A Program for the Understanding and Skilled Advocacy of Free Competitive Enterprise Experimentally Undertaken by the Los Angeles Chamber of Commerce.” Los Angeles: L.A. Chamber of Commerce, 1943.

product,” the pamphlet told them. “Thousands of community leaders must be the sales force.”³³⁷ The manual then explained the details for successful advocacy. Business leaders should be brought together for a lunch program, during which they would be treated to a lecture by an economist with a free market orientation. The academic credentials of the economist were not important. What was important was commitment to the cause. As the pamphlet explained, in regard to the proper speaker:

Reputation for scholarship along narrow lines is not important. It is important that he have a broad understanding of the free institutions which have made America great and its people prosperous. It is also important that he have the desire, the courage and the ability to describe the workings of these institutions clearly and convincingly.³³⁸

If a proper economist could not be found, the pamphlet additionally informed readers that the L.A. Chamber could happily supply one of their staff economists, who could be made available to fly into town for events.

More than anything else, the pamphlet conveyed to other chambers of commerce that it was both possible and effective to organize a program to fight the New Deal. “Properly handled” the program would make clear to members that government posed a serious threat to business, and as a result those who participated in the program would “realize as never before the need for a genuine, free competitive enterprise movement” and “become eager to join in a national program for liberating enterprise.”³³⁹ The

³³⁷ Ibid.

³³⁸ Ibid.

³³⁹ Ibid.

important thing was for the local chamber of commerce to act. “*Anti-enterprise ideas, wherever they appear, must be the target of our attack,*” it intoned.³⁴⁰

Despite the success Read was having at the L.A. Chamber of Commerce, he wanted to do more. Specifically, he wanted to disseminate literature with an even more explicitly ideological orientation. Read was well-aware of the impact reading Herbert Spencer and William Graham Sumner had had on his own thinking, so he wanted to bring these works to others’ attention. Since the L.A. Chamber of Commerce work concentrated on contemporary policy issues, Read created a new organization, Pamphleteers, Inc., in order to disseminate more philosophically oriented and politically explicit materials. His connection to the Los Angeles Chamber proved invaluable in this effort. Mullendore and Watts joined Read as founding directors of the new organization, and the offices of Pamphleteers, Inc. were initially housed in the offices of the L.A. Chamber of Commerce.

The idea behind Pamphleteers, Inc. was simple. The directors would agree among themselves to publish a specific item, and then the approved item would be published in the organization’s journal *The Freeman*. Every issue came in the format of a small, brown, paperback booklet. On the cover was the series title, *The Freeman*, under which ran the Pamphleteers’ motto: “Depend Upon It, the Lovers of Freedom Will Be Free.” On the inside, there were introductory remarks, written by Read, which explained the importance of each issue’s selection. The Pamphleteers published a wide range of materials, including nineteenth century polemics such as Frederic Bastiat’s *The Law* and William Graham Sumner’s “What Social Classes Owe Each Other,” as well contemporary works, such as Rose Wilder Lane’s *Give Me Liberty!* and Ayn Rand’s

³⁴⁰ Ibid. (emphasis in original)

short novel, *Anthem* (1946). In 1946, Read explained the origins and workings of Pamphleteers, Inc. to a prospective subscriber as follows:

Because it is rather an unusual story, and believing that it will be of interest to you, I should like to tell you about the organization of Pamphleteers. Several of us, unalterably against present stateist trends and wishing to have our share in reversing them, formed this enterprise as an after-hours project. Our publication 'The Freeman,' is devoted conclusively to individualism, limited government and economic liberty . . . We have gambled on our product being so good that you and others would order the extra copies we have printed to send to your friends. If we guessed right and the originally printing was bought, we broke even. If we guessed wrong, we lost. On occasion, 'The Freeman' has been so well received that extra printings were required, and then we made money.³⁴¹

Pamphleteers, Inc. made available a number of publications that had long been out-of-print. The venture also provided Read with experience at promotion. As Read would comment to a fellow Pamphleteer in 1948, "Pamphleteers has a considerable experimental value – certainly from the standpoint of myself and the Foundation."³⁴²

In hindsight it is clear that Read's entire tenure with the Los Angeles Chamber of Commerce from 1939-1945 was preparation for the founding of the Foundation for

³⁴¹ Letter from Leonard Read to Robert Harket, 10/24/1946, Leonard Read Papers, Foundation for Economic Education Archives.

³⁴² Letter from Leonard Read to Ruth E. Meilandt, 2/24/1948, Leonard Read Papers, Foundation for Economic Education Archives.

Economic Education in 1946. He had successfully mobilized a loyal cadre of committed intellectuals, sponsored numerous lectures, and even created a journal, *The Economic Sentinel* to disseminate the Chamber's views. In addition, Read spearheaded the creation of a related organization, Pamphleteers, Inc., in order to disseminate even more politically committed materials. He was so successful in these early efforts at organization that Lisa McGirr claims that L.A. Chamber of Commerce "set the tone of the Southern California business community."³⁴³ Mullendore, Carver, and Read would have been pleased by the assessment. Thomas Nixon Carver wrote in his memoirs, "Through the influence of Messrs. Mullendore, Read, Watts, and myself, the L.A.C. of C. became the spearhead of an active crusade for the return to the principle of freedom of enterprise. That crusade now seems to have made an impression . . . it may turn out to be the most important work of my life."³⁴⁴

Enter Hazlitt and Mises.

While Leonard Read was busy turning the Los Angeles Chamber of Commerce into a factory for free market ideas, two other men who would later prove crucial in his effort to create the Foundation for Economic Education were still thousands of miles away. First, there was Ludwig von Mises, who as a professor of economics in Geneva nervously watched political developments unfold in his native Austria. Second, there was the editor of the *New York Times* finance and business section, Henry Hazlitt. When Leonard Read moved to Los Angeles in 1939, the three men scarcely knew each other.

³⁴³ McGirr, Lisa. *Suburban Warriors: The Origins of the New American Right*. (Princeton: Princeton University Press, 2001), 34.

³⁴⁴ Carver, Thomas Nixon. *Recollections of an Unplanned Life*. (Los Angeles: Ward Ritchie Press, 1949), 241.

The closest of the three, Hazlitt and Mises, had only begun to exchange letters the year before. By 1946, however, the lives and careers of all three would be intimately joined in the creation of the Foundation for Economic Education.

By the 1930s and 1940s Ludwig von Mises was perhaps the most famous free market economist in the world. An Austrian Jew from a modest family, Mises had managed to complete his doctorate at the University of Vienna where he studied with some of the stars of the economic world, including Eugene Boehm-Baewerk. Mises established his own reputation as first-rate economist as early as 1912 with his the publication of his *Theory of Money and Credit*. Since this work called for a strict adherence to the gold standard, the book also established Mises' reputation as an economist with an inclination toward free market orthodoxy. It also allowed Mises to begin teaching at the University of Vienna as a visiting instructor, where he would mentor the next generation of leading Austrian economists, including Friedrich Hayek, Gottfried Haberler, and Fritz Machlup.³⁴⁵

Mises' came to the attention of a wide audience with his essay "Economic Calculation in the Socialist Commonwealth" (1920) and its subsequent book-length version *Socialism* (1922). In these works, Mises made a famous criticism of planned economies that became the free market argument in the so-called "socialist calculation debate." Mises' argument was that the free market was inherently more efficient than any form of economic planning. The reason for this was the important role prices played in a free market. As Mises demonstrated, prices provided economic players with critical information regarding the relative worth of goods and services. For instance, goods that

³⁴⁵ Mises, Ludwig von. *Ludwig von Mises, Notes and Recollections*. (Holland, I.L.: Libertarian Press, 1978), 100.

were in demand commanded high prices, which was a signal for more production. Likewise, low demand goods commanded lower prices, which signaled that the resources that went into producing them were probably better used for other purposes. Economic planning, however, distorted the price mechanism and deprived planners of the very information they needed in order to plan. It was the Heisenberg principle applied to national economies rather than subatomic physics, the very attempt to plan an economy ironically robbed the planner of the very information that was needed in order to plan. At best, economic planning would always be less efficient at allocating goods and services than the price system of the free market. At worst, economic planning would lead to economic dysfunction. It was a challenge that socialists busied themselves trying to solve for the next fifty years, with none having significant luck at rebutting Mises' argument.³⁴⁶

With Nazism on the rise in Germany, Mises left Vienna in 1934 and took a teaching post at the Graduate Institute of International Studies in Geneva. His move was prescient. When the Nazis marched into Vienna in 1938, they ransacked Mises' apartment and seized the papers he had left behind.³⁴⁷ Initially Mises had intended to remain in Geneva after the Second World War broke out the following year, but after the Nazis marched into Paris in the summer of 1940, Mises' wife convinced him it was high-time that he left the continent.³⁴⁸ With the help of Benjamin Anderson, an economist

³⁴⁶ See Heilbroner, Robert. "Reflections after communism." *The New Yorker* (September 10, 1990) 91-100; "Reflections on the triumph of capitalism." *The New Yorker* (January 23, 1989) 98-109.

³⁴⁷ Mises, Margit von. *My Years with Ludwig von Mises*, second enlarged edition. (Cedar Falls, I.A.: Center for Futures Education, Inc., 1984), 28

³⁴⁸ *Ibid.*, 47-8.

whom Mises had met during a 1926 trip to the U.S., Mises secured a visa allowing him to travel to the United States.³⁴⁹

After an anxiety-filled journey through Nazi-occupied France, Mises arrived in New York City in the summer of 1940.³⁵⁰ Mises was happy to be in New York, but he soon faced new challenges. He could speak little English, and had little luck finding full-time work. A loose network of friends, and his prominence as an economist, provided Mises with an offer for a temporary teaching position at Berkeley and allowed him to guest lecture at some of the nation's leading institutions. Mises' brother Richard had been a professor of mathematics and aviation at Harvard since 1938 and Mises' friend Winfield Riefler was an economist at Princeton's Institute for Advanced Studies. Former students who had also left Europe were now in the United States, including Haberler who was at Harvard and Fritz Machlup at the University of Buffalo (and later Princeton). Of all his contacts in the United States, however, none was as important to Mises as his friendship with Henry Hazlitt, the economics editor for the *New York Times*, who would join him at the Foundation for Economic Education.

Hazlitt was born in Philadelphia in 1894. His early life was not happy. His already poor family was dealt a blow when his father abandoned them when Henry was five years of age. Hazlitt's early education, therefore, took place at a Philadelphia school for fatherless boys. Later his family would move to Brooklyn, where Hazlitt graduated from high school. A bright and curious young man, Hazlitt took advantage of the city's

³⁴⁹ Ibid., 48.

³⁵⁰ See Mises, Margit von. *My Years with Ludwig von Mises*, second enlarged edition. (Cedar Falls, I.A.: Center for Futures Education, Inc., 1984), 51-6. Also of interest is Lewis A. Coser, *Refugee Scholars in America: Their Impact and Their Experiences* (New Haven: Yale University Press, 1984), 139-142.

free City College. In 1913, however, Hazlitt was forced him to leave City College after a single year in order to support himself. Thus ended his formal education. Hazlitt was lucky enough to find work that allowed him to indulge his intellectual interests and develop his skill as a writer. In his first job Hazlitt served as an assistant in the editorial offices of the still relatively new financial publication the *Wall Street Journal*. In 1916 Hazlitt moved to the *New York Evening Post*, beginning a fairly peripatetic professional life that over fifteen years included stints at the *New York Herald* and the *New York Sun*, the latter in the capacity as books editor. During the 1920s Hazlitt's growing reputation was primarily based on his ability to write clearly and intelligently on economic matters. Yet his interests and abilities were not confined to finance. In 1930 he joined the *Nation* as literary editor, a position he held until H.L. Mencken hand-picked Hazlitt to be his successor at the *American Mercury* in 1933. While Hazlitt was an able writer and critic, he apparently was a poor administrator and as a result lasted only lasted a few months at the *American Mercury*.³⁵¹ Disappointed, Hazlitt followed this short stint by accepting the attractive job as the financial editor of the *New York Times* in 1934. Not only did the new position provide Hazlitt with a wide readership, but it also allowed him to focus on his main interests, business and economics.

In the pages of the *New York Times*, Hazlitt wrote editorials, commissioned articles, attacked some books, and promoted others. While Hazlitt's views of economic matters had not changed between the 1920s and the 1930s, he now found that he was increasingly seen as a reactionary because of his commitment to views such as free trade

³⁵¹ For more on Hazlitt's tenure at the *American Mercury*, see Bode, Carl ed. *The New Mencken Letters*. (New York: The Dial Press, 1977), 347; and Teachout, Terry. *The Skeptic: A Life of H.L. Mencken*. (New York: Harper Collins, 2002), 271-2.

and adherence to the gold standard. Hazlitt delighted in his new role as economic gadfly at the *Times*. He wrote critically of liberals held in high-esteem by the moderate left, such as Stuart Chase (who coined the term “New Deal”); he praised Walter Lippmann’s *The Good Society* (at least the first part which attacked state planning); and he warned that the New Deal marked a step toward authoritarian government.³⁵² Hazlitt also promoted authors who might otherwise not find a wide hearing for their views. It was in this capacity that Hazlitt first established a relationship with Ludwig von Mises.

In the mid-1930s Hazlitt was already aware of Mises’ work. He had been introduced to the school of Austrian economics through works such as Philip Wicksteed’s *The Common Sense of Political Economy* and Benjamin Anderson’s *The Value of Money*.³⁵³ It was not until *Socialism* appeared in English in 1938, however, that Hazlitt read Mises for himself. Enthusiastically reviewing *Socialism* for the *New York Times*, Hazlitt claimed, “No open-minded reader can fail to be impressed by the closeness of the author’s reasoning, the rigor of his logic, the power and unity of his thought.”³⁵⁴ Mises’ *Socialism* was, he concluded, a work of “power, brilliance, and completeness . . . the most devastating analysis of socialism yet penned.”³⁵⁵ So impressed was Hazlitt that he

³⁵² Hazlitt, Henry. “The Government’s Role in Business.” (*New York Times Book Review*, 9/22/1935), 3; Hazlitt, Henry. “Walter Lippmann’s Prescription for the Good Society.” (*New York Times Book Review*, 9/26/1937), 3; Hazlitt, Henry. “Planned Economy: Have We Too Much?” (*New York Times Magazine*, 10/31/1937), 1.

³⁵³ Hazlitt, Henry. *My Life and Conclusions*, 65. Unpublished Manuscript. Henry Hazlitt Papers, Foundation for Economic Education Archives.

³⁵⁴ Hazlitt, Henry. “A Revised Attack on Socialism.” (*New York Times Book Review*, 1/9/1938), 20.

³⁵⁵ *Ibid.*, 20.

sent a copy of his review to Mises, a gesture that blossomed into a friendship between Hazlitt and the famous economist.³⁵⁶

When Mises arrived in New York in 1940 Hazlitt was there to greet him. According to Mises' wife Margit, Hazlitt was "one of the first people Lu (her nickname for Mises) met in New York and one of the first to take an active interest in getting Lu established in America."³⁵⁷ Hazlitt was of inestimable importance in helping Mises get settled in the United States. He commissioned articles from Mises for the *New York Times*, introduced Mises to his network of writers and business professionals, and even found speaking engagements for the émigré economist. In addition, Hazlitt and his wife Frances became close friends with Mises and his wife Margit. "A man like Lu could not have had a better friend than Hazlitt," Margit remembered in her memoirs, "His enthusiasm for Lu's ideas, Lu's teachings, Lu's convictions, was so honest, his thinking so parallel to Lu's perception, that he had the constant urge to write about Lu, to show the world what it could gain by reading Lu's books and what it would lose by neglecting them."³⁵⁸ It was Hazlitt's efforts to find Mises speaking engagements that led to Mises' first contact with Leonard Read. Hazlitt had introduced Mises to his contacts at the National Association of Manufacturers (N.A.M.), and through the N.A.M. Mises learned of Leonard Read, a man known for inviting prominent free market economists to Los Angeles in order to speak for the Chamber of Commerce. Thus prompted, Mises and Read began a correspondence that culminated in Mises traveling to Los Angeles in June

³⁵⁶ Hazlitt, *My Life and Conclusions*, 67.

³⁵⁷ Von Mises, Margit. *My Years with Ludwig von Mises*, 58.

³⁵⁸ *Ibid.*, 87.

of 1943 to give a series of lectures. In his letter accepting Read's invitation, Mises revealed that he fully agreed with Read's belief that the fight against socialism was best waged in a war of ideas. "The arena in which the fate of the West will be decided is neither the conference rooms of the diplomats, nor the offices of the bureaucrats, nor the capitol in Washington, nor the election campaigns," Mises told Read. "The only thing which really matters is the outcome of the intellectual combat between the supporters of socialism and those of capitalism."³⁵⁹

The Foundation for Economic Education.

In the spring of 1945 Leonard Read moved to New York hoping to take the activities he had pioneered at the Los Angeles Chamber of Commerce to a larger audience. He maintained the political ideals Mullendore and Carver had instilled in him, and now he was able to link up with Ludwig von Mises and Henry Hazlitt, two men who would help Read build on his early organizational efforts. Read, Mises, and Hazlitt were all in Manhattan. The elements that would combine to create the Foundation for Economic Education were finally in place.

Ostensibly, Read had moved to New York to take a job with the National Industrial Conference Board, a private organization that disseminated information on business issues in a manner similar to the Chamber of Commerce. As an Executive Vice President at the Board responsible for developing educational programs, Read assumed that this new job would allow him to build on the activities that he had successfully pursued in Southern California. It soon became clear, however, this was not the case. The Board's president Vernon Jordon insisted that N.I.C.B. literature or programs had to

³⁵⁹ Ibid., 91.

include arguments from a variety of political standpoints, and Read found this ideological neutrality distasteful.³⁶⁰ He was also put-off by the N.I.C.B.'s nakedly pro-business agenda. As he had argued in *The Romance for Reality*, promoting free enterprise and promoting big business were two distinct undertakings.

Read quickly grew frustrated with the role he played at the Conference Board. In the fall of 1945 he had another fateful meeting, with David Goodrich, Chairman of the B.F. Goodrich Company.³⁶¹ Goodrich had donated money to the N.I.C.B. in order to help Read develop programs like the ones he had created in Los Angeles. Read met with Goodrich to offer to return his donated funds, explaining that creating such programs at the N.I.C.B. was impossible. Having listened to Read vent his frustrations concerning the N.I.C.B., Goodrich asked Read what he would do if given full administrative authority of his own organization.³⁶² Read responded with an outline of a think tank.³⁶³ Unlike the Conference Board, the organization Read envisioned would not pretend to be neutral. Instead, the proposed organization would unapologetically promote laissez-faire through a multi-pronged public effort consisting of publications, seminars, lectures, even a nationally broadcast radio program. In effect, it would be the Los Angeles Chamber of Commerce and Pamphleteers, Inc. rolled into a single organization. Impressed, Goodrich encouraged Read to write-down his vision for the organization while both of them assembled lists of prospective supporters.

³⁶⁰ Sennholz, 68.

³⁶¹ Ibid., 69-70.

³⁶² Ibid., 69.

³⁶³ Ibid., 69.

Several months of frenetic planning, meetings, and fundraising followed. Loren Miller, who had played an instrumental role in setting up the Volker Fund in Kansas City, accompanied Read on fundraising trips and helping facilitate meetings with potential donors. For instance, Miller arranged for Read to meet prospective donor H.B. Earhart on March 11. The following day Earhart wrote to Miller thanking him for arranging the meeting, saying that Read “gave me the impression of having both vision and courage.”³⁶⁴ “The next question is,” remarked Earhart, “Can he (Read) give us leadership in a well-planned, well coordinated program such as he outlined?”³⁶⁵ On the same day Earhart wrote to a friend at the Union Trust Company of Pittsburgh, to inform him that he had a “most interesting visit yesterday from Leonard Read, of the National Conference Board. He impressed me as a man of vision and courage, and I took occasion to say to him that if and when he visits Pittsburgh I surmised you and not improbably some of your colleagues would be interested in his program.”³⁶⁶ It was in this manner that Read tapped his professional network to reach out to those who might help his cause. This tireless organizational work soon paid off, as Read assembled an impressive list of accomplished executives to sit on the Foundation’s board.

On March 15 a group of supporters met in David Goodrich’s office to prepare the Certificate of Incorporation of the new organization, the Foundation for Economic Education. According to the Certificate of Incorporation, the new organization, known as the Foundation for Economic Education, Inc., would “conduct, encourage, promote, and

³⁶⁴ Letter from H.B. Earhart to Loren B. Miller, 3/12/1946, H.B. Earhart File, Leonard Read Papers, Foundation for Economic Education.

³⁶⁵ Ibid.

³⁶⁶ Letter from H.B. Earhart to Ralph Euler, 3/12/1946, H.B. Earhart File, Leonard Read Papers, Foundation for Economic Education.

support research and study in the general field of economics and related branches of the social sciences, and to disseminate the results of such research and study by all available media of communication, whether written, spoken or pictorial.”³⁶⁷ The five officers of the new organization consisted of businessmen and academics. David M. Goodrich, chairman of the board of the B.F. Goodrich Company, served as the first chairman of FEE; Read was the first president, Hazlitt was Vice President, Fred Fairchild, an economist at Yale, was the secretary and Claude Robinson, president of the Opinion Research Institute, was the first treasurer. There were sixteen trustees, among them H.W. Luhnow of the Volker Foundation, W.C. Mullendore, now president of Southern Edison, and E.P. Halliburton, President of Halliburton, Inc. Even more impressive, perhaps, was the long list of foundation and business contributions to the new venture. The Volker Fund was the largest single investor in the Foundation, contributing \$30,000 in start up funds in 1946, yet the Foundation also received \$10,000 each from businesses such as the Chrysler Corporation, General Motors, Monsanto, Montgomery Ward, and U.S. Steel.³⁶⁸

While the financial support network and the board of trustees were crucial to the new organization, it was the staff that Read assembled that was the heart of the venture. Read brought in V.O. Watts and Herbert Cornuelle from the Los Angeles Chamber of Commerce, and Watts as a staff economist and Cornuelle as executive secretary.³⁶⁹ Also joining FEE were F.A. Harper and W.M. Curtiss, both former professors of marketing at

³⁶⁷ Certificate of Incorporation of The Foundation for Economic Education, Inc. Foundation for Economic Education Archives.

³⁶⁸ Read, Leonard. Memo to the Board of Trustees, Foundation for Economic Education, 12/17/1946. Leonard Read Papers, Foundation for Economic Education Archives.

³⁶⁹ Sennholz, 69-72.

Cornell who had free market views. The most prominent members of the staff, however, were Ludwig von Mises and Henry Hazlitt.

For Mises, 1946 was an especially important year. For one, he received his U.S. citizenship. “The importance of this was not the paper, it was the change in Lu’s mind, his heart,” his wife wrote in her memoirs. “Deep inside he knew ‘he belonged’ now; he was home again, for the first time in many years.”³⁷⁰ Second, he finally found a permanent position as an economist with FEE. With the security of this position, Mises busied himself writing his magnum opus, *Human Action*. The book would be published by Yale University Press in 1949 and would become a landmark work of free market economics. As Margit von Mises observed, “It was a touch of genius combined with a shrewd sense of business that caused Leonard to associate Lu with FEE. It was the best idea he ever had, for he knew pretty well that if he could anchor the most eminent fighter for the free market to his foundation, not only the existence of the foundation was assured, but it would arouse the widest interest all over the country.”³⁷¹

It was also a big year for Henry Hazlitt. In 1946 Hazlitt left the *New York Times* to take a position as a weekly columnist for *Newsweek*, a job he held for the next twenty years. In 1946 Hazlitt published what would be his best-known book, *Economics in One Lesson*. Like Friedrich Hayek’s *Road to Serfdom*, the book was a publishing phenomenon. As Hazlitt recalls in his unfinished autobiography, Harper Brothers only ran an initial printing of 3,000 copies, which sold out in two weeks, putting *Economics in One Lesson* on the *New York Times* bestseller list for two weeks before dropping from the

³⁷⁰ Margit von Mises, 65.

³⁷¹ Ibid., 94.

list entirely, no further copies being available for sale.³⁷² Harpers and subsequent publishers eventually pushed sales of the book over one million, with a dozen foreign translations adding to the total.³⁷³ It was an auspicious beginning for Read's new organization.

The Fallout with Ayn Rand.

The Foundation for Economic Education had had a promising first year. The organization had blossomed from an idea on paper into fully-staffed operation. Business leaders sat on its board, donations from corporations and foundations began to flow, and Henry Hazlitt's *Economics in One Lesson* was a runaway success. Ludwig von Mises, who enjoyed an international reputation as a free-market economist, was a member of the Foundation's staff. That said, Read and the Foundation experienced growing pains during the first year. In no respect was this more apparent than the ideological battle that Read had with Ayn Rand regarding the Foundation and its purpose.

Before they had their falling out in the fall of 1946, Leonard Read and Ayn Rand knew and respected each other. It is not surprising that they would at first be on friendly terms. After all, in a political environment in which both were quick to find enemies, they were on the same side. Read had established a reputation as a solid defender of free market thought at the L.A. Chamber of Commerce and Rand had attained fame with the publication of *The Fountainhead*, a novel which brought her uncompromising brand of individualism to a wide audience for the first time when it was published in 1943. In

³⁷² Hazlitt, Henry. *My Life and Conclusions* (unpublished manuscript, Henry Hazlitt Papers, Foundation for Economic Education Archives), 54.

³⁷³ *Ibid.*, 54.

some ways it is surprising that Read and Rand were not closer, since their social networks overlapped, both in Los Angeles and New York. In fact, it is likely they would have known each other better had it not been for a series of near misses. While Read was working in Seattle in the 1930s, Rand was in Los Angeles writing screenplays. By the time Read moved to Los Angeles in 1939, Rand had moved to New York to finish *The Fountainhead*. Then, when Read himself moved to New York in 1945, Rand had returned to Hollywood. That said, they had been on good terms and had even managed to collaborate on a project when Read arranged to have Pamphleteers, Inc. publish Rand's novel *Anthem*, in 1946. Yet there was a subtle difference between them that fractured their working relationship.

In the early 1940s Rand had played with the idea of creating her own organization to promote her philosophy of individualism. In the letters she wrote to friends describing her venture, one sees the fundamental differences between Rand and Read.³⁷⁴ Writing to her friend Channing Pollock regarding her proposed organization, Rand wrote that the “first aim” of the organization would be “*intellectual and philosophical* – not merely political and economic. We will give people a *faith* – a positive, clear and consistent system of belief,” she told him.³⁷⁵ She dismissed organizations that in her words were “merely fighting for the system of private enterprise” and whose “entire method consists of teaching and clarifying the nature of that system.” As she explained, “We want to go deeper than that.”³⁷⁶

³⁷⁴ See Berliner, Michael S., ed. *Letters of Ayn Rand*. (New York: Penguin, 1995), 44-63.

³⁷⁵ *Ibid.*, 54.

³⁷⁶ *Ibid.*, 54.

By “deeper,” Rand meant that her defense of capitalism was not based on a cost-benefit analysis, but a moral defense of individual rights. It was the difference between a rights-based and utilitarian approach. For Rand, whatever the consequences, individuals had an immutable right to own property. Read and Carver, on the other hand, did not support free enterprise solely because it accorded with their beliefs in individual freedom (though it did) but also because of the wealth generating power of markets. Despite these philosophical differences, there was little reason to think that Rand and Read would be unable to collaborate in the effort to promote free enterprise. Rand, however, was exceedingly intolerant of those whose thinking in any way departed from her own.

In early 1946, Rand encouraged Read to leave the N.I.C.B. and create his own organization to promote capitalism, telling him to “Run from the National Industrial Conference Board as fast as you can.”³⁷⁷ But after reading one of Read’s early outlines for what would become the Foundation for Economic Education, Rand instantly cooled. In a letter dated February 28, 1946, Rand took Read to task for his utilitarian instincts. “You imply that the cause of the world’s troubles lies solely in people’s ignorance of economics and that the way to cure the world is to teach it the proper economic knowledge,” she chided. “This is not true – therefore your program will not work.”³⁷⁸ What he needed to understand, Rand insisted, was that “the root of the whole modern disaster is philosophical and moral.”³⁷⁹ To Rand, Read’s utilitarianism offered only a

³⁷⁷ Ibid., 253.

³⁷⁸ Ibid., 257.

³⁷⁹ Ibid., 257.

weak, even pusillanimous, defense of free enterprise. His whole line of argumentation was, she told him:

. . . akin to saying, ‘Dear pinks, our objective, like yours, is the welfare of the poor, more general wealth, and a higher standard of living for everybody – so please let us capitalists function, because the capitalist system will achieve all these objectives for you.’³⁸⁰

Despite these criticisms, Rand hastened to compliment Read, telling him that she regarded him as “the only man in my acquaintance who has the capacity to translate abstract ideas into practical action and to become a great executor of great principles.” Her criticism, she explained, was a result not of animus on her part toward him or his cause. It was attempting to prevent him from failing in “what could be a great undertaking” only because he had, in her words, based his efforts “on the wrong premise and in the wrong direction.”³⁸¹

Rand wrote to Read again in August of 1946. By this time the Foundation had moved into its new headquarters and had already disseminated several publications. From the tone of the letter it is apparent that Rand did not approve of much of this work. The problem was that the Foundation was merely advocating free enterprise when what was needed, according to Rand, was a philosophical defense of individualism. Moreover, Rand felt that the Foundation was too moderate in the positions it took. To Rand, not only was any form of compromise unsavory but the intellectual world was already

³⁸⁰ Ibid., 259.

³⁸¹ Ibid., 261.

populated with books and thinkers that presented what in her mind was a moderate defense of the market. The current environment being what it was, she explained, “the Hayeks and such other compromisers are allowed to get through, the kind who do more good to the communist cause than to ours.”³⁸² As Rand saw it, the Foundation should only publish hardcore libertarian tracts. To prevent any further publishing mistakes she suggested that Read send her copies of all the materials the Foundation planned on distributing for her approval. Apparently Rand did not recognize that her offer was in any way intrusive. She was, after all, just trying to save Read from error. She signed her letter as “your fighting ghost,” a nickname that represented, at least to her, her unofficial position as a “ghost” editor for the Foundation.³⁸³

If Rand was growing increasingly frustrated with Read and the output of the Foundation for Economic Education over the summer of 1946, her displeasure boiled over into anger in the fall. The resulting break between her and the Foundation would never be breached. The occasion for the rupture was the publication, in September of 1946, of a Foundation study on rent control written by two young academic economists, Milton Friedman and George Stigler. The article, entitled *Roof or Ceilings?*, presented a strong argument against rent control policies. In a tightly argued paper, Friedman and Stigler carefully laid out the unintended consequences of rent control policies. As Friedman and Stigler explained, the situation facing policy makers was the problem of housing availability. By limiting what landlords could charge for renting out property, rent control policies were designed to make housing less expensive and, therefore, more readily available. Friedman and Stigler’s article did not quarrel with the intentions of the

³⁸² Ibid., 299.

³⁸³ Ibid., 300.

policy makers who drafted these regulations, and readily conceded that increasing available housing was a worthy goal. The question they posed was simply whether or not rent control achieved its stated goal. It was a question of how best to ration a scarce resource. On the one hand, policymakers could rely on the price mechanism of the market to regulate how housing resources were distributed. Such a policy might lead to higher rents, but it would also prod developers to build more units, encourage landlords to keep their properties in good condition, and encourage those renters to economize on space by sharing units. Rent controls, on the other hand, only benefited the lucky few who were able to find housing. With less ability to profit by their efforts, developers would not have as much incentive to produce new housing units. With the value of their rental properties reduced, landlords had less incentive to keep them in optimal condition. And, finally, those able to find rent controlled units, since housing was less expensive, had less reason to economize scarce housing resources by sharing space with roommates. Rent control policies, Friedman and Stigler argued, were a poor way to accomplish the goals the policy was set out to achieve.

The Foundation made the pamphlet widely available, distributing 36,000 copies to their mailing lists and libraries and distributing half a million copies of a condensed version to the National Association of Real Estate Boards.³⁸⁴ Although Friedman and Stigler had advocated the abolition of rent control policies, a position with which she agreed, Rand was enraged by the article and the subsequent mailing. To her the entire tone and line of reasoning of the piece were inappropriate. Like the academic economists they were, Friedman and Stigler weighed the costs and benefits of rent control policies

³⁸⁴ Henry Hazlitt, "The Early History of FEE," www.libertyhaven.com/theoreticalorphilosophicalissues/history/earlyhistory.html [accessed 06/10/06].

and concluded that controls were inefficient public policy. But for Rand, the problem with rent control had nothing to do with trade-offs and unintended consequences. For Rand it was a question of morality, not economics. According to Rand, landlords ought to be free to do what they wished with their property without interference from policymakers. If landlords wished to charge what seemed to be exorbitant rates of rent, that was their prerogative, plain and simple. Whether the collective decisions of landlords led to more or less available housing did not concern Rand in the least.

On September 12 she fired off an angry letter to Read. “I offered you my services, without charge, to protect your publications from internal treachery,” she scolded him. “You chose not to take advantage of the offer. And you have published a booklet [*Roofs or Ceilings?*] which is, without exception, the most pernicious thing ever issued by an avowedly conservative organization.”³⁸⁵ So angry was Rand that she appealed her case to Mullendore. As a trustee of the Foundation, Rand argued, Mullendore had a responsibility to make a stand against the publication of articles such as the one produced by Friedman and Stigler. In a lengthy letter, Rand made clear her problems with the article. For one, she resented the fact that the economists nowhere discussed the concept of rights. “Not one word,” she complained, “about the inalienable right of landlords and property owners. Not one word about the inalienable right of tenants to pay whatever they wish to pay. Not one word about any kind of principles.”³⁸⁶ Second, she despised the detached scholarly tone Friedman and Stigler had employed. On this point Rand was apoplectic, and she capitalized her words for emphasis:

³⁸⁵ Berliner, *Letters of Ayn Rand*, 320.

³⁸⁶ *Ibid.*, 326.

... I SUBMIT THAT IN A CIVILIZED SOCIETY ONE DOES NOT INCLUDE THE SOCIALIZATION OF PRIVATE HOMES AMONG THE SOCIAL 'POSSIBILITIES' – AND ONE DOES NOT DISCUSS IT IN THAT TONE OF CALM, ACADEMIC DETACHMENT, AS IF IT WERE A COURSE AS PROPER TO CONSIDER AS ANY OTHER.³⁸⁷

Third, Rand thought it inappropriate that Friedman and Stigler had used the term “rationing” to the workings of the price system, despite the fact that such usage was standard among economists. Friedman and Stigler, of course, were simply making the case that the invisible hand of the market “rationed” scarce housing resources better than the policy of rent control. The term rationing, Rand implied, had negative implications and for reasons of propaganda should never be applied to the market. What Rand demanded to know from Mullendore was why Read would “hire two reds, with money entrusted to him by conservatives anxious to preserve Capitalism?” at a time when “good, competent conservative writers are being blacklisted and starved by the pink clique that controls so many commercial magazines.”³⁸⁸ So incensed was Rand that she concluded, “I can permit myself no further cooperation of any kind with that Foundation.”³⁸⁹

What Rand did not realize was that over the summer Watts and Read had attempted to get Stigler and Friedman to agree to include more forceful language. It was something that Stigler and Friedman did not accept. In a letter to Watts, Stigler

³⁸⁷ Ibid., 326.

³⁸⁸ Ibid., 327.

³⁸⁹ Ibid., 327.

explained, “We have sought to keep more of the original tone of dispassionate evaluation, whereas your suggestions accentuate its polemical character. We feel that our approach is somewhat more effective and, in any case, is the way we feel and write.”³⁹⁰ At one point, Stigler considered withdrawing the article. To Stigler, there was little more than “dubious fame” in the publication for both him and Friedman and “the complete loss of our reputations if we started suppressing our own views.”³⁹¹ He also confided to Friedman that “the Foundation itself was in one hell of a position if it was printing only stereotype.”³⁹² “If the realtors and the Foundation are representative of the leading defenders of private enterprise, I can draw no optimism from this event.”³⁹³

Rand’s response to *Roofs or Ceilings?* was so disproportionate with the alleged failings of the article that it is difficult to believe that the problem only involved the pamphlet’s tone and the form of argumentation. While Rand was no doubt genuinely perturbed by those things, part of her anger had to do with the fact that she had hoped to have editorial control over the publications of the Foundation and the publication of *Roofs or Ceilings?* demonstrated that this would not be the case. “I think I had better tell you the whole story of what makes me so indignant against Read personally,” Rand later confided in a letter to Rose Wilder Lane. Leonard Read “had always told me that he considered me one of the best and most strict authorities on the proper philosophy of our

³⁹⁰ Letter from George Stigler to V. Orval Watts, 8/7/1946, published in Hammond, J. Daniel and Claire H. Hammond, eds. *Making Chicago Price Theory: Friedman-Stigler correspondence, 1945-1957*. (New York: Routledge, 2006), 19.

³⁹¹ Ibid., 32.

³⁹² Ibid., 32.

³⁹³ Ibid., 32.

side” she explained.³⁹⁴ She told Lane how she had “offered him before he started the Foundation to serve as an unofficial editor for all his publications” and that “he was to send me everything he intended to publish, in manuscript, and I was to mark every passage that betrayed our cause in any way, and then give him my detailed reasons for considering it objectionable.”³⁹⁵ Yet Rand had seen *Roofs or Ceilings?* only after its publication, revealing that she would have little, if any, influence on what the Foundation would publish. In short, her feelings had been hurt. Leonard Read and Ayn Rand would never reconcile. Rand could not join a program over which she did not possess overall control, a personal quality that would forever alienate her from the conservative movement.³⁹⁶

Mont Pelerin.

Rand’s misgivings about economists went beyond the work of Milton Friedman and George Stigler. Rand criticized anyone who made the consequentialist case for laissez-faire in the detached language of cost-benefit analysis and trade-offs, including Henry Hazlitt and Ludwig von Mises.³⁹⁷ In Rand’s opinion, economists who framed their defense of capitalism in terms of efficiency and productivity failed to understand that capitalism was desirable simply because it respected individual rights. It was for this reason that Rand held the work of Friedrich Hayek in special contempt. In a letter to

³⁹⁴ Berliner, *Letters of Ayn Rand*, 335.

³⁹⁵ *Ibid.*, 335.

³⁹⁶ For a discussion of Ayn Rand’s relationship to the conservative movement, see Jennifer Burns, “Godless Capitalism: Ayn Rand and the Conservative Movement,” *Modern Intellectual History*, 1, 3 (November 2004): 1-27.

³⁹⁷ Berliner, *Letters of Ayn Rand*, 308, 331.

Rose Wilder Lane, Rand referred to Hayek as “our most pernicious enemy” and “real poison.”³⁹⁸

Although Rand had serious problems with Hayek, those associated with the Foundation for Economic Education admired him. Henry Hazlitt, for instance, had praised Hayek’s *The Road to Serfdom* as “one of the most important books of our generation” in the *New York Times*.³⁹⁹ “It restates for our time,” Hazlitt wrote, “the issue between liberty and authority with the power and rigor of reasoning that John Stuart Mill stated the issue for his own generation in his great essay, ‘On Liberty.’”⁴⁰⁰ Mullendore was also fond of Hayek. When Hayek made a postwar visit to the United States he gave a talk to Read’s old friends at the L.A. Chamber of Commerce. Reporting to Read of the event, W.C. Mullendore wrote, “Mr. Hayek was here this week – I liked him. He spoke before the Free Enterprise and Manufacturing Industries group at the Chamber of Commerce and made a very good impression.”⁴⁰¹

Six months after the publication of *Roofs or Ceilings?* Leonard Read and the Foundation staff got to know Friedrich Hayek much better by participating in the inaugural meeting of the Mont Pelerin Society in Switzerland. Representing the Foundation at the meeting were Read, Mises, Hazlitt, Watts, and Harper. The meeting immediately met Hayek’s goal of fostering interaction and collaboration among classical liberal scholars. Funded, as all American participants of the conference were, by the

³⁹⁸ Ibid., 308.

³⁹⁹ Hazlitt, Henry. “An Economist’s View of Planning.” (*New York Times Book Review* 9/24/1944), 1.

⁴⁰⁰ Ibid., 1.

⁴⁰¹ Letter from W.C. Mullendore to Leonard Read, 7/11/1946, Leonard Read Papers, Foundation for Economic Education Archives.

Volker Fund, the Foundation contingent traveled to Europe on the Queen Elizabeth with several participants from the University of Chicago. As Hazlitt recalls, on the journey to Europe he and V.O. Watts shared quarters with Milton Friedman, George Stigler, and Frank Knight. “I’ve forgotten the exact seating arrangement,” Hazlitt wrote in his memoirs, “but I remember that Milton Friedman and I got into a friendly argument every night . . .”⁴⁰²

At the Mont Pelerin Conference itself, the Foundation staff members played an important role. Mises, for instance, balked at the name Hayek suggested for the organization, the Acton-Tocqueville Society, and suggested as an alternative the name “Mont Pelerin.”⁴⁰³ In addition, Henry Hazlitt served on the committee to draft a Statement of Aims and wrote an early draft of this document.⁴⁰⁴

In the postwar era, the Foundation of Economic Education served as a model organization for conservative activists. Later organizations such as the Institute for Humane Studies, Liberty Fund, and the Cato Institute all built on the model that Leonard Read devised in the 1930s and 1940s. So influential was Read’s leadership that Friedrich Hayek would later remark:

When twenty-one years ago some friends helped me to organize that meeting on Mont Pelerin in Switzerland, some of them told me that there was in the United States a man extremely good in interpreting libertarian ideas to the public. And as it had from the beginning been the aim of that

⁴⁰² Hazlitt, Henry. *My Life and Conclusions*, 61.

⁴⁰³ *Ibid.*, 64.

⁴⁰⁴ Hartwell, R.M. *History of the Mont Pelerin Society*. (Indianapolis: Liberty Fund, 1995), 40.

group not to confine itself to theoreticians, but in include persons who would interpret its conclusions to the general public, Leonard Read seemed to be an ideal person to invite. He certainly has fulfilled this expectation . . .⁴⁰⁵

⁴⁰⁵ Foundation for Economic Education pamphlet. "What's Past is Prologue: A Commemorative Evening to the Foundation for Economic Education on the Occasion of Leonard Read's Seventieth Birthday." (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1968), 41-2.

Chapter Four: The Second Thoughts of Roscoe Pound

I cannot conceive that a nation can live and prosper without a powerful centralization of government. But I am of the opinion that a centralized administration is fit only to enervate the nations in which it exists . . .
 – Alexis de Tocqueville⁴⁰⁶

In 1950 Henry Steele Commager published *The American Mind*, a landmark book covering the intellectual history of the early decades of the twentieth century.

Commager, a man of respectable left-of-center views, singled out for praise men such as Thorstein Veblen, John Dewey, and Charles Beard; men who in his view had moved American thought toward increased sophistication from the 1890s to the 1940s. While Commager was not reticent about praising those he admired, he spoke in especially glowing terms of the legal scholar Roscoe Pound. For Commager, Pound's biggest contribution was to divorce American law from the theoretical straightjacket that was nineteenth century legal theory. Through his sociological jurisprudence, Pound helped judges understand that the consequences of their decisions mattered just as much if not more than their fidelity to legal abstractions.

Pound was not the only one to get credit for this development in the law, as Commager also credited Oliver Wendell Holmes Jr. with the shift in legal thought. Yet it remained for Pound, in Commager's words, to "formulate systematically that whole body of progressive legal thought which the historians, economists, psychologists, and jurists of the previous generation had advanced in fragmentary – or polemical – form, to augment it with contributions from Continental scholarship, fortify it with his own

⁴⁰⁶ Toqueville, Alexis de. *Democracy in America, Volume 1*. (New York: Vintage, 1990), 87.

prodigious erudition, and to illuminate it with his liberal and catholic spirit.”⁴⁰⁷

Commager’s praise for Pound was effusive: Pound’s scholarship “uncovered the whole history of American law,” “his ardent mind illuminated every aspect of the law,” “his imagination envisioned a new kind of law . . . both equitable and humane.” “He belongs,” Commager wrote, “with Ward and Veblen and Dewey, among those scholars who by learning, insight, and intellectual gallantry have transformed American institutions.”⁴⁰⁸

Commager’s encomium to Pound was premature. In the early decades of the twentieth century Pound had worked to free the law from the restrictive dictates of legal abstractions, but by the 1940s he worried that the legal profession had gone too far in the opposite direction. Pound had previously fought a system that he felt was hidebound to outdated theories, yet he now despaired at the spread of legal theories that ridiculed as “abstractions” all fixed principles and metaphysical commitments. At the very same time that Commager wrote his encomium, Roscoe Pound was himself having grave doubts about the transformation in law he had done much to unleash.

Pound’s transformation from progressive reformer to conservative activist is a fascinating yet virtually unknown chapter in intellectual history. Several scholars, including David Wigdore, N.E.H. Hull, and Michael Willrich, have touched on Pound’s change-of-heart. Yet the full extent of Pound’s involvement with the incipient conservative movement has gone unnoticed. When David Rabban refers to Pound as “the leading legal figure in the effort by political progressives and philosophical pragmatists in the early twentieth century to promote the use of government power for the public

⁴⁰⁷ Commager, Henry Steele. *The American Mind*. (New York: Bantam, 1950), 386.

⁴⁰⁸ *Ibid.*, 386-7.

welfare,” historians recognize a familiar figure.⁴⁰⁹ They are less familiar, however, with the Roscoe Pound who served on the Advisory Board of the American Enterprise Association (along with Milton Friedman), who praised the work of Friedrich Hayek, joined the Foundation for Economic Education, and lent his distinguished support to Richard Nixon’s first presidential campaign.⁴¹⁰

Early Career.

Pound’s early life certainly did not foreshadow a career in the highest echelons of the legal academy. Born in Lincoln, Nebraska in 1872, he grew up far from the centers of learning. Although as a child he demonstrated great intellectual ability (it was said he possessed a near photographic memory) his early interest was in science, not the law. Pound earned a doctorate in botany from the University of Nebraska in 1897 and began his career there as a professor of botany.

In addition to his botany classes, Pound taught in the law school at Nebraska. The reason for this was that he had studied at the Harvard Law School during the 1889-1890 academic year. Although Pound went to Harvard only at the prodding of his father, and because he looked forward to having access to Harvard’s famed herbarium, Pound quickly developed a deep interest in the law.⁴¹¹ Pound would later write that after his single year at Harvard he “began the course of systematic reading of all I could lay hand upon in Roman law, comparative law, jurisprudence and legal history which I have kept

⁴⁰⁹ Raban, David. *Free Speech in Its Forgotten Years*. (New York: Cambridge University Press, 1997), 179, 184-9.

⁴¹⁰ Letter from Richard M. Nixon to Roscoe Pound, 9/1/1960, Box 54, Folder 3, Roscoe Pound Papers, Harvard Law School Library.

⁴¹¹ Wigdore, David. *Roscoe Pound: Philosopher of Law*. (Westport, C.T.: Greenwood Press, 1974), 31.

up ever since.”⁴¹² It is a testament to the quality of Pound’s mind that, although largely self-taught, he was able to distinguish himself enough to be made Dean of the Nebraska School of Law by 1904.

Pound first gained national attention as a rising legal scholar in 1906. The occasion was the annual meeting of the American Bar Association, held that year in Minneapolis, at which Pound delivered a paper entitled “The Causes of Popular Dissatisfaction with the Administration of Justice.” In the speech, Pound made a powerful case for what would become known as “sociological jurisprudence.” The argument Pound presented was that the law is not a collection of timeless, inflexible rules, but an organic institution that changed within society. The “popular dissatisfaction” to which Pound referred in the title of his talk came about when legal systems did not change with the surrounding society. “The most important and most constant cause of dissatisfaction with all law at all times is to be found in the necessarily mechanical operation of legal rules.”⁴¹³ “From time to time more or less reversion to justice without law becomes necessary in order to bring the public administration of justice into touch with changed moral, social or political conditions.”⁴¹⁴ There was tension between the “individualist spirit of the common law” and the “collectivist spirit of the present age.”⁴¹⁵ Since the individualist element of the American system was cast in the form of written constitutions, it was especially hard for the United States to move beyond “common law dogmas,” unlike England, where the absence of a written

⁴¹² Pound, Roscoe. *Jurisprudence*, Vol. 1. (St. Paul: West Publishing Co., 1959), x.

⁴¹³ Pound, Roscoe. “The Causes of Popular Dissatisfaction with the Administration of Justice.” *Reports of the American Bar Association* 29, 1 (1906): 396.

⁴¹⁴ *Ibid.*, 396.

⁴¹⁵ *Ibid.*, 399.

constitution enabled the law to adapt to changing conditions.⁴¹⁶ “Our administration of justice is not decadent,” he contended, “It is simply behind the times.”⁴¹⁷

Pound’s argument provocatively challenged prevailing legal views. For most of the previous century, legal scholars had viewed timelessness and permanence as the law’s great strength. The Constitution, after all, had set in stone a formula to protect the God-given natural rights of its citizens. To suggest that the law needed to change as society changed implied that rights were neither natural nor permanent.

The Bar Association speech first brought Pound to national attention. It also led to Pound moving to Chicago, where he taught at Northwestern until 1909. During his time in Chicago, Pound published a series of articles that fleshed out the ideas he first proposed in his speech. Most notable of these early efforts was Pound’s attack on the “freedom of contract” published in the *Yale Law Review* in 1909.⁴¹⁸ The influential article, simple titled “Liberty of Contract,” was an intellectual tour de force. Pound organized his article around a pivotal question: “Why is the legal conception of the relation of employer and employee so at variance with the common knowledge of mankind?”⁴¹⁹ Why was it that the law treated employers and employees as equals when the experiences of modern industrial society suggested that employers wielded a degree of power in the marketplace far outweighing that of their employees.

Pound believed the problem to be the persistent belief in natural rights.

According to Pound, the idea that laws originated from higher principles than man had

⁴¹⁶ Ibid., 400.

⁴¹⁷ Ibid., 406.

⁴¹⁸ Roscoe Pound. “Liberty of Contract,” *The Yale Law Journal* 18 (May, 1909): 454-487.

⁴¹⁹ Ibid., 454.

infused legal thinking in the United States from the years of its founding. It was, he said, “the fundamental assumption of our elementary books and of our professional philosophy” and “the theory of our Bill of Rights.”⁴²⁰ With its substantial protections of individual rights the U.S. Constitution demonstrated what natural rights theory could accomplish. But, Pound observed, what the Founders had achieved was “the practical securing of each individual against arbitrary and capricious governmental acts. They intended to protect the people against their rulers, not against themselves.”⁴²¹

What Pound meant by this was that courts ought not use their powers to thwart progressive reforms such as minimum wage legislation. While in theory such policies might violate the natural right of an individual to enter into any agreement he wished, it was not an arbitrary exercise of power. First, democratically elected representative assemblies, not autocracies, created such progressive policies. Second, the new policies reflected new realities. The ideal of the independent yeomen farmer (the independence of whom was perhaps exaggerated to begin with) was grossly out-of-place in modern industrial society. By sticking to mechanistic rules without regard for societal changes, courts inadvertently sheltered injustice and undermined their own legitimacy.

By 1911 Pound’s accelerating reputation brought him an offer from Harvard Law School, where he pulled his thoughts together in a three part essay titled, “The Scope and Purpose of Sociological Jurisprudence,” in successive issues of the *Harvard Law Review*. In “The Scope and Purpose of Sociological Jurisprudence,” Pound brought together the arguments that he had developed since his 1906 speech in front of the American Bar, and fleshed them out with more explicit theory and a deeper historical context. The *Harvard*

⁴²⁰ Ibid., 467.

⁴²¹ Ibid., 467.

Law Review series provided an impressive coda to half a decade of research and writing and established Pound as the leading legal scholar of the day.

In 1916, he became the Dean of the Harvard Law School, a position he held until his retirement in 1936. Although he was active in administrative affairs, Pound still found time for research. In 1922 he and his Harvard colleague Felix Frankfurter collaborated on what would become a well-known study of crime and the way it was reported in the media.⁴²² They showed that a crime wave that supposedly occurred in Cleveland in 1919 was little more than a media phenomenon. The actual number of offenses during the “crime wave” varied little from the number of crimes before it. They went on to show that the idea that the city was experiencing a crime wave affected policy-making in Cleveland, as outraged citizens demanded that city officials do something about the problem. Their study was a powerful demonstration of the usefulness of sociological study in the law. The law was not simply a collection of fixed rules and their steady application by officials, but rather a complicated sociological phenomenon.

At first blush Pound’s writings were a one-sided defense of reform, both politically and their approach to the law. Those who looked closely, however, could recognize a germ of traditionalism in Pound’s views. For instance, in a series of lectures Pound gave in 1923 he would proclaim, “We are not compelled to choose, as has been assumed, between a regime of atomistic individualism or one of state omniscience and concentration of all powers and functions in politically ordered society.”⁴²³ Instead,

⁴²² Pound, Roscoe and Felix Frankfurter. *Criminal Justice in Cleveland*. Cleveland: The Cleveland Foundation, 1922.

⁴²³ Pound, Roscoe. *Criminal Justice in America*. (New York: Henry Holt and Company, 1930), 215.

Pound proclaimed, there was a need to “transcend both nineteenth-century individualism and nineteenth-century socialism.”⁴²⁴

By the end of the 1920s Pound’s moderate relativism made him the target for a younger generation of scholars who were building on the insights he had pioneered in his early essays on sociological jurisprudence. In 1930, leaders of a new generation of legal scholars such as Karl Llewellyn and Jerome Frank viewed Pound’s moderate historicism as an embarrassment, the mark of a man who was, for whatever reason, afraid to follow the implications of his insights to their logical conclusion. Calling themselves “legal realists” to signal their emancipation from any romanticism in their hard-boiled scholarship of the law, Llewellyn and Frank attacked the notion that the law consisted of external rules and timeless truths. In this respect, legal realism differed little from sociological jurisprudence. As William Wiececk observes in *The Lost World of Classical Legal Thought*, “Realist thought was both a continuation of the Holmes-Pound criticism of classical legal thought, and the legal expression of the late-Progressive agenda.”⁴²⁵ Despite these similarities, Pound had a hostile reaction to legal realism. A closer look at the movement reveals why.

Two books published in 1930, Karl Llewellyn’s *The Bramble Bush* and Jerome Frank’s *Law and the Modern Mind* articulated the realist challenge to legal theory. Llewellyn’s *Bramble Bush* was taken from lectures Llewellyn gave at Columbia in 1929 and 1930. His lectures were directed to incoming law students and were meant to

⁴²⁴ Ibid., 215.

⁴²⁵ Wiececk, William. *The Lost World of Classical Legal Thought*. (New York: Oxford University Press, 1998), 198.

provoke them to think about the nature of legal practice. To the question “what is the law?”, Llewellyn suggested that it was nothing more than the actions of judges, lawyers, policemen, and everyone associated with legal issues. Society was filled with disputes, Llewellyn observed, and the law was nothing more than the way in which these conflicts were resolved. It was a provocative definition. As Llewellyn himself noted, most observers – whom he referred to as “the orthodox” or the “idealist” – would have defined the law as a set of principles.⁴²⁶ Those who shared his view of the law were called “cynics” and “realists.”⁴²⁷ As he put it, the law may “guide” but not “control” legal decisions.⁴²⁸ “There is no precedent,” Llewellyn claimed, “the judge may not at his need either file down to razor thinness or expand into a bludgeon.”⁴²⁹

The argument Llewellyn presented in *The Bramble Bush* seemed congenial with Pound’s sociological jurisprudence. Yet when Llewellyn published his essay “A Realistic Jurisprudence – The Next Step” in the same year, he singled out Pound for criticism. It appears that Pound’s moderate antiformalism annoyed Llewellyn, who felt that Pound failed to follow the insights of sociological jurisprudence to their logical conclusion. While praising Pound’s work, saying at one point that it was “full to bursting of magnificent insight,” Llewellyn complained that it remained “on a fringe of insight.”⁴³⁰

⁴²⁶ Llewellyn, Karl N. *The Bramble Bush: On Our Law and Its Study*. (New York: Oceana Publications, Inc., 1996), 95.

⁴²⁷ *Ibid.*, 95.

⁴²⁸ *Ibid.*, 180.

⁴²⁹ *Ibid.*, 180.

⁴³⁰ Karl N. Llewellyn, “A Realistic Jurisprudence – The Next Step,” *Columbia Law Review* 30 (April 1930): 435, n.3.

Jerome Frank's *Law and the Modern Mind* was much more polemical than *The Bramble Bush*. Frank likened belief in timeless legal truths to an emotional failing. The answer to the question "Why do men seek unrealizable certainty in law?" was that "they have not yet relinquished the childish need for an authoritative father and unconsciously have tried to find in the law a substitute for those attributes of firmness, sureness, certainty and infallibility ascribed in childhood to the father."⁴³¹ Frank referred to lawyers as "a profession of rationalizers"⁴³² What he meant by this was that lawyers and judges simply used the law to justify positions that they had already arrived at; legal scholarship was little more than sophistry.

Frank praised the work Pound had done to discredit the belief in mechanistic jurisprudence. But he criticized Pound for not fully appreciating the implications of his critique of universal legal standards. "Pound has never completely freed himself of rule-fetishism," Frank complained.⁴³³ Analyzing quotes that demonstrated Pound's attempt to navigate a *via media* between absolute skepticism and timeless standards, Frank criticized Pound for being "aware of judicial realities, yet reluctant to relinquish entirely the age-old legal myths."⁴³⁴ "We must stop telling stork-fibs about how the law is born and cease even hinting that perhaps there is still some truth in Peter Pan legends of a juristic happy hunting ground in a land of legal absolutes."⁴³⁵

⁴³¹ Frank, Jerome. *Law and the Modern Mind*. (New York: Brentano's Publishers, 1930), 21.

⁴³² *Ibid.*, 22.

⁴³³ *Ibid.*, 214.

⁴³⁴ *Ibid.*, 215.

⁴³⁵ *Ibid.*, 244.

Pound responded to the attacks of Llewellyn and Frank in an article titled, “The Call for a Realist Jurisprudence,” published in the *Harvard Law Review* in 1931.⁴³⁶ On the one hand Pound applauded the realists for their trenchant criticisms of legal orthodoxy. On the other hand he pointed out that criticism alone could not establish a satisfactory philosophy of law. As Pound put it, “such critical activity, important as it is, is not the whole of jurisprudence, nor can we build a science of law which shall faithfully describe the actualities of the legal order and organize our knowledge of these actualities, merely on the basis of such criticism.”⁴³⁷ What Pound meant by this was that studying how the law worked in practice was not the whole extent of legal scholarship. It was also necessary to discuss what the law ought to be. By burying themselves in empiricism, the legal realists simply became the reversed mirror image of the nineteenth century jurists who had focused on abstract concepts at the expense of historical and sociological reality. Whereas scholars in the previous century “insisted on the pure fact of law,” Pound observed, the realist scholar abandoned theory for “the pure fact of fact.”⁴³⁸ Both ways of approaching the law were faulty. As Pound put it, “The dogma of a complete body of rules to be applied mechanically was quite out of line with reality. It is just as unreal and unjustifiably dogmatic to refuse to recognize the function of the quest for certainty as contributing to the general security.”⁴³⁹ Pound closed his article by calling for a broad-minded approach to the law. There was much work to do to create such a catholic

⁴³⁶ For a detailed examination of Pound’s relationship with Karl Llewellyn and their debates over legal realism, see Hull, N.E.H. *Roscoe Pound and Karl Llewellyn: Searching for an American Jurisprudence* (Chicago: The University of Chicago Press, 1997), 173-222.

⁴³⁷ Roscoe Pound, “The Call for a Realist Jurisprudence,” *Harvard Law Review* 44 (March 1931): 699.

⁴³⁸ *Ibid.*, 700.

⁴³⁹ *Ibid.*, 707.

approach to legal study and “[i]f the time and energy expended on polemics were devoted to that work, jurisprudence would be more nearly abreast of its tasks.”⁴⁴⁰

Pound’s article provoked an angry response from Llewellyn in the subsequent issue of the *Harvard Law Review*.⁴⁴¹ While it is clear from the tone of the article that he was incensed by Pound’s criticism, Llewellyn’s rebuttal was curious. On the one hand, he repeatedly denied that there existed a coherent realist movement for Pound to criticize. “One thing is clear,” wrote Llewellyn. “There is no school of realists. There is no likelihood that there will be such a school. There is no group with an official or accepted, or even with an emerging creed.”⁴⁴² Yet while Llewellyn claimed that there was no coherent movement, he was certain that Pound had gotten his criticisms of this non-group quite wrong. They were not nihilistic, but skeptical. In substance, there was little in Llewellyn’s response to suggest that Pound had misunderstood the realist movement (however loose that movement might be defined).

On the one hand, the fight between Pound and legal realism was academic. Pound took issue with what he saw as the realist’s extremism and worried that the movement had nihilistic overtones. On the other hand, proponents of legal realism such as Karl Llewellyn and Jerome Frank were quick to scold Pound for what they saw as his lingering commitment to fixed legal rules and procedures. Yet behind these academic disputes, were political differences between Pound and the legal realists. It was not the

⁴⁴⁰ Ibid., 711.

⁴⁴¹ Only Llewellyn received authorial credit for the attack. However, as Llewellyn explained, “Jerome Frank refused me permission to sign his name as joint author to this paper, on the ground that it was my fist which pushed the pen. But his generosity does not alter the fact that the paper could not have been written without his help.” Karl N. Llewellyn, “Some Realism about Realism – Responding to Dean Pound,” *Harvard Law Review* 44 (June 1931): n. 1222.

⁴⁴² Ibid., 1233-4.

first time political differences alienated Pound from would-be allies. Politics were largely behind the falling out between Pound and Felix Frankfurter, a feud that Laura Kalman says “dominated Harvard Law School between 1928 and Pound’s resignation as dean in 1936.”⁴⁴³

Frankfurter’s biographer Michael Parrish reports that an initial disagreement between Pound and Frankfurter over the size of the Harvard law faculty (Frankfurter thought the faculty should be kept small while Pound wanted to expand it) reached new levels of vituperation when Frankfurter took a very public stand in the Sacco and Venzetti case.⁴⁴⁴ President Lowell signed a report supporting the conviction and execution of the condemned men and Frankfurter resented Pound’s quiescence on the matter. Frankfurter believed Pound was too deferential to the reactionary Harvard President. Moreover, Pound’s trust in the judicial process provided cover for what was a miscarriage of justice. Frankfurter was more apt to fuse scholarship with political activism than Pound, and as time went on this tendency drew a sharp line between the two colleagues and erstwhile friends. Frankfurter was angered by the fact that Pound would condemn the Sacco and Venzetti trial but would not take a public stand. As N.E.H. Hull puts it, “Pound’s reputation as a progressive reformer and the mentor of the new jurisprudential thinkers was in jeopardy, but Pound would not cross the line from private discourse to public pronouncement.”⁴⁴⁵

⁴⁴³ Kalman, Laura. *Legal Realism at Yale, 1927-1960*. (Chapel Hill: The University of North Carolina Press, 1986), 58.

⁴⁴⁴ Parrish, Michael E. *Felix Frankfurter and His Times: The Reform Years*. (New York: The Free Press, 1982), 151-9; 176-196.

⁴⁴⁵ Hull, N.E.H. *Roscoe Pound and Karl Llewellyn: Searching for an American Jurisprudence*. (Chicago: The University of Chicago Press, 1997), 164.

The political differences that divided Frankfurter and Pound in the 1920s were minor compared to the political differences that separated Pound from the legal realists. The Depression and Roosevelt's New Deal suffused his debate with the realists with a sense of urgency. Inside the academy the realists proclaimed that the law was no more than what was officially done, and in Washington the New Deal proceeded seemingly without outside restraints. To Pound, the connection between extreme theories of the realists and abrupt rise of a large, centralized bureaucracy in Washington was all too clear.⁴⁴⁶

Jerome Frank, the most publicly visible and radical of the realists, eagerly went to Washington in the early days of Roosevelt's presidency, seeing in the New Deal a chance to put his ideas into practice. In *The Coming of the New Deal*, the second volume of his *Age of Roosevelt* trilogy, Arthur Schlesinger describes how in 1933 Frank, "yearning for public service, arrived in Washington . . . and asked what he could do."⁴⁴⁷ Rexford Tugwell invited him to take a position at the newly created A.A.A., where their job was ostensibly to remake the nation's farm policy. In practice, Frank and Tugwell had a more expansive view of their work at the A.A.A., believing that their efforts in agricultural reform would point the way forward for other sectors of the economy. The grandiose nature of their plans annoyed George Peek, the director of the A.A.A., who complained that the two ought to keep in mind that they worked at the Department of Agriculture,

⁴⁴⁶ For overviews of lawyers and the New Deal see Jordan A. Schwartz, *The New Dealers: Power Politics in the Age of Roosevelt* (Knopf, 1993), Peter Irons, *The New Deal Lawyers* (Princeton, 1982), Ronen Shamir, *Managing Legal Uncertainty: Elite Lawyers in the New Deal* (Duke, 1995).

⁴⁴⁷ Schlesinger, Arthur M. Jr. *Age of Roosevelt: The Coming of the New Deal*. (Boston: Houghton Mifflin, 1965), 49.

not, as he put it, the “Department of Everything.”⁴⁴⁸ The house Frank shared with Tugwell became a gathering spot for New Dealers with large ambitions. It was a heady environment. “Night after night,” reports Schlesinger, “stray lawyers, economists, newspapermen, and innocent bystanders appeared at the house he shared with Tugwell and indulged heavily in conversation and bourbon.”⁴⁴⁹ A friend of Frank’s who visited the house, taken by the intensity demonstrated by Tugwell at these meetings, told Frank that “this morning at your breakfast table I saw the face of Robespierre.”⁴⁵⁰

The realist contention that the law was a flexible institution intended to serve rather than restrict the activities of policy makers was a perfect fit with Roosevelt’s willingness to experiment with policy. The memoirs of Thomas Emerson, a twenty six year old lawyer who arrived in Washington in 1933, perfectly capture the situation. “The situation was unusually fluid, with very little red tape.”

New agencies were being created and new policies determined. New enterprises were springing up all over. Anyone with ability could very nearly create his own job within an agency, or at least assume as much responsibility as he could take on. The times were astoundingly enlivening, in a way never since equaled in government. Even World War II did not quite arouse the last ounce of energy as did the early New Deal.⁴⁵¹

⁴⁴⁸ Quoted in Schlesinger, Arthur M. Jr. *Age of Roosevelt: The Coming of the New Deal*. (Boston: Houghton Mifflin, 1965), 52.

⁴⁴⁹ *Ibid.*, 50.

⁴⁵⁰ *Ibid.*, 50.

⁴⁵¹ Emerson, Thomas I. *Young Lawyer for the New Deal: An Insider’s Memoir of the Roosevelt Years*. (Savage, MD: Rowman & Littlefield Publishers, 1991), 7.

To Rexford Tugwell, Jerome Frank, and the earnest young professionals like Thomas Emerson, the spirit was one of hope and excitement. Tugwell and Frank saw Roosevelt's penchant for experimentation in policy making as a long-overdue realization that modern governance needed to be free from the constraining economic and legal dogmas of the previous century. Pound, however, saw in this spirit of experimentation and flexibility a dangerous lack of legal procedure. Initially, it was not so much *what* was being done but rather *how* it was being done that caused Pound such concern.

Government by Administration.

Historian Michael Willrich has insightfully observed that Pound's "volte-face" in the 1930s can be attributed to his concern over the sudden importance of Administrative agencies in the 1930s.⁴⁵² This insight demands further attention. Doing so brings to light the important, and often overlooked, battle that took place in the 1930s and 1940s over the procedures that would oversee a greatly expanded federal bureaucracy.

Administrative agencies were not a new phenomenon when Roosevelt assumed the Presidency in March of 1933, yet the proliferation of new agencies in the first fifteen months of the New Deal transformed Washington. Within the first fifteen months of his presidency, Roosevelt issued 674 executive orders which, when published, ran to 1,400 pages.⁴⁵³ A report issued by the House of Representatives noted that this "was a greater volume than that of the preceding 4 years, and nearly six times as great as that for the 39

⁴⁵² Willrich, Michael. *City of Courts: Socializing Justice in Progressive Era Chicago*. (New York: Cambridge University Press, 2003), 317.

⁴⁵³ United States. Cong. House. Committee on the Judiciary. *Publication of Governmental Rules and Regulations (to accompany H.R. 6323)*. 74th Cong., 1st sess. H. Rept. 280. (Washington: GPO, 1935), 1.

years from 1862 through 1900.”⁴⁵⁴ In addition to these executive orders, administrative agencies issued regulations at a prodigious rate. In its first year of activity, for instance, the National Recovery Administration alone had issued 2,998 orders, the details of which were available only to those willing to comb through the nearly six thousand press releases that the Agency issued during that year.⁴⁵⁵ According to the report, the Executive Branch was creating “an avalanche of Executive orders, decrees, regulations, notices, and codes.”⁴⁵⁶

The 1934 Supreme Court decision *Panama Refining Co. v. Ryan* exemplified the problems that could arise with such a quick expansion of law-making.⁴⁵⁷ *Panama Refining Co. v. Ryan* involved Federal regulation of the petroleum industry. The National Industrial Recovery Act gave the President the power to regulate the oil industry. In the summer of 1933 Roosevelt used this authority to issue an executive order banning the interstate transport of oil produced in excess of strict legal limits and charged his Secretary of the Interior, Harold Ickes, to enforce the order. Ickes established regulations requiring those who bought or shipped petroleum to submit sworn monthly statements to agents of the Department of the Interior giving the names any concern that had sold or transported oil, their address, and details on the amount of oil shipped. Two Texas companies, the Panama Refining Company and the Amazon Petroleum Corporation, sued for relief from these regulations, claiming that the Department of Interior had no constitutional authority to regulate them in this manner. As the case wended its way

⁴⁵⁴ Ibid., 1.

⁴⁵⁵ Ibid., 1.

⁴⁵⁶ Ibid., 1.

⁴⁵⁷ For an insightful overview of *Panama Refining Co. v. Ryan* and its significance, see Peter Irons, *The New Deal Lawyers* (Princeton, 1982), 58-74.

through the federal appellate system, several problems came to light.

One problem was the faulty procedures for public notice. Executive orders and the regulatory pronouncements had the force of law and one violated them at the risk of fines and imprisonment. Yet unlike statutory law, which was codified in government publications such as *Statutes at Large* and the *U.S. Code*, there was no single place for interested parties to consult in order to apprise themselves of executive law or to appeal to if controversy arose.⁴⁵⁸ Since at any given moment there were thousands of regulatory pronouncements being issued and updated, keeping up with what regulations were in effect at any given time was difficult. The situation was a problem for regulators and the regulated, alike. While preparing their case for the Supreme Court, government lawyers in the *Panama Refining Co. v. Ryan* case realized, to their horror, that a glitch in the publication of the executive order and regulations in question made criminal prosecution of the Panama Refining Co. impossible. The problem was that when FDR had issued his executive order giving the Secretary of the Interior the authority to regulate the petroleum industry, a clerical mistake led to the published order failing to include language that outlined penalties for violating the Secretary of Interior's regulations.⁴⁵⁹ The only way the Panama Case was able to proceed at all was that the case hinged on whether or not the Federal Government had the Constitutional authority to regulate the industry, not whether the involved oil companies were guilty of violating codes. It was clear to all involved that the current way of publicizing regulatory pronouncements was severely inadequate.

⁴⁵⁸ For a contemporary's overview of the problem, see Erwin N Griswold, "Government in Ignorance of the Law: A Plea For Better Publication of Executive Legislation." *Harvard Law Review* 48 (December 1934): 198-215.

⁴⁵⁹ Carl Brent Swisher, "Federal Organization of Legal Functions," *The American Political Science Review* 33 (December 1939): 981-4.

Another problem was that there was too little oversight of the actions of regulatory agencies. This was the issue that led the Court to rule against the government's case in *Panama Refining Co. v. Ryan*. Writing for the majority in the Panama decision, Justice Hughes said, "we look to the statute to see whether Congress . . . has set up a standard for the President's action."⁴⁶⁰ Looking at the language of the National Industrial Recovery Act, the Supreme Court concluded that Congress had given too much power to the Executive branch without proper legal safeguards. There was no procedure outlined for the ways in which regulations, which functioned as law, were created, enforced, and adjudicated. By ruling in favor of the defendants, the Supreme Court stipulated that due process requirements applied to Administrative agencies every bit as much as they applied to the legislature and the judiciary.

Congress addressed the inadequate system of public notice by passing the Federal Register Act of 1935. The new law provided for the codification of administrative law in a new publication, the *Federal Register*, which would serve as the authoritative source for executive law. According to this Federal Register Act, no regulation issued by an executive agency would take effect until sixty days after it had been printed in the *Federal Register*. While this took care of the issue of publicizing regulatory decisions, the Federal Register Act scarcely began to address the substantive issues regarding proper Administrative procedure and oversight.

The issue of how to handle the oversight of administrative agencies was not new, as legislators had been talking about the challenges of overseeing the new administrative

⁴⁶⁰ *Panama Refining Co. v. Ryan*, 293 U.S. 388 (1935)

agencies since at least the late 1920s.⁴⁶¹ But after 1937 the issue took on a newfound immediacy. This was because critics of the New Deal initially relied on the Supreme Court to abolish agencies that they objected to, such as the N.R.A. Roosevelt's convincing reelection in 1936, the subsequent court-packing plan, and the Constitutional Revolution of 1937, made clear to these critics that they had to make concessions to the new administrative dispensation. Since the new administrative landscape was here to stay, critics concentrated their efforts not on abolishing administrative agencies but rather on governing them. In the process they transformed the debate from one involving the constitutionality of the New Deal to one of how best to regulate the regulators.

Leading the fight was the Special Committee on Administrative Law of the American Bar Association. The ABA had established the committee in May of 1933. Yet the importance of the committee and the advocacy of the ABA regarding administrative law increased exponentially in 1938. To demonstrate its renewed focus to the issue, the ABA tapped Roscoe Pound to head the Special Committee on Administrative Law. The timing was perfect for Pound. He had retired from Harvard in 1936 and was able to fully dedicate himself to the issue of administrative reform. According to George Shepherd, Pound "pinch hit" for the committee and, bringing his reputation and expertise to the committee's work, "transformed the debate" on administrative reform.⁴⁶² In 1938 Pound authored a report for the ABA's special committee on administrative law that described the problems with current administrative practices and included the text of proposed legislation to correct them. The report,

⁴⁶¹ For detailed account of the reform of administrative law from the 1920s to the passage of the Administrative Procedure Act in 1946, see George B. Shepherd, "Fierce Compromise: The Administrative Procedure Act Emerges from New Deal Politics," *Northwestern University Law Review* 90, 4: 1557-1683.

⁴⁶² *Ibid.*, 1590.

published in the ABA's 1938 annual report, provides a fascinating look into Pound's concerns during the 1930s. It launched a political debate over administrative procedure that continued for the next eight years.

Pound's concern with administrative procedure was an offshoot of his feud with the legal realists. He feared that "administrative absolutism" had "made great headway especially in American institutions of learning."⁴⁶³ In an undisguised rebuke to the realists, Pound noted that administrative absolutism was a result of the belief that "law is whatever is done officially."⁴⁶⁴ To him the idea that the law was little more than what was done, without regard for how and why it was done, was an endorsement of the insidious doctrine of might makes right. Administrative law, he contended, had to be made to function within the framework of "constitutional checks and balances and the legal doctrine of the supremacy of the law."⁴⁶⁵

To ensure that administrative law had a strong foundation, strict procedural guidelines had to be put into place for administrative activity. The trick, Pound wrote, was to strike the right balance between "the guaranteed rights of individuals" on the one hand and the "effective securing of public and social interests" on the other.⁴⁶⁶ The report proposed legislation to achieve this balance in several ways. First, the proposed legislation simultaneously reduced the amount of time agencies had to publish announcements in the *Federal Register* and gave people affected by regulations more time to comply. It also provided for "a full and fair hearing" for those accused of

⁴⁶³ American Bar Association. *Annual Report of the American Bar Association* Volume 63 (1938): 339.

⁴⁶⁴ *Ibid.*, 339.

⁴⁶⁵ *Ibid.*, 340.

⁴⁶⁶ *Ibid.*, 342.

violations of administrative law.⁴⁶⁷ These hearings would take place no later than thirty days after the person charged had been notified of the alleged violation and a decision on the case would be arrived at no later than thirty days following the public hearings.

The most substantive and controversial element of the proposed legislation involved judicial review of administrative agencies. It provided for judicial review in two ways. First, any person who objected to a regulation published in the *Federal Register* could petition the U.S. Court of Appeals for the District of Columbia to review the constitutionality of the regulation in question. The Court would then have the authority “to approve or annul the rule.”⁴⁶⁸ Second, the bill proposed to turn the U.S. Court of Appeals for the D.C. Circuit into the venue for all who wished to appeal the rulings that resulted from administrative hearings. If the public hearings at the agency level failed to resolve disputes, the person (or company) accused of regulatory violations could appeal their case to the U.S. Court of Appeals.

In response to Pound and the activities of the ABA’s Special Committee on Administrative Law, two Democratic Congressman, Representative Francis Walter from Pennsylvania and Senator Marvel Logan from Kentucky, proposed legislation that adopted almost all of the ABA’s suggestion. Their Walter-Logan Bill adopted the ABA report’s calls for a more robust form of public reporting, public hearings, and judicial review. As the bill made its way through various Congressional committees it polarized supporters and detractors of the bill. Over the next year, the Walter-Logan Bill became the front on which the battle over the New Deal raged.

⁴⁶⁷ Ibid., 364.

⁴⁶⁸ Ibid., 363.

Pound engaged in numerous public efforts, both in print and through public speeches, to support administrative reform. Writing in *United States Investor* in the fall of 1938, Pound sounded the warning against “administrative absolutism.” What had been lost in the current political environment, Pound argued, was a sense of moderation. Experience had shown that a healthy state moderated the interests “between society and the individual, between regimented co-operation and free individual initiative and activity, between nation and state, between state and neighborhood, between legislative and executive and judiciary.”⁴⁶⁹ The problem of imbalance long preceded the New Deal. The idea of individual freedom from state interference had been taken “much too far” in the closing decades of the nineteenth century.⁴⁷⁰ As he put it, “we carried too far the idea of checks upon the exercise of governmental authority and overworked the machinery of judicial review of governmental action with reference to constitutional limitations.”⁴⁷¹

From the unhappy experiences of the nineteenth century, however, the direction of government had gone toward the “other extreme” of “administrative absolutism.”⁴⁷² “From an idea of the individual as self-sufficient economic unit,” wrote Pound, “we have been swinging to the opposite extreme of an idea of the complete interdependence of individuals, to be promoted by the dependence upon the national government.”⁴⁷³ Pound ended his essay with an ominous prediction. “In the end,” Pound warned, “administrative

⁴⁶⁹ Pound, Roscoe. “Some Implications of Recent Legislation.” *United States Investor* (November 5, 1938): 29.

⁴⁷⁰ *Ibid.*, 30.

⁴⁷¹ *Ibid.*, 30.

⁴⁷² *Ibid.*, 30.

⁴⁷³ *Ibid.*, 30.

absolutism must stand upon a political absolutism.”⁴⁷⁴ That is, the proliferation of administrative agencies would ultimately lead to the creation of an all-powerful, centralized state.

In a 1940 article entitled “The Twilight of Liberty” in the U.S. Chamber of Commerce’s monthly periodical *Nation’s Business*, Pound alerted the business community to the fact that their traditions of “rights, liberty, property, [and] law” were under threat “with the rise of new absolutisms” of the totalitarian state.⁴⁷⁵ Pound laid the blame for these developments at the feet of the legal realists, whose skepticism “embraced a dogmatic acceptance of the idea of the general welfare as a maximum satisfaction of material wants as absolutely as the last century identified it with a maximum of free individual self-assertion.”⁴⁷⁶ While in the past the law had been based on a philosophy that provided the law with a “stabilizing and organizing method” the teachings of the realists were based on “fashionable . . . give-it-up philosophies which disclaim the possibility of directing or creating or stabilizing.”⁴⁷⁷

In addition to his publications in the popular press, Pound campaigned against “administrative absolutism” at the nation’s law schools. In a series of lectures at Duke in 1938 and 1939, Pound renewed his attack on legal realism. Although there was no need to embark on the past’s century’s “quest for absolute objectivity,” he told his audience,

⁴⁷⁴ Ibid., 32.

⁴⁷⁵ Pound, Roscoe. “The Twilight of Liberty.” *Nation’s Business* (August, 1940), 15.

⁴⁷⁶ Ibid., 42.

⁴⁷⁷ Ibid., 46.

there was danger in adopting the extreme skepticism of the realists.⁴⁷⁸ “Philosophy of law must develop a positive side,” he wrote.⁴⁷⁹ The alternative was an “extreme of skepticism” which was as philosophically unjustified as it was politically dangerous. Extreme skepticism was “congenial” to administrative absolutism, said Pound.⁴⁸⁰ In fact, it had “much in common in its practical applications with the doctrine of disappearance of law and a regime of administrative orders which obtained for a time in Soviet Russia.”⁴⁸¹

Pound also connected philosophical skepticism with the ominous growth of Administration at a speech at the University of Pittsburgh in 1940. “Philosophy of law, to which we had always turned for help when the law found itself struggling to achieve new tasks, fails us,” Pound said, “It gives up.”⁴⁸² He hastened to add in his speech that he was not against administrative action *per se*. “I recognize the need of administration, and of a great deal of it, in the urban industrial society of today,” he explained. “But to admit that development of the administrative process is necessary does not involve admitting that it should be free of checks such as a due balance between the general security and the individual life has led us to impose on both the legislative and the judicial processes.”⁴⁸³

⁴⁷⁸ Roscoe Pound, “American Juristic Thought in the Twentieth Century,” published in Judd, Charles Hubbard. *A Century of Social Thought: A Series of Lectures Delivered at Duke University during the academic year 1938-1939 as part of the centennial celebration of that institution*. (Durham, N.C.: Duke University Press, 1939), 169.

⁴⁷⁹ *Ibid.*, 171.

⁴⁸⁰ *Ibid.*, 169.

⁴⁸¹ *Ibid.*, 169.

⁴⁸² Pound, Roscoe. *Administrative Law: Its Growth, Procedure and Significance*. (Pittsburgh: University of Pittsburgh Press, 1942), 25.

⁴⁸³ *Ibid.*, 26.

Pound claimed that he was a moderate who only wished to reform administrative procedure by adding a few safeguards, but President Roosevelt and his supporters viewed Pound and the ABA as reactionaries with a political axe to grind. This assessment was not without justification. It was impossible to separate those who truly supported procedural reform and those who were simply attempting to continue their campaign against the New Deal with whatever tools they had at hand. As a result, Roosevelt viewed the Walter-Logan Bill as an attack on his political program and began to prepare a counterattack. On February 16, 1939 Roosevelt instructed his attorney general, Homer Cummings, to establish a committee to undertake “a thorough and comprehensive study” of the administrative procedures in use by the various executive agencies “with a view to detecting any existing deficiencies and pointing the way to improvements.”⁴⁸⁴

It was clear to all involved that the mission of the Attorney General’s Committee on Administrative Procedure was to counteract the work of the ABA’s Special Committee on Administrative Law. The “intellectual leader” of the committee was its thirty three year old director Walter Gellhorn.⁴⁸⁵ Gellhorn had studied law at Columbia, where he edited the law review, and then worked in Washington after graduating in 1931. After a stint as a Supreme Court clerk, Gellhorn returned to Columbia in 1933 to teach in the law school. Over the course of the 1930s he taught at Columbia while simultaneously serving in a number of government capacities, working in the office of the solicitor general, the Social Security Administration, and the Office of Price Controls. In many

⁴⁸⁴ Attorney General’s Committee on Administrative Procedure. *Final Report of the Attorney General’s Committee on Administrative Procedure*. (Washington, D.C.: GPO, 1941), 252.

⁴⁸⁵ Davis, Kenneth C. and Walter Gellhorn, “Present at the Creation: Regulatory Reform Before 1946,” *Administrative Law Review* 38 (1986): 524.

ways Gellhorn epitomized the lawyers who flocked to Washington in the 1930s. He was young, talented, and politically progressive. He accepted his work on the Attorney General's Committee on Administrative Procedure with alacrity, seeing it as an opportunity to protect the New Deal from forces of political reaction.

After over a year of debate, Congress passed the Walter-Logan bill in 1940, and Roosevelt promptly vetoed the legislation, saying that he wanted to wait until the Attorney General's Committee on Administrative Procedure issued their final report before taking action on the issue of administrative reform. The report was a thinly disguised excuse for vetoing a bill that Roosevelt had no intention of supporting. Roosevelt was waiting for the Attorney General's committee to provide a justification for his opposition to substantial administrative reform. When the committee finally issued its report on January 22, 1941, Roosevelt was not disappointed.

The *Final Report of the Attorney General's Committee on Administrative Procedure* was a brilliant defense of administrative action. In his criticism of administrative practices, Pound tended to speak in abstractions. And in theory the fact that agencies had the power to make and enforce the law without oversight was alarming. Yet the Gellhorn report convincingly demonstrated that what was alarming in theory was in practice benign. Under Gellhorn's direction, the report of the Attorney General's Committee on Administrative Procedure eschewed talk of theory, and instead produced a painstakingly detailed catalog of the procedures in use in the various federal agencies. The report overwhelmed readers with its litany of administrative procedure at the Post Office, the Department of Agriculture, the U.S. Tariff Commission, the S.E.C., and the U.S. Maritime Board, among others. Pound had criticized the realists for making a fetish

of facts and ignoring the importance of principle. Gellhorn's report on administrative law, however, demonstrated in practice how effective this practice could be, as the report had stayed away from statements of principles and stuck closely to matters of fact. In the end, this investigation demonstrated the incredible complexity and variability of administrative procedure. In light of such complexity, the committee was able to agree on only one generality – and that was that generalizations such as those made by Pound and the ABA committee were neither accurate descriptions of administrative action nor helpful guides to reforming it.

Consider the dangers Pound thought inherent in the intermingling of the roles of prosecutor, judge, and jury in one agency. The report contended that this was of little concern. "It is important, the Committee believes, not to make the mistake of conceiving of an agency as a collective person and concluding that, because the same agency initiates action and renders decision thereafter, the same person is doing both."⁴⁸⁶ "These types of commingling of functions of investigation or advocacy with the function of deciding are thus plainly undesirable. But they are also avoidable and should be avoided by appropriate internal division of labor."⁴⁸⁷ In fact, most agencies had already provided for internal hearings to hear disputes and had created different internal offices to deal with the roles of prosecutors and judges. These practices amply demonstrated that it was unnecessary to have an outside institution such as the U.S. Court of Appeals for the District of Columbia oversee administrative agencies. Instead, the good practices established at many of the agencies could be instituted at all of them.

⁴⁸⁶ Attorney General's Committee on Administrative Procedure, 56.

⁴⁸⁷ *Ibid.*, 56.

Gellhorn countered Pound's lectures with a series of his own. In May of 1941 Gellhorn delivered a series of lectures at Johns Hopkins that formed the basis of his book *Federal Administrative Proceedings*. The first in the series, "The Administrative Agency – A Threat to Democracy?" directly addressed the criticisms Pound had been making against administrative procedures. While pronouncements of Pound and the ABA committee might give the impression that administrative theory had been cooked up by academics with utopian visions, Gellhorn reminded his audience that administration had developed not "to satisfy an abstract governmental theory," but had been the spontaneous result of governmental action "to cope with problems of recognized public concern."⁴⁸⁸ Pound no doubt would have agreed with Gellhorn's claim that administration was part and parcel of modern life, yet Gellhorn went on to make claims that Pound found unacceptable. Most importantly, Gellhorn rejected the call for legislative or judicial oversight of administrative rulings, including the punishments and fines that agencies handed out to those who ran afoul of their policies. For Gellhorn, such demands for oversight were unnecessary and impractical. For one, the sheer volume of cases made it logistically difficult for agency appeals to be judged by any external institution. Second, since the issues involved with these administrative issues concerned technical matters, anyone assessing regulatory compliance needed to have a working familiarity, if not expertise, with the issues involved. These two hurdles convinced Gellhorn that the appeal of regulatory rulings could be handled within the institutional confines of the involved agency.

⁴⁸⁸ Gellhorn, Walter. *Federal Administrative Proceedings*. (Baltimore: The Johns Hopkins Press, 1941), 5.

To those who worried that administrators acted as legislators, judges, and executives all at once, or who complained that bureaucrats were acting both as judge and jury, Gellhorn offered several responses. He reiterated that the number of cases in which regulators acted as both judge and jury were extremely rare and that the duties of prosecution and evaluation could be kept separate within administrative agencies, thereby precluding the need for judicial review. At bottom, however, it was clear that Gellhorn simply had more faith than Pound in the probity of bureaucrats. As Gellhorn put it, “The ‘prosecutor’s zeal,’ if such there be, is tempered by responsibility of the agency heads for the successful administration of laws assigned to their assignment.”⁴⁸⁹ Gellhorn simply did not understand how Pound, in good faith, could believe in the judicial oversight of administrative agencies. Moreover, he viewed the proposals for administrative reform as little more than cynical ploys to hamstring the workings of government. “Some of those who urge the separation of agencies, I suggest, are not seeking to correct an evil, but to introduce the possibility of administrative incoherence,” said Gellhorn.⁴⁹⁰

Gellhorn won his feud with Pound in virtually all respects. The Walter-Logan Bill did not survive Roosevelt’s veto and, when a compromise bill was passed in 1946, the idea of judicial oversight of administrative procedure was scrapped, never to return. Additionally, Pound’s views on “administrative absolutism” failed to carry much influence within the legal academy. Law schools across the nation quickly adopted

⁴⁸⁹ Ibid., 37.

⁴⁹⁰ Ibid., 39.

Walter Gellhorn's textbook on administrative procedure, *Administrative Law: Cases and Comments*, which eventually would run through seven editions.⁴⁹¹

Pound among the conservatives.

In a 1986 interview about the role he played in establishing modern administrative law, Walter Gellhorn referred to Pound's role in the debates over administration as "hysterical stirrings."⁴⁹² "It's just fantastic, some of the things that Pound said in those days," Gellhorn recalled.⁴⁹³ The disappointments of the 1930s had had a profound effect on Roscoe Pound. While his early essays were models of scholarly breadth and reflection, by the late 1930s his work tended to be alarmist, polemical, and repetitive. Pound's claim that administrative process in federal agencies foreshadowed totalitarianism was certainly overwrought. Yet the failure to reform administrative law marked the beginning, not the end, of Pound's career as a conservative polemicist.

Pound involved himself with the incipient conservative movement in a number of areas. The first involved one of Pound's former students, Pierre Goodrich.⁴⁹⁴ Goodrich, who was the son of a former Indiana Governor, had first met Pound when he was a student at the Harvard Law School in 1916-7. Two decades later Goodrich was a successful Indiana businessman who was deeply alarmed by the New Deal policies. To Goodrich, an economic conservative, New Deal policies ran counter to economic logic and the fact that such policies were popular demonstrated a lack of economic

⁴⁹¹ Gellhorn, Walter. *Administrative Law: Cases and Comments*. Chicago: Foundation Press, 1940.

⁴⁹² Davis, Kenneth C. and Walter Gellhorn, "Present at the Creation: Regulatory Reform Before 1946," 514.

⁴⁹³ *Ibid.*, 514.

⁴⁹⁴ See Dane Starbuck, *The Goodriches: An American Family* (Indianapolis: The Liberty Fund, 2001).

sophistication at large. In the early 1940s Goodrich began to use his position as a benefactor and trustee of a small liberal arts school in Indiana, Wabash College, to propagandize on behalf of free market conservatism. Goodrich's plan was to sponsor a lecture series at Wabash in which leading free market thinkers would deliver a series of lectures that would result in a published book. One of the first intellectuals Goodrich arranged to bring to campus was Roscoe Pound.

Pound met with Goodrich in 1944 to discuss the possibility of Pound lecturing at Wabash and producing a book-length project based on the talks.⁴⁹⁵ Pound suggested that he base his lectures on "the history of the legal and constitutional guarantees of freedom."⁴⁹⁶ The topic was not unrelated to the work Pound had done on administrative procedure. In fact, the proposed talk was a historical attack on the administrative discretion that Gellhorn and the Attorney General's Committee on Administrative Procedure had sought to justify. The lectures, which Pound delivered at Wabash in 1945, argued that that current administrative behavior was not only a step toward fascism but was also incompatible with the development of constitutional restraints on government dating back to the signing of the Magna Carta in 1215. Eventually these lectures would be published as *The Development of Constitutional Guarantees of Liberty*.

The success of this early collaboration convinced Goodrich to lure Pound to Wabash full-time to head a proposed Roscoe Pound Institute of Government at the small college. At first blush, the idea of Pound leaving Harvard for a relatively unknown college in Indiana seemed a highly unlikely proposition. Yet Goodrich hoped that

⁴⁹⁵ Starbuck, Dane. *The Goodriches: An American Family*. (Indianapolis: The Liberty Fund, 2001), 360

⁴⁹⁶ *Ibid.*, 360

Pound's political commitments would convince him to join Wabash and use the institute of law as a sounding board for conservative ideas.⁴⁹⁷

Although Pound declined Goodrich's offer to join the faculty at Wabash, their collaboration lasted until Pound's death in 1964. According to Goodrich biographer Dane Starbuck, Pound's increasingly unpopular political utterances cost Pound an increase in his Harvard pension. The claim is dubious. It is clear, however, that Pound looked to Goodrich for financial support, and the businessman sponsored Pound while the aging scholar completed his multi-volume coda to his life's work, *Jurisprudence*.⁴⁹⁸ As for Goodrich, his plan to use Wabash as a sounding board for conservative ideas was a success, as he brought scholars such as Friedrich Hayek, Milton Friedman, and William F. Buckley, Jr. to the small campus.⁴⁹⁹ Goodrich himself would go on in the 1960s to become an active member of the Mont Pelerin Society, a member of the Foundation for Economic Education's Board of Directors, and the founder of the Liberty Fund, a libertarian organization modeled on FEE.⁵⁰⁰

In addition to his work with Goodrich, Pound began an association with Leonard Read, Henry Hazlitt and the Foundation for Economic Education. The first contact between Pound and FEE came in the form of a letter Pound wrote to Henry Hazlitt in January of 1947. Pound wrote to Hazlitt commending him for an article criticizing activist judges that had run in *Newsweek*. Hazlitt had criticized what he saw as the

⁴⁹⁷ See letters from James Fessler to Roscoe Pound, 9/4/1945 and 9/15/1945 and letters from Roscoe Pound to James Fessler 9/8/1945 and 10/3/1945, Roscoe Pound Collection, Wabash College Archives.

⁴⁹⁸ Ibid., 364.

⁴⁹⁹ Milton Friedman's lectures at Wabash in 1956 led to his influential polemic on behalf of the free market *Capitalism and Freedom* (Chicago, 1962).

⁵⁰⁰ See Dane Starbuck's *The Goodriches: An American Family*. (Indianapolis: The Liberty Fund, 2001).

continued blurring of the lines between judges and legislators. Judges no longer upheld the law as written, Hazlitt complained, and instead used their position to further their political agendas. Pound agreed with Hazlitt's negative assessment. "It is not going to be easy for the law to recover from the injury which has been done it in the last dozen years," he told Hazlitt.⁵⁰¹ The problem was that "too large a proportion of the judges think of themselves not as judges but as statesmen."⁵⁰²

In 1949, Pound gave a lecture under the auspices of an organization called the American Economic and Business Foundation. The lecture became the basis of an article entitled "The Rise of the Service State and Its Consequences," which was published in the 1952 collection of essays *The Welfare State and the National Welfare: A Symposium on Some of the Threatening Tendencies of Our Times*.⁵⁰³ The essay provides striking evidence of the distance that Pound had traveled over the previous twenty years in his political views. In "The Rise of the Service State and Its Consequences," Pound did not limit himself to attacking the administrative means through which the "service state" functioned. Rather, Pound attacked the very goals of the welfare state itself.

The "service state," as Pound defined it, "instead of preserving peace and order and employing itself with maintaining the general security, takes the whole domain of human welfare for its province and would solve all economic and social ills through its administrative activities."⁵⁰⁴ According to him, the service state had been "creeping up

⁵⁰¹ Letter from Roscoe Pound to Henry Hazlitt, 1/17/1947, Henry Hazlitt Papers, Foundation for Economic Education Archives.

⁵⁰² Ibid.

⁵⁰³ Glueck, Sheldon, ed. *The Welfare State and the National Welfare: A Symposium on Some of the Threatening Tendencies of Our Times*. Cambridge: Addison-Wesley Press, Inc., 1952.

⁵⁰⁴ Ibid., 211.

on us in the present century” in a manner similar to the effects of an alcoholic beverage Pound called “planter’s punch.”⁵⁰⁵ The remarkable quality of this drink was that you were not aware of its potency until you were already drunk. Such was the nature of the welfare state. Like planter’s punch, Pound explained, it “creeps up on you surreptitious and clandestine.”⁵⁰⁶

Echoing the theme of Friedrich Hayek’s *The Road to Serfdom*, Pound argued that a government that attempted to provide for the general welfare of its citizens could devolve into tyranny. “Unless we are vigilant,” Pound warned, “the service state may lead to a totalitarian state.”⁵⁰⁷ Pound offered a grab-bag of explanations for this hypothesis, some more reasonable than others. Like Hayek, Pound argued that if the government were charged with ensuring for the general welfare of all its citizens, the administrative requirements that would be needed to meet these needs would be immense. It would call for “supermen administrators” who were “omnicompetent and equal to taking over the whole domain of the general welfare.”⁵⁰⁸

Another explanation Pound offered for the dangers of the service state was that it would squelch efforts at self-help and private initiative. Not only would citizens look to the state rather than to themselves for their needs, but government administrators would view those who worked to help themselves with suspicion and jealousy. As Pound put

⁵⁰⁵ Ibid., 211.

⁵⁰⁶ Pound, Roscoe. “The Rise of the Service State and Its Consequences,” published in Sheldon Glueck, ed. *The Welfare State and the National Welfare: A Symposium on Some of the Threatening Tendencies of Our Times*. (Cambridge, M.A.: Addison-Wesley Press, Inc., 1952), 211.

⁵⁰⁷ Ibid., 213.

⁵⁰⁸ Ibid., 213.

it, “Self-help by the individual, competing with the service rendered by the state, seems an interference with the regime maintained by the government.”⁵⁰⁹

A third reason involved the Constitution and the difference between positive and negative rights. The U.S. Constitution, as evidenced by the Bill of Rights, consisted of negative rights, or what Pound called “prohibitions of governmental action.”⁵¹⁰ This conception of Constitutional rights differed greatly from positive rights, such as opportunities for leisure or a specified minimum standard of living. Calls for guarantees to a certain level of financial comfort might sound good in theory, argued Pound, but they offered little guidance as to how these goals might be practically achieved. Moreover, Pound wanted no part of a government that redistributed wealth among its citizens. According to Pound, “A government which regards itself as, under pretext of extending a general welfare service to the public, entitled to rob Peter to pay Paul, and is free from constitutional restraints upon legislation putting an element or group of the people for the whole, had a bad effect on the morale of the people.”⁵¹¹

A published version of the speech, which Pound delivered around the country, included portions of question and answer sessions that followed his talk. Pound’s responses to some of the questions provide an interesting look at his thinking. In New Castle, Pennsylvania, Pound railed against government pensions. The beneficiary of such a plan, said Pound, “is to have a pleasant parasitic existence the rest of his life, at the

⁵⁰⁹ Ibid., 213.

⁵¹⁰ Ibid., 214.

⁵¹¹ Ibid., 220.

expense of those who are engaged in productive activity.”⁵¹² In Sharon, Pennsylvania a questioner asked Pound, “Are the people in Great Britain more politically advanced than we?” To which Pound responded, “Yes, they are more politically advanced, if moving toward a totalitarian state is advanced.”⁵¹³ Explaining his position further Pound said, “You can see you can’t go on indefinitely putting burdens on business and industry and the involuntary Good Samaritan until you have killed off business and industry, and then where are you going to find the involuntary Good Samaritans? Our economic order can be pushed just so far, and, after all, we will some day reach a limit.”⁵¹⁴ There seemed to be little left of the young Pound who, in 1906, had launched an attack on the freedom of contract and all the formalistic premises on which it rested.

In 1951, while he was a visiting professor of law at UCLA, Pound lunched with Leonard Read, Thomas Nixon Carver, Robert A. Millikan in Los Angeles. In the same city a decade earlier Read and Carver had successfully turned the Chamber of Commerce into the first free market think tank.⁵¹⁵ In 1920 the distance between Pound and Carver was so stark, that a critical reviewer of Thomas Nixon Carver’s *Principles of Political Economy* had regarded him as an opponent of Pound. “In a world that has become organically collectivistic, Carver remains a primitive individualist,” the reviewer wrote. “He has not yet seen, with Roscoe Pound, that . . . ‘the juristic thinking of the present must start from the proposition that individual interests are to be secured by law because

⁵¹² Pound, Roscoe. *The Rise of the Service State and Its Consequences*. (New Wilmington, P.A.: The Economic and Business Foundation, 1949), 24.

⁵¹³ Ibid., 31.

⁵¹⁴ Ibid., 32.

⁵¹⁵ Letter from Leonard Read to Fred Fairchild, 12/27/1951, Box 240, Folder 6, Roscoe Pound Papers, Harvard Law School.

and to the extent that they are social interests. . . .”⁵¹⁶ By 1950, however, Pound and Carver were allies, and both were deeply disturbed by a growth of government that thirty years earlier had only bothered Carver.

While Pound had previously corresponded with Henry Hazlitt, their 1951 meeting was the first between Pound and FEE president Leonard Read. Pound came away impressed. Writing to Read after the meeting, Pound praised Read’s work at FEE, saying that he believed that Read had “made a discovery in the matter of effective propaganda for economic and political truth.”⁵¹⁷ After the meeting, Pound became a loyal member of the Foundation for Economic Education. Writing to Read in January 1952 to renew his dues, he explained that he was “sorry I can’t make it more, because I firmly believe in the competency of the Foundation to bring home effectively to the thinking element in the country how to set forth a sound statement of free markets and the moral philosophy on which it rests.”⁵¹⁸ “But please remember,” he continued, “that the income of a retired professor doesn’t enable him to contribute according to his feelings.”⁵¹⁹ What Pound could not contribute in financial resources, however, he could make up for by lending his considerable expertise (and prestige) to FEE’s mission. In 1953 he was elected, along

⁵¹⁶ Moulton, H.G. “An Appraisal of Carver’s Economics.” *The Journal of Political Economy* 28, 4 (April 1920): 328.

⁵¹⁷ Letter from Roscoe Pound to Leonard Read, 12/17/1951, Box 240, Folder 6, Roscoe Pound Papers, Harvard Law School Library.

⁵¹⁸ Letter from Roscoe Pound to Leonard Read, 1/14/1952, Box 240, Folder 6, Roscoe Pound Papers, Harvard Law School Library.

⁵¹⁹ *Ibid.*

with Henry Hazlitt, Leonard Read, and Ludwig von Mises, to join the board of directors of the FEE's flagship publication *The Freeman*.⁵²⁰

Pound spent the remainder of his life close in touch with the nascent conservative movement. In addition to his work with the Foundation for Economic Education, in the 1950s Pound joined Milton Friedman on the Board of Economic Advisers of the American Enterprise Institute, a conservative think tank that experienced rapid growth in the 1950s under the leadership of its president William Baroody.⁵²¹ In addition to this role as an adviser, Pound authored two studies criticizing labor laws for the American Enterprise Institute on the grounds that such laws were overly favorable to unions.⁵²² In light of Pounds work for conservative causes since the middle part of the 1930s, it is no surprise that in 1955 the conservative Volker Fund awarded Pound their Volker Prize, which carried with it an award of \$15,000.⁵²³ The award, which previously had only been given to University of Chicago economist Frank Knight, was reserved for scholars who promoted the libertarian ideals of the Volker Fund. A year later, in 1956, the award went to Ludwig von Mises.

Roscoe Pound spent the last three decades of his life actively questioning, and at times working against, ideas he had once championed. This fact does not undermine the logic and power of his early work. It does, however, reveal how the 1930s transformed

⁵²⁰ Letter from Henry Hazlitt to Roscoe Pound, 2/16/1953, Box 240, Folder 8, Roscoe Pound Papers, Harvard Law School Library.

⁵²¹ See James Allen Smith, *The Idea Brokers: Think Tanks and the Rise of the New Policy Elite* (New York, 1991), 174-184.

⁵²² See Roscoe Pound, *Labor Unions and the Concept of Public Service* (Washington, D.C., 1957) and *Legal Immunities of Labor Unions* (Washington, D.C., 1957).

⁵²³ "Scholar Wins Award: Roscoe Pound gets Volker Prize for Work in Jurisprudence," *New York Times* (June 1, 1955): 35.

Pound into a conservative. The forces that pushed Pound to the political right were both internal and external to legal theory. On the one hand, Pound feared legal realism, a movement that he felt made a lazy attack on the certainties of an earlier jurisprudence. It was too easy to embrace relativism. The path of the mature scholar was to find those truths – or approximations of the truth – in a world filled with uncertainty.

Yet one doubts that Pound would have reacted to legal realism as he did had it not been for the political developments in the 1930s. The ties between the realists and New Dealers were both direct and strong. This alarmed Pound for two reasons. In regards to politics, Pound found the dramatic growth of government in the 1930s to be alarming. The United States was, as he put it, fast becoming a “service state” in which citizens looked to the government to meet their needs both small and large. Even more alarming to Pound was the way in which the government executed the new responsibilities people had given it. Pound felt that the rise of Administrative agencies that functioned without the legal oversight of other institutions was a dangerous precedent. In an ironic twist of fate, his old adversary Walter Gellhorn would eventually share some of these concerns. In 1956, in light of McCarthyism and the Red Scare, Gellhorn called for more safeguards to protect citizens from the actions of government agencies.⁵²⁴

⁵²⁴ See Walter Gellhorn, *Individual Freedom and Governmental Restraints* (Louisiana State University Press, 1956).

Chapter Five: The Remnant: Albert Jay Nock, Frank Chodorov and Felix Morley

You do not know, and will never know, who the Remnant are, nor what they are doing or will do. Two things you do know, and no more: First, that they exist; second, that they will find you.

– Albert Jay Nock⁵²⁵

In the standard accounts of modern conservatism's rise, historians often credit William F. Buckley, Jr. and his flagship conservative publication *National Review* for having launched the movement. Although it is fitting that historians of modern conservatism give Buckley a prominent role, they downplay the important foundation on which Buckley built when he founded his flagship magazine. When a twenty nine year old Buckley created the *National Review* in 1955, he built upon an intellectual and organizational foundation that had been laid over the preceding twenty years. It was a foundation sown by Albert Jay Nock, Frank Chodorov, and Felix Morley.

Largely forgotten today, Albert Jay Nock is one of the more eccentric characters in the intellectual history of American conservatism. Franklin Foer of the *New Republic* has called Nock as the “weird uncle” of the modern conservative movement.⁵²⁶ Susan Freeman, who has written a book on Nock's early career in journalism, says that Nock was a man who “delighted in style and in mystification.”⁵²⁷ There is little doubt that Nock

⁵²⁵ Nock, Albert Jay. “Isaiah's Job,” published in Albert Jay Nock, *The State of the Union: Essays in Social Criticism*. (Indianapolis: Liberty Press, 1991), 131.

⁵²⁶ Foer, Franklin. “The Happy Hater,” *The New Republic Online*, 11/24/2004. Available at <http://fairuse.1accesshost.com/news2/happy-hater.html> [Accessed 11/09/2006]

⁵²⁷ Turner, Susan J. *A History of The Freeman: Literary Landmark of the Early Twenties* (New York: Columbia University Press, 1963), 11.

had an outré personality. He adopted the pose of a world-weary aristocrat who had had the great misfortune to be born in the crass milieu that was modern America. Nock was an unapologetic elitist who took pleasure in offending the democratic sensibilities of his contemporaries.

Despite his aristocratic pretensions, there was nothing particularly august about Nock's upbringing.⁵²⁸ Born in the early 1870s in Scranton, P.A., Nock was raised in New York, in a section of Brooklyn with a large immigrant population. After studying at St. Stephen's College (later known as Bard), Nock attended seminary and became a priest in the Episcopal Church. Sometime around 1910 he abandoned his family, which included a wife and two children, and the church. For the remainder of his life he supported himself through his writing. From 1920-1924 Nock served as the editor of the *Freeman*, a highly regarded magazine of culture and politics.⁵²⁹ What set the *Freeman* apart from similar publications such as the *Nation*, the *New Republic*, or the *New Masses* was its politics. While these other publications had a left-of-center orientation, the *Freeman* displayed a commitment to laissez-faire. After the *Freeman* closed due to financial difficulties, Nock worked as a freelance journalist, publishing in magazines such as the *American Mercury*, *Bookman*, and *Harper's*. Nock's worldview, odd as it may seem, was not original. Nock's views were derivative of a handful of thinkers whose works he held in high regard, specifically the economist Henry George, the

⁵²⁸ The best account of Albert Jay Nock's career and legacy is Michael Wreszin, *The Superfluous Anarchist* (Providence: Brown University Press, 1972), which I have used to establish biographical details of Nock's life.

⁵²⁹ See Susan J. Turner's *A History of The Freeman: Literary Landmark of the Early Twenties* (New York, 1963) for a brief history of this publication.

German sociologist Franz Oppenheimer, and the Spanish philosopher José Ortega y Gasset.

The fact that Henry George was a major influence on Albert Jay Nock – and subsequently the modern conservative movement – comes as a surprise, since George was a major figure in the late nineteenth century campaigns to reform industrial capitalism. George’s book *Progress and Poverty* created a sensation when it was published in 1879, and led to the “single-tax” movement, which called for the government to raise revenues and redistribute wealth through a tax on land values. The single-tax movement was an important part of American political life in the late nineteenth century, and counted among its supporters socialists such as George Bernard Shaw and Edward Bellamy. George’s book was a mediation on a single question: why was it that poverty went hand in hand with industrialization and material progress? “The association of poverty with progress,” George proclaimed, “is the great enigma of our times.”⁵³⁰

According to George, the answer to this enigma was in the institution of private property, and specifically the ownership of land. Although George believed that individuals enjoyed a right to property, he felt this was limited to what individuals produced. This belief in a right to the fruits of one’s labor, led George to the crucial point in his argument. “If a man be rightfully entitled to the produce of his labor,” George reasoned, “then no one can be rightfully entitled to the ownership of anything which is not the produce of his labor . . .”⁵³¹ Based on this, George argued that “private property

⁵³⁰ George, Henry. *Progress and Poverty*. (New York: Robert Schalkenbach Foundation, 1938), 10.

⁵³¹ *Ibid.*, 336.

in land is a wrong,” and that there was “no such thing as a fee simple in land.”⁵³² In fact, it was the ownership of land that solved the mysterious relationship between material progress and persistent poverty. As George put it, “The wide-spreading social evils which everywhere oppress men amid an advancing civilization spring from a great primary wrong – the appropriation, as the exclusive property of some men, of the land on which and from which all must live.”⁵³³

George proposed his single-tax on land as a panacea for poverty. He believed that by levying high taxes on land value, the government could simultaneously raise revenue, redistribute wealth, and ensure that all natural resources were used efficiently and productively (it would be too costly to let productive land sit idle). Although George’s focus on poverty alleviation and disbelief in private property in land made his progress attractive to progressives, there were elements to his program that were extremely attractive to conservatives such as Nock. First, George believed in private property rights in the wealth one produced and he put few – if any – limits on how one might use that wealth. As he said in *Progress and Poverty*, “that which a man makes or produces is his own, as against all the world – to enjoy or to destroy, to use, to exchange, to give.”⁵³⁴ One of the benefits of the single-tax on land, George argued, was that it did not fall on production or entrepreneurial activities. People could speculate in business and profit handsomely thereby without interference. Moreover, the government apparatus needed

⁵³² Ibid., 336, 339.

⁵³³ Ibid., 340.

⁵³⁴ Ibid., 334.

to access and collect the single-tax would be very small. It was these elements of George's thought that Nock found so compelling.⁵³⁵

In regard to political theory, Nock drew substantially on the theories articulated by German sociologist Franz Oppenheimer in the 1914 book *The State*. Like most of the ideas that appealed to Nock, Oppenheimer's theory of the state was simple and fairly crude. The state, according to Oppenheimer, was no more than "a social institution, forced by a victorious group of men on a defeated group, with the sole purpose of regulating the dominion of the victorious group over the vanquished, and securing itself against revolt from within and attacks from abroad."⁵³⁶ The state was the political embodiment of the might makes right doctrine. Underneath this simple thesis was an assertion that Nock found fascinating. Oppenheimer posited that there were two ways that men could attempt to realize their desires: through political means and through economic means. Of the two, the political route was easier. This involved attempting to use the apparatus of the state to appropriate goods from others. The other, more difficult way of getting what one wanted was through economic means, which involved market transactions, such as trade, sales, or barter.

Oppenheimer made no secret which of two means he found admirable. There were, he said, "two fundamentally opposed means whereby man, requiring sustenance, is impelled to obtain the necessary means for satisfying his desires. These are work and

⁵³⁵ For a brief, though useful, discussion of Henry George, see Robert Heilbroner, *The Worldly Philosophers* (New York, Touchstone, 1995), 182-190. Heilbroner's assessment of *Poverty and Progress* was that the book "suffered from too much passion and too little professional circumspection." (Heilbroner, 185-6).

⁵³⁶ Oppenheimer, Franz. *The State: Its History and Development Viewed Sociologically*. (New York: B.W. Huebsch, Inc., 1922), 15.

robbery, one's own labor and the forcible appropriation of the labor of others."⁵³⁷ All of history, according to Oppenheimer, could be seen as "a steady and victorious combat of economic means against political means."⁵³⁸ Nock drew deeply on this belief, which formed the basis of his defense of economic freedom and his attacks on any social welfare measure.

The Spanish philosopher José Ortega y Gasset, and in particular Gasset's 1932 book *The Revolt of the Masses*, also exercised a large influence on Nock's thinking. Like the work of George and Oppenheimer, Ortega's *The Revolt of the Masses* presented a far-flung thesis backed with little evidence beyond the author's own cultural prejudices. Ortega's thesis was that the West was in decline, and the culprit was the rise of a phenomenon Ortega called "the mass man." The ideal typical mass man was the person who approximated the mean in terms of intelligence, education, and culture. The mass man was essentially philistine. In the past, the mass man could be safely ignored, Ortega argued, as cultural elites directed society with little regard for the tastes of the mass man. Modernity, however, had changed this arrangement. A common feature of modern life was that society's institutions were now formed to accord to the wishes of the masses. According to Ortega, this had disastrous consequences. First, it led to a degradation of high culture. Second, and more ominously, it led to popular political movements that resulted in dictatorships like that of Mussolini's Italy, since totalitarian governments were, in Ortega's opinion, the culmination of the wishes of the mass man. Ortega argued

⁵³⁷ Ibid., 24.

⁵³⁸ Ibid., 279.

that the modern state was “the gravest danger that to-day threatens civilization.”⁵³⁹ The problem was that the mass man would look to an all-powerful government to fulfill his desires, since the existence of the state presented the “possibility of obtaining everything – without effort, struggle, doubt, or risk – merely by touching a button and setting the mighty machine in motion.”⁵⁴⁰ Although the mass man looked to the state as a savior, its true nature was parasitic. After it has destroyed civil society the state itself would atrophy, since there was nothing left to feed upon. As Ortega put it in his over-the-top manner, after “sucking the very marrow of society,” the state would become “bloodless, a skeleton, dead with that rusty death of machinery, more gruesome than the death of a living organism.”⁵⁴¹

Albert Jay Nock: Enemy of the State.

The New Deal did not turn Nock into a conservative. He had demonstrated his libertarian sensibilities well-before Roosevelt assumed office in March, 1933. The New Deal, however, drove Nock to focus his energies on politics in a way he had not done previously. At the time Roosevelt took office, Nock was traveling in Europe and relied on his friend H.L. Mencken for updates on the activities of the new Administration. The two men had much in common. They were both men of letters who liked to portray themselves as world-weary cosmopolitans who had the misfortune to live in the tawdry

⁵³⁹ Ortega y Gasset, Jose. *The Revolt of the Masses*. (New York: W.W. Norton, 1930), 120.

⁵⁴⁰ *Ibid.*, 120.

⁵⁴¹ *Ibid.*, 121.

world that was modern America. In addition, both men enjoyed making statements that were simultaneously clever, controversial, and outrageous.

Mencken and Nock agreed that Roosevelt and the New Deal were leading the country to ruin. “The republic proceeds toward hell at a rapidly accelerating tempo,” Mencken informed Nock in the spring of 1933.⁵⁴² “With the debt burden already crushing everyone, Roosevelt now proposes to relieve us by spending five or six billions more. I am advocating making him king in order that we may behead him in case he goes too far beyond the limits of the endurable.”⁵⁴³ Nock shared his friend’s contempt for the New Deal, and was preparing to make a more systematic critique of the Administration than Mencken was prepared to offer.⁵⁴⁴

Nock articulated his political theory – and his grievance with the New Deal – in his 1935 manifesto *Our Enemy, The State*. The book was a pastiche of the works of Henry George, Franz Oppenheimer, and José Ortega y Gasset, marshaled into a single broadside against the State. Nock took from George the idea that the state must not interfere with men’s productive capacities, repeated Oppenheimer’s thesis that the State was merely the use of one group of people to take what they wanted through “political”

⁵⁴² Nock, Albert Jay. *A Journal of Forgotten Days, June 1932-December 1933*. (New York: William Morrow, 1934), 191.

⁵⁴³ *Ibid.*, 191.

⁵⁴⁴ Despite the attempt of some scholars to portray Mencken as a libertarian, it is difficult to reliably affix a political label to him. Mencken’s commitment to the well-phrased barb was greater than his dedication to any political ideal. Mencken himself put it best in a letter he wrote to a friend in 1925. After proclaiming that the one thing he valued was “liberty,” certainly a libertarian sentiment, Mencken confessed “. . . I am nothing of the reformer, however much I may rant against this or that great curse or malaise. In that ranting there is usually far more delight than indignation.” [Forgue, Guy J., ed. *Letters of H.L. Mencken*. New York: Knopf, 1961), 281] Mencken biographer Terry Teachout correctly sees this nihilism as a weakness in Mencken’s thought. As he observes, a “fundamental inadequacy in Mencken’s thought [was] a skepticism so extreme as to issue in philosophical incoherence.” Teachout, Terry. *The Skeptic: A Life of H.L. Mencken*. (New York: Harper Collins, 2002), 344.

rather than “economic” means, and he blamed the rise of the state on the “mass men” who ostensibly approved of and were served by Roosevelt’s policies. In addition, Nock added a specious argument about there being a fundamental difference between government per se, and the nefarious entity he called “the State.” According to Nock, the classical liberal night watchman state qualified as “government,” whereas any form of governance that stepped beyond this limited framework was the nefarious “State.”⁵⁴⁵

The book was directly motivated by the New Deal, which Nock saw as a critical turning point in history. “Heretofore in this country sudden crisis of misfortune have been met by a mobilization of social power,” Nock asserted.⁵⁴⁶ “Under Mr. Roosevelt, however, the State assumed this function, publicly announcing the doctrine, brand-new in our history, that the State owes its citizens a living.”⁵⁴⁷ (When Nock said previous crises were handled by “social power,” he meant that they were either handled privately or not handled at all.) In short, the New Deal marked the turning point at which the government of the United States had overstepped their boundaries to become “the State.”

Towards the end of his long essay, Nock explains that *Our Enemy, the State* was not intended to be a call to arms for like-minded individuals. Like the admirer of Ortega y Gasset that he was, Nock did not wish to spread a popular message or rouse the troops. “Assuredly I do not expect this book to change anyone’s political opinions, for it is not meant to do that,” said Nock.⁵⁴⁸ He explained that he wrote the book for two reasons. First, he believed “when in any department of thought a person has, or thinks he has, a

⁵⁴⁵ Nock, Albert Jay. *Our Enemy, The State*. (New York: Libertarian Review Foundation, 1989), 16-9.

⁵⁴⁶ *Ibid.*, 4.

⁵⁴⁷ *Ibid.*, 4.

⁵⁴⁸ *Ibid.*, 89.

view of the plain intelligible order of things, it is proper that he should record that view publicly, with no thought whatever of the practical consequences, or lack of consequences, likely to ensue upon his so doing.”⁵⁴⁹ Second, and more interestingly, Nock explained that he was reaching out to what he called “the remnant,” which he said consisted of “certain alien spirits who, while outwardly conforming to the requirements of the civilization around them, still keep a disinterested regard for the plain intelligible law of things, irrespective of any practical end.”⁵⁵⁰ According to Nock, these thoughtful readers, the members of the cryptic “remnant,” would recognize that the book was written for them.⁵⁵¹

Nock elaborated on his concept of “the remnant” in an article he published in the *Atlantic Monthly* in June 1936. The article, “Isaiah’s Job,” has since become a conservative classic. Nock sets up his essay by first recalling a conversation he had had with a friend. When the friend told Nock that he planned on spreading a political program “far and wide” with the hope of influencing the masses, Nock dissuaded him.⁵⁵² Too much was made of appealing to the masses in the present age, Nock told his friend. It was time, he said, to remember the Biblical story of the prophet Isaiah and the remnant.

In the Biblical story of Isaiah, Nock explained, God instructed Isaiah to spread his word among the people while simultaneously warning him that few would listen. When Isaiah asked why he should embark on such a fruitless task, God told him that there

⁵⁴⁹ Ibid., 89.

⁵⁵⁰ Ibid., 89.

⁵⁵¹ Ibid., 89.

⁵⁵² Nock, Albert Jay. “Isaiah’s Job,” published in Albert Jay Nock, *The State of the Union: Essays in Social Criticism*. (Indianapolis: Liberty Press, 1991), 124.

existed a “remnant” which would be waiting for the message. Nock described the remnant as follows:

There is a Remnant . . . that you know nothing about. They are obscure, unorganized, inarticulate, each one rubbing along as best he can. They need to be encouraged and braced up, because when everything has gone completely to the dogs, they are the ones who will come back and build up a new society, and meanwhile your preaching will reassure them and keep them hanging on. Your job is to take care of the Remnant . . .⁵⁵³

According to Nock, it was far better to spread one’s message by appealing to the remnant rather than attempting to speak to “the masses.”⁵⁵⁴ To speak to the masses one had to appeal to the common denominator, and thus corrupt one’s message. Since Isaiah understood that “nothing was to be expected of the masses,” he “made no special appeal to them, did not accommodate his message to their measure in any way, and did not care two straws whether they heeded it or not.”⁵⁵⁵ The key was to be like Isaiah. One need not worry about spreading a popular message. One only needed be concerned with speaking to the relatively few individuals who were ready to hear it.

Nock himself was fostering a “remnant” of individuals who shared his views of the state and society. One member of Nock’s group was Will Buckley, a wealthy oilman who, having made his fortune in Texas, was living on a Connecticut estate in the 1930s. Nock would visit the Buckley estate where he met Will Buckley’s son, Bill, Jr., the future

⁵⁵³ Ibid., 125.

⁵⁵⁴ Ibid., 126.

⁵⁵⁵ Ibid., 129.

enfant terrible of the conservative movement. As Buckley biographer John Judis has noted, in some ways it was strange that the Buckleys took to Nock. The Buckleys were, after all, devout Catholics who took their faith with the utmost seriousness. Nock, on the other hand, was “a libertine and an agnostic who had little patience with organized religion.”⁵⁵⁶ According to Judis, the Buckleys “overlooked Nock’s views of the Catholic Church and marriage for the rebellious anti-authoritarianism and anti-egalitarianism that were the core of Nock’s teachings.”⁵⁵⁷

Another member of this loose collection of conservatives was Frank Chodorov, who in time would prove to be the link between Albert Jay Nock’s philosophy and William F. Buckley, Jr. Frank Chodorov was born in Fishel Chodorowsky in 1887, the eleventh child of Russian immigrants.⁵⁵⁸ Like Nock, Chodorov grew up in New York. Unlike the middle-class Nock, Chodorov’s family lived a hardscrabble existence in the working class neighborhoods of lower-west side Manhattan. Chodorov would say years later, “my early years, until I got through high school, were spent in what might be considered in some respects worse than a slum.”⁵⁵⁹

Despite this inauspicious start, the bookish Chodorov was able to attend Columbia University, where he won a fellowship to study literature. After graduating from college in 1907, Chodorov had wanted to be a professor of English literature, but had “given up

⁵⁵⁶ Judis, John B. *William F. Buckley: Patron Saint of the Conservatives*. (New York: Simon and Schuster, 1988), 45.

⁵⁵⁷ *Ibid.*, 45.

⁵⁵⁸ Hamilton, Charles H. “Introduction,” published in Charles H. Hamilton, ed., *Fugitive Essays: Selected Writings of Frank Chodorov*. (Indianapolis: Liberty Press, 1980), 12-3.

⁵⁵⁹ Chodorov, Frank. *Out of Step: The Autobiography of an Individualist*. New York: The Devin-Adair Company, 1962), 14-5.

as hopeless for a Jew the ambition of becoming a professor of English.”⁵⁶⁰ Instead, Chodorov moved to Chicago where he worked in advertising. A high-point for him during this time was his frequent participation in a debate society that met in a public park. Affectionately calling their group “the nut club,” participants in these meetings met to debate various controversial issues.⁵⁶¹

It was at this time that Chodorov first read Henry George’s *Progress and Poverty*. Like Nock, Chodorov became a devotee of Henry George and the single-tax plan. As he put it, “For six months I read and re-read this book, even to the neglect of the “nut club.”⁵⁶² Chodorov’s reading of George was similar to that of Nock. Like Nock, Chodorov was most impressed by the libertarian elements in George. George’s argument was premised on a strong belief that individuals had absolute dominion over the property they created. George’s quarrel with private property only existed in regard to natural resources (a point both Nock and Chodorov downplayed). In regard to the wealth that they created, George believed that individual rights were inviolable and timeless. Individual rights, Chodorov learned from George, existed as “a law above law.”⁵⁶³ Thus, Chodorov’s libertarianism was premised on the same logic as that of Ayn Rand. It was not based on arguments of efficiency or wealth production, like that of the Chicago economists; it was as deductive and dogmatic any deeply held religious belief. Soon Chodorov was promoting George’s ideas at the “nut club.” The crowd seemingly

⁵⁶⁰ Chodorov, Frank. *One is a Crowd: Reflections of an Individualist*. (New York: The Devin-Adair Company, 1952), 21.

⁵⁶¹ Ibid., 21-2.

⁵⁶² Ibid., 22

⁵⁶³ Ibid., 24.

responded well to his “poverty-in-the-midst-of-plenty argument,” and Chodorov enjoyed playing to their interests, saying “even a crusader likes to please a crowd, and, in fact, likes a crowd to please.”⁵⁶⁴

During the First World War, Chodorov managed a small textile-producing company in Springfield, Massachusetts. In his autobiography Chodorov proudly remembered a time at the factory when he says he broke a strike led by the Amalgamated Clothing Workers of America.⁵⁶⁵ According to Chodorov, a small minority of workers (only “about twenty-five employees, out of a total complement of 750”) planned the strike.⁵⁶⁶ In Chodorov’s account, the striking workers intimidated those who chose not to join the strike. When the police stepped in and arrested the allegedly violent picketers, the strike agitation disappeared. The experience led Chodorov to conclude that “no strike can be won by a union if the government carries out its primary function, the protection of life and property; or, conversely, that a union must be allowed by the authorities to commit acts of violence in order to succeed in their purpose.”⁵⁶⁷ Chodorov boasted that his “fortuitous licking of the union” gave him the reputation as “something of a character in industrial circles” and even earned him an invitation to discuss the case at the Harvard Graduate School of Business.”⁵⁶⁸

⁵⁶⁴ Ibid., 23.

⁵⁶⁵ Chodorov, Frank. *Out of Step: The Autobiography of an Individualist*, 75-7.

⁵⁶⁶ Ibid., 75.

⁵⁶⁷ Ibid., 76.

⁵⁶⁸ Ibid., 76.

The Great Depression hit Chodorov hard. He lost his job and had to support himself working as a traveling salesman.⁵⁶⁹ Despite the setback, Chodorov did not rethink his commitment to *laissez-faire*. In fact, in his memoirs Chodorov downplayed the severity of the depression. As he blithely put it, “for all the talk of dire distress I never heard of anybody starving to death, nor was the destitution as unrelieved as the politicians made it out to be. Somehow, people got by, not by the ministrations of The New Deal, which were quite ineffective, but by their ingenuity and their industry.”⁵⁷⁰

Chodorov met Albert Jay Nock in the fall of 1936. It was a chance encounter in a New York nightclub. As Chodorov recalls, he was with friends when he noticed Nock, whom he described as “a dignified, elderly gentleman.”⁵⁷¹ Although Chodorov was already familiar with Nock’s work and was “thoroughly in tune with many of his ideas,” he had never met him before in person.⁵⁷² According to Chodorov, the two “hit it off from the start” and remained friends until Nock’s death in 1945.⁵⁷³

In 1937, the year after he became friends with Nock, Chodorov left his job as a traveling salesman to become the head of the Henry George School in Manhattan. The school had been founded in 1932 as a measure to keep Henry George’s philosophy in the public view even while the single tax movement waned in political importance. The job gave Chodorov the opportunity to earn a living while working in support of his ideas. It was, as he said, “something that I had spent my life preparing for. What talent I had at

⁵⁶⁹ Ibid., 78.

⁵⁷⁰ Ibid., 77-8.

⁵⁷¹ Ibid., 140.

⁵⁷² Ibid., 140.

⁵⁷³ Ibid., 140.

advertising stood me in good stead in promoting enrollments and at raising money; my business experience helped me to manage the impecunious institution; my knowledge of Henry George and economics in general made me a fairly good teacher; my zeal for ‘the cause’ supplied me with energy.”⁵⁷⁴ Chodorov named the school newspaper the *Freeman*, in honor of the magazine Nock had edited in the 1920, and “took delight in attacking the New Deal and Mr. Roosevelt” in its pages.⁵⁷⁵ When Chodorov criticized the Roosevelt Administration’s war buildup, however, trustees of the Henry George School found him to be a liability and asked him to resign in 1942.

In the 1940s Albert Jay Nock and Frank Chodorov attempted to reach out to the remnant. In the last two years of his life, from 1943-1945, Albert Jay Nock edited the *Economic Council Review of Books*. The *Economic Council Review of Books* was published by an organization called the National Economic Council, which was run by Merwin K. Hart, a shadowy and controversial figure in American conservatism.⁵⁷⁶ Gail Unruh, who has written the most thorough study of Hart, says that Hart came from a “modest patrician background,” and that Hart graduated from the prestigious boarding school St. Paul’s before attending Harvard, from which he graduated in 1904.⁵⁷⁷ After a stint as a State Representative in the New York legislature, Hart founded a pro-business organization called the New York State Economic Council in 1930. The core of Hart’s

⁵⁷⁴ Ibid., 78.

⁵⁷⁵ Ibid., 79.

⁵⁷⁶ For highly critical assessments of Hart and his organization, see Arnold Forster’s *A Measure of Freedom* (New York, 1950), 61-74, and Benjamin R. Epstein and Arnold Forster’s *The Troublemakers* (Garden City, N.Y., 1952), 199-204. A fuller, and more balanced, account of Hart is Gail Unruh, “Ultraconservative Distortion: Merwin K. Hart and the National Economic Council,” master’s thesis, University of Oregon, 1981.

⁵⁷⁷ Unruh, Gail. “Ultraconservative Distortion: Merwin K. Hart and the National Economic Council.” (master’s thesis, University of Oregon, 1981), 7.

ideology, according to Gail Unruh, was “the ideal of laissez-faire capitalism.”⁵⁷⁸ Also according to Unruh, Merwin Hart was so disturbed by the New Deal and the spread of socialism abroad that over the course of the 1930s he went from “an orthodox spokesman for business to a nativistic, conspiratorial thinker.”⁵⁷⁹ Hart sympathized with Franco’s Nationalists in the Spanish Civil War, and was regarded by many to harbor anti-Semitic tendencies.⁵⁸⁰

In an effort to expand his organization’s influence, in 1943 Merwin Hart renamed his organization the National Economic Council and hired Albert Jay Nock to edit its newsletter. Hart’s ultimate goal was to create a unified conservative movement under the banner “American Action,” but these efforts were undone by his organizational ineptitude and the fact that potential donors were wary of Hart’s ties to the conservative lunatic fringe.⁵⁸¹ Despite his connection to Hart’s organization, Albert Jay Nock’s flirtation with the lunatic fringe of the American right was tenuous and it is difficult to prove that he harbored any deep anti-Semitic sentiments. After all, his disciple Frank Chodorov was Jewish, though not religious. Moreover, Hart reports that Nock never formally joined Hart’s National Economic Council.⁵⁸² Under Nock’s guidance, the *Economic Council Review of Books* was a simple affair. Each month, Nock would write reviews of books with libertarian themes and pass on his recommendations to readers, usually the

⁵⁷⁸ Ibid., 22.

⁵⁷⁹ Ibid., 39.

⁵⁸⁰ See, for instance, Arnold Forster’s *A Measure of Freedom* (New York, 1950), 61-74 and Benjamin R. Epstein and Arnold Forster’s *The Troublemakers* (Garden City, N.Y., 1952), 199-204.

⁵⁸¹ See Unruh, 53-9.

⁵⁸² Ibid., 52.

businessmen who made up the Economic Council's membership roles. Nock reviewed Hayek's *Road to Serfdom*, Isabel Paterson's *God of the Machine*, Rose Wilder Lane's *The Discovery of Freedom*, and other market-friendly works.

Meanwhile, in 1944 Chodorov created *analysis*, a small, self-published broadsheet which Chodorov filled with his own political writings.⁵⁸³ Chodorov's *analysis* was similar to Dwight Macdonald's newsletter *Politics* in all but political orientation. From 1944 to 1951, Chodorov filled the pages of *analysis* with libertarian attacks against the state. The subjects he picked were wide-ranging, though the general theme was consistent. Chodorov's thought was nearly indistinguishable from that of Nock. In fact, much of Chodorov's oeuvre reads like Nock-light. He was well-aware of the likeness between his thought and that of Nock. In a letter to the subscribers of *analysis*, Chodorov told his readers that he had "tried in this monthly broadsheet to interpret events and trends in the light of Nock's philosophy."⁵⁸⁴ Nock had agreed to become a contributing editor of *analysis*, but died in August 1945 after having contributed only one piece to Chodorov's venture.⁵⁸⁵

The same thinkers that influenced Nock – Henry George, Franz Oppenheimer, and Ortega y Gasset – also influenced Chodorov. Chodorov fully adopted Oppenheimer's argument that the state was the mechanism through which the unproductive stole from the productive. He agreed with José Ortega y Gasset that the

⁵⁸³ See Charles H. Hamilton, "analysis, 1944-1951," published in Ronald Lora and William Henry Longton, eds., *The Conservative Press in Twentieth-Century America* (Westport, C.T.: Greenwood Press, 1999), 331-338.

⁵⁸⁴ Quoted in Charles G. Nitsche, "Albert Jay Nock and Frank Chodorov: Case Studies in Recent American Individualist and Anti-Statist Thought," (Ph.D. diss., University of Maryland, 1981), 104.

⁵⁸⁵ *Ibid.*, 104.

ascendance of “mass man” was causing the debasement of education and culture.

Chodorov was also a firm believer in Henry George and the single-tax, believing that the single-tax would allow the government to raise revenue in the least invasive way. In *analysis*, Chodorov rehashed their ideas in articles with titles such as “Government *Contra* State,” and “Socialism via Taxation.”⁵⁸⁶ Later, Chodorov would say of *analysis* that it “proved to be the most gratifying venture of my life.”⁵⁸⁷

Felix Morley and *Human Events*.

In the 1940s, Chodorov also began to publish in a new magazine called *Human Events*, the first important magazine of the modern conservative movement. This collaboration would continue to grow until 1951, when Chodorov merged *analysis* with *Human Events* and became editor of the joint project.

The history of *Human Events* is largely the story of Felix Morley, an academic, journalist, and conservative publicist who helped found the magazine in 1944. Morley was born in 1894 on the campus of Haverford College, where his father was a professor. After graduating from Haverford himself, Morley found himself working in the Department of Labor after the end of the First World War, an experience that made him wary of government action. Charged with helping to find housing for soldiers returning from overseas, Morley says that the experience working in government helped him

⁵⁸⁶ See Charles H. Hamilton, ed., *Fugitive Essays: Selected Writings of Frank Chodorov* (Indianapolis: Liberty Press, 1980).

⁵⁸⁷ Chodorov, *Out of Step*, 79.

develop an appreciation for “the American genius for solving on the spot problems which are often only tangled and complicated by directives from Washington.”⁵⁸⁸

In 1919 Morley studied economics in England on a Rhodes Scholarship. He focused his studies on labor unions, towards which he was generally favorable. Morley followed his time at Oxford with graduate work in economics at the London School of Economics, where he wrote a dissertation entitled “Unemployment Relief in Great Britain.” An early academic success came when John Maynard Keynes accepted a chapter of Morley’s thesis for the *Economic Journal*, which led to Morley’s induction into the Royal Economic Society.⁵⁸⁹ Although Morley briefly considered pursuing an academic career, his interests were in journalism, and when he returned to the United States in the early twenties he accepted a position at the *Baltimore Sun*.

In Baltimore, Morley enjoyed attending the Sunday salon run by Elisabeth Gilman, the socialite daughter of the first president of Johns Hopkins University. Morley says in his memoirs that these meetings were full of “all sorts of odd-balls” who chose to remain outside the rather self-conscious circle of Baltimore ‘Society.’⁵⁹⁰ One of these so-called “odd-balls” was John Jacob Abel, a Johns Hopkins professor of pharmacology, whom Morley described as a “venerable relic of a vanishing Americanism,” filled with “scorn and mistrust for all who favored governmental intervention in his or any other field.”⁵⁹¹ It was through Abel, Morley says, that he was first introduced to the “lucid thinking” of Albert Jay Nock.⁵⁹²

⁵⁸⁸ Morley, Felix. *For the Record*. (South Bend, I.N.: Regnery/Gateway, Inc., 1979), 109.

⁵⁸⁹ *Ibid.*, 145.

⁵⁹⁰ *Ibid.*, 155.

⁵⁹¹ *Ibid.*, 155.

In light of his future trajectory, it is interesting to note that while he worked at the *Baltimore Sun* in the 1920s Morley did not have much contact with H.L. Mencken, who edited the *Sun* at that time. In fact, Morley found Mencken's incessant attacks on political figures to be irresponsible, particularly Mencken's criticism of Herbert Hoover during the 1928 presidential election. "It seemed unpardonable," wrote Morley, "when Mencken used the paper to describe Hoover as 'a pious old woman, a fat Coolidge' and periodically in even less flattering terms."⁵⁹³ Mencken's attacks led Morley to leave the *Sun*, believing it to be "so prejudiced and ill-informed."⁵⁹⁴ After leaving the *Sun*, Morley spent the next three years working in Washington, D.C. at the Brookings Institution, which he described as "an ideal university burdened with only a few graduate students."⁵⁹⁵ While at Brookings, Morley published a book, *The Society of Nations*, which earned him the Ph.D., and organized a successful series of radio broadcasts on policy issues related to the depression. The radio broadcasts ran on NBC and had a left-of-center orientation; among its participants were notables such as Jane Addams, Rexford G. Tugwell, Paul H. Douglas, and John R. Commons.⁵⁹⁶

In December of 1933, Morley left Brookings to become the editor of the *Washington Post*. At the time, *The Washington Post* was experiencing a

⁵⁹² Ibid., 156.

⁵⁹³ Ibid., 214.

⁵⁹⁴ Ibid., 214.

⁵⁹⁵ Ibid., 243.

⁵⁹⁶ Ibid., 251.

transformation.⁵⁹⁷ The depression had forced the owners of the *Post* to sell the newspaper at auction, and in 1933 it was purchased by Eugene Meyer, a former Hoover Administration official who had previously made a fortune on Wall Street. Meyer bought the *Washington Post* with the intention of turning it from a provincial publication into a national newspaper.⁵⁹⁸ According to Meyer's daughter Katharine Graham, once he had acquired the paper, Meyer sought out "a vigorous, unlabeled young man" to lead it.⁵⁹⁹ He decided that Felix Morley was just that person.

Eugene Meyer was opposed to the New Deal and Roosevelt. This is not surprising, considering his background as a financier and a Hoover Administration official. According to Morley, Meyer was fond of dismissing the new president by remarking of Roosevelt, "He thinks that to be righteous is to be right."⁶⁰⁰ Despite his own politics, Meyer understood that the newspaper's credibility depended on the independence of the editorial staff and he encouraged the *Post* reporters to follow their instincts.⁶⁰¹ This orientation suited Morley perfectly. Morley had a clear idea of what he wanted the *Post* to become. "I assumed editorship of the *Washington Post* with a clear vision of what I would like to accomplish," Morley wrote in his memoirs.⁶⁰² As he saw it, the *Washington Post*:

⁵⁹⁷ For a fascinating, insider's account of the history of the *Washington Post*, see Katharine Graham, *Personal History* (New York: Vintage, 1998).

⁵⁹⁸ Morley, 259.

⁵⁹⁹ Graham, Katharine. *Personal History* (New York: Vintage, 1998), 66.

⁶⁰⁰ Morley, 260.

⁶⁰¹ Graham, 66.

⁶⁰² Morley, 271.

. . . should be international; its philosophy independent and liberal in the classical sense of the word; its foreign correspondence informative and impartial; its editorials well reasoned, well written and forceful; its adherence to strictly Constitutional government unquestionable.⁶⁰³

Morley's belief that the *Post* ought to be "liberal in the classic sense of the word" and call for "adherence to strictly Constitutional government" revealed his political sympathies at the time he took the position of editor at the *Post*. Up until this point in his career his libertarian instincts had little effect on his work, either as a journalist or a scholar. Indeed, as Katharine Graham reports, it was partly the fact that Morley was yet "unlabeled" that made Eugene Meyer believe him to be the a good candidate to run the *Post*. As it turned out it did not take long for Morley to develop into a committed and vocal critic of the Roosevelt Administration.

The issue that initially drove Morley into the critic's camp was the Administration's handling of monetary policy. For instance, Morley deplored the way Roosevelt and his staff handled the Monetary and Economic Conference in June of 1934. Initially, Roosevelt instructed his representatives at the London Conference to reassure the diplomats in attendance that the U.S., while not committed to the gold standard, was committed to coordinating fixed interest rates with other nations. Then, after these assurances had been given, Roosevelt instructed his representatives to rescind the offer.⁶⁰⁴ Morley was also concerned about the price fixing measures of the N.R.A. and

⁶⁰³ Morley, 271.

⁶⁰⁴ Morley was not the only person incensed with this incident. The London Conference was the main cause of Raymond Moley's grievance with the Administration. As one of Roosevelt's representatives at the conference, Moley – a member of Roosevelt's Brains Trust – was humiliated by the mixed messages he was forced to convey to the other attendees. The incident takes up nearly eighty pages in Moley's 1939

the A.A.A., and says in his memoirs that he “rejoiced” when the Supreme Court “celebrated my forty-second birthday by throwing out the AAA lock, stock and barrel.”⁶⁰⁵ By 1936, however, Morley was still not a rabid critic of the Roosevelt Administration. He even voted for Roosevelt in that year, although he says he did so “reluctantly,” and only by explaining to his wife that he was doing so out of support for Roosevelt’s conservative Secretary of State Cordell Hull.⁶⁰⁶ The court-packing scheme that Roosevelt launched after his 1936 reelection, however, soured Morley on the Administration for good.

In 1940 Morley left the *Washington Post* and returned to Haverford to become its president, a position he held until 1945. During this time, Morley began to become active in the growing conservative movement. He joined the advisory board of the American Enterprise Association, the pro-business counterpart to the Brookings Institution. The monthly meetings for AEA brought Morley to New York City, where he would meet the other directors (among them Roscoe Pound). Witnessing AEA and Brookings become rival think tanks – one with scholars friendly to Republicans, the other with scholars friendly to Democrats – helped to convince Morley that “much economic research starts from an *idée fixe* and then accumulates evidence to support the preconceived viewpoint.”⁶⁰⁷

expose of the Roosevelt Administration, *After Seven Years*. See Raymond Moley, *After Seven Years* (New York: Harper, 1939), 196-269.

⁶⁰⁵ Morley, *For the Record*, 287.

⁶⁰⁶ *Ibid.*, 298.

⁶⁰⁷ *Ibid.*, 447.

Morley's quarrel with economics is interesting. Although trained as an economist himself, Morley did not come to his anti-government politics by way of economic theory. This differentiated him from Chicago economics such as Milton Friedman and George Stigler. Morley's libertarian sentiments stemmed from his admiration for the political principles articulated in the Declaration of Independence and the political institutions created by the U.S. Constitution. Like Roscoe Pound, Morley was far more motivated by issues regarding the separation of powers, due process, and federalism than he was by economic theory. As a professor of government at Haverford, Morley had been dismayed to find that his students did not have a sufficient understanding of the ideas behind the American system of governance. Morley wished that Haverford students better understood "that American institutions, including their college, were rooted in the division, separation and balance of governmental powers and that the war was steadily forcing an ever greater concentration of these powers in Washington."⁶⁰⁸

In the fall of 1943, Morley was approached by Frank Hanighen, who proposed that they create "an outspoken weekly newsletter" the purpose of which would be to promote "a reasonable, non-punitive and lasting peace" to the Second World War.⁶⁰⁹ Although there was nothing especially conservative about such a mission, the means to a lasting peace, according to Morley, was the reestablishment of a Constitutional order that the Roosevelt Administration had abandoned. The issues that mattered to Morley included Federalism, the balance of powers between the executive and legislative branches of government, judicial oversight of executive decisions, and a reduction in the

⁶⁰⁸ Ibid., 405.

⁶⁰⁹ Ibid., 396.

number of federal agencies. American participation in the Second World War was just another step toward a betrayal of the Constitutional order, and Morley wrote that the “plunge into the bureaucratic maze of wartime Washington was . . . a confirmation of [his] preconceived skepticism” of the war build-up.⁶¹⁰

As Morley conceived it, *Human Events* would drive home the message that the growth of the Executive Branch threatened the very form of government the Founding Fathers had established. Underscoring this message was the title of the publication itself, which was taken from the first line of the Declaration of Independence (“in the course of human events”). Joe Pew offered to back the publishing venture for three months, Hanighen agreed to handle the administrative work associated with the new publication, and Morley was responsible for the content of the new magazine.⁶¹¹ The first issue of *Human Events* came out on February 2, 1944. It was a small-scale production, resembling a newsletter more than a magazine. Yet the quickly growing subscription base was promising. After only three issues there were over five hundred paid subscribers and the number nearly doubled every month.⁶¹² Morley remembered that while some felt that *Human Events* should produce “mass propaganda” to appeal to Republican donors, Morley argued that it was “more important to impress intellectuals.”⁶¹³ As he put it, “Get the journalists, the professors, the clergy and the

⁶¹⁰ Ibid., 386.

⁶¹¹ Ibid., 397.

⁶¹² Ibid., 401.

⁶¹³ Ibid., 422.

women's leadership on your side . . . and the masses will in time follow automatically."⁶¹⁴

In the Spring of 1945, not long before his death, Albert Jay Nock visited Morley and told him that he was "a great admirer of *Human Events*," encouraged him to expand *Human Events* into "another *Freeman*," and promised to contribute to the publication.⁶¹⁵ Morley was equally an admirer of Nock, reporting that Nock's *Memoirs of a Superfluous Man* "exerted a strong influence" on him and saying that Nock's death "was a blow and any substitute of his caliber was hard to find, even with the aid of regular collaborators as competent as . . . Frank Chodorov."⁶¹⁶

Although Nock died of leukemia before he could contribute to the magazine, he would have been heartened by the fact that the founders of *Human Events* were successfully expanding their operations. A subscription base of 2,500, while modest, allowed Morley and Hanighen to move the operation into its own offices in Washington and hire full-time staff.⁶¹⁷ In this expansion, Morley and Hanighen were assisted by a young, enthusiastic Midwesterner named Henry Regnery, another important member of the remnant.

Henry Regnery was a shy, unassuming thirty year old Midwesterner who got involved with *Human Events* in 1945. The son of a wealthy textile magnate, Regnery had graduated from M.I.T. with a degree in engineering and then earned a master's degree in economics from Harvard (where he had studied with Schumpeter). Although

⁶¹⁴ Ibid., 422.

⁶¹⁵ Ibid., 417.

⁶¹⁶ Ibid., 439.

⁶¹⁷ Ibid., 417.

he was new to the world of publishing, Regnery took the position of business manager of *Human Events*, formalized the magazine's operations, and oversaw the incorporation of *Human Events* in the summer of 1945.⁶¹⁸ Henry's father also supported the magazine financially and, by 1947, circulation reached 5,000.⁶¹⁹

One of Regnery's inspirations was Albert Jay Nock. "When I first became associated with *Human Events*, we hoped we could develop it into a national magazine," Regnery wrote in his memoirs, "... Our model was Albert Jay Nock's the *Freeman* . . ."⁶²⁰ In order to broadcast their ideas to the largest audience, while at the same time working under the constraints of a limited budget, Morley, Regnery and Hanighen decided to split *Human Events* into two ventures. The magazine (or newsletter) would continue in its present form as a small-scale venture, the operation of which Morley would oversee in Washington. In Chicago, Regnery spearheaded a new publication, *Human Events Pamphlets*. These pamphlets gave conservative authors the chance to publish pieces that were more substantial than the magazine allowed, and, since they would appear infrequently, the pamphlets would be relatively inexpensive to produce. Between 1945 and 1949 *Human Event Pamphlets* published forty six issues at 25 cents apiece.⁶²¹ The pamphlet series directly led to the 1947 creation of the Henry Regnery publishing house in 1947, which would grow into the preeminent conservative press in the postwar era. Explaining why he decided to name the new company after himself,

⁶¹⁸ Regnery, Henry. *Memoirs of a Dissident Publisher*. (Chicago: Regnery,), 30.

⁶¹⁹ Morley, 424.

⁶²⁰ Regnery, 30.

⁶²¹ *Ibid.*, 33.

Henry Regnery said in his memoirs that the publishing he planned to do was “controversial” and he felt it important that readers “know who was behind it.”⁶²²

Morley and Hanighen exercised a strong influence over the young publicist. In his memoirs Regnery says that they “opened an entirely new world to me.”⁶²³ “*Human Events* and the pamphlet series gave me invaluable experience in publishing and the opportunity to meet many people I would not have met otherwise, and some conception as well both of how ideas are communicated and of how they are suppressed, of what constitutes public opinion and how it is manipulated.”⁶²⁴

Frank Chodorov also played a role in Regnery’s development. In his memoirs, Regnery reports that Chodorov was “particularly helpful and kind” to him at this early point in his career.⁶²⁵ Regnery would often visit New York, and when he did he made sure to make a stop at Chodorov’s “dingy office, piled with books and magazines, in a decrepit old building near Brooklyn Bridge.”⁶²⁶ According to Regnery, Chodorov was “an excellent, tireless talker, had a gentle, ironical sense of humor and a fine literary style, was a great admirer of Albert Jay Nock, whom he regarded as his teacher, and firmly distrusted government in all its forms.”⁶²⁷ Chodorov supplied several pamphlets for Regnery’s series of *Human Events Pamphlets*. With titles such as “Taxation is Robbery,” “From Solomon’s Yoke to the Income Tax,” and “The Myth of the Post

⁶²² Ibid., 39.

⁶²³ Ibid., 34.

⁶²⁴ Ibid., 35.

⁶²⁵ Ibid., 35.

⁶²⁶ Ibid., 35.

⁶²⁷ Ibid., 35.

Office,” these pamphlets articulated Chodorov’s extreme, essentially anarchistic, brand of libertarianism.

Meanwhile, Morley’s work with *Human Events* brought him into greater contact with the incipient conservative movement. In the summer of 1946 Jasper Crane, a conservative businessman who worked with DuPont, invited Morley to a conference to discuss conservative ideas. Participants in the conference included Leonard Read, who had founded the Foundation for Economic Education just a few months before the meeting, and the writer Rose Wilder Lane, whom Morley described as “a well-known writer who had been communistic in outlook but then reversed to become an almost anarchistic advocate of free enterprise.”⁶²⁸

Human Events also brought Morley to the attention of the Volker Fund, which secured for him an invitation to the inaugural Mont Pelerin Meeting in April, which Morley described in his memoirs as “an international group of economists and political writers aligned against the rapid drift toward socialism.”⁶²⁹ Like the other participants at Mont Pelerin, Morley was pessimistic about the chances for rolling back the welfare state. As he put it in his memoirs, at the time he felt that the spread of socialism was inevitable, “given the enormous wartime extension of state controls, the popular demand for governmental intervention in one form or another and the developing military preparations against Russia.”⁶³⁰

⁶²⁸ Morley, *For the Record*, 428.

⁶²⁹ *Ibid.*, 425.

⁶³⁰ *Ibid.*, 425.

Morley was familiar with Hayek at the time of the meeting, as he had used Hayek's 1944 *The Road to Serfdom* in a seminar he taught at Haverford.⁶³¹ Despite his admiration for Hayek, Morley found himself at odds with his fellow participants at the Mont Pelerin conference. It was not a difference in goals, as Morley shared a desire to promote free market capitalism. It was a difference of means. To Morley, the economists who dominated the conference were narrow and, perhaps, a bit naïve in their approach to the problem. The fight against socialism was at heart a political one and the intellectual argument for free market capitalism could not be won on economics alone. In fact, despite his training as an economist, Morley "concluded that formal economic thinking has a definitely limited value. And the more the economists emphasize mathematical applications . . . the more limited the political utilization of this 'dismal science' is likely to be."⁶³² Morley scoffed at the idea, held by some other participants at the conference, that "a valiant vanguard of pure economists, dedicated to the preservation of laissez-faire, could capture leadership in the Republican Party and make it an instrument of economic conservatism."⁶³³

Morley was pro-capitalist, to be sure, but like Roscoe Pound he based his arguments for limited government on constitutionality rather than economic theory. A month after the inaugural Mont Pelerin meeting, at the invitation of Pierre Goodrich, Morley traveled to Wabash College to deliver a series of lectures that would become the source of his 1949 book *Power to the People*.⁶³⁴ In the lectures, Morley pushed the

⁶³¹ Ibid., 425.

⁶³² Ibid., 426.

⁶³³ Ibid., 426.

⁶³⁴ Starburck, Dane. *The Goodriches: An American Family*. (Indianapolis: Liberty Fund, 2001), 281-2.

argument that the conservative movement should emphasize political and constitutional issues more than economic ones. Despite his work, and the publication of two books on the theme, he noted in his memoirs that he had “largely failed” in his efforts at “sharpening conservative thinking so as to emphasize political rather than economic theory.”⁶³⁵

Morley left *Human Events* in 1950. According to him, his leaving was the result of a growing divide between himself, Frank Hanighen, and Henry Regnery:

Frank and Henry, in their separate ways, moved on to associate with the far Right in the Republican Party. My position remained essentially ‘Libertarian,’ though it is with great reluctance that I yield the old terminology of ‘liberal’ to the socialists. I was, and continue to be, strongly opposed to centralization of political power, thinking that this process will eventually destroy our federal republic, if it has not done so already.⁶³⁶

Morley’s departure from *Human Events* did not mark the fracturing of the remnant. In 1951, Frank Chodorov assumed the position of editor of *Human Events*, thus combining *analysis* and *Human Events* into a single publication.⁶³⁷ The union of the two publications demonstrated that the conservative movement was consolidating.

⁶³⁵ Ibid., 435. In retrospect, it seems that Morley grossly underestimated the importance of economic theory in the revival of laissez-faire and the scale-back of government. A great deal of the influence of the Chicago School of Economics was predicated on its expertise in technical economic theory, a facility that helped to mask its ideological agenda.

⁶³⁶ Ibid., 437.

⁶³⁷ Justin Raimondo claims that the union of the two publications marked the moment when “the only voice of the pure libertarian creed had been submerged in the conservative movement.” [Raimondo, Justin. *An Enemy of the State: The Life of Murray Rothbard*. (Amherst, N.Y.: Prometheus Books, 2000), 79.]

Frank Chodorov's Fifty-year Project.

Though nearing retirement age in 1950, Frank Chodorov showed no signs of scaling back his campaign against the state. In the fall of 1950, he published an important article, published as “For Our Children’s Children” in *Human Events* and “The Fifty-year Project” in *analysis*, in which Chodorov outlined a long-term plan for conservative action.⁶³⁸

Chodorov argued that free market libertarians who wished to change the political direction of the country should focus on influencing the intellectual climate over a long time-frame rather than using their energies to affect public policies in the immediate future. Chodorov’s plan demonstrated that he, like other conservative intellectuals such as Friedrich Hayek, placed a great deal of importance on winning a battle of ideas. According to Chodorov, “The character of a nation reflects the way it thinks.”⁶³⁹ And he felt the reason why collectivism was on the rise in the United States was because the political left had won the battle of ideas in the earlier part of the century. As he explained, “American thought in 1950 is collectivistic because the seed of that kind of thinking was planted in the most receptive minds during the early years of the century. What we have now is the fruition of careful and assiduous husbandry.”⁶⁴⁰

⁶³⁸ Chodorov, Frank. “The Fifty-year Project,” *analysis* (October 1950); Chodorov, Frank. “For Our Children’s Children,” *Human Events* (September 1950) [Hamilton, Lee. 28]

⁶³⁹ Chodorov, Frank. *Out of Step: The Autobiography of an Individualist*. (New York: The Devin-Adair Company, 1962), 246.

⁶⁴⁰ *Ibid.*, 246.

The fact that socialists had effectively turned a generation against Chodorov's philosophy of laissez-faire was for him not a source of despair but a source of inspiration. "What the socialists have done can be undone if there is a will for it," he reasoned, "Individualism can be revived by implanting the ideas in the minds of the coming generations."⁶⁴¹ If collectivists had effectively molded the minds of a previous generation of students, Chodorov figured that there was no reason why conservatives could not do the same. Conservatives had, Chodorov proposed, a "most challenging opportunity in education before them."⁶⁴²

The educational project that Chodorov envisioned would be modeled after the Intecollegiate Socialist Society. Conservatives should reach out to college students, introduce them to libertarian ideas, and supply them with an institutional support network that would link them to like-minded students on other campuses. As for the faculty, Chodorov claimed that they should be regarded as hostile. They were, he said, the products of an earlier generation of leftist campus activism and were "committed to perpetuate that line."⁶⁴³ The fact that the professors were ideologically hostile to their undertaking presented conservative activists with an opportunity. He noted that "to be able to controvert the dicta of the professor is always a sophomoric delight" and that it was necessary to identify student conservatives and "equip him with doubts regarding the collectivistic doctrines insinuated in the lecture rooms, or the text books."⁶⁴⁴

Conservatives ought to supply lecturers for campus events, organize "Individualistic

⁶⁴¹ Ibid., 248.

⁶⁴² Ibid., 248.

⁶⁴³ Ibid., 249.

⁶⁴⁴ Ibid., 249.

Clubs” on every campus, and offer prizes for essays on libertarian themes. Just imagine, Chodorov sighed, “The individualist would become the campus radical, just as the socialist was forty years ago, and the halo of intellectualism would descend on his brow.”⁶⁴⁵

Optimistic as he was about the chances for long-term success, Chodorov made it clear that the plan he envisioned would not have immediate results. “It will not be an easy or quick job,” he warned, and it would require “the kind of industry, intelligence and patience that comes with devotion to an ideal. And the only reward they can hope for is that by the end of the century the socialization of the American character will have been undone. It is, in short, a fifty-year project.”⁶⁴⁶

Chodorov’s article, in his words, “attracted considerable attention” and resulted in J. Howard Pew, a donor to conservative causes, sending him a check for \$1,000 to start his program of student education.⁶⁴⁷ Not knowing what to do with the money and the positive response from his article, Chodorov talked to Leonard Read at the Foundation for Economic Education. They decided that Chodorov should begin an organization similar to FEE, but dedicated to proselytizing the libertarian message on college campuses. Chodorov and FEE worked out an arrangement whereby FEE supplied the new organization with reading material and the two organizations would share their membership lists. The resulting organization, the Intercollegiate Society of Individualists, was incorporated on April 3, 1952 with Chodorov and Hanighen as

⁶⁴⁵ Ibid., 250.

⁶⁴⁶ Ibid., 248.

⁶⁴⁷ Chodorov, *Out of Step*, 251; Edwards, Lee. *Educating for Liberty: The First Half-Century of the Intercollegiate Studies Institute* (Washington, D.C.: Regnery, 2003), 10.

incorporators and William F. Buckley, Jr. as president.⁶⁴⁸ The Intercollegiate Society of Individualists, an organization designed to spread libertarianism among college students, was modeled directly on the Intercollegiate Socialist Society.

ISI's young president, William F. Buckley, was quickly becoming a conservative star. He graduated from Yale in 1950, where he had been a gadfly as editor of the campus newspaper, and had been increasingly involved with the growing conservative movement since leaving college. Chodorov had become his mentor and facilitated Buckley's induction into the conservative network. As Lee Edwards points out in his history of ISI, "it was Chodorov who had published Bill Buckley's first professional article (paying him \$25 in the spring of 1951 in *Human Events*)."⁶⁴⁹ Chodorov also had a hand in the publication of Buckley's *God and Man at Yale*, essentially a catalog of the socialistic and atheistic heresies Buckley claimed dominated his alma mater.⁶⁵⁰ William F. Buckley was exactly the kind of conservative promoter Chodorov envisioned for his "Fifty-year project." Chodorov warmly referred to the young Buckley as "a young man with vision and dedication."⁶⁵¹

Within ten years Chodorov's Intercollegiate Society of Individualists grew to a membership of 12,000 college conservatives.⁶⁵² Chodorov estimated that in its first decade approximately 30,000 students had been "serviced" by the organization.⁶⁵³ In his

⁶⁴⁸ Edwards, 11.

⁶⁴⁹ Edwards, 12.

⁶⁵⁰ Regnery, 168; Edwards, 12.

⁶⁵¹ Chodorov, *Out of Step*, 252.

⁶⁵² *Ibid.*, 251.

⁶⁵³ *Ibid.*, 251.

1962 autobiography, Chodorov expressed satisfaction with ISI's efforts to spread libertarianism on U.S. campuses, noting that "within the last few years a ferment of what is called 'conservatism' has appeared on the campus."⁶⁵⁴ The promising start of the organization confirmed his belief that the proper strategy to promote laissez-faire was to spread free market ideas among the young. "We must do a selling job," Chodorov asserted, "Youth will not buy us out, lock, stock, and barrel, but will be rather selective about it; they will take what seems good to them, modernize it, build it into a panacea and start a revolution. God bless them."⁶⁵⁵ Over the next few decades conservative activists would grow their networks on campuses, making Chodorov's fifty-year project a reality.⁶⁵⁶

⁶⁵⁴ Ibid., 252.

⁶⁵⁵ Ibid., 260-1.

⁶⁵⁶ Soon ISI was not alone in its efforts to proselytize among college students. In 1960 William F. Buckley created a related organization, the Young Americans for Freedom (YAF), which added yet another conservative presence on American campuses. Histories of conservative activism on college campuses include John A. Andrew, *The Other Side of the Sixties: Young Americans for Freedom and the Rise of Conservative Politics* (New Brunswick, N.J.: Rutgers University Press, 1997); Edward Cain, *They'd Rather Be Right: Youth and the Conservative Movement* (New York: Macmillan, 1963); Lee Edwards, *Educating for Liberty: The First Half-century of the Intercollegiate Studies Institute* (Washington, D.C.: Regnery, 2003); Steven Koerner, "The Conservative Youth Movement: A Study in Right-Wing Political Culture and Activism, 1950-1980" (Ph.D. diss., University of Virginia, 2001); Gregory Schneider, *Cadres for Conservatism: Young Americans for Freedom and the Rise of the Contemporary Right* (New York: New York University Press, 1998).

Chapter Six: Rose Wilder Lane and Isabel Paterson Defend Modernity

It is interesting that the only intelligible books on the philosophy of individualism that have been written in America this century, have been done by two women – I.M. Paterson and Rose Wilder Lane.

– Albert Jay Nock, 1943⁶⁵⁷

Libertarians have found inspiration in Rose Wilder Lane's *The Discovery of Freedom* and Isabel Paterson's *The God of the Machine* since these books were first published in 1943.⁶⁵⁸ The story of how these women came to publish their strident defenses of free market capitalism in the same year is an important part of the intellectual history of American conservatism. In particular, it demonstrates how resentment against the New Deal animated the early movement. Though neither Rose Wilder Lane nor Isabel Paterson had the intellectual firepower of conservative intellectuals such as Joseph Schumpeter or Roscoe Pound, these two writers provided the nascent conservative movement with a useful connection to a middle-class audience. By publishing their libertarian views in popular publications such as the *Saturday Evening Post* and the *New York Herald Tribune*, Lane and Paterson reached an audience in the millions and were thus able to bring their anti-New Deal philosophy to a large readership.⁶⁵⁹

⁶⁵⁷ Nock, Albert Jay. *Letters from Albert Jay Nock*. (Caldwell, I.D.: Caxton, 1949), 181.

⁶⁵⁸ See for instance, Brian Doherty, *Radicals for Capitalism* (New York: Public Affairs, 2007), and Jim Powell, "Rose Wilder Lane, Isabel Paterson, and Ayn Rand: Three Women Who Inspired the Modern Libertarian Movement," *The Freeman* (May 1996). Available online [accessed March 10, 2007]: <http://www.fee.org/publications/the-freeman/article.asp?aid=3345>

⁶⁵⁹ Since neither publication is currently in print, it is easy to underestimate their importance in the 1930s. The *Saturday Evening Post*, now mostly known for Norman Rockwell's cover art, was called "America's magazine" and in 1937 its readership surpassed 3,000,000. [Peterson, Theodore. *Magazines in the Twentieth Century*. (Urbana, I.L.: University of Illinois Press, 1964), 61.] As for the *New York Herald Tribune*, during the 1930s it rivaled the *New York Times* as the country's paper of record, and counted Walter Lippmann and Dorothy Thompson among its staff. By way of comparison, in the 1930s the

Rose Wilder Lane and Isabel Paterson had much in common, not only in their politics but also in their personal backgrounds. They were both born in remote areas of the West in 1886, Rose Wilder Lane hailing from the Dakota Territories and Paterson coming from rural Ontario. Neither one of them had much in the way of education and both learned their literary skills from self-imposed routines of reading and writing. They each also lived fairly unconventional lives, as they both married and divorced by their early twenties and moved far from home in search of adventure.

Rose Wilder Lane led a particularly adventurous life. As a child she identified with the “Wandering Jew,” a mythical figure who is said to have forsaken Christ and as punishment was condemned to roam the earth for eternity. It was not the religious message that spoke to her (Lane was an atheist), but rather the idea of a peripatetic existence, the life of the wanderer. As soon as she was able, Lane left home in her teens and traveled east to Kansas City, where she supported herself working as a telephone operator. A few years later she married a young journalist she met there, Gillette Lane, because, as she confessed in her diary, she “wanted sex” and because she found her husband’s work as a journalist exciting, representing to her “success and money and the high cultural value of newspaper work.”⁶⁶⁰ Despite her initial excitement with marriage, Lane soon tired of married life. Feeling that her life was “practically over” at the age of twenty-one, Lane “got rid” of Gillette in 1915.⁶⁶¹

circulation of *Partisan Review* never exceeded 5,000. [Bloom, Alexander. *Prodigal Sons: The New York Intellectuals and Their World*. (New York: Oxford University Press, 1986), 81.]

⁶⁶⁰ Albanian Garden Journal Entry, 11/3/1926, Rose Wilder Lane Collection, Hoover Presidential Library.

⁶⁶¹ *Ibid.*

At the time of her divorce, Lane had already enjoyed some success as a freelance writer. Deciding to pursue her own career as a writer, Lane moved to Greenwich Village, where she was on the periphery of the crowd of bohemian intellectuals centered on John Reed, the charismatic young socialist who had written the famous history of the Russian Revolution, *Ten Days That Shook the World*. In 1920, Lane left New York to travel Europe as a journalist with the American Red Cross.

For much of the next decade Lane traveled throughout Europe. During this time she developed a life-long fascination with Albania, and even settled in the small country for several years. What most fascinated Lane about Albania were the tribal traditions that had survived into the twentieth century. Albania seemed to be a microcosm of traditional peasant societies in which the concept of individualism did not exist. As Lane explained to a friend in a letter in 1928, there was a “medieval psychology” in Albania that was “hard for a westerner to comprehend . . . that attitude of the individual being himself the family, the clan, identified inseparably with the family and the clan.”⁶⁶²

Lane’s reflections on traditional societies which valued the community over the individual became a central part of her political ideology. As much as she enjoyed Albania and however quaint she found its tribal customs, she considered the traditional values to be inimical to freedom, a concept she defined in terms of individual autonomy. As a result, Lane’s concept of freedom was tied to an interpretation of history. Only modern societies that valued the individual above the group could properly be described as free. Lane discussed the phenomenon with an Albanian orphan who was able to study in England, in part due to her sponsorship. Lane was fascinated when the boy told her

⁶⁶² Letter from Rose Wilder Lane to Arthur Briggs, 10/15/1928, Rose Wilder Lane Collection, Hoover Presidential Library.

that he felt free when he arrived in England. "I am very much interested to learn that you have that sensation of freedom when coming to England," she told him.

I myself always have it. That sensation is even stronger when coming into America . . . I had thought that perhaps it was because I was returning to people who speak my language. But that can't be the reason that you feel it.⁶⁶³

When she returned to the United States from Albania in 1929, Lane concentrated on writing fiction and supported herself by writing novels and publishing fiction in popular magazines. But the question of freedom's relationship to individualism and modernity was firmly planted in her mind, and soon it would become the centerpiece of all she wrote.

Isabel Paterson did not live as adventurously as Rose Wilder Lane, but her life could not be described as conventional.⁶⁶⁴ In her teens Paterson worked as a clerk for the Canadian Pacific Railroad. In 1912, at the age of twenty four, she entered an ill-fated though mercifully brief marriage. Like Rose Wilder Lane, Paterson found married life constricting. Although Paterson did not have much to say about her husband she did later comment, with her characteristic acerbity, that the unusual spelling of her last name – one "T" for Paterson – was because her husband was too cheap to have the second.⁶⁶⁵ The details of Paterson's next few years are sketchy. She spent the years of the First World

⁶⁶³ Letter from Rose Wilder Lane to Rexh Meta, 2/16/1929, Rose Wilder Lane Collection, Hoover Presidential Library

⁶⁶⁴ Stephen Cox has done enormous work to uncover the details of Paterson's life. As a result, the best source of information on Paterson is Stephen Cox, *The Woman and the Dynamo* (New York: Transaction, 2004). Also see Stephen Cox, "Representing Isabel Paterson," *American Literary History* 17 (Summer 2005): 244-58.

⁶⁶⁵ Cox, Stephen. "Introduction," published in Paterson, Isabel. *The God of the Machine*. (New York: Transaction, 1994), viii.

War writing novels in San Francisco. In 1922 she moved to New York to work as a secretary at the *New York Herald Tribune*. Although Paterson was a secretary, her writing abilities so impressed *Herald Tribune* editors Burton Rascoe and Irita Van Doren that they let her write the occasional book review for the paper. Eventually Paterson was given her own weekly column, “Turns with a Bookworm,” a weekly mix of society gossip and literary criticism that became a fixture of the New York literary scene from the time it began in 1924 until 1949.

The 1930s.

Before the 1930s neither Rose Wilder Lane nor Isabel Paterson was especially interested in politics. However, as the depression took hold and the New Deal got underway, they were both drawn into what Lionel Trilling has called “the dark and bloody crossroads where literature and politics meet.”⁶⁶⁶ Stephen Cox has said that the 1930s was a “crucial decade,” for Isabel Paterson, a time when “she attained and passed the peak of her success as a novelist and began her determined crusade for traditional American political values, a crusade that culminated in *The God of the Machine*.”⁶⁶⁷ Cox’s comment applies equally well to Rose Wilder Lane and *The Discovery of Freedom*.

Although the decade of the 1930s was an important time in Lane’s development as a conservative activist, she personally exaggerated the extent of her political conversion. She was fond of saying that she was had been a communist in her youth,

⁶⁶⁶ Trilling, Lionel. *The Liberal Imagination*. (New York: Viking, 1950), 8.

⁶⁶⁷ Cox, Stephen. “Introduction,” *The God of the Machine*. (New Brunswick: Transaction, 1993), xxiv.

referencing the time she spent as a writing living in Greenwich Village. As a fringe literary figure in John Reed's crowd it is true that Lane was concerned by the government crackdown on political dissenters during the Red Scare that followed the Second World War. She was concerned, however, not because she sympathized with the communist ideology of the aggrieved radicals but because she was concerned with civil liberties.⁶⁶⁸ Despite her claims, there is no evidence that she ever sympathized with communism.

In fact, there is evidence that Lane had vaguely right-wing leanings before the depression. In 1929 Lane told a friend, the journalist Fremont Older, that she had supported Herbert Hoover in the election the previous year. Admitting that she felt that Al Smith was "a good man," she confessed, "If Christ has run on the Democratic ticket, I should still have been for Mr. Hoover . . . I prefer the idealism of the Ford factory to that of the revolutionary; it has more effect on the world."⁶⁶⁹ The political conversion that Lane experienced was not one of beliefs but rather her willingness to give voice to them. If the 1930s did not make Lane a conservative, they did turn her into a conservative activist.

It was not as though Lane was unhurt by the depression. The economic downturn that hit the nation with such force in 1929 had a devastating effect on Lane. This makes her conversion into a vocal apologist of laissez-faire economics all the more curious. Throughout 1930 and 1931 Lane struggled to support herself. The trouble was that the entire publishing world was, in her words, "in frightful chaos," with editors reluctant to

⁶⁶⁸ See Rose Wilder Lane, *Give Me Liberty* (New York: Longmans, Green and Co., 1936), especially 1-5.

⁶⁶⁹ Letter from Rose Wilder Lane to Fremont Older, 12/16/1928, Rose Wilder Lane Collection, Hoover Presidential Library.

commission pieces they were uncertain they would be able to purchase.⁶⁷⁰ “Last year was a catastrophe,” she wrote in her diary on New Years Day, January 1, 1932.⁶⁷¹ 1932 proved to be even worse. In the summer of that year, Lane struggled to find the funds to travel from her home in Missouri to meet with publishers. “I don’t know how I shall possibly manage it, but I must,” she confided to her diary.⁶⁷² “My teeth can not be neglected any longer, my clothes are literally in rags, my last undergarment went to pieces on my body yesterday.”⁶⁷³

The depression convinced many writers that things had to change, that the political and economic arrangements of the past were no longer appropriate for the modern world. Lane, however, had the opposite reaction, and responded to her hardship by concluding that the past, far from being the source of the problem, provided salvation. The way she saw it, the trials the depression presented were no worse than those faced by her pioneer ancestors. Hunger and uncertainty were part of the pioneer’s lot, and she would face the challenges posed by the depression like a pioneer, with a mix of defiance, rugged individualism, and sangfroid. The pioneer tradition was, in Lane’s words, “the story of gigantic achievement, physically, spiritually, morally,” and if it were told correctly it had the potential to “lead the world back from the defeatist thinking of the socialistic, militaristic, caste formula in which European thought is so hopelessly

⁶⁷⁰ Letter from Rose Wilder Lane to Rexh Meta, 7/28/1930, Rose Wilder Lane Collection, Hoover Presidential Library.

⁶⁷¹ Journal entry, 1/1/1932, Rose Wilder Lane Collection, Hoover Presidential Library.

⁶⁷² Journal entry, 6/10/1932, Rose Wilder Lane Collection, Hoover Presidential Library.

⁶⁷³ Ibid.

involved . . .”⁶⁷⁴ The entrepreneurial ethos of the pioneer was the foundation of what Lane called the “American philosophy of life.”⁶⁷⁵

Lane’s reasoning led her to a view of the depression resembling that of Joseph Schumpeter. Schumpeter argued that the depression of the 1930s was no different than previous downturns. Since history had subsequently shown those previous downturns to be temporary setbacks on the road to further growth, Schumpeter concluded that little ought to be done about the current depression. Lane did not discuss business cycles as did Schumpeter, but she agreed with his assessment that the current depression was a normal occurrence and that the best way to deal with it was to wait it out. Eventually, Lane developed her pioneer thesis and stand-pat attitude toward the depression into an attack on the Roosevelt Administration and the New Deal. To her the price controls and limits on crop production of the N.R.A. and the A.A.A. were direct threats to the American pioneering heritage. So great was this threat, that in 1935 Lane wrote in her diary, “It seems that the men surrounding Roosevelt intend to establish a communist, Soviet State in this country.”⁶⁷⁶

Lane articulated her pioneer critique of the New Deal in her 1936 book *Give Me Liberty!* The book had its origins in a short article Lane published in the *Saturday Evening Post* in 1935, which had gathered so much attention that the editor of the magazine wrote to Lane’s editor requesting more political articles from Lane.⁶⁷⁷ *Give Me*

⁶⁷⁴ Journal entry, 12/23/1932, Rose Wilder Lane Collection, Hoover Presidential Library.

⁶⁷⁵ Ibid.

⁶⁷⁶ Letter from Rose Wilder Lane to Rexh Meta, 1/5/1935, Rose Wilder Lane Collection, Hoover Presidential Library.

⁶⁷⁷ Letter from Adelaide Neal to George Bye, 4/3/1936, Rose Wilder Lane Collection, Hoover Presidential Library.

Liberty! is a political autobiography. Lane described how she had been a communist sympathizer in her youth but how her travels and subsequent life experience disabused her of these beliefs. Lane attributed her interest in freedom to her travels in Europe during the 1920s. It had to do with the dichotomy between traditionalism and modernity, the issue that had so fascinated her in Albania. “Everywhere in Europe I encountered the living facts of medieval caste and of the static medieval social order,” she wrote, “I saw [people] resisting, and vitally resisting, democracy and the industrial revolution.”⁶⁷⁸ The attraction that Albania (and by extension all premodern traditions) had held for Lane in the 1920s had vanished. No longer was the traditional world quaint or interesting or a subject of fascination. Traditionalism was now equated with poverty, inadequate housing, and virtually nonexistent medical care. Worst of all, traditionalism was an affront to individual freedom. To her the people living in such an arrangement put the community above the individual and, as a consequence, were little more than “slaves and serfs.”⁶⁷⁹ And slaves and serfs, as opposed to Lane’s pioneers, were willing to trade freedom for security. As she put it, serfs “obeyed and they were fed” but “free men paid for their freedom by leaving that security.”⁶⁸⁰

According to Lane, by choosing freedom over security, free man had released the powers of individual innovation and creativity that led to industrial revolution and all the material benefits that it entailed. For proof, one only had to look at the history of the United States. From the beginning, Lane argued, the U.S. was peopled by

⁶⁷⁸ Lane, Rose Wilder. *Give Me Liberty*. (New York: Longmans, Green and Co., 1936), 18.

⁶⁷⁹ *Ibid*, 29.

⁶⁸⁰ *Ibid.*, 29.

“individualists” without “a trace of community spirit.”⁶⁸¹ As a result, the United States enjoyed a level of material wealth the rest of the world could only look at with wonder. “The American chaos of released human energies has been going on for little more than a century,” she marveled. “In that time it has created America and made America the richest country in the world.”⁶⁸² The price for such economic growth and individual freedom, of course, was a loss of security.

Lane realized that her readers might be tempted, in a time of depression, to trade their birthright of freedom for a sense of security. As she acknowledged, “not one of us has escaped anxiety . . . very few of us have not been forced to reduce our standard of living during these past few years.”⁶⁸³ But she exhorted her readers to remember the “millions of men and women” who in the face of depression have “quietly been paying debts from which they asked no release” and who “have cut expenses to the barest necessities.”⁶⁸⁴ These individuals were the modern pioneers, and they ought to be admired and emulated by their fellow countrymen. The choice could not have been more important. On one side there was freedom, modernity and on the other was serfdom and medieval mysticism. “The test of strength comes now,” cries Lane, “when half of Europe has definitely turned back from democracy to the old stability in which the multitudes, having no authority, have no responsibility, but leave both the power and the burden to their rulers.”⁶⁸⁵

⁶⁸¹ Ibid., 33.

⁶⁸² Ibid., 46.

⁶⁸³ Ibid., 61.

⁶⁸⁴ Ibid., 61.

⁶⁸⁵ Ibid., 62.

Lane put this message in fictional form in her 1938 novel *Free Land*. The novel portrayed the lives of pioneers who, despite numerous challenges, forged a future for themselves on their own terms and by their own hands. *Free Land* became a best seller and Lane's most successful work of fiction. Despite this success, it was her last work of fiction. Explicit political advocacy had become her avocation.

Paterson never claimed, like Rose Wilder Lane, to have had sympathies with the left. Her supervisor at *The New York Herald Tribune*, Burton Rascoe, even said that she was given a column partly based on the fact that she brought a rare "conservative point of view" to the publication.⁶⁸⁶ In the 1930s she had one of the sharpest pens in the business. Paterson's column, "Turns with a Bookworm," appeared in the *New York Herald Tribune*'s weekly book review, where it ran alongside book reviews written by prominent authors such as the novelist Ellen Glasgow and historians Henry Steele Commager and Charles Beard. Paterson's column provided a mix of criticism and news of interest to the New York literary community. Paterson announced the New York visits of literary luminaries, and reported gossip from cocktail parties and book signings. Throughout the 1920s her tone was light, at times even fun-loving, and the focus was predominantly on literary matters. In 1932 Paterson (who often used the first person plural when speaking for herself), remarked that "the communists don't bother us a bit . . . [they are] entertaining at moments, and they're in the literary picture, they're news occasionally."⁶⁸⁷

⁶⁸⁶ Rascoe, Burton. *We Were Interrupted*. (Garden City, N.Y.: Doubleday, 1947), 143.

⁶⁸⁷ Paterson, Isabel. "Turns with a Bookworm," *New York Herald Tribune Books* (December 18, 1932): 15.

By the end of the decade it was impossible to imagine Paterson writing such a thing, as she filled column after column with long political harangues about the New Deal.

It was the New Deal more than anything else that turned Paterson into an outspoken champion of the free market. She acknowledged the dramatic change of content in her weekly column. In fact, she apologized to her readers for her preoccupation with politics. It was not her fault, she explained. “Though at times we should prefer to devote our attention to pure literature, it can’t be done except by ignoring practically all books,” she protested in April, 1933.⁶⁸⁸ Politics and literature had become intertwined, she said, that to cover the literary beat as she had done in the 1920s meant that she had to be political.

In April of 1933, she provided an example of how politics was corrupting literary society. Discussing the events of a cocktail party, Paterson reported: “Seeing Henry Hazlitt deep in solemn converse with John Chamberlain we edged over in time to hear John Chamberlain say: ‘Economics must be entirely rewritten.’ We then uttered a low moan and swooned away while Henry choked on a pickled onion.”⁶⁸⁹ In the following week’s column, she reported that she went to see T.S. Eliot give a talk, since it “seemed like a good way to Get Away From It All – that is, to lay off the Depression and Communism and Hitler for a few minutes.”⁶⁹⁰ From the Orozco murals, with their politically-inspired themes, to watching Granville Hicks try to convert Stuart Chase to communism, Paterson reported that there was “not a chance” of escaping politics.⁶⁹¹

⁶⁸⁸ Paterson, Isabel. “Turns with a Bookworm,” *New York Herald Tribune Books* (April 16, 1933): 11

⁶⁸⁹ Paterson, Isabel. “Turns with a Bookworm,” *New York Herald Tribune Books* (April 23, 1933): 12.

⁶⁹⁰ Paterson, Isabel. “Turns with a Bookworm,” *New York Herald Tribune Books* (April 30, 1933): 12.

⁶⁹¹ *Ibid.*, 12.

“Nowadays we are required to be bored in the sacred name of economics and the proletariat,” she sighed.⁶⁹²

The way Paterson portrayed it, it appeared that the main quarrel she had with the ideologically charged atmosphere was that all the talk of politics bored her. This was not the case. She was not only bored by displays of leftist politics; she was angered by it. Her true reaction is belied when she complained that the “really awful part” of the politicization of literature was that “if you don’t agree with all or any of the snake-doctors who are offering their cure-alls, if you merely mention that so far they have only succeeded in making matters worse, you are frivolous, reactionary, and anti-social; you have no sympathy for the working classes.”⁶⁹³

As to her own politics, Paterson left no room for doubt. In May of 1933, at the height of Roosevelt’s First One Hundred Days, Paterson told her readers, “We believe in the classic American concepts of a purely political government, which shall not undertake to save people’s souls or provide them an income. That means private property and personal liberty.”⁶⁹⁴ In addition to this proclamation of faith in American capitalism, Paterson made clear that she had little sympathy for those who failed in a system of unregulated capitalism. She readily conceded that the “disadvantages” of her system included the fact that some might “not have any private property” and could find themselves “in a breadline.”⁶⁹⁵ She simply dismissed these concerns by declaring that the

⁶⁹² Ibid, 12.

⁶⁹³ Ibid, 12.

⁶⁹⁴ Paterson, Isabel. “Turns with a Bookworm,” *New York Herald Tribune Books* (May 28, 1933): 11.

⁶⁹⁵ Ibid., 11.

nature of life was struggle, or “nothing for nothing and little for sixpence” as she blithely put it.⁶⁹⁶ Like Rose Wilder Lane, Paterson believed that poverty and depressions were natural, and that the proper response was to remain patient (and stoic) until the economy righted itself.

Although Paterson was willing to wait-out the depression, she was not prepared to sit quietly as Roosevelt’s New Deal got underway. “So far as [the New Deal] goes,” she wrote in a 1935 column, “it IS fascism.”⁶⁹⁷

. . . [the New Deal] parallels with striking fidelity the procedure in Germany: inflation of the currency, usurpation of authority and disregard of the Constitution, confiscation; intimidation, putting supporters on the public pay roll, a steady centralization of power, legalized industrial monopolies, and an incessant stream of propaganda and a stupefying tangle of contradictory regulations of every activity of the private citizen.⁶⁹⁸

For Paterson, the New Deal was not simply a step toward totalitarianism; it was totalitarianism.

Throughout the 1930s, Paterson’s political utterances alternated between criticizing the New Deal and mocking the literary intellectuals who supported it. In 1935, Paterson attacked a petition that had been circulated by the America’s Writing Conference. In fairness to Paterson, the petition was extreme. For instance, included in the petition was language such as: “hundreds of poets, novelists, dramatists, critics, short

⁶⁹⁶ Ibid., 11.

⁶⁹⁷ Paterson, Isabel. “Turns with a Bookworm,” *New York Herald Tribune Books* (September 1, 1935): 14. (capitalization in original)

⁶⁹⁸ Paterson, Isabel. “Turns with a Bookworm,” *New York Herald Tribune Books* (September 1, 1935): 14.

story writers and journalists recognize the necessity of personally helping to accelerate the destruction of capitalism and the establishment of a workers' government."⁶⁹⁹ In her scathing commentary, Paterson dismissed the luminaries who signed the petition (including John Dos Passos, Eskine Caldwell, Theodore Dreiser, Malcolm Cowley, and Josephine Herbst). "If they're plumb tired of writing and want to abolish the liberty of the press to give themselves a rest, they are going about it logically," remarked Paterson.⁷⁰⁰

By 1939, Paterson's political utterances were simultaneously more frequent and less witty. When John Chamberlain referred to her as an "anarchist" in his book *The American Stakes* she took the occasion to dedicate an entire column to refuting the allegation and spelling out her views on government. She explained that far from being an anarchist, she believed in the system of government established by the Founding Fathers. She did not call for the absence of government, she simply wanted "to impose the strictest possible limitations on the powers granted to government to keep the squirming, clutching office holder pinned within those limits by incessant vigilance."⁷⁰¹ These strict limits on government were necessary, Paterson explained in her inimitable way, "to keep uplifters off our neck, in order to prevent very worthy persons who think they know what is best for us, from sending us to a concentration camp or the chopping block . . ."⁷⁰² To those who supported the establishment of a welfare state on humanitarian grounds, Paterson warned them that a welfare state could easily become a

⁶⁹⁹ Paterson, Isabel. "Turns with a Bookworm," *New York Herald Tribune Books* (March 17, 1935): 18.

⁷⁰⁰ *Ibid.*, 18.

⁷⁰¹ Paterson, Isabel. "Turns with a Bookworm," *New York Herald Tribune Books* (August 6, 1939): 11.

⁷⁰² *Ibid.*, 11.

fascist state. As she put it, the “‘gangsters’ would get nowhere at all if the Do-Goods didn’t first create the state power for them to use.”⁷⁰³

In February of 1941 a reader wrote to Paterson complaining of the fact that she devoted more time to talk of politics than to reviewing books. “The writer has all our sympathy,” she began, “and we’d have his if he saw the books or maybe met the authors who thrust the subjects mentioned upon us.”⁷⁰⁴ According to Paterson it was simply impossible to ignore political matters. Moreover, since many of these books contained arguments that she felt were dangerous, it was necessary for her to speak out against them in no uncertain terms. “The whole tendency of our times is for ever-increasing political control of everything; and it’s rather difficult to ignore it, when one is still writing,” she explained.⁷⁰⁵

Like Lane, Paterson found it impossible to ignore political matters. By the beginning of the 1940s, both women planned to write books to give full-throated voice to their views.

Defending Modernity: *The Discovery of Freedom* and *The God of the Machine*.

Lane’s *The Discovery of Freedom* and Paterson’s *The God of the Machine*, the two books on which their authors’ reputations largely rest, articulated the views that the two authors had developed over the course of the 1930s. Neither book was a direct attack on the New Deal. Instead, both books provided accounts of history in which a choice was posed. On the one hand there was feudalism, serfdom and dictatorship; on the other was

⁷⁰³ Ibid., 11.

⁷⁰⁴ Paterson, Isabel. “Turns with a Bookworm,” *New York Herald Tribune Books* (February 9, 1941): 23.

⁷⁰⁵ Ibid., 23.

Enlightenment, capitalism, and individual freedom. The issue their contemporaries faced, they both argued, was to choose between these two extremes. And both authors made clear to readers that the New Deal was on the side of feudalism and dictatorship.

Rose Wilder Lane and Isabel Paterson based their libertarian views on a particular conception of history. Specifically, they embraced modernity and the liberal assumption on which it rests. John Gray has called liberalism, especially classical liberalism, as “the political theory of modernity.”⁷⁰⁶

Its [liberalism’s] postulates are the most distinctive features of modern life – the autonomous individual with his concern for liberty and privacy, the growth of wealth and the steady stream of invention and innovation, the machinery of government which is at once indispensable to civil life and a standing threat to it – and its intellectual outlook is one that could have originated in its fullness only in the post-traditional society of Europe after the dissolution of medieval Christendom.⁷⁰⁷

“Whig history” is the term that historians use to describe works that depict history as the story of the growth and development of liberalism.⁷⁰⁸ Whig histories accept liberal presuppositions as normative and portray history as a morality play in which the forces of liberalism and enlightenment do battle with medieval mysticism and intolerance. Rose Wilder Lane’s *The Discovery of Freedom* and Isabel Paterson’s *The God of the Machine* are Whig histories par excellence.

⁷⁰⁶ Gray, John. *Liberalism*. (Buckingham: Open University Press, 1995), 78.

⁷⁰⁷ Ibid., 78.

⁷⁰⁸ See Herbert Butterfield, *The Whig Interpretation of History* (New York: W.W. Norton, 1965).

Rose Wilder Lane began *The Discovery of Freedom* with a question. What accounted for the Industrial Revolution? “For thousands of years, human beings use their energies in unsuccessful efforts to get wretched shelter and meager food,” she wrote, “then on one small part of the earth, a few men use their energies so effectively that three generations create a completely new world.”⁷⁰⁹ The answer, Lane argued, was not to be found in changes in innate human ability. As she put it, “A baby born in Kentucky in 1820 had no physical or mental energy superior to that of a baby born anywhere else at any other time.”⁷¹⁰ Nor could the Industrial Revolution be accounted for by looking at change in the natural environment, since the “physical earth has not changed in historical time.”⁷¹¹ With human potential and natural resources remaining constant, the explanation could only be found in changes in societal arrangements and institutions.

For most of history, Lane contended, societies had been arranged hierarchically. Leaders, often monarchs, were not bound by no other laws than they ones they created. As the embodiment of government, these autocrats governed the economic life of their societies as they controlled everything else. “Since history began,” Lane wrote, “all the people of the Old World have always lived in what is now called ‘a planned economy.’”⁷¹² In a planned economy, the government controlled “the human energy used in producing and distributing material goods, by an Authority consisting of a few

⁷⁰⁹ Lane, Rose Wilder. *The Discovery of Freedom: Man's Struggle Against Authority*. (New York: The John Day Company, 1943), ix.

⁷¹⁰ *Ibid.*, ix.

⁷¹¹ *Ibid.*, ix.

⁷¹² *Ibid.*, 22.

men, and according to a plan made by those men – and enforced by the police.”⁷¹³ The problem with this arrangement is that it was both inefficient and wasteful and led to a static society. As Lane put it, this kind of arrangement “wastes time, and human energy, and human life.”⁷¹⁴

Against this arrangement Lane posited free societies in which human initiative was allowed to function freely. According to Lane, this “discovery of freedom,” occurred in three historical developments. The first two were not political or economic, but religious. First, there was Judaism’s recognition that each person constituted an individual and unique soul. Second, there was the flowering of Islamic society in the 11th and 12th centuries. She attributed this renaissance of art and science in the medieval Islamic world to the enlightened rule of the Saracens, a Muslim sect that according to Lane preached tolerance and gave individuals a wide degree of latitude in their affairs. “During the stagnation of Europe that is called the Dark Ages,” she claimed, the world the Saracens created was an “energetic, brilliant civilization, more akin to American civilization and more fruitful today for everyone alive, than any other in the past.”⁷¹⁵ By Lane’s account, the world owed the Saracens an enormous debt, including “modern science – mathematics, astronomy, navigation, modern medicine and surgery, scientific agriculture. . .”⁷¹⁶ The tragedy in these two earlier “discoveries” of freedom was that they were replaced by reactionary movements: the Catholic Church in medieval Europe, and Whababist ideology in Islamic in the Ottoman caliphate.

⁷¹³ Ibid., 22.

⁷¹⁴ Ibid., 24.

⁷¹⁵ Ibid., 87.

⁷¹⁶ Ibid., 87.

The third discovery of freedom was the project of modernity. It was born in the Enlightenment, and succored in the founding documents of the United States. The American Revolution, Lane reminded readers, occurred at a time “when Living Gods governed nearly all the earth, as Living Gods governed Egypt and as a Son of Heaven governs the Japanese today.”⁷¹⁷ The American Revolution was a revolt against the collective weight of history. By establishing a society governed by the rule of law, and recognizing individual rights to contract, the society created in the U.S. freed human potential from external constraints. Finally freed from control, humans exercised their creative capacities and entrepreneurial instincts. The society created in the United States directly led to the tangible benefits of modern life. “How did Edison create the electric light?” asked Lane, “how did Americans create the millions of American cars?” Her answer was: “free thought, free speech, free action and freehold property.”⁷¹⁸ “The unhindered use of natural rights creates this whole modern world,” she concluded.⁷¹⁹

According to Lane, the benefits of modernity were obvious. But the threat to modernity was equally obvious. After all, the two previous “discoveries of freedom” were ultimately subverted by reactionary counterattacks. She urged readers to consider history not only as a story of success, but also a cautionary tale. Those that valued freedom, she argued, had to jealously guard it from the forces of reaction. And in the 1930s the forces of reaction were ascending.

⁷¹⁷ Ibid., 153.

⁷¹⁸ Ibid., 224.

⁷¹⁹ Ibid., 224.

Rose Wilder Lane hoped *The Discovery of Freedom* would serve as a call to arms. In her view, supporters of freedom had to make for the barricades as the enemies of freedom were on the march. The enemies she identified were clear. “Since 1860, there has been coming out of Germany a world-current of counter-revolutionary thinking,” she wrote.⁷²⁰ The progression of reactionary thinking was easy to discern. Marxism had led to international communism in Russia and fascism in Italy and Germany. Although these regimes differed in their particulars, they all held the “belief that Authority can control individuals for their own good, in a better social order than individuals can create for themselves.”⁷²¹

Now, Lane argued, the forces of reaction were on the rise in the United States. The culprits were reformers who “sincerely desiring to do good to the masses or the working classes” had “been laboring for forty years to improve the condition of their (alleged) inferiors by Bismarck’s methods.”⁷²² The litany of successful policies of reaction included, in Lane’s words, “compulsory workmen’s compensation, compulsory workmen’s insurance (taken from wages) for old age; compulsory unemployment insurance; general taxation (in some States) for old age pensions; compulsory labor-union membership (dues, as in Bismarck’s Germany, taken from wages); and some compulsory socialization of farmers.”⁷²³ It was wrong-headed to regard social welfare policies as progressive. Taking a world-historical view, it was clear to Lane that any violation of the

⁷²⁰ Ibid., 257.

⁷²¹ Ibid., 257.

⁷²² Ibid., 257.

⁷²³ Ibid., 257-8.

sanctity of private property and the freedom of contract was a step backwards toward feudalism.

In the 1930s, Lane argued, the forces of reaction were on the brink of victory. Hanging in the balance was the third and most promising of the three discoveries of freedom. Therefore it is not surprising that Lane ended her manifesto with ringing exhortations for concerned citizens to join her fight. “Win this war? Of course Americans will win this war . . . five generations of Americans have led the Revolution, and the time is coming when Americans will set this whole world free.”⁷²⁴

Isabel Paterson’s *The God of the Machine* is similar to *The Discovery of Freedom* both in argument and tone. With chapters titled “The Fiction of Public Ownership,” “The Humanitarian with a Guillotine,” and “Our Japanized Educational System,” Paterson’s book also lacks all subtlety. Paterson’s biographer Stephen Cox has said of *The God of the Machine* that it is “not just theory but rhapsody, satire, diatribe, poetic narrative.”⁷²⁵ He is generous. *The God of the Machine* is a hodge-podge of Paterson’s half-considered ruminations on history, economics, and politics, all of which is presented in the irascible tone that had by the 1940s had become her trademark.

Paterson believed that human potential was virtually unlimited, and that to tap this resource all that was required was the proper societal arrangement. Like Rose Wilder Lane, Paterson argued that for the majority of history people had toiled under social structures as immoral as they were inefficient. Too often, societies had been arranged to aggrandize rulers rather than to protect individual freedom. As a result, they failed to

⁷²⁴ Ibid., 262.

⁷²⁵ Cox, xlv.

unleash human potential, the eponymous “god of the machine.” History could be seen as a never-ending struggle between individuals struggling against external controls. Also, like Lane, Paterson viewed the government created by the U.S. Constitution as the political gold-standard, the perfect structure to realize human potential.

Paterson began her account of history in the ancient Mediterranean world. She viewed Roman civilization as a particularly promising effort to organize human society. The benefits of the Roman system, as Paterson saw it, was that it employed the rule of law, the idea that men should be governed by known rules rather than the arbitrary decisions of rulers. Unfortunately, the promise of Rome fell into the darkness of medieval mysticism. “The Dark Ages are puzzling,” she wrote, “because they occur between lighted intervals . . . they lie between two antithetic concepts of humanity, of the relation of the individual to the group, two methods of association.”⁷²⁶

Modernity was the struggle to reestablish the rule of law after the arbitrary rule of medieval monarchs. For Paterson, the rule of law was the linchpin on which the entire project of modernity depended. She took inspiration from Henry Maine’s concept of the society of contract versus the society of status.⁷²⁷ Appropriating Maine, Paterson wrote:

In the Society of Status nobody has any rights. The individual is not recognized; a man is defined by his relation to the group, and is presumed to exist only by permission. The system of status is privilege and subjection. By the ultimate logic of the Society of Status, a member of the

⁷²⁶ Paterson, Isabel. *The God of the Machine*. (New Brunswick: Transaction, 1993), 41.

⁷²⁷ *Ibid.*, 41.

group who has not committed even a minor offense might be put to death
for 'the good of society.'⁷²⁸

The problem with the society of status, in addition to its potential to abuse civil liberties, was that it retarded innovation, entrepreneurship, and stifled the development of human potential. It was only by abolishing "political control over economic activities" that great material wealth could be created.⁷²⁹ The mystery of economic development, a topic that has confounded economists for more than two centuries, was to Paterson no mystery at all. For her, the formula for development was simple. All that was needed was to free men to pursue their own goals, and to accomplish this all the government needed to do was to protect private property and enforce contracts. "Man is the dynamo, in his productive capacity," Paterson proclaimed, and "government is an end-appliance, and a dead end in respect of the energy it uses."⁷³⁰ For an example of a country that had got the formula for progress correct, all one needed to do was to look to the United States, the history of which she called "the Age of the Dynamo."⁷³¹

Paterson presented her account of history with the hope that an appreciation for the history of modernity would force Americans to view the New Deal (not to mention the development of fascism and communism in Europe) in a new light. "Whoever is fortunate enough to be an American citizen came into the greatest inheritance man has ever enjoyed," Paterson proclaimed.⁷³² "He has had the benefit of every heroic and

⁷²⁸ Ibid., 42.

⁷²⁹ Ibid., 49.

⁷³⁰ Ibid., 82.

⁷³¹ Ibid., 157.

⁷³² Ibid., 292.

intellectual effort men have made for many thousands of years, realized at last. If Americans should turn back, submit again to slavery, it would be a betrayal so base the human race might better perish.”⁷³³

The Discovery of Freedom and *The God of the Machine* were neither well-argued nor sophisticated. They were, in fact, overwrought and highly reductionist accounts of history. For Lane and Paterson, all human experience could be viewed in a single metanarrative of individual emancipation.⁷³⁴ Despite these obvious flaws, many found Lane and Paterson’s arguments exhilarating. Albert Jay Nock, for instance, excitedly wrote to friends proclaiming, “You really must read Rose Wilder Lane’s *Discovery of Freedom* . . . Her [Lane’s] analysis of freedom and of ‘Society’ is really splendid.”⁷³⁵ “Rose and old Isabel have shown the male world how to think *fundamentally*,” he continued, “. . . They don’t fumble and fiddle around – every shot goes straight to the center, and hits dam’ hard.”⁷³⁶

Ayn Rand’s enthusiasm for *God of the Machine* bordered on hysterical. “*The God of the Machine* is the greatest book written in the last three hundred years,” she told

⁷³³ Ibid., 292.

⁷³⁴ By posing the story of modernity as an either/or choice between barbarism and freedom, *The Discovery of Freedom* and *The God of the Machine* resemble Karl Popper’s *The Open Society and Its Enemies* (Princeton: Princeton University Press, 1950), which was also written in the early 1940s. Popper ended *The Open Society and Its Enemies* with a ringing statement that would have been at home in either *The Discovery of Freedom* or *The God of the Machine*: “. . . we cannot return to a state of implicit submission to tribal magic. For those that have eaten from the tree of knowledge, paradise is lost. The more we try to return to the heroic age of tribalism, the more surely do we arrive at the Inquisition, at the Secret Police, and at a romanticized gangsterism.” (Popper, 200)

⁷³⁵ Nock, Albert Jay. *Letters from Albert Jay Nock, 1924-1945* (Caldwell, I.D.: Caxton, 1949), 182-3.

⁷³⁶ Ibid., 183.

the editor of publishing house G.P. Putnam's and Sons.⁷³⁷ According to Rand, "No historical movement has ever succeeded without a book that stated its principles and gave shape to its thinking."⁷³⁸ *The God of the Machine* provided the laissez-faire movement with a foundational text. As such, *The God of the Machine* was in her opinion "a document that could literally save the world."⁷³⁹ It would do for capitalism what "*Das Kapital* did for communism" and "*Mein Kampf* for Nazism," she proclaimed.⁷⁴⁰

In his memoirs, conservative journalist John Chamberlain credited Paterson's *The God of the Machine* for turning him into a conservative. In the 1930s Chamberlain had been a fairly well-known leftist public intellectual. In his 1932 book, *A Farewell to Reform*, Chamberlain had argued that it was impossible to reform capitalism; it would simply have to be replaced by a form of state socialism.⁷⁴¹ Yet *The God of the Machine*, according to Chamberlain, "hit me like a ton of bricks when it came out in 1943."⁷⁴² Having seen the light, Chamberlain would spend the remainder of his career as part of the conservative movement, writing for *National Review* and the editorial page of the *Wall Street Journal*.⁷⁴³

⁷³⁷ Letter from Ayn Rand to Earle H. Balch, 11/28/1943, published in Berliner, Michael S., ed. *Letters of Ayn Rand*. (New York: Penguin, 1995), 102.

⁷³⁸ *Ibid.*, 102.

⁷³⁹ *Ibid.*, 102.

⁷⁴⁰ *Ibid.*, 102.

⁷⁴¹ Chamberlain, John. *Farewell to Reform*. New York: Liveright, 1932.

⁷⁴² Chamberlain, John. *A Life with the Printed Word*. (Chicago: Regnery, 1982.), 96.

⁷⁴³ See John Chamberlain, *A Life with the Printed Word* (Chicago: Regnery, 1982).

In 1943, Lane described in her diary the coming together of the conservative movement. The occasion was a letter she received from former President Herbert Hoover congratulating her for the publication of *The Discovery of Freedom*.

Mr. Hoover still says he envies me my optimism, but I am surer every day that America is really waking up, and that the collectivists are on their way out. Though certainly tough times and a long, hard fight are ahead. The best thing my book brings me is the dozens, scores, of letters from all over the country. Contacts are really being established, at last . . . I am absolutely certain that a genuine American revival is gathering force and impetus.⁷⁴⁴

Rose Wilder Lane was correct. Connections were being established and soon she would ally with activists who shared her concerns. In 1945 there was a national distribution of an expanded version of Lane's essay "Give me Liberty," which had originally appeared in the *Saturday Evening Post* in 1935.⁷⁴⁵ The group that handled the new printing was Leonard Read's Los Angeles-based group the Pamphleteers, Inc., the organization he had established as he remade the L.A. Chamber of Commerce into a fount of free market thought. Additionally, when Albert Jay Nock died in August 1945, Rose Wilder Lane replaced him as the editor of Merwin K. Hart's *Economic Council Review of Books*.

⁷⁴⁴ Letter from Rose Wilder Lane to Charles Clark, 8/11/1943, Rose Wilder Lane Collection, Hoover Presidential Library.

⁷⁴⁵ Lane, Rose Wilder Lane. "Give me Liberty!" published in Pamphleteers, Inc., *The Freeman*, Volume II, Number 1 (1945).

Paterson's relationship with the growing conservative movement was more fractious. In the obituary he wrote for Paterson in *National Review*, William F. Buckley wrote that Paterson could be "intolerably impolite, impossibly arrogant, [and] obstinately vindictive."⁷⁴⁶ He reported that he was only able to "get a few pieces out of her" for *National Review* before a disagreement over the way he edited an article led Paterson to break contact with him. Still, Buckley described her as "a great woman, who raised herself from obscurity."⁷⁴⁷

⁷⁴⁶ Buckley, William F., Jr. "RIP, Mrs. Paterson," *National Review* (January 28, 1961), 43.

⁷⁴⁷ *Ibid.*, 43.

Conclusion: The Laissez-faire Religion

This dissertation reveals that it is time to revive Louis Hartz's thesis that political thought in the United States has been confined within narrow Lockean limits. So strong is this Lockean framework, Hartz argued, that Americans are held in thrall by their irrational devotion to market capitalism.⁷⁴⁸ Since it appeared in 1955, historians have attacked Hartz's thesis. In particular, social historians have plumbed the American past in search of voices that counter the Lockean tradition that Hartz identified. Labor historians such as Herbert Gutman, David Montgomery, and Lawrence Goodwyn, for instance, have argued that Hartz failed to take seriously an American working class tradition that was hostile to bourgeois values.⁷⁴⁹ Additionally, historians such as Christopher Lasch, Eugene Genovese, and Paul V. Murphy have excavated an anti-Lockean tradition on the American right.⁷⁵⁰ These studies, while useful, offer historians little help in explaining the phenomenal resilience of laissez-faire ideology in U.S. history.

⁷⁴⁸ Hartz, Louis. *The Liberal Tradition in America*. New York: Harcourt Brace and Company, 1955. In order to avoid confusion, it is important to understand what Hartz means by "liberal." He uses the term as a political theorist would: to denote a strong belief in individual autonomy and an embrace of free market capitalism. In the United States these attributes are often associated with political "conservatives," which is a testament to the strength of Hartz's thesis. It is only within a dominant liberal paradigm that proponents of laissez-faire could be called "conservative." After all, it is liberalism – rather than feudalism – that these "conservatives" are trying to protect.

⁷⁴⁹ See Lawrence Goodwyn, *Democratic Promise: The Populist Moment in America* (New York: Oxford University Press, 1976); Herbert G. Gutman, *Work, Culture and Society in Industrializing America* (New York: Knopf, 1976); David Montgomery, *Beyond Equality: Labor and the Radical Republicans, 1862-1872* (New York: Knopf, 1967) & *The Fall of the House of Labor: The Workplace, the State, and American Labor Activism, 1865-1925* (New York: Cambridge University Press, 1987); Sean Wilentz, *Chants Democratic: New York City and the Rise of the American Working Class, 1788-1850* (New York: Oxford University Press, 1984).

⁷⁵⁰ See Eugene Genovese, *The Southern Tradition: The Achievement and Limitations of an American Conservatism* (Cambridge: Harvard University Press, 1996); Christopher Lasch, *The True and Only Heaven: Progress and Its Critics* (New York: W.W. Norton, 1991); Murphy, Paul V. *The Rebuke of History: The Southern Agrarians and American Conservative Thought* (Chapel Hill: University of North Carolina Press, 2001).

The hostility that the New Deal provoked provides powerful evidence in support of Hartz's thesis. As Hartz himself pointed out, "If the Great Depression of the thirties suggested anything, it was that the failure of socialism in America stemmed from the ideologic power of the national irrational liberalism rather than from economic circumstance."⁷⁵¹

The "economic circumstance" of the depression was indeed terrifying. In four short years, 1929-1933, the U.S. economy shrank thirty one percent; unemployment rose from three to twenty-five percent; and private savings essentially evaporated, falling from a national total of \$15.3 billion in 1929 to \$2.3 billion in 1933.⁷⁵² Poignant images accompany these numbers: refugees from the Dust Bowl lining the nation's roads and living in thrown-together camps, depositors waiting in line at banks to access accounts that no longer existed, soldiers routing the Bonus Marchers from the nation's capital, and violent strikes occurring in cities across the nation. Edmund Wilson referred to the depression as an "earthquake" and pointed out that it was difficult "for persons who were born too late to have memories of the depression to believe that it really occurred, that between 1929-1933 the whole structure of American society seemed actually to be going to pieces."⁷⁵³ Bad as this was, the domestic crisis represented only a fraction of the challenge the times posed to a believer in the beneficence of capitalism. As Eric Hobsbawm has pointed out, the depression "was underlined by the fact that the one country that had clamorously broken with capitalism appeared to be immune from it:

⁷⁵¹ Ibid., 259.

⁷⁵² U.S. Department of Commerce. *Historical Statistics of the United States*, Part 1. (Washington, D.C.: Government Printing Office, 1975), 224; 135; 263.

⁷⁵³ Wilson, Edmund. *The American Earthquake* (New York: Da Capo, 1996), 12.

The Soviet Union.”⁷⁵⁴ From 1929-1940, while the U.S. economy was in tatters, Soviet industrial production was reported to have tripled, while maintaining nearly a zero unemployment rate.⁷⁵⁵

And yet, it was in the midst of this cataclysm that conservative activists organized a movement to propagandize on behalf of the free market. Beleaguered by the New Deal at home and the spread of socialism abroad they felt it was time to defend, in Henry Simons’ phrase, “the religion of freedom.”⁷⁵⁶ During this time, conservative intellectuals honed the ideology of laissez-faire and laid the foundations of the organizational network to distribute it. At the dawn of the postwar era, Henry Simons was well into his plan to turn the University of Chicago into a bulwark against the welfare state; Leonard Read had established the first libertarian think tank; and writers such as Frank Chodorov, Felix Morley, Roscoe Pound, Rose Wilder Lane and Isabel Paterson had begun to establish the connections that would form the basis of the postwar conservative intellectual movement.⁷⁵⁷

The fact that the intellectual origins of the postwar resurgence of laissez-faire ideology were laid during the depression is the first of the two great ironies of the modern conservative movement. The second irony of the modern conservative movement is that although it has largely been unpopular among the intelligentsia, the conservative movement is itself thoroughly intellectual. Even a cursory look at its beginnings reveals

⁷⁵⁴ Hobsbawm, Eric. *The Age of Extremes: A History of the World, 1914-1991*. (New York: Vintage, 1996), 96.

⁷⁵⁵ Ibid., 96.

⁷⁵⁶ Henry Simons to F.A. Hayek, 12/18/1934, Box 3, Folder 40. Henry Simons Papers, Special Collections Research Center, University of Chicago Library.

⁷⁵⁷ See George H. Nash, *The Conservative Intellectual Movement in America Since 1945* (New York: Basic, 1976).

that from the beginning the conservative movement has been almost obsessed with ideas. A list of its early institutions demonstrates the point: the Chicago School of economics and the Mont Pelerin Society, the Foundation for Economic Education and the Intercollegiate Society of Individualists, *Human Events*, *National Review*, and Frank Chodorov's Fifty-year project to spread the gospel of capitalism on the nation's campuses. How, then, can one account for these ironies?

The social theories of Karl Mannheim provide an explanation. In *Ideology and Utopia*, Karl Mannheim contrasted the worldview of conservatives and liberals. He called the conservative worldview "ideology," and defined it as the unquestioned cultural assumptions that served the status quo. He called the liberal worldview "utopia," and defined it as an ideological blueprint for a world that did not exist but on behalf of which its supporters were willing to fight. Conservatives, Mannheim argued, were not active intellectuals. Content with the status quo and the assumptions on which it stood, they did not have to trouble themselves with theorizing. When the status quo was challenged, however, conservatives were compelled to think out their assumptions, develop an ideology, and struggle on its behalf. According to Mannheim:

Only the counter-attack of opposing classes and their tendency to break through the limits of the existing order causes the conservative mentality to question the basis of its own dominance and necessarily brings about among the conservatives historical-philosophical reflections concerning themselves. Thus, there rises a counter-utopia which serves as a means of self-orientation and defense.⁷⁵⁸

⁷⁵⁸ Mannheim, Karl. *Ideology and Utopia*. (New York: Harvest, 1936), 230.

It is only when their assumptions are successfully challenged that conservative intellectuals are compelled to articulate an ideology – a “counter-utopia” – on behalf of which they are willing to fight. As Mannheim succinctly put it, “In its original form, [the] conservative mentality was . . . not concerned with ideas. It was its liberal opponent who, so to speak, forced it into this arena of conflict.”⁷⁵⁹

Mannheim’s thesis explains the two great ironies of the modern conservative movement. First, it was only when laissez-faire was seriously challenged that its champions awoke to defend it. Before the depression, conservatives had little reason to fear that the free market system was in imminent danger of being replaced with state socialism. The New Deal changed that. Economists within the Roosevelt Administration, not fringe figures, were calling for centralized planning. High-profile legal experts denied that there were any standards in the law, and claimed the regime in Washington was legally justified to experiment with governance in any way it saw fit. Meanwhile, policies like the N.R.A. provided evidence that calls for government control of the economy might be answered. Conservatives who had been content with the status quo were legitimately shaken to action, honed their ideology, and began to fight on its behalf.

Mannheim also offers an explanation for the conservative obsession with ideas. Shaken from their complacency, conservatives were forced to formulate a “counter-utopia” – and intellectual blueprint of the idealized society on behalf of which they would fight. They have been fighting ever since.

⁷⁵⁹ Ibid., 231.

BIBLIOGRAPHY

Archival Collections

Thomas Nixon Carver Papers (Collection #858), Special Collections, UCLA, Los Angeles, California

Frank H. Knight Papers, Special Collections Research Center, Regenstein Library, University of Chicago, Chicago, Illinois

Henry Hazlitt Papers, Foundation for Economic Education Archives, Irvington-on-Hudson, New York

Robert A. Millikan Papers, Special Collections, California Institute of Technology, Pasadena, California

Rose Wilder Lane Papers, Herbert Hoover Presidential Library, West Branch, Iowa

Isabel Paterson Papers, Herbert Hoover Presidential Library, West Branch, Iowa

Roscoe Pound Papers, Harvard Law School Library, Harvard University Cambridge, Massachusetts

Leonard Read Papers, Foundation for Economic Education Archives, Irvington-on-Hudson, New York

Henry C. Simons Papers, Special Collections Research Center, Regenstein Library, University of Chicago, Chicago, Illinois

Dissertations and Theses

Brown, Linda Keller. "Challenge and Response: The American Business Community and the New Deal, 1932-1934." Ph.D. diss., University of Pennsylvania, 1972.

Burns, Jennifer. "Goddess of the Market: Ayn Rand and the American Right, 1930-1980." Ph.D. diss., University of California – Berkeley, 2005.

Jensen, James Russell. "The 'new conservatism' of *Fortune* magazine, 1930-1952." Ph.D. diss., University of Iowa, 1956.

Koerner, Steven. "The Conservative Youth Movement: A Study in Right Wing Political Culture and Activism, 1950-1980." Ph.D. diss., University of Virginia, 2001.

May, George Smith. "Ultra-conservative Thought in the United States in the 1920s and 1930s." Ph.D. diss., University of Michigan – Ann Arbor, 1954.

Nitsche, Charles G. "Albert Jay Nock and Frank Chodorov: Case Studies in Recent American Individualist and Anti-Statist Thought." Ph.D. diss., University of Maryland, 1981

Phillips-Fein, Kim. "Top-Down Revolution: Businessmen, Intellectuals, and Politicians Against the New Deal." Ph.D. diss., Columbia University 2005.

Tilman, Lee. "The American Business Community and the Death of the New Deal." Ph.D. diss., University of Arizona, 1966.

Toy, Eckard V. "Ideology and Conflict in American Ultraconservatism, 1945-1960." Ph.D. diss., University of Oregon, 1965.

Unruh, Gail Quentin. "Ultraconservative Distortion: Merwin K. Hart and the National Economic Council." Master's thesis, University of Oregon, 1981.

Books and Articles

Agar, Herbert and Allen Tate, Eds. *Who Owns America: A New Declaration of Independence*. Boston: Houghton Mifflin Company, 1936.

Alter, Jonathan. *The Defining Moment: FDR's Hundred Days and the Triumph of Hope*. New York: Simon and Schuster, 2006.

- Andrew, John A., III. *The Other Side of the Sixties: The Young Americans for Freedom and the Rise of Conservative Politics*. New Brunswick: Rutgers University Press, 1997.
- Arkes, Hadley. *The Return of George Sutherland*. Princeton: Princeton University Press, 1997.
- Atiyah, P.S. *The Rise and Fall of Freedom of Contract*. New York: Oxford University Press, 1979.
- Attorney General's Committee on Administrative Procedure. *Final Report of the Attorney General's Committee on Administrative Procedure*. Washington, D.C.: GPO, 1941
- Auerbach, M. Morton. *The Conservative Illusion*. New York: Columbia University Press, 1959.
- Bateman, Bradley W. *Keynes Uncertain Revolution*. Ann Arbor: The University of Michigan Press, 1996.
- Barber, William J. *Designs Within Disorder: Franklin D. Roosevelt, the Economists, and the Shaping of American Economic Policy, 1933-1945*. New York: Cambridge University Press, 1996.
- Beard, Charles A. and George H.E. Smith. *The Old Deal and the New*. New York: The Macmillan Company, 1940.
- Bell, Daniel, ed. *The Radical Right*. 3rd Edition. New Brunswick: Transaction Publishers, 2002.
- Benowitz, June Melby. *Days of Discontent : American Women and Right-Wing Politics, 1933-1945*. DeKalb: Northern Illinois University Press, 2002.
- Bernstein, Barton J. "The New Deal: Conservative Achievements in Liberal Reform," in *Towards the Past: Dissenting Essays in American History* (New York: Pantheon Books, 1968), 263-288.
- Bernstein, Michael A. *The Great Depression: Delayed Recovery and Economic Change in America, 1929-1939*. New York: Cambridge University Press, 1987.
- *A Perilous Progress: Economists and Public Purpose in Twentieth Century America*. Princeton: Princeton University Press, 2001.
- Best, Gary Dean. *The Critical Press and the New Deal: The Press versus Presidential Power, 1933-1938*. Westport, C.T.: Praeger Press, 1993.

- *Pride, Prejudice, and Politics: Roosevelt versus Recovery, 1933-1938*. Westport, C.T.: Praeger Press, 1991.
- *The Retreat from Liberalism: Collectivists versus Progressives in the New Deal Years*. Westport, C.T.: Praeger Press, 2002.
- Biles, Roger. *Crusading Liberal: Paul H. Douglas of Illinois*. DeKalb, I.L.: Northern Illinois University Press, 2002.
- Bingham, Emily S. and Thomas A. Underwood, eds. *The Southern Agrarians and the New Deal: Essays After I'll Take My Stand*. Charlottesville: University Press Of Virginia, 2001.
- Bjerre-Poulsen, Niels. *Right Face: Organizing the American Conservative Movement 1945-1965*. Copenhagen: Museum Tusculanum Press, 2002.
- Blaug, Mark, ed. *Frank Knight, Henry Simons, Joseph Schumpeter*. Brookfield, VT.: Edward Elgar, 1992.
- Blum, John Morton, Ed. *Roosevelt and Morgenthau*. Boston: Houghton Mifflin, 1970.
- *Public Philosopher: Selected Letters of Walter Lippmann*. New York: Ticknor & Fields, 1985.
- Blumenthal, Sidney. *The Rise of the Counter-Establishment*. New York: Harper & Row, 1988.
- Bond, James E. *I Dissent: The Legacy of Chief Justice James Clark McReynolds*. Fairfax, V.A.: George Mason University Press, 1992.
- Bork, Robert H. *The Tempting of America: The Political Seduction of the Law*. New York: The Free Press, 1990.
- Bottomore, Tom. *Between Marginalism and Marxism: The Economic Sociology of J.A. Schumpeter*. New York: Harvester Wheatsheaf, 1992.
- Brand, Donald R. *Corporatism and the Rule of Law: A Study of the National Recovery Administration*. Ithaca: Cornell University Press, 1988.
- Brazelton, W. Robert. "Alvin Harvey Hansen: Economic Growth and a More Perfect Society: The Economist's Role in Defining the Stagnation Thesis and in Popularizing Keynesianism," *American Journal of Economics and Sociology* 48 (October 1989): 427-440.
- Breit, William and Roger Ransom, *The Academic Scribblers: American Economists in Collision*. New York: Holt, Rinehart and Winston, 1971.

- Brennan, Mary C. *Turning Right in the Sixties: The Conservative Capture of the GOP*. Chapel Hill: University of North Carolina Press, 1995.
- Brinkley, Alan. *The End of Reform: New Deal Liberalism in Recession and War*. New York: Vintage Books, 1996.
- "The Problem of American Conservatism." *The American Historical Review*, Volume 99, Issue 2 (April 1994), 409-429.
- *Voices of Protest: Huey Long, Father Coughlin, and the Great Depression*. New York: Vintage Books, 1983.
- Buckley, William F. *God and Man at Yale: The Superstitions of Academic Freedom*. Chicago: Regnery, 1951.
- *Did You Ever See a Dream Walking? American Conservative Thought in the Twentieth Century*. Indianapolis: Bobbs-Merrill, 1970.
- Burns, Jennifer. "Godless Capitalism: Ayn Rand and the Conservatives." *Modern Intellectual History*, 1, 3 (November 2004): 1-27.
- In Retrospect: George Nash's *The Conservative Intellectual Movement in America Since 1945*." *Reviews in American History*, 32 (September 2004): 447-462.
- Butler, Eamonn. *Ludwig von Mises: Fountainhead of the Modern Microeconomics Revolution*. Brookfield, V.T.: Gower, 1988.
- Cain, Edward. *They'd Rather Be Right: Youth and the Conservative Movement*. New York: The MacMillan Company, 1963.
- Caldwell, Bruce. *Hayek's Challenge: An Intellectual Biography of F.A. Hayek*. Chicago: The University of Chicago Press, 2004.
- Carey, George, Ed. *Freedom and Virtue: The Conservative/Libertarian Debate*. Wilmington: Intercollegiate Studies Institute, 1998.
- Carlson, Allan. *The New Agrarian Mind: The Movement toward Decentralist Thought In Twentieth-Century America*. New Brunswick: Transaction, 2000.
- Carter, Dan T. *From George Wallace to Newt Gingrich: Race in the Conservative Counterrevolution 1963-1994*. Baton Rouge: Louisiana State University Press, 1996.

- *The Politics of Rage: George Wallace, the Origins of the New Conservatism, and the Transformation of American Politics*. Baton Rouge: Louisiana State University Press, 2000.
- Carver, Thomas Nixon. *The Distribution of Wealth*. New York: Macmillan, 1904.
- *Elementary Economics*. Boston: Ginn and Co., 1920.
- *Essays in Social Justice*. Cambridge, M.A.: Harvard University Press, 1915.
- *The Present Economic Revolution in the United States*. Boston: Little Brown and Co., 1925.
- *Principles of National Economy*. New York: Ginn and Company, 1921.
- *Report on the Problem: What Must We Do to Save Our Economic System?* Los Angeles: 1935.
- *Recollections of an Unplanned Life*. Los Angeles: Ward Ritchie, 1949.
- "What Liberties Shall We Fight For?" published in *Current Economic Policies*, Joseph B. Hubbard, ed. (New York: Henry Holt & Company, 1934), 3-10.
- Chaloupek, Gunther. "The Austrian Debate on Economic Calculation in a Socialist Society." *History of Political Economy*, 22, 4, winter 659-75.
- Chamberlain, John. *A Life With the Printed Word*. Chicago: Regnery, 1982.
- Chamberlain, William H. *The Evolution of a Conservative*. Chicago: Regnery, 1959.
- Chodorov, Frank. *One is a Crowd*. New York: Devin-Adair, 1952.
- *Out of Step: The Autobiography of an Individualist*. New York: Devin-Adair, 1962.
- Clarke, Peter. *The Keynesian Revolution and its Economic Consequences*. Cheltenham, UK: Edward Elgar, 1998.
- *The Keynesian Revolution in the Making, 1924-1936*. Oxford: Clarendon Press, 1988.
- Coase, R.H. "Law and Economics at Chicago." *Journal of Law and Economics*, Vol. 36, No. 1, Part 2, John M. Olin Centennial Conference in Law and Economics at the University of Chicago. (Apr., 1993), 239-254.

- Cockett, R. *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931-1983* (London: Harper Collins, 1994)
- Colander, David C. and Harry Landreth, eds. *The Coming of Keynesianism to America*. Brookfield, V.T.: Edward Elgar, 1996.
- Collins, Robert M. *The Business Response to Keynes, 1929-1964*. New York: Columbia University Press, 1981.
- Cooney, Terry A. *Balancing Acts: American Thought and Culture in the 1930s*. New York: Twayne Publishers, 1995.
- Conkin, Paul K. *F.D.R. and the Origins of the Welfare State*. New York: Crowell, 1967.
- *The Southern Agrarians*. Knoxville: University of Tennessee Press, 1988.
- Cowles Commission for Research in Economics. *Economic Theory and Measurement: A Twenty Year Research Report, 1932-1952*. Chicago: 1952.
- Cox, Stephen. *The Woman and the Dynamo: Isabel Paterson and the Idea of America*. New Brunswick: Transaction Publishers, 2004.
- Cram, Ralph Adams. *Convictions and Controversies*. Boston: Marshall Jones Company, 1935.
- *The Gothic Quest*. Garden City, N.Y.: Doubleday, Page and Company, 1915.
- *My Life in Architecture*. Boston: Little Brown and Company, 1936.
- Donald T. Critchlow, "The Political Control of the Economy: Deficit Spending as a Political Belief, 1932-1952," *The Public Historian* 3, no. 2 (Spring 1981): 5-22.
- Crunden, Robert M. *From Self to Society 1919-1941*. Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1972.
- *The Mind and Art of Albert Jay Nock*. Chicago: Henry Regnery Company, 1964.
- *The Superfluous Men: Conservative Critics of American Culture 1900-1945*. Austin: University of Texas Press, 1977.

- Danelski, David J. *A Supreme Court Justice is Appointed*. New York: Random House, 1964.
- Davidson, Donald. *The Attack on Leviathan: Regionalism and Nationalism in the United States*. Chapel Hill: The University of North Carolina Press, 1938.
- Davis, J. Ronnie. "Henry Simons, the Radical: Some Documentary Evidence." *History of Political Economy*, 1(2), Fall, 388-94.
- *New Economics and Old Economists*. Ames: Iowa State University Press, 1971
- Davis, Kenneth Culp. "Dean Pound and Administrative Law," *Columbia Law Review* 42 (January 1942): 89-103.
- Davis, Kenneth C. and Walter Gellhorn, "Present at the Creation: Regulatory Reform Before 1946," *Administrative Law Review* 38 (1986): 511-533.
- Davenport, J. "The Testament of Henry Simons." *Fortune*, Sept. 1946, 34, 116-19.
- DeLong, J. Bradford. "In Defense of Henry Simons' Standing as a Classical Liberal." *Cato Journal*, v. 9, n. 3 (Winter 1990), 601-618.
- Diggins, John P. *Up From Communism: Conservative Odysseys in American Intellectual History*. New York: Columbia University Press, 1994.
- Director, Aaron. "Simons on Taxation." *University of Chicago Law Review* 14 (1946), 15-20.
- Doenecke, Justus D. "Conservatism: The Impassioned Sentiment." *American Quarterly*, Volume 28, Issue 5 (Winter 1976), 601-9.
- Doherty, Brian. *Radicals for Capitalism: A Freewheeling History of the Modern American Libertarian Movement*. New York: Public Affairs, 2007.
- Douglas, Paul H. *In the Fullness of Time*. New York: Harcourt, Brace, Jovanovich, 1972.
- Duxbury, Neil. *Patterns of American Jurisprudence*. New York: Oxford University Press, 1995.
- Ebenstein, Alan. *Friedrich Hayek: A Biography*. Chicago: University of Chicago Press, 2003.
- *Hayek's Journey*. Palgrave, 2003.
- *Milton Friedman: A Biography*. Palgrave, 2007.

Edwards, Lee. *The Conservative Revolution: The Movement that Remade America*. New York: Free Press, 2002.

----- *Educating for Liberty: The First Half-Century of the Intercollegiate Studies Institute*. Washington, D.C.: Regnery, 2003.

Eisenstadt, Peter, Ed. *Black Conservatism: Essays in Intellectual and Political History*. New York: Garland Publishing, Inc., 1999.

Ekrich, Arthur A., Jr. *Ideologies and Utopias: The Impact of the New Deal on American Thought*. Chicago: Quadrangle Books, 1969.

Emmett, Ross B., ed. *The Chicago Tradition in Economics, 1898-1946*. London: Routledge, 2002.

Engerman, David C. *Modernization from the Other Shore: American Intellectuals and The Romance of Russian Development*. Cambridge: Harvard University Press, 2003.

Epstein, Richard. "A Common Law for Labor Relations: A Critique of the New Deal Legislation," 92 *Yale L.J.* 1357 (1983).

----- *How Progressives Rewrote the Constitution*. Washington: The Cato Institute, 2006.

Farber, David and Jeff Roche, eds. *The Conservative Sixties*. New York: Peter Lang, 2003.

Feinman, Ronald L. *The Twilight of Progressivism: The Western Republican Senators and the New Deal*. Baltimore: Johns Hopkins University Press, 1981.

Fine, Sidney. *Laissez-faire and the General Welfare State: A Study of Conflict in American Thought, 1865-1901*. Ann Arbor: University of Michigan Press, 1966.

Finer, Herman. *The Road to Reaction*. Boston: Little, Brown and Co., 1945.

Flynn, John T. *As We Go Marching*. New York: Arno Press, 1972.

----- *The Roosevelt Myth*. San Francisco: Fox & Wilkes, 1998.

Fones-Wolf, Elizabeth A. *Selling Free Enterprise: The Business Assault on Labor and Liberalism, 1945-1960*. Chicago: University of Illinois Press, 1994.

Forster, Arnold and Benjamin R. Epstein. *Danger on the Right*. New York: Random House, 1964.

- Frank, Jerome. *Law and the Modern Mind*. New York: Brentano's Publishers, 1930.
- Fraser, Steve and Gary Gerstle, Eds. *The Rise and Fall of the New Deal Order, 1930-1980*. Princeton: Princeton University Press, 1989.
- Freedman, Max, ed. *Roosevelt and Frankfurter: Their Correspondence, 1928-1945*. Boston: Little, Brown, 1967.
- Fried, Barbara. *The Progressive Assault on Laissez-faire: Robert Hale and the First Law and Economics Movement*. Cambridge: Harvard University Press, 1998.
- Friedman, Milton. "George Stigler: A Personal Reminiscence." *Journal of Political Economy*, Vol. 101, No. 5 (Oct., 1993), pp. 768-773.
- "Homer Jones" *Journal of Monetary Economics* 2 (1976) 433-34.
- *A Monetary History of the United States, 1867-1960*. Princeton: Princeton University Press, 1963.
- "The Monetary Theory and Policy of Henry Simons." *Journal of Law and Economics*. (Oct. 1967, 10), 1-13.
- Friedman, Milton and Rose D. Friedman. *Two Lucky People*. Chicago: University of Chicago Press, 1998.
- Murray, Friedman. *The Neoconservative Revolution: Jewish Intellectuals and the Shaping of Public Policy*. New York: Cambridge University Press, 2005.
- Galbraith, John Kenneth. *Economics, Peace, and Laughter*. Boston: Houghton Mifflin, 1971
- *A Life in Our Times*. New York: Ballantine Books, 1981.
- Garrett, Garrett. *The People's Pottage*. Boston: Western Islands, 1953.
- Garrison, Frank W., Ed. *Letters from Albert Jay Nock 1924-1945*. Caldwell, I.D.: The Caxton Printers, 1949.
- Gellhorn, Walter. "The Administrative Procedure Act: The Beginnings," *Virginia Law Review* 72, 2 (March 1986): 219-233.
- *Federal Administrative Proceedings*. Baltimore: The Johns Hopkins Press, 1941.

----- *Individual Freedom and Governmental Restraints*. Baton Rouge: Louisiana State University, 1956.

Genovese, Eugene D. *The Southern Tradition: The Achievements and Limitations of an American Conservatism*. Cambridge: Harvard University Press, 1994.

Gordon, Colin. *New Deals: Business, Labor, and Politics in America, 1920-1935*.

Gordon, Robert W. "Willis's American Counterparts: The Legal Realists' Defense of Administration," *University of Toronto Law Journal* 55 (2005): 405-425.

Gottfried, Paul. *The Conservative Movement*. New York: Twayne Publishers, 1993.

Graham, Otis, Jr. *Toward a Planned Society*. New York: Oxford University Press, 1976.

Grob, Gerald N. "Sidney Fine on the Intellectual Origins of the General Welfare State: Or, what Happened to Social and Intellectual History." *Reviews in American History*, Volume 12, Issue 2 (June 1984), 286-295.

Guttmann, Allen. *The Conservative Tradition in America*. New York: Oxford

Gottfried Haberler, "Alvin Hansen: Some Reminiscences," *The Quarterly Journal of Economics*, 90 (February 1976): 9-13.

Hamilton, Charles H., ed., *Fugitive Essays: Selected Writings of Frank Chodorov*. Indianapolis: Liberty Press, 1980.

Hammond, J. Daniel and Claire H. Hammond, eds. *Making Chicago Price Theory: Friedman-Stigler correspondence, 1945-1957*. New York: Routledge, 2006.

Hansen, Alvin H. "Economic Progress and Declining Population Growth," *The American Economic Review* 29 (March 1939): 1-15.

----- *Fiscal Policy and Business Cycles*. New York: W.W. Norton, 1941.

----- *Full Recovery or Stagnation*. New York: W.W. Norton, 1938.

----- "Keynes on the Underemployment Equilibrium," *The Journal of Political Economy*, 44 (October 1936): 667-686.

----- "Some Notes on Terborgh's 'The Bogey of Economic Maturity,'" *Review of Economics and Statistics* 28 (February 1946): 13-17.

Harper, F.A. *The Crisis of the Free Market*. National Industrial Conference Board, 1945.

- Harris, Seymour. *The New Economics: Keynes' Influence on Theory and Public Policy*. New York: Knopf, 1947.
- *Saving American Capitalism*. New York: Knopf, 1948.
- , ed. *Schumpeter, Social Scientist*. Cambridge: Harvard University Press, 1951.
- Hart, Jeffrey. *The Making of the American Conservative Mind: National Review and Its Times*. Wilmington: ISI Books, 2005.
- Hartwell, R.M. *A History of the Mont Pelerin Society*. Indianapolis: Liberty Fund, 1995.
- Hartz, Louis. *The Liberal Tradition in America*. New York: Harcourt Brace and Company, 1991.
- Hayek, F.A. *The Collected Works of F.A. Hayek, Volume IV: The Fortunes of Liberalism*. Peter Klein, ed. London: Routledge, 1992.
- *The Constitution of Liberty*. Chicago: Regnery Press, 1972.
- *The Road to Serfdom*. Chicago: University of Chicago Press, 1994.
- Hazlitt, Henry. *The Critics of Keynesian Economics*. Princeton: Van Nostrand, 1960.
- *Economics in One Lesson*. New Rochelle, N.Y.: Arlington House, 1979.
- *The Failure of the "New Economics": An Analysis of the Keynesian Fallacies*. Princeton: Van Nostrand, 1959.
- *The Free Man's Library; A Descriptive and Critical Bibliography*. Princeton: Van Nostrand, 1956.
- *The Great Idea*. New York: Appleton – Century – Crofts, 1951.
- Himmelberg, Robert. *The Origins of the National Recovery Administration*. New York: Fordham University Press, 1976.
- Himmelstein, Jerome. *To the Right: The Transformation of American Conservatism*. Berkeley: University of California Press, 1990.
- Hodgson, Godfrey. *The World Turned Right Side Up: A History of the Conservative Ascendancy in America*. Boston: Houghton Mifflin, 1996.
- Hofstadter, Richard. *Age of Reform*. New York: Knopf, 1955.

- *Social Darwinism in American Thought*. Boston: The Beacon Press, 1962.
- Hoeveler, J. David, Jr. "American Intellectual Conservatism: Is There a Usable Past?" *IntellectualHistory Newsletter* 11 (June 1989), 4-26.
- *The New Humanism: A Critique of Modern America, 1900-1940*. Charlottesville: University Press of Virginia, 1977.
- *Watch on the Right: Conservative Intellectuals in the Reagan Era*. Madison: University of Wisconsin Press, 1991.
- Holtz, William, Ed. *Dorothy Thompson and Rose Wilder Lane: Forty Years of Friendship, Letters 1921-1960*. Columbia: University of Missouri Press, 1991.
- *The Ghost in the Little House: A Life of Rose Wilder Lane*. Columbia: University of Missouri Press, 1993.
- Hoover, Herbert. *American Individualism*. Garden City, N.Y.: Doubleday, Page & Company, 1922.
- *The Challenge to Liberty*. Rockford, I.L.: Herbert Hoover Presidential Library Association, 1971.
- Homan, Paul and Fritz Machlup, eds. *Financing American Prosperity*. New York: The Twentieth Century Fund, 1945.
- Horwitz, Morton J. "The Conservative Tradition in the Writing of Legal History," *AJLH*, 17 (1973), 275-94.
- *The Transformation of American Law: The Crisis of Legal Orthodoxy, 1870-1960*. New York: Oxford University Press, 1992.
- Hull, N.E.H. "Reconstructing the Origins of Realistic Jurisprudence: A Prequel to the Llewellyn-Pound Exchange over Legal Realism." *Duke Law Journal* 4 (November 1989): 1302-1334.
- *Roscoe Pound and Karl Llewellyn: Searching for an American Jurisprudence*. University of Chicago Press, 1997.
- Huntington, Samuel. "Conservatism as an Ideology." *American Political Science Review* 51 (1957) 454-473.
- Hutchinson, Dennis J. and David J. Garrow. *The Forgotten Memoir of John Knox: A Year in the Life of a Supreme Court Clerk in FDR's Washington*. Chicago: University of Chicago Press, 2002.

Ickes, Harold. *The Secret Diary of Harold L. Ickes: The First Thousand Days, 1933-1936*. New York: Simon and Schuster, 1953.

----- *The Secret Diary of Harold L. Ickes: The Inside Struggle, 1936-1939*. New York: Simon and Schuster, 1954.

Irons, Peter H. *The New Deal Lawyers*. Princeton: Princeton University Press, 1982.

Jeffries, John W. "The 'New' New Deal: FDR and American Liberalism, 1937-1945," *Political Science Quarterly*, Vol. 105, No. 3 (1990), 397-418.

Johnson, Alvin Saunders. *Pioneer's Progress: An Autobiography*. New York: Viking, 1952.

Jones, Alan. *The Constitutional Conservatism of Thomas M. Cooley*. New York: Garland, 1987.

Judis, John B. *William F. Buckley, Jr.: Patron Saint of the Conservatives*. New York: Simon and Schuster, 1988.

Karanikas, Alexander. *Tillers of a Myth: Southern Agrarians as Social and Literary Critics*. Madison: University of Wisconsin Press, 1966.

Katz, Wilbur G. "Economics and the Study of the Law: The Contribution of Henry C. Simons. *University of Chicago Law Review* 14 (1946), 1-4.

Kauffman, Bill. *America First! Its History, Culture, and Politics*. Amherst, N.Y.: Prometheus Books, 1995.

Kazin, Michael. "The Grass-Roots Right: New Histories of U.S. Conservatism in the Twentieth Century." *The American Historical Review*, Volume 97, Issue 1 (February 1992), 136-155.

----- *The Populist Persuasion: An American History*. New York: Basic Books, 1995.

Kennedy, David M. *Freedom From Fear: The American People in Depression and War*. New York: Oxford University Press, 1999.

Keynes, John Maynard. *The Collected Writings of John Maynard Keynes*. New York: St. Martin's Press, 1971.

----- *End of Laissez-faire*. London: L & V Woolf, 1927.

----- *Essays in Persuasion*. New York: St. Martin's Press, 1972.

----- *The General Theory of Employment, Interest, and Money*. New York: St. Martin's Press, 1973.

Kirk, Russell. *The Conservative Mind from Burke to Santayana*. Chicago: Henry Regnery Company, 1953.

Kirzner, Israel. *Ludwig von Mises: The Man and His Economics*. Wilmington: ISI Books, 2001.

Kitch, E.W. "The Fire of Truth: A Remembrance of Law and Economics at Chicago, 1932-1970" *Journal of Law and Economics* 26 (April 1983), 163-234.
Klatch, Rebecca. *Women of the New Right*. Philadelphia: Temple University Press, 1987.

Klein, Lawrence R. *The Keynesian Revolution*. New York: The Macmillan Company, 1954.

Kloppenberg, James T. *Uncertain Victory: Social Democracy and Progressivism in European and American Thought, 1870-1920*. New York: Oxford University Press, 1986.

Knight, Frank H. *The Ethics of Competition and Other Essays*. New York: Harper, 1935.

----- *Freedom and Reform*. New York: Harper, 1947.

----- *Selected Essays by Frank H. Knight: Volume One* (Ross B. Emmett, ed). Chicago: University of Chicago Press, 1999

Laidler, David. *Fabricating the Keynesian Revolution*. New York: Cambridge University Press, 1999.

Landis, James M. "Crucial Issues in Administrative Law. *The Walter-Logan Bill*," 53 (May 1940): 1077-1102.

Lane, Rose Wilder. *The Discovery of Freedom: Man's Struggle Against Authority*. New York: Laissez-faire Books, 1984.

----- *Free Land*. New York: Longmans, Green and Co., 1938.

----- *Give Me Liberty*. New York: Longmans, Green and Co., 1936.

Lasch, Christopher. *The True and Only Heaven: Progress and Its Critics*. New York: Norton, 1991.

- Lekachman, Robert. *The Age of Keynes*. New York: Random House, 1966.
- Leuchtenburg, William E. *Franklin D. Roosevelt and the New Deal: 1932-1940*. New York: Harper & Row Publishers, 1963.
- *The Supreme Court Reborn: The Constitutional Revolution in the Age of Roosevelt*. New York: Oxford University Press, 1995.
- Lewis, H. Gregg. "Henry C. Simons." *American Economic Review* 36 (1946), 668-669.
- Lichtenstein, Nelson, ed. *Imagining Capitalism: Social Thought and Political Economy in Twentieth Century America*. Philadelphia: University of Pennsylvania, 2006.
- Lippmann, Walter. *An Inquiry into the Principles of the Good Society*. Boston: Little, Brown and Company, 1937.
- *Public Philosopher: Selected Letters of Walter Lippmann* (John Morton Blum, ed.) New York: Ticknor & Fields, 1985.
- Llewellyn, Karl N. *The Bramble Bush: On Our Law and Its Study*. New York: Oceana Publications, Inc., 1996.
- "A Realistic Jurisprudence – The Next Step," *Columbia Law Review* 30 (April 1930): 431-465.
- "Some Realism about Realism – Responding to Dean Pound," *Harvard Law Review* 44 (June 1931): 1222-1264.
- Lora, Ronald. *Conservative Minds in America*. Chicago: Rand McNally & Company, 1971.
- MacBride, Robert Lea, Ed. *The Lady and the Tycoon: Letters of Rose Wilder Lane and Jasper Crane*. Caldwell, I.D.: Caxton Printers, 1973.
- *Rose Wilder Lane: Her Story*. New York: Stein and Day, 1977.
- Malvasi, Mark G. *The Unregenerate South: The Agrarian Thought of John Crowe Ransom, Allen Tate, and Donald Davidson*. Baton Rouge: Louisiana State University Press, 1997.
- Mannheim, Karl. *Conservatism: A Contribution to the Sociology of Knowledge*. London: Routledge, Kegan and Paul, 1986.
- *Ideology and Utopia*. New York: Harvest, 1936.

- Martin, James Joseph. *Men Against the State: The Expositors of Individualist Anarchism in America, 1827-1908*. DeKalb, I.L.: Adrian Allen Associates, 1953.
- Mason, Edward S. "The Harvard Department of Economics from the Beginning to World War II." *The Quarterly Journal of Economics*, Volume XCVII, No. 3 (August 1982), 383-433.
- McClellan, Edward B. *Law and Civilization: The Legal Thought of Roscoe Pound*. Lanham MD.: University Press of America, 1992.
- McElvaine, Robert S. *The Great Depression: America 1929-1941*. New York: Times Books, 1984
- McGirr, Lisa. *Suburban Warriors: The Origins of the New American Right*. Princeton: Princeton University Press, 2001.
- Mises, Ludwig von. *Ludwig von Mises, Notes and Recollections*. Holland, I.L.: Libertarian Press, 1978.
- *Socialism: An Economic and Sociological Analysis*. New Haven: Yale University Press, 1951.
- Mises, Margit von. *My Years with Ludwig von Mises*, second enlarged edition. Cedar Falls, I.A.: Center for Futures Education, Inc., 1984.
- Morgan, Mary S. and Malcolm Rutherford, eds. *From Interwar Pluralism to Postwar Neoclassicism*. Durham: Duke University Press, 1999.
- Morley, Felix. *For the Record*. South Bend, I.N.: Regnery/Gateway, 1979.
- *Review of Fugitive Essays*. Reason Magazine, July 1981
- Muccigrosso, Robert. *American Gothic: The Mind and Art of Ralph Adams Cram*. Washington, D.C.: The University Press of America, Inc., 1980.
- Muller, Jerry Z., ed. *Conservatism: An Anthology of Social and Political Thought from David Hume to the Present*. Princeton: Princeton University Press, 1997.
- *The Mind and the Market: Capitalism in Modern European Thought*. New York: Alfred A. Knopf, 2002.
- Murphy, Paul V. *The Rebuke of History: The Southern Agrarians and American Conservative Thought*. Chapel Hill: University of North Carolina Press, 2001.
- Nash, George H. *The Conservative Intellectual Movement in America Since 1945*. New York: Basic Books, Inc., 1976.

----- "Forgotten Godfathers: Premature Jewish Conservatives and the Rise of *National Review*." *American Jewish History*, Volume 87, Numbers 2-3 (June-September 1999): 123-157.

Newman, Stephen L. *Liberalism at Wits' End: The Libertarian Revolt Against the Modern State*. Ithaca: Cornell University Press, 1984.

Nickerson, Michelle. "'The Power of the Morally Indignant Woman': Republican Women and the Making of California Conservatism." *Journal of the West*, 42 (Summer 2003): 35-43.

Nisbet, Robert A. *Community and Power*. New York: Oxford University Press, 1962.

----- *Conservatism: Dream and Reality*. New Brunswick, N.J.: Transaction Publishers, 2002.

----- *The Sociological Tradition*. New Brunswick, N.J.: Transaction Publishers, 1993.

Newman, William J. *The Futitarian Society*. New York: George Braziller, 1961.

Noble, David W. "Conservatism in the U.S.A." *Journal of Contemporary History*, Volume 13, Issue 4 (October 1978), 635-652.

Nock, Albert Jay. *The Book of Journeyman: Essays from the new Freeman*. Freeport, N.Y.: Books for Libraries Press, Inc., 1930.

----- Nock, Albert Jay. *A Journal of Forgotten Days, June 1932-December 1933*. New York: William Morrow, 1934.

----- Nock, Albert Jay. *Letters from Albert Jay Nock, 1924-1945*. Caldwell, I.D.: Caxton, 1949.

----- *Memoirs of a Superfluous Man*. Lanham, M.D.: University Press of America, 1943.

----- *On Doing the Right Thing and Other Essays*. New York: Harper & Brothers Publishers, 1928.

----- *Our Enemy, The State*. New York: Free Lift Editions, 1977.

Nock, Francis J., ed. *Selected Letters of Albert Jay Nock*. Caldwell, I.D.: Caxton Printers, Ltd., 1962.

Oppenheimer, Franz. *The State*. New York: Bobbs-Merrill, 1914.

- Ortega y Gasset, Jose. *The Revolt of the Masses*. New York: Norton, 1957.
- Paschal, Joel Francis. *Mr. Justice Sutherland: A Man Against the State*. Princeton: Princeton University Press, 1951.
- Parker, Richard. *John Kenneth Galbraith: His Life, His Politics, His Economics*. New York: Farrar, Straus and Giroux, 2005.
- Patel, Kiran Klaus. *Soldiers of Labor: Labor Service in Nazi Germany and New Deal America, 1933-1945*. New York: Cambridge University Press, 2005.
- Paterson, Isabel. *The God of the Machine*. Freeport, N.Y.: Books for Libraries Press, 1943.
- Patinkin, Don. *Essays on and in the Chicago Tradition*. Durham: Duke University Press, 1981.
- "Keynes and Chicago." *Journal of Law and Economics*, Vol. 22, No. 2. (Oct., 1979), pp. 213-232.
- Patterson, James T. *Congressional Conservatism and the New Deal: The Growth of the Conservative Coalition in Congress, 1933-1939*. Lexington: University of Kentucky Press, 1967.
- Peeler, David P. *Hope Among Us Yet: Social Criticism and Social Solace in Depression America*. Athens: The University of Georgia Press, 1987.
- Pells, Richard H. *Radical Visions and American Dreams: Culture and Social Thought in the Depression Years*. Urbana: University of Illinois Press, 1998.
- Perlstein, Rick. *Before the Storm: Barry Goldwater and the Unmaking of the American Consensus*. New York: Hill and Wang, 2001.
- Popper, Karl. *The Open Society and Its Enemies Volume One: The Spell of Plato*. Princeton: Princeton University Press, 1962.
- *The Open Society and Its Enemies Volume Two: Hegel and Marx*. Princeton: Princeton University Press, 1962.
- Porter, Mary Cornelia. "That Commerce Shall Be Free: A New Look at the Old Laissez-faire Court," *Supreme Court Review* (1976).
- Pound, Roscoe. Pound, Roscoe. "American Juristic Thinking in the Twentieth Century." Published in Duke University Publications, *A Century of Social Thought*. (Durham: Duke University Press, 1939), 143-172.

- "The Call for a Realist Jurisprudence," *Harvard Law Review* 44 (March 1931): 697-711.
- "The Effect of the Changing Relation of Government to American Economic Life Upon American Legal and Constitutional Polity," published in McKee, C.W., editor, *The What, Why, and How of American Free Enterprise*. (New Wilmington, P.A.: American Economic and Business Foundation, Inc., 1941), 25-39.
- *The Formative Era of American Law*. Boston: Little Brown and Co., 1938.
- *Labor Unions and the Concept of Public Service*. Washington, D.C.: American Enterprise Association, Inc., 1957.
- *Legal Immunities of Labor Unions*. Washington, D.C.: American Enterprise Association, Inc., 1957.
- "The Limits of Effective Legal Action." 3 *American Bar Journal*, 55.
- *The Rise of the Service State and Its Consequences*. New Wilmington, P.A.: The Economic and Business Foundation, 1949.
- *Social Control through Law*. New Haven: Yale University Press, 1942.
- *The Task of the Law*. 1944.
- "The Twilight of Liberty," *Nation's Business* (August 1940), 15-6, 42, 46-7,
- Purcell, Edward A. Jr. *The Crisis of Democratic Theory: Scientific Naturalism and the Problem of Value*. Lexington: The University Press of Kentucky, 1973.
- Raban, David. *Free Speech in Its Forgotten Years*. New York: Cambridge University Press, 1997.
- Radosh, Ronald and Murray Rothbard, eds. *A New History of Leviathan: Essays on the Rise of the American Corporate State*. New York: Dutton, 1972.
- Radosh, Ronald. *Prophets on the Right: Profiles of Conservative Critics of American Globalism*. New York: Simon and Schuster, 1975.
- Raimondo, Justin. *An Enemy of the State: The Life of Murray Rothbard*. Amherst, N.Y.: Prometheus Books, 2000.
- *Reclaiming the American Right: The Lost Legacy of the Conservative Movement*. Burlingame, C.A.: Center for Libertarian Studies, 1993.

- Rand, Ayn. *Anthem*. New York: Dutton, 1995.
- *The Fountainhead*. New York: Penguin, 1993.
- *The Journals of Ayn Rand*. New York: Plume, 1999.
- *Letters of Ayn Rand*. New York: Dutton, 1995.
- *We the Living*. New York: Random House, 1959.
- Reder, Melvin W. "Chicago Economics: Permanence and Change." *Journal of Economic Literature* (March 1982), 1-38.
- Regnery, Henry. *Memoirs of a Dissident Publisher*. Chicago: Regnery, 1985.
- Ribuffo, Leo. "Conservatism and American Politics." *The Journal of the Historical Society*, Volume III, Issue 2 (Spring 2003), 163-175.
- *The Old Christian Right: The Protestant Far Right From the Great Depression to the Cold War*. Philadelphia: Temple University Press, 1983.
- "Why is There so Much Conservatism in the United States and Why Do So Few Historians Know Anything About It?" *The American Historical Review*, Volume 99, Issue 2 (April 1994), 438-449.
- Richman, Sheldon. "New Deal Nemesis: The 'Old Right' Jeffersonians." *The Independent Review*, Volume 1, Number 2 (Fall 1996), 201-248.
- Riccio, Barry D. *Walter Lippmann: Odyssey of a Liberal*. New Brunswick: Transaction Publishers, 1994.
- Rockefeller, David. *Memoirs*. New York: Random House, 2002.
- Rodgers, Daniel T. *Atlantic Crossings: Social Politics in a Progressive Age*. Cambridge, M.A.: Harvard University Press, 1998.
- Rosen, Elliot A. *Hoover, Roosevelt, and the Brains Trust: From Depression to New Deal*. New York: Columbia University Press, 1977.
- *Roosevelt, the Great Depression, and the Economics of Recovery*. Charlottesville, V.A.: University of Virginia Press, 2005.
- Rosenof, Theodore. *Economics in the Long Run: New Deal Theorists and Their Legacies, 1933-1993*. Chapel Hill: The University of North Carolina Press, 1997.

- Ross, Dorothy. *The Origins of American Social Science*. New York: Cambridge University Press, 1991.
- Rotunda, Ronald. "The Liberal Label: The Roosevelt Capture of a Symbol." *Public Policy* 17 (1968) 377-408.
- *The Politics of Language: Liberalism as Word and Symbol*. Iowa City: University of Iowa Press, 1986.
- Rossiter, Clinton. *Conservatism in America: The Thankless Persuasion*. New York: Knopf, 1962.
- Rothbard, Murray. *For a New Liberty*. New York: Collier, 1978
- Roy, Ralph Lord. *Apostles of Discord: A Study of Organized Bigotry and Disruption on the Fringes of Protestantism*. Boston: The Beacon Press, 1953.
- Rubin, Louis D., Jr. *The Wary Fugitives: Four Poets and the South*. Baton Rouge: Louisiana State University Press, 1978.
- Salant, Walter S. "Alvin Hansen and the Fiscal Policy Seminar," *The Quarterly Journal of Economics* 90 (February 1976): 14-23.
- Samuels, Warren J., ed. *The Chicago School of Political Economy*. New Brunswick, N.J.: Transaction, 1993.
- Samuelson, Paul A. "Alvin Hansen as a Creative Economic Theorist," *The Quarterly Journal of Economics* 90 (February 1976): 24-31.
- *Collected Scientific Papers of Paul A. Samuelson*. Cambridge: MIT Press, 1966.
- "Economics in a Golden Age." in Holton, Gerald, ed. *The Twentieth Century Sciences*. New York: Norton, 1972.
- Sayre, Paul. *The Life of Roscoe Pound*. Iowa City: College of Law Committee, State University of Iowa, 1948.
- Shackle, G.L.S. *The Years of High Theory: Invention and Tradition in Economic Thought, 1926-1939*. New York: Cambridge University Press, 1967.
- Schlesinger, Arthur M. Jr. *Age of Roosevelt: The Crisis of the Old Order 1919 – 1933*. Boston: Houghton Mifflin, 1957.
- *Age of Roosevelt: The Coming of the New Deal*. Boston: Houghton Mifflin, 1958.

- *Age of Roosevelt: The Politics of Upheaval*. Boston: Houghton Mifflin, 1960.
- Schneider, Gregory L. *Cadres for Conservatism: Young Americans for Freedom and the Rise of the Contemporary Right*. New York: New York University Press, 1999.
- , ed. *Conservatism in America Since 1930: A Reader*. New York: New York University Press, 2003.
- Schoenwald, Jonathan M. *A Time for Choosing: The Rise of Modern American Conservatism*. New York: Oxford University Press, 2001.
- Schumpeter, Joseph A. *Capitalism, Socialism, and Democracy*. New York: Harper, 1942.
- *History of Economic Analysis*. New York: Oxford University Press, 1994.
- Shamir, Rosen. *Managing Legal Uncertainty: Elite Lawyers in the New Deal*. Durham: Duke University Press, 1995.
- Shapiro, Edward S. "Decentralist Intellectuals and the New Deal." *The Journal of American History*, Volume 58, Issue 4 (March 1972), 938-957.
- Shepherd, George B. "Fierce Compromise: The Administrative Procedure Act Emerges from New Deal Politics." *Northwestern University Law Review* 90, 4: 1557-1683.
- Sigler, Jay A. *The Conservative Tradition in American Thought*. New York: Capricorn Books, 1970.
- Simons, Henry. *Economic Policy for a Free Society*. Chicago: University of Chicago Press, 1948.
- *A Positive Program for Laissez-faire*. Chicago: University of Chicago Press, 1934.
- Skidelsky, Robert. *John Maynard Keynes Volume Two: The Economist as Saviour 1920-1937*. London: Macmillan, 1992.
- Smant, Kevin and M. Stanton Evans. *Principles and Heresies: Frank S. Meyer and the Shaping of the American Conservative Movement*. Wilmington, D.E.: ISI Books, 2002.
- Smith, Gerald J., Ed. *Agrarian Letters: The Correspondence of John Donald Wade and Donald Davidson, 1930-1939*. Macon, G.A.: Mercer University Press, 2003.

- Smith, James Allen. *The Idea Brokers: Think Tanks and the Rise of the New Policy Elite*. New York: The Free Press, 1991.
- Smithies, Arthur. "Memorial: Joseph Alois Schumpeter 1883-1950" *The American Economic Review* 40 (September 1950): 628-648.
- "Schumpeter and Keynes." *The Review of Economics and Statistics* 33 (May 1951): 163-9.
- Sprading, Charles T. *Liberty and the Great Libertarians*. New York: Arno Press, 1972.
- Steel, Ronald. *Walter Lippmann and the American Century*. New Brunswick, N.J.: Transaction, 1998.
- Stein, Herbert. *The Fiscal Revolution in America*. Chicago: University of Chicago Press, 1969.
- Stenehjem, Michele Flynn. *An American First: John T. Flynn and the America First Committee*. New Rochelle, NY: Arlington House, 1976.
- Stigler, George J. "Henry Calvert Simons." *Journal of Law and Economics*. (April 1974, 17), 1-5.
- *Memoirs of an Unregulated Economist*. New York: Basic, 1988.
- Swedberg, Richard, Ed. *Joseph Schumpeter: The Economics and Sociology of Capitalism*. Princeton: Princeton University Press, 1991.
- *Joseph A. Schumpeter: His Life and Work*. Princeton: Princeton University Press, 1991.
- Alan Sweezy, "The Keynesians and Government Policy, 1933-1939," *The American Economic Review* 62 (1972), 116-124.
- Swenson, Peter A. *Capitalists against Markets: The Making of Labor Markets and Welfare States in the United States and Sweden*. New York: Oxford University Press, 2002.
- Carl Brent Swisher, "Federal Organization of Legal Functions," *The American Political Science Review* 33 (December 1939): 973-1000.
- Taylor, O.H. *Economics and Liberalism*. Cambridge: Harvard University Press, 1955.
- Teachout, Terry. *The Skeptic: A Life of H.L. Mencken*. New York: Harper Collins, 2002.

Thorne, Melvin J. *American Conservative Thought Since World War II*. New York: Greenwood Press, 1990.

Tobin, James. "Beginning with Keynes at Harvard," in *Lives of the Laureates: Ten Nobel Economists*, ed. William Breit et al. (Cambridge: MIT Press, 1990), 113-135.

----- "Hansen and Public Policy," *The Quarterly Journal of Economics* 90 (February 1976): 32-37.

Toy, V. Eckard, "The Conservative Connection: The Chairman of the Board Took LSD Before Timothy Leary," *American Studies* 21, no.2 (Fall 1980): 65-77.

Tugwell, Rexford. *The Brains Trust*. New York: Viking Press, 1968.

----- *The Democratic Roosevelt*. Baltimore: Penguin Books, 1957.

----- *Industrial Discipline and the Governmental Arts*. New York: Columbia University Press, 1933.

Turner, Susan J. *A History of the Freeman: Literary Landmark of the Early Twenties*. New York: Columbia University Press, 1963.

Twelve Southerners. *I'll Take My Stand: The South and the Agrarian Tradition*. Baton Rouge: Louisiana State University Press, 1977.

Twining, William. *Karl Llewellyn and the Realist Movement*. London: Weidenfeld and Nicolson, 1973.

Vaughn, Karen I. *Austrian Economics in America: The Migration of a Tradition*. New York: Cambridge University Press, 1994.

Veritas Foundation. *Keynes at Harvard*. New York: Veritas Foundation, 1960.

Viner, Jacob. *The Intellectual History of Laissez-faire*. Chicago: University of Chicago Law School, 1961.

Volkomer, Walter E. *The Liberal Tradition in American Thought*. New York: Capricorn Books, 1969.

Walker, S.H. and Paul Sklar. *Business Finds Its Voice: Management's Effort to Sell the Business Idea to the Public*. New York: Harper and Brothers, 1938.

Warsh, David. *Knowledge and the Wealth of Nations: A Story of Economic Discovery*. New York: W.W. Norton, 2006.

- Wiebe, Robert. *Businessmen and Reform*. Chicago: Quadrangle, 1962.
- Wiecek, William M. *The Lost World of Classical Legal Thought: Law and Ideology in America, 1886-1937*. New York: Oxford University Press, 1998.
- Wigdor, David. *Roscoe Pound: Philosopher of Law*. Westport, C.T.: Greenwood Press, 1974.
- Willrich, Michael. *City of Courts: Socializing Justice in Progressive Era Chicago*. New York: Cambridge University Press, 2003.
- Wilson, Francis Graham. *The American Political Mind: A Textbook in Political Theory*. New York: McGraw-Hill Book Company, Inc., 1949.
- White, G. Edward. "From Sociological Jurisprudence to Realism: Jurisprudence and Social Change in Early Twentieth Century America," *Virginia Law Review* 58 (1972): 999-1028.
- Wolfskill, George. "The New Deal Critics: Did They Miss the Point?" in *Essays on the New Deal*, Hollingsworth, eds. Harold and William Holmes. (Austin: University of Texas Press, 1969), 49-68.
- *The Revolt of the Conservatives: A History of the American Liberty League 1934-1940*. Boston: Houghton Mifflin Company, 1962.
- Wreszin, Michael. *The Superfluous Anarchist: Albert Jay Nock*. Providence: Brown University Press, 1971.
- Yonay, Yuval P. *The Struggle Over the Soul of Economics: Institutional and Neoclassical Economists in America Between the Wars*. Princeton: Princeton University Press, 1998.