

ARCHIVAL INSIGHTS INTO THE
EVOLUTION OF ECONOMICS

HAYEK: A COLLABORATIVE BIOGRAPHY

**Part III Fraud, Fascism and
Free Market Religion**

Edited by
Robert Leeson



Hayek: A Collaborative Biography

Archival Insights into the Evolution of Economics

Series Editor: **Robert Leeson**

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Hayek: A Collaborative Biography

Part III Fraud, Fascism and Free Market Religion

Robert Leeson

Visiting Professor of Economics, Stanford University

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Notes on Contributors

Daniel Baldino, Senior Lecturer in Politics, Notre Dame Australia University.

Stewart Hawkins, Wilfrid Noyce's biographer.

John Jenks, Professor of Communication Arts & Sciences, Dominican University, USA.

Howard Kimberley, a historian specializing in the history of Wales.

Robert Leeson, Visiting Professor of Economics, Stanford University, and Adjunct Professor Notre Dame Australia University.

Ian Sayer, the co-author (with Douglas Botting and *The Sunday Times*) of *Nazi Gold: The sensational story of the world's greatest robbery – and the greatest criminal cover-up* (2003).

Daniel Schiffman, Senior Lecturer in Economics, Ariel University.

Richard B. Spence, Professor of History, University of Idaho.

Nigel West, formerly one of Donald McCormick's research assistants; the author of numerous books about the intelligence community.

Gerhard L. Weinberg, William Rand Kenan, Jr., Professor Emeritus of History at the University of North Carolina at Chapel Hill.

Dramatis Personae

The Fraud

Naval Lieutenant Donald McCormick (1911–1998), aka Richard Deacon; free marketeer; Foreign Manager, *The Sunday Times*. In *The British Connection: Russia's manipulation of british individuals and institutions* (1979), he declared that A. C. Pigou was 'an astonishingly deceptive character who was to become certainly the most secret and in many respects one of the most effective Russian agents in fifty years'. In 1905, Pigou had published *Principles and Methods of Industrial Peace*; according to *The British Connection*, he had been simultaneously gun-running for Stalin.

The Old Oswestrian 'Deacon' McCormick derived much of his 'scholarly' information from the salacious British newspaper, *The News of the World*, and rated the 'British working classes as being about on a par with the lowest type of African tribe'. The philosophy of one of the protagonists of his *Taken for a Ride: The History of Cons and Con-men* was:

you can never cheat an honest man. A truly honest man would never have fallen for any of my schemes. I never fleeced anyone who could not afford my price for a lesson in honesty.

The Fascist

Lieutenant Ludwig 'von' Mises (1881–1973), free marketeer; aristocrat; Jewish-born atheist; employee of the Foundation for Economic Education; Austro-Fascist (*Vaterländische* or Patriotic Front) member no. 282632; Austro-Fascist social club (*Werk Neues Leben*) member no. 406183; co-leader of the third-generation Austrian School of Economics, known to his disciples as 'The Last Knight of Liberalism'. In his defining work, *Liberalism in the classical tradition*, he declared:

It cannot be denied that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history.

According to *The Last Knight of Liberalism*, Mises was FEE's '*spiritus rector*' – literally: 'Führer' or 'ruler'.

The Promoter

Lieutenant Friedrich ‘von’ Hayek, CH (1899–1992), free marketeer; aristocrat; atheist; grandson of a ‘naval dandy’; astonishingly deceptive character; paid promoter (via the ‘Moonie Nobel Prize’) of the Reverend Moon and a front organization of his Unification Church; defender of the ‘civilisation’ of apartheid from the American fashion of ‘human rights’; co-leader of the fourth-generation Austrian School of Economics; University of London Tooke Professor Economic Science and Statistics at the London School of Economics (1932–1950); Professor of Social and Moral Science at the University of Chicago (1950–1962); winner of the 1974 Nobel Prize for Economic Sciences for an apparently non-existent prediction of the Great Depression and for explaining (in ‘The Use of Knowledge in Society’) how markets ‘make full use of knowledge and information’.

In 1984, after lunch at the Reform Club, Hayek promoted ‘Deacon’ McCormick, despite knowing that he

may be sometime [*sic*] making things up. I suppose his exactitude is not that of a scholar, but of a journalist. But entirely honourable.

The British Connection was, however, withdrawn by the publishers after just four days: Hayek – whose Nobel Lecture had addressed ‘The Pretence of Knowledge’ – planned to publicize ‘The Suppression of Information’, about Pigou’s communist activities, in the op-ed pages of *The Times* or *Encounter*. Hayek told Arthur Seldon that his Institute of Economic Affairs was superior to the ‘propaganda’ emanating from the Foundation for Economic Education.

The Source of the Pigou Story

Richard Holmes (1912–?), retired sailor; bedsitland inhabitant in the north of England. He appears to have been afflicted by apophenia, a type of schizophrenia in which sufferers tend to extract abnormal meaningfulness from insignificant events.

Hayek’s free marketeer ‘second hand dealers in ideas’

- Rousas John Rushdoony (1916–2001), public-stoning theocrat; Christian Reconstructionist; devotee of Cornelius Van Til.

- Harold Benjamin Soref, MP (1916–1993), Monday Club National Vice-Chairman; Jewish white supremacist; Reform Club member; claimed by the British Union of Fascists as a member.
- Sun Myung Moon (1920–2012), owner of a chaebol (South Korean business conglomerate); media entrepreneur; founder of The Washington Times; founder of the ‘Moonies’; self-proclaimed messiah.
- Murray Rothbard (1926–1995), co-leader of the fourth-generation Austrian School of Economics; co-founder, Senior Fellow and Academic Vice President of the Ludwig von Mises Institute. Austrians named a university after him.
- William Rees-Mogg, Baron Rees-Mogg (1928–2012), Hayek promoter; Roman Catholic; editor of *The Times* (1967–1981).
- Charles Douglas-Home (1937–1985), editor of *The Times* (1982–1985); celebrated Hayek’s birthday by publishing an essay, entitled ‘The Sage of the Free Thinking World’, by Mises’ step-daughter.
- Gary North (1942–), public stoning theocrat; Christian Reconstructionist; Austrian ‘wealth building’ newsletter salesman; Fellow of the Ludwig von Mises Institute; holder of its Murray Rothbard Medal; self-appointed ‘Tea Party Economist’; devotee of Cornelius Van Til.
- Kurt Leube ‘DLE’ (1943–), co-Founder and ex-Fellow of the Ludwig von Mises Institute; library assistant; Professor of Economics, California State University. He claims to have attended the 1984 lunch at the Reform.
- John Costello (1943–2006), author of *The Mask of Treachery: Spies, Lies, Buggery and Betrayal: The First Documented Dossier on Anthony Blunt’s Cambridge Spy Ring*.
- Mark Skousen (1947–), Mormon; professor at Columbia University; ex-Fellow of the Ludwig von Mises Institute; founder of ‘Freedomfest, the world’s largest gathering of free minds’; intelligence officer, CIA; salesman for Austrian ‘wealth building’ newsletter; sponsor of Grantham University’s Mark Skousen School of Business; commentator on PBS’s ‘Nightly Business Report’; President of the Foundation of Economic Education (2001–2002).
- Richard Ebeling (1950–), Adjunct Scholar, Ludwig von Mises Institute; editor of *Selected Writings of Ludwig von Mises*; editor of *The Collected Works of F. A. Hayek: Hayek and the Austrian Economists: Correspondence and related documents*; Ludwig von Mises Professor of Economics, Hillsdale College; Professor of Economics, Northwood University; President, Foundation of Economic Education (2002–2008).
- Glenn Beck (1964–), Mormon; media entrepreneur.

‘Deacon’ McCormick’s admirers

- Terence Hutchison, FBA (1912–2007), Mitsui Professor of Economics, University of Birmingham.
- Hugh Trevor-Roper, Baron Dacre of Glanton (1914–2003), Regius Professor of Modern History, Oxford.

‘Deacon’ McCormick’s victims

- Arthur Cecil Pigou (1877–1959), Fellow, King’s College, Cambridge; third-generation British neoclassical economist; President of the Royal Economic Society; founder of the modern (microeconomic) market failure school.
- John Maynard Keynes (1883–1946), Fellow, King’s College, Cambridge; third-generation British neoclassical economist; President of the Royal Economic Society; founder of the modern (macroeconomic) market failure school.
- Sir Rudolf Ernst Peierls (1907–1995), President, British Atomic Scientists Association.
- Sir John Habbakuk (1915–2002), Principal, Jesus College, Oxford; President of the Royal Historical Society; Vice-Chancellor, Oxford University, and Chairman of the Committee of Vice-Chancellors and Principals.
- Wilfrid Noyce (1917–1962), mountaineer; graduate, King’s College, Cambridge.
- Raymond Carr (1919–), historian; Warden, St Anthony’s College, Oxford.

‘Deacon’ McCormick’s academic detractors

- Philip Noel-Baker, Baron Noel-Baker, CH (1889–1982), Sir Ernest Cassel Professor of International Relations, University of London; Chairman and Cabinet Minister, British Labour Party; co-drafter of the Charter of the United Nations; recipient of the 1959 Nobel Peace Prize. Described *The British Connection* as ‘grotesque and ridiculous’.
- A. J. P. Taylor (1906–1990), historian; Fellow of Magdalen College, Oxford. Summarized *The British Connection*: ‘No more preposterous book has ever been written.’
- Nicholas Kaldor, Baron Kaldor (1908–1986), Fellow, King’s College, Cambridge; Hayek’s former LSE colleague and disciple. In describing *The British Connection* he wrote: ‘almost everything he says will be

recognised as phoney by anyone who knew Pigou or is familiar with his works’.

- Noel Annan, Baron Annan, OBE (1916–2000), Provost, King’s College, Cambridge; Provost, University College, London; Vice Chancellor, University of London; military intelligence officer. Described *The British Connection* as ‘richly comical’.
- E. P. Thompson (1924–1993), historian; Honorary Fellow, Corpus Christi College, Cambridge. Described *The British Connection* as ‘warmed-up fourth-hand crap’.
- George Constantinides (1922–1996), Harvard graduate; career intelligence officer, CIA; author of *Intelligence and Espionage: An Analytical Bibliography*. In describing *The British Connection*, he wrote:

too many great liberties [were] taken in labeling people and not enough separation of wheat from chaff in his attempt to prove extensive and intensive Soviet influence in Great Britain.

- Robert Rea (?–1997), Alumni Professor of History, Auburn University, Alabama.
- Brian Simpson (1931–2011), Professor of Law, University of Chicago.
- Owen Dudley Edwards (1938–), Honorary Fellow, University of Edinburgh School of Classics, History and Architecture.
- Bernard Wasserstein (1948–), Harriet and Ulrich Meyer Professor in Modern European Jewish History, University of Chicago.

Friends Ambulance Unit co-recipients of the 1947 Nobel Peace Prize

- Pigou
- Noyce
- Noel-Baker
- George Macaulay Trevelyan OM, CBE, FRS, FBA (1876–1962), Regius Professor of Modern History; Master of Trinity College, Cambridge.
- Geoffrey Winthrop Young (1876–1958), who lost a leg in the ‘Great’ War, but continued to climb mountains.

The Pretence of Knowledge: Alleged sources about Pigou’s treason

- ‘Roger’.
- The deceased Trevelyan.
- A 1905 diary with coded messages to Stalin, ‘signed’ by Pigou.

Part I

Fraud

1

Introduction

Robert Leeson

‘Knowledge’, ‘Intelligence’ and fraud

Most ‘Knowledge’, from science through security-related ‘Intelligence’ to religion, is initially community-specific. Different communities have different methods of assessing, accepting and rejecting it; scientific ‘Knowledge’ is generally capable of being replicated, whereas religious knowledge tends to be based on revelation, the Word of scripture or the Voice of authority.

‘Intelligence’ is often surreptitiously derived from Voices that allegedly must – for reasons of national security – be protected from scrutiny.¹ ‘Intelligence’ is often acquired (or fabricated) and sold by double and triple agents – and by journalists, fraudsters and agenda-driven politicians. When *ex post* the privileged status of this *ex ante* ‘Intelligence’ is stripped away, a different picture can emerge: the USS Maine was probably *not* blown up by the Spanish (1898); the North Vietnamese probably *didn’t* attack American ships in the Gulf of Tonkin (1964); the yellow-cake-fuelled smoking-gun mushroom cloud justification of the US invasion of Iraq was *not* a ‘slam dunk’ (2003) etc.²

The truth content of ‘Intelligence’ assertions are, of course, unrelated to the confidence with which they are uttered. US Secretary of Defence Donald Rumsfeld, for example, stated in 2001 that ‘the great principles of the University of Chicago economics’ would produce the capture of Osama Bin Laden (Leeson 2003, 92); but it was special forces of the United States government – not market forces – which accomplished that task.

When governments send citizens to war, those with the capacity to critically evaluate alleged ‘Intelligence’ – public servants, journalists and academics – are often overwhelmed and partially silenced by patriotic momentum. Indeed, the incentives faced by journalists – at least

prior to war-weariness – can become aligned with those who promote war: the Fourth Estate as a ‘traitor’-exposing, domestic fifth column. In *The Political Economy of War*, A. C. Pigou (1921, 111–112) described the market failure relating to ‘the private interests of makers of armaments’ who ‘promote war scares’ and who were ‘not without influence in the press and through the press on public opinion’.

In the 20th century, three world wars facilitated a Communist revolution, a Fascist backlash and the subsequent collapse of both. The weakness of bureaucratic information flows (relative to market-based competitors) undermined Communist economies – a point emphasized by Frederick Hayek, the co-leader (with Murray Rothbard) of the fourth generation Austrian School of Economics. Flows of information and disinformation played pivotal roles in the First, Second and Third (that is, Cold) World Wars.

The First World War was a religion-endorsed clash of empires with little ideological content; the Second initially pitted Fascists and Communists against democracies (until the Communists were obliged to change sides); the rhetoric of the Cold War was unambiguously ideological.

The two ideological fraternities that rally behind the slogans of liberty and equality have tended to embrace either markets *or* governments, and to demonize the other fraternity and its preferred social organizer. The advance of democracy and its legitimizing underpinning, tax-subsidized human capital formation, has, however, tended to embrace governments *and* markets as collaborating social organizers (with a case-by-case comparative evaluation of each). But the market-failure paradigm is not anti-market; market-based solutions (tax- and subsidy-adjusted prices) are available to correct for sub-optimal outcomes.

Nuanced scholarship differs from agitprop. In *What Is to Be Done? Burning Questions of Our Movement*, Lenin (1961 [1902]) argued that the Equality revolution could not wait; the Marxist ‘vanguard’ must hasten history. In *What Is To Be Done?*, Rothbard’s (2009 [1961]) confidential memorandum to the tax-exempt William Volker Charities Fund, a similar strategy was outlined for Austrian liberty.³

The dictatorship of the proletariat was the logical extension of Lenin’s agitprop; Fascism was more than the logical extension of liberty – it was embraced by Ludwig von Mises (1985 [1927], 42–51), the co-leader of the third generation Austrian School, who left an eternal instruction to his disciples:

It cannot be denied that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and

that their intervention has, for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history.

The 'similar movements' of 'bloody counteraction' that Mises referred to included the French anti-Semitic *Action Française* plus 'Germans and Italians'. 'Italians' obviously refers to Mussolini's 1922 March on Rome; Mises' (1985 [1927], 44) reference to 'Ludendorff and Hitler' means the 1923 Ludendorff-Hitler-Putsch (or Munich Beer Hall Putsch).

Mises (1985 [1927], 49) predicted that:

The deeds of the Fascists and of other parties corresponding to them were emotional reflex actions evoked by indignation at the deeds of the Bolsheviks and Communists. As soon as the first flush of anger had passed, their policy took a more moderate course and will probably become even more so with the passage of time.

Misesian liberals and Fascists were allies, but differed in tactics:

What distinguished liberal from Fascist tactics is not a difference of opinion regarding the use of armed force to resist armed attackers, but a difference in the fundamental estimation about the role of violence in a struggle for power.

Violence was 'the highest principle' and must lead to

civil war. The ultimate victor to emerge will be the faction strongest in number... The decisive question, therefore always remains: How does one obtain a majority for one's own party? This however is purely an intellectual matter.

Fascism would have to embrace Mises' (1985 [1927], 50) liberalism to achieve their common aims; if Fascism 'wanted really to combat socialism it would oppose it with ideas.' Mises would provide these ideas: 'There is however only one idea that can be effectively opposed to socialism, viz, liberalism.' Mises provided an historicist inevitability justification: 'Fascism will never succeed as completely as Russian Bolshevism from freeing itself from the power of liberal ideas... The next episode will be the victory of communism.'

Mises' political activity was consistent with his ideology: on 1 March 1934, he joined the Austro-Fascist Patriotic Front and their *Werk Neues*

Leben social club (Hülsmann 2007, 677, n149). Mises may also have been a victim of propaganda: his justification for this tactical embrace was that fascists would protect property – the protection of which he saw as the very essence of liberty. Meanwhile, tax-evading fascist kleptocrats were eying Jewish property; in the Anschluss of March 1938, Austria was reunited with Austrian-led Germany, and the Austrian Adolf Eichmann opened the Central Office for Jewish Emigration. The decree on the Declaration of Jewish Assets revealed fascism to be a conveyor belt along which Jews had their property confiscated before being exterminated or driven abroad. As *The Last Knight of Liberalism* bemoaned: ‘Mises family property had become free booty’ (Hülsmann 2007, 728, 677, n149). The Jewish-born Mises was lucky to escape with his life; he devoted much of the rest of it to describing his opponents as ‘Fascists’.

John Maynard Keynes (1919) had resigned from the British government over the peace treaties that had created the resentful environment in which fascism could emerge and thrive. In the early 1970s, the Austrian School, then in its fourth generation, appeared to be nearing an inglorious personal and community end; after a second bout of prolonged depression (1969–1974), Hayek always carried a razor blade with which to slash his wrist (Cubitt 2006, 89).⁴ However, Mises’ death in 1973 facilitated his School’s resurrection; alive Mises had been a liability, whereas dead he could be marketed as a saint. Benjamin Rogge (1974) reported that at a Philadelphia Society meeting, David Friedman ‘first made clear to us the true fascist nature of [his father] Milton Friedman’s thinking.’ When Rothbard, Richard Ebeling, Gary North, Sudha Shenoy et al. initiated an Austrian revivalist conference in June 1974, one of the highlights was the baiting of Friedman – in person – with the accusation that his son detected ‘latent fascist tendencies’ in him (Ebeling 1974). Shenoy (2003) recalled that ‘Murray Rothbard made the whole affair fun.’

Subsequently, US presidents and presidential hopefuls embraced the Austrian School of Economics. President Ronald Reagan (1984, 198) wrote:

von Mises...rekindled the flames of liberty in new generations of thinkers...we owe an incalculable debt to this dean of the Austrian school of economics for expanding our knowledge and inspiring a new vision of liberty in our age.

In 1991, President George H. W. Bush awarded Hayek the Presidential Medal of Freedom.

The 2012 Republican vice-presidential candidate Senator Paul Ryan is reportedly an Austrian disciple. In *Mises and Austrian Economics: a Personal View*, three-time presidential candidate, Congressman Ron Paul (2008, 52, 37–38) proclaiming that

Liberty is my first goal...fascists and socialist voices of oppression will grow louder and more influential...Mises' prediction that US type of interventionism will leads to German national socialist type of interventionism is accurate...We can only hope that we can turn things around before his prediction that it leads to a German-style fascism comes true. The non-liberals who admit to the failure of their brand of interventionism now plot schemes for 'reindustrialisation' – a euphemism for fascism (government partnership with business).

Paul (2008, 18, 5) declared: 'Mises was the greatest economist of all time'; Rothbard and Hans Sennholz were

especially helpful in getting firsthand explanations of how the market functions. They helped me to refine my answers to the continual barrage of statist legislation that dominates the U.S. Congress. Their personal assistance was invaluable to me in my educational and political endeavors.

Paul was also helpful to Misesians: in 1976, he employed North (2010, 245–246) to write a weekly newsletter.

For a quarter of a century after World War II, the social democratic 'middle way' appeared to prosper. But in the 1970s, the ideological balance shifted. The regulatory wave had successfully tackled various aspects of market failure,⁵ but had actually *exacerbated* underlying problems when applied to the control of prices and wages. From the mid-1970s, the deregulation wave began to successfully tackle some of the welfare losses caused by regulatory capture. Schools of economics are associated with these waves: regulation with Pigouvian market failure analysis and its Keynesian macroeconomic counterpart; and deregulation with market success promotion (with Austrian, Chicago and Public Choice variants).

Ideologies – like religions – mix 'Knowledge' with faith; followers are often unable to distinguish between the two, and have little understanding about 'Knowledge'-to-faith quotients within their own community. As a result, ideologues are often incapable of predicting the consequences of their actions. Bringing deregulated liberty to both

the financial sector and the former Soviet Empire allowed plutocrats to corner markets and governments. Referring to the former Soviet Union, Friedman (2002) described the result: 'private monopolies – private centralized economic controls that replaced government's centralized controls.'⁶ Friedman's willingness to acknowledge error – here and elsewhere – is evidence that he should be located at the scientific end of the 'Knowledge'-to-faith spectrum.

Who was 'Deacon' McCormick?

Donald McCormick (1911–1996), aka Richard Deacon, was a failed fiction writer: his prose is both flowery and plodding. Yet when disguised as non-fiction it is sensational. He was suspiciously productive for a supposedly non-fiction writer. *Taken for a Ride: The History of Cons and Con-men* (1976a, dust jacket) stated that he was 'the author of thirty-six books' – that's 34 in 21 years (1955–1976);⁷ for all but the last three of those years he was a full-time journalist (in retirement he continued to contribute to *Encounter* and *The Spectator*). Almost as many books were published in the second half of his publishing career (1977–1993).

The titles reveal the nature of his market: *The Talkative Muse* (1934), *Temple of Love* (1962a), *The Hell-Fire Club: the Story of the Amorous Knights of Wycombe* (1975a), *Love In Code, or, How to Keep Your Secrets* (1980a), *Zita: a Do-It-Yourself Romance* (1983) and *Erotic Literature: a Connoisseur's Guide* (1992).

Some were biographies: *Mr. France* (1955), *The Incredible Mr. Kavanagh* (1960a),⁸ *The Mask of Merlin: A Critical Biography of David Lloyd George* (1963), *Peddler of Death; the Life and Times of Sir Basil Zaharoff* (1965a), *The Private Life of Mr. Gladstone* (1965b), *Madoc and the Discovery of America: Some New Light on an Old Controversy* (1967a), *John Dee: Scientist, Geographer, Astrologer and Secret Agent to Elizabeth I* (1968b), *A Biography of William Caxton: the First English Editor, Printer, Merchant, and Translator* (1976b),⁹ *Matthew Hopkins: Witchfinder General* (1976c), 'C': *A Biography of Sir Maurice Oldfield* (1984)¹⁰ and 17F – *The Life of Ian Fleming* (1993).

From the late 1950s, war, murder, cannibalism etc. figured prominently: *The Identity of Jack the Ripper* (1959a, 1970a), *The Mystery of Lord Kitchener's Death* (1959b) *Blood on the Sea: The Terrible Story of the Yawl 'Mignonette'* (1962b), *The Unseen Killer: a Study of Suicide, Its History Causes and Cures* (1964), *The Red Barn Mystery: Some New Evidence on an Old Murder* (1967b), *Murder by Witchcraft: A Study of the Lower Quinton and Hagley Wood Murders* (1968a) *Murder by Perfection: Maundy Gregory,*

the Man Behind Two Unsolved Mysteries? (1970b) and *One Man's Wars: the Story of Charles Sweeny, Soldier of Fortune* (1972a).

From the late 1960s, Secret Services, secret documents, espionage, escapes and spy rings dominated – at least 17 books in 22 years (plus second editions): *A History of the British Secret Service* (1969), *A History of the Russian Secret Service* (1972b), *The Master Book of Spies: the World of Espionage, Master Spies, Tortures, Interrogations, Spy Equipment, Escapes, Codes & How You Can Become a Spy* (1973a),¹¹ *The Chinese Secret Service* (1974a), *The Master Book of Escapes: the World of Escapes and Escapists from Houdini to Colditz* (1975b), *The Book of Fate: its Origins and Uses* (1976d), *The Israeli Secret Service* (1977a), *The Silent War: A History of Western Naval Intelligence* (1978), *The British Connection* (1979), *Spy!: Six Stories of Modern Espionage* (1980b with Nigel West),¹² *Escape!* (1980c), *A History of the Japanese Secret Service* (1982b), *The Cambridge Apostles: a History of Cambridge University's Elite Intellectual Secret Society* (1985), *Spyclopedia: The Comprehensive Handbook of Espionage* (1987), *Super Spy: The Man Who Infiltrated the Kremlin and the Gestapo* (1989), *The Greatest Treason: The Bizarre Story of Hollis, Liddell and Mountbatten* (1990a) and *The French Secret Service* (1990b).

He also published three memoirs: *The Wicked City: an Algerian Adventure* (1956), *The Wicked Village* (1960b), *With My Little Eye: The Memoirs of a Spy-Hunter* (1982a); five island-related books: *Islands for Sale* (1949), *How to Buy an Island* (1973b), *Islands of England and Wales* (1974b), *Islands of Scotland* (1974c), *Islands of Ireland* (1974d); three self-descriptive books: *Approaching 1984* (1980d), *Taken for a Ride: The History of Cons and Con-men* (1976a) and *The Truth Twisters* (1986); plus two in the spy fiction genre: *Who's Who in Spy Fiction* (1977b) and, with Katy Fletcher, *Spy Fiction: A Connoisseur's Guide* (1990c).

Initially a pacifist, the Welsh-born 'Deacon' McCormick was 'thrilled' by his wartime encounters with Ian Fleming (who sponsored his career at *The Sunday Times*). 'Deacon' McCormick appeared to blame the English for what he described as the Welsh habit of lying. An ardent empire loyalist, he was closely connected to the right wing of the Conservative Party, and provided a 'Pilgrim Fathers' defence of apartheid. *The British Connection* was promoted at the 1979 Conservative Party conference by a man claimed by the British Union of Fascists to be a former member – the Jewish Monday Club MP, Harold Soref.

Most of his writings, from recipes for happiness to UFOs, were personal commentaries on the world. One of his favourite sources was *The News of the World*, which 'has been extremely well served by its Paris correspondents since 1945' (1990b, 287, 345, n13). 'Deacon' McCormick

(1986, 187, 190) referred to an article entitled 'UFO Lands in Suffolk': 'Despite a massive cover up, *News of the World* investigators have proof that the mysterious craft came to earth in a red ball of light at 3am on December 27 1980.' He was horrified: 'Why was this incident kept secret for so long? Even after this newspaper report, there was still silence.' He noted a follow-up *News of the World* article entitled 'UFO "trying to warn us of nuclear war"'. His books were in many ways lengthy equivalents of *News of the World* stories.¹³

'Deacon' McCormick's personal commentaries were gospel-like in their certitude: the sensational components were derived from personal 'Knowledge'. Taken as 'faction' – a mixture of fact and fiction – his work is unobjectionable; the bard/storyteller has played an important role in history and religion. That his prejudiced-laced stories and falsehoods found a lucrative market would amuse any trickster. But that they were believed as gospel by the market success party is evidence of monumental market failure in an area pivotal to the success of any economic system: the creation and dissemination of 'Knowledge'. It also suggests that some ideologically loaded economists are prepared to uncritically accept prejudice-reinforcing, faith-based stories.

Reds and Greens

Policy advocates often co-align on multiple fronts; market failure sceptics (and climate change deniers in particular) are often proponents of 'free' market 'liberty' for the financial sector. Hayek referred to the Greens as the new barbarians in our midst,¹⁴ and informed a correspondent that had he been a younger man he would have concentrated on exposing Greens, instead of focusing almost exclusively on exposing Reds.¹⁵

While 'Deacon' McCormick promoted prejudices about both Reds and Greens, scholars should aspire to strengthen the public policy process by critically evaluating evidence and weeding out fraud and dubious assertions. In *The Gorbachev Era* (co-edited with Condoleezza Rice), Alexander Dallin (1986, 167–168), the Director of the Stanford University Centre for Russian and East European Studies, referred to those – including 'the current occupant of the White House' – who perceived a 'Soviet master plan'. Dallin asked:

What is this master plan? The short answer is: There is none. That is the view of just about all those who have seriously studied Soviet affairs. But how do you prove that something does not exist? And how do you erase the imaginary existence of it from people's minds?

In opposition to this academic consensus were ‘fabrications’ and forgeries: ‘such books typically abound in lurid quotations from Lenin and his disciples’.

The 1989 collapse of the Berlin Wall was rapidly followed by elections in the former Soviet Empire. ‘Deacon’ McCormick (1990a, 197) appeared to suggest that this was part of the Soviet master plan. He asserted that Mikhail Gorbachev had stated in November 1987: ‘We are travelling to a new world, a new world of communism. We shall never deviate from this path.’ This was supposedly a continuation of the philosophy allegedly outlined by Soviet leader Leonid Brezhnev in 1972: ‘We must use every means we can to devise to subvert orderly government, *especially those making a success of parliamentary democracy* [the source of the emphasis is not revealed].’ One method of achieving this was revealed by ‘Vladimir Kryuchkov, shortly to become the head of the KGB’, who stated in ‘a Soviet Foreign Ministry publication’ that the Kremlin’s priority was ‘to cultivate “green” movements in West Germany and other nations of the West.’

‘Deacon’ McCormick (1990b, 13, 121–123, chapter 15, n8) praised the French government for their avoidance of ‘futile commissions or committees of inquiry’ following their embrace of State-sponsored terrorism: the sinking of the Greenpeace ship *Rainbow Warrior*, and the manslaughter of its evidence-acquiring photographer, Fernando Pereira. ‘Deacon’ McCormick recommended that the British and Americans should follow this example – had they done so there would have been no ‘time-wasting, futile and unnecessarily prolonged scandals like the Americans with Watergate and Irangate’. He appeared to object to congressional or parliamentary oversight of ‘security’ operations.

From a Pigouvian perspective, unburnt fossil fuels and uncultivated tobacco generate private losses but social gains. The social gains are distributed widely; but the private losses accrue to powerful lobby groups; this has consequences for those seeking to impose privately optimal ‘Knowledge’ on policy-making. However, one side of the Green debate has been compromised by the Climatic Research Unit email controversy (which appears to be incriminating with respect to the evaluation and presentation of evidence). The other side continues to be informed by ‘Deacon’ McCormick – who is cited as an authority by members of the UK parliament,¹⁶ plus a professor of physics and prominent member of the Australian Sceptics.¹⁷

Volume overview

A detailed analysis of ‘Deacon’ McCormick’s life and work is provided in Chapter 2. Some of his lies are revealed through his archival

papers – which he sold at auction to Ian Sayer shortly after the publication of his final book (Chapter 3). In Chapter 4, Nigel West, ‘Deacon’ McCormick’s research assistant for *The British Connection*, describes some of the implausible assertions contained in that book.

Pigou has had the dubious honour of being a whipping boy for four Schools of Economics: Keynesian, Austrian, Chicagoan and Public Choice. Robert Leeson and Daniel Schiffman describe the process by which Keynes and his disciples set up and misrepresented Pigou in order to maximize the appeal of the *General Theory* (Chapter 5). Stewart Hawkins provides a biographical account of another ‘Deacon’ McCormick victim, the mountaineer Wilfrid Noyce (Chapter 6).

‘Deacon’ McCormick covered a diverse collection of subjects: almost invariably, suspicions were raised by those who examined his evidence. Chapters 7–13 test the validity of some of his assertions: Chapter 7 exposes the assertions about Pigou to tests that Austrians could – and for scholarly, as opposed to ideological purposes, should – have undertaken. Chapter 8 outlines adverse professional assessments of his work.

‘Deacon’ McCormick asserted that America had been discovered three centuries before Columbus by the Welsh Prince Madoc and his companions, one of whom, Mormon, had created the secret documents that underpinned the Mormon religion. This, presumably, is heresy to the Mormons: yet Mark Skousen, a devout Mormon, and the founder of ‘Freedomfest’, uncritically repeated ‘Deacon’ McCormick’s lies about Pigou. The Welsh historian, Howard Kimberley, examines the evidence for ‘Deacon’ McCormick’s claims about Madoc (Chapter 9).

Three academic ‘Intelligence’ writers examine ‘Deacon’ McCormick’s work. Daniel Baldino and Richard Spence (Chapters 10 and 11) critically evaluate his contributions to the ‘Intelligence’ literature; Spence also describes his personal interactions with the evasive ‘Deacon’ McCormick. John Jenks examines possible links between ‘Deacon’ McCormick and ‘Intelligence’ organizations, the British government’s Information Research Department in particular (Chapter 12).

Hayek embraced the Pigou diary fraud in 1984. The previous year, Hayek (privately) and Hugh Trevor-Roper (publicly) had embraced the Hitler diary fraud: an episode described by Gerhard L. Weinberg (Chapter 13). Trevor-Roper’s reputation suffered an irreversible decline; according to his secretary and appointed biographer, Hayek’s embrace of this fraud ‘must have been a mortifying experience’ (Cubitt 2006, 96).

The Hayekian Sensory Order

The 2008 global financial crisis prompted a re-evaluation of those who promoted indiscriminate deregulation (see, for example, Burgin 2012). Keynes' (1936) *General Theory* assault on Pigou has been subjected to extensive archival examination (Kahn 1984; Rymes 1989; Skidelsky 1992; Moggeridge 1992; Marcuzzo and Rosselli 2005; Leeson and Schiffman Chapter 5, below); this volume is the first to examine Hayek's assault on Pigou. Keynes' 'circus' (Richard Kahn, Joan Robinson, Austin Robinson, James Meade and Piero Sraffa) was made up of a remarkably gifted, if slightly unusual, group of economists; the reader must assess the attributes, scholarly and otherwise, of the sources that informed and promoted 'Deacon' McCormick and Hayek.

Hayek lost about a decade to incapacitating mental illness; at other times, his suicidal depression was replaced by what he called 'frightfully egotistic' feelings.¹⁸ Hayek became 'upset' after reading an article on schizophrenia: his secretary and appointed biographer 'wondered whether he thought it was referring to himself or Mrs Hayek' (Cubitt 2006, 188). The Nobel Prize for Economic Sciences exacerbated this personality split: Walter Grinder detected 'almost two different people' (Ebenstein 2003, 264). Hayek (1978) reflected: 'At one stage I even thought of becoming a psychiatrist';¹⁹ 'it seems that it was through psychiatry that I somehow got to the problems of political order.' As a young person, one of his

great desires had been to get a very expensive volume which described, as it were, the organizations of public life. I wanted to learn how society was organized. I remember – I have never read it – it contained chapters on government and one on the press and about information.²⁰

With respect to *The Road to Serfdom*, Hayek recalled that in the US,

there were two groups: people who were enthusiastic about the book but never read it – they just heard there was a book which supported capitalism – and the American intelligentsia, who had just been bitten by the collectivist bug and who felt that this was a betrayal of the highest ideals which intellectuals ought to defend.²¹

Hayek doubted

whether the Americans are book readers. You see, if you go to a French provincial town, you'll find the place full of bookstores; then

you come to a big American city and can't find a single bookstore. That suggests a very fundamental contrast.²²

Hayek objected to intellectuals:

You see, my problem with all this is the whole role of what I commonly call the intellectuals, which I have long ago defined as the second-hand dealers in ideas. For some reason or other, they are probably more subject to waves of fashion in ideas and more influential in the American sense than they are elsewhere. Certain main concerns can spread here with an incredible speed.²³

During a *Road to Serfdom* promotional visit, Hayek (1978) spoke to one New York group

without the slightest idea of what I was going to say. But I began with a tone of profound conviction, not knowing how I would end the sentence, and it turned out that the American public is an exceedingly grateful and easy public. You can see from their faces whether they're interested or not...I went through the United States for five weeks doing that stunt [laughter] every day, more or less, and I came back as what I thought was an experienced public lecturer, only to be bitterly disappointed when I went back to England. Soon after I came back I was asked to give a lecture to some public group at Manchester, and I tried to do my American stunt. With the stolid north English citizens not moving a muscle in their faces, I very nearly broke down because I could not be guided by their expression. It's the sort of lecturing you can do with the American audience but not the British audience. [laughter] It was a very instructive experience.²⁴

Hayek's 'spontaneous', or 'natural', order involved the acceptance of ascribed status. Leo Rosten stated that in England

the depth of the class distinction, which is just beginning to disappear, has created degrees of bitterness which I've never found in the United States. There is a hatred.' Hayek (1978) replied: 'My impression of England may be wrong in the sense that I only really know the south. All you are speaking about is the north of England, where I think this feeling prevails. But if you live in London – Right now my relations are mainly in the southwest of England, where my children live, and I don't find any of this sharp resentment. And the

curious thing is that in the countryside of southwest England, the class distinctions are very sharp, but they're not resented. [laughter] They're still accepted as part of the natural order.²⁵

The source of Hayek's 'Knowledge' about Pigou was Richard Holmes, a retired sailor who lived in bedsit land in the north of England, and who may have suffered from apophenia, a form of schizophrenia, which led him to extract abnormal meaningfulness from insignificant events. Holmes (18 March 1977) wrote an unsolicited letter to 'Deacon' McCormick describing an innocuous evening in Pigou's rooms shortly after the German invasion of Russia. 'Deacon' McCormick then twisted and embellished Holmes' information to portray Pigou as a communist spy. As if to illustrate the power of 'Knowledge'-producer sovereignty, as in Hayek's (1974, 1945) *The Pretence of Knowledge* and *The Use of Knowledge in Society*, Holmes – when confronted with the fabrication – reconfigured his own memories in line with the fraud, and volunteered to be interviewed by the press to defend the fabrication (the self-suppression of information).

Economists and historians are not, of course, professionally equipped to adequately analyse such mental processes. However, the archival evidence reveals that 'Deacon' McCormick's Jackdaw Network contained numerous unusual characters in search of Cold War fame. A 'Homeless Family Officer for Surrey'²⁶ (4 July 1984) claimed to have

found yet another spy during the Hungarian troubles, trying to set up a communist Cell in Surrey, he was an East German... What I could tell you would make quite a script for t.v.... If you are interested, or know of anyone who would write a script for t.v. please do not hesitate to contact me.²⁷

The atheist Hayek (1994, 41) promoted the Roman Catholic religion as the 'true article' while for him, Protestantism was a step on the road to 'emancipation from a superstition – a step which once taken must lead to complete unbelief'. Hayek (1978) was a complete unbeliever:

So far as I do feel hostile to religion, it's against monotheistic religions, because they are so frightfully intolerant. All monotheistic religions are intolerant and try to enforce their particular creed.²⁸

In this (not exclusively) Hayekian perspective, monotheistic religions can be viewed as seeking monopoly power over *images* by deeming 'craven'

competitors to be heretical. The Catholic and Orthodox gatekeepers to heaven communicated with their typically illiterate followers through icons and devotional painting; the Protestant reformation sought to reduce the power of papal intermediaries and their visual elaborations. Modern media images are controlled by another class of intermediaries, who face different incentives. Those seeking Cold War saviour-celebrity status needed to satisfy those gatekeepers.²⁹

'Deacon' McCormick (1990a, 7) attributed the failure to re-publish the withdrawn *British Connection* to

banking and big business interests... the main threats came from such people in the business world who were anxious to cover up their own dealings with agencies behind the Iron Curtain.

'Deacon' McCormick (1972b, 378) also wanted his readers to believe that he put truth above loyalty to his fellow Cold Warriors: Senator Joe McCarthy was 'discreditable, vulgar and despicable... By any civilised standards he was a detestable man.' In 1954, four years after his initial assertions, McCarthy was censured by the US Senate, and died in disgrace three years later; yet, years after 'Deacon' McCormick's Cold War conspiracies had been revealed to be a marketable product rather than the product of superior insight and information, he acquired almost iconic status amongst members of the Austrian School of Economics.

Near the end of his life, 'Deacon' McCormick auctioned off the incriminating evidence that reveals him to have been a fraud and a trickster: presumably in the expectation – or hope – that he would be remembered, posthumously, for his cleverness.³⁰ Yet there is also a hint that he wished to see if his 1979 fraud about Pigou would be exposed in 1980 (see chapter 7, section 3). Hayek, too, left incriminating evidence about his dishonesty in his archives: he wanted a warts-an'-all posthumous biography to highlight his 'Against the Stream' cleverness. He did not attempt to hide – or not from his appointed biographers, at least – his anti-Semitism and racism, nor his contempt for some of his disciples. He was also aware of the dubious nature of his source: 'Deacon' McCormick 'may be sometime [*sic*] making things up. I suppose his exactitude is not that of a scholar, but of a journalist. But entirely honourable.' Despite the risk, Hayek planned to write an essay on 'The Suppression of Information' about the protection of Pigou for *The Times* or *Encounter* (Leeson 2013, chapter 9). The concluding Chapter of this book describes aspects of this Hayekian 'Sensory Order'.

Clarifications

First, in these chapters the term ‘fraud’ is attached to ‘Deacon’ McCormick alone, while praise of Fascism is attributed to Ludwig von Mises alone (the material about Soref is second-hand). There is no reason to assume that Mises’ disciples are even aware of his tendencies in this respect: many Austrians are as blissfully ignorant about their hero as they are of ‘Deacon’ McCormick’s fraud. Since Austrians are people – to borrow Hayek’s (1944, viii) phrase – ‘with whom I wish to live on friendly terms’, it is important to emphasize that the purpose of this volume is to *persuade*, not to whip up witch-hunts. *Argumentum ad hominem* is a fallacy which scholars must eschew.

Second, from its inception in 1946, Mises was a paid employee of the Foundation for Economic Education: its ‘true *spiritus rector*’ (literally: Führer, or leader) (Hülsmann 2007, 851). At that time, Milton Friedman and George Stigler formed an adverse impression of the integrity of Leonard Read, the Foundation’s founder (Friedman and Friedman 1998, 151). Hayek (28 August 1975) told Arthur Seldon, the co-founder of the Institute of Economic Affairs, that his institute was superior to the ‘propaganda’ emanating from the Foundation for Economic Education (the Irvington ‘setup.’).³¹ Systematic investigations must precede judgement; no such investigation is presented in these chapters, and, therefore, no judgement regarding that Foundation (or any other institution).

Third, those unfamiliar with the archival evidence may be surprised by Hayek’s embrace of religious-style ‘Intelligence’. ‘Deacon’ McCormick’s (1960b, 146) family occasionally attended the local church, in part because ‘I do not believe that any civilised community can avoid decadence without having a church as a rallying point’. Referring to ‘religious and semi-religious cults’, ‘Deacon’ McCormick (1980d, 125, 46, 21) noted that Britain ‘has imported nearly a hundred new “religions” in the past 25 years’, including the ‘Moonies (Unification Church) led by a Korean millionaire’. At Moon’s invitation, Hayek agreed to deliver the 1985 Plenary Lecture to Moon’s International Conference on the Unity of the Sciences (ICUS) on ‘The Presumption of Reason’.³² Simultaneously, *The New York Times* reported that

The Rev. Sun Myung Moon, the founder and spiritual leader of the Unification Church, was released yesterday from a Federal prison in Connecticut after serving almost 12 months for income-tax evasion. (Blair 1985)

Hayek agreed to receive the 'International Cultural Foundation Founder's Award' from Moon: the 'intent of the award parallels that of the Nobel foundation'.³³ The ICUS executive director implicitly proposed that Hayek's published 'Statement of Acceptance' should correspond with Moonie mythology, one expression of which can be found in 'Sun Myung Moon and the End of Soviet Communism':

How different would the course of the Cold War, and more specifically the fate of Nicaragua, SDI, and the Reagan doctrine have been, had Rev. Moon's educational and grassroots activities and *The Washington Times* never existed? Would this void have otherwise been filled? ... Yet today he and the organizations which he founded do not appear in Western accounts of the demise of communism.³⁴

Hayek did not declare the Moonie Nobel Prize, and he became, not for the first time, under threat of prosecution for income-tax evasion (Cubitt 2006, 288).

Liberty is a magnet both to atheists, like Hayek and Mises, and to those who profess religiosity. Hayek received a letter (18 June 1965) from a fund-raiser:

Occasionally, it is possible to bolster one's faith in the triumph of that which is right and to reaffirm one's faith in truth, hard work, sacrifice, perseverance, prayer and patience. On June 16th we received a letter from the U.S. Treasury Department (Internal Revenue Service) granting tax exempt status to the Institute!³⁵

Those such as Arnold Harberger (1999), the original 'Chicago boy', who observed Austrians at close quarters, detected not a School of Economics but a religion; there was

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

Critics have (perhaps unfairly) detected in Austrian theocrats a determination to turn the United States of America into Saudi Arabia (Christianized, with the House of Rushdoony as the House of Saud). But the Austrians' form of liberty is certainly a magnet for both homosexuals