

Preventing the “Abuses” of Democracy: Hayek, the “Military Usurper” and Transitional Dictatorship in Chile?

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ABSTRACT. Hayek famously claimed that he would prefer a “liberal” dictator to “democratic government lacking in liberalism.” While Hayek’s views of the Pinochet regime have generated much controversy, surprisingly little has been written about Hayek’s defense of transitional dictatorship. Making use of previously un-translated foreign language archival material, this paper helps shed light on Hayek’s views of authoritarianism, totalitarianism, transitional dictatorship, and the Pinochet regime as well as helping to separate Hayekian ‘fact’ from Hayekian ‘fiction’.

Preventing the “Abuses” of Democracy: Hayek, the “Military Usurper” and Transitional Dictatorship in Chile?¹

“The ambition of Oliver was of no vulgar kind. He never seems to have coveted despotic power . . . even when thus placed by violence at the head of affairs, he did not assume unlimited power. He gave the country a constitution far more perfect than any which had at that time been known in the world” (T. B. Macaulay 1895: 67).

“I beseech you, in the bowels of Christ, *think it possible you may be mistaken.*” [Oliver Cromwell quoted by Hayek] It is significant that this should be the probably best-remembered saying of the only ‘dictator’ in British history!” (Hayek 1960: 530, our emphasis).

“. . . some democracies have been made possible only by the military power of some generals” (F.A. Hayek 1978e: 15)

“Professor Hayek . . . says ‘I have not been able to find a single person even in much maligned Chile who did not agree that personal freedom was greater under Pinochet than it had been under Allende.’ It is hard to believe that he does not well understand that such absolute unanimity only

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exists when those who disagree have been imprisoned, expelled, terrified into silence, or destroyed” (Ronald Cohen 1978: 13).²

“Please sit to my right. I am deaf in my left ear which, as you will understand, lends itself to many political jokes” (F. A. Hayek quoted in *El Mercurio*, April 19 1981b: D2).

The ideas of F. A. Hayek have proven a staple of political controversy and commentary over the past 60 years or so (see, for example, Farrant and McPhail 2010). For instance, Hayek’s remark—made in a 1981 interview with the Santiago newspaper *El Mercurio*—that he himself would prefer a supposedly “liberal” dictator to “democratic government lacking in liberalism” has generated a wealth of heated online controversy over Hayek’s supposedly favorable view of the Pinochet junta (see, for example, DeLong et al. 2006). Unfortunately, much analysis and discussion of Hayek’s supposed view of the Pinochet regime is plagued by pervasive hearsay and often ill-informed innuendo rather than hard evidence. Accordingly, this article makes use of material from the Hayek archives (much of it previously un-translated foreign language material) to help shed light on Hayek’s defense of transitional dictatorship and the Pinochet regime and to try to help separate the Hayekian ‘fact’ from the seemingly pervasive Hayekian ‘fiction’.

In his famous *Essay on Milton*, T. B. Macaulay noted the following: “That an enthusiastic votary of liberty [Milton] should accept office under a military usurper [Oliver Cromwell] seems, no doubt, at first sight, extraordinary. But all the circumstances in which the country was then placed were extraordinary” (Macaulay 1895: 66–67). Macaulay’s phraseology aptly sums up why Hayek—supposedly a similarly ardent “votary of liberty”—would think that a “military usurper” such as Pinochet would merit his support: indeed, as we note below, Hayek views Cromwell’s Protectorate as a model case of the way in which an ostensibly ‘benevolent’ military dictatorship can supposedly facilitate the transition to a liberal order—and limited democracy—of the type favored by Hayek.³

Scholars in a variety of disciplines have noted Hayek’s apparently favorable view of the Pinochet regime (see, for example, Bowles and Gintis 1986: 11–12; Grandin 2006). In particular, Karin Fischer—examining the role played by the ideas of Hayek and other “neolib-

eral” theorists in inspiring the “economic and social engineering” carried out by the Chilean junta—has flagged what is seemingly an especially damning piece of evidence concerning Hayek’s support for Pinochet: “The editors of *Frankfurter Allgemeine Zeitung*, Germany’s neoliberal flagship among the nationwide print media, refused to print an article by . . . Hayek titled ‘True Reports on Chile’ (Wahrheitsgetreue Berichte über Chile). . . . Hayek eventually *published his efforts in defense of economic and social policies under Pinochet in a small booklet* published by Hanns-Seidel-Stiftung [the Hanns-Seidel Foundation] affiliated with Bavaria’s Christian Social Union Party (see Walpen and Plehwe 2001, 67–69 for details)” (Fischer 2009: 339). As Fischer notes that her brief account of Hayek’s late 1970s spat with the FAZ and his supposed efforts in defense of the Pinochet regime draws upon the work of Bernhard Walpen and Dieter Plehwe, we now turn to their paper.

Although Walpen and Plehwe argue that Hayek’s supposedly “thorough defense of the government of Pinochet led to a conflict with the FAZ . . . [when] Hayek sent *a report about the situation in Chile* to Juergen Eick (editor of FAZ)” (Walpen and Plehwe 2001: 67, emphasis added, our translation), they tellingly note that the title of their article—‘Wahrheitsgetreue Berichte über Chile’ (True Reports on Chile)—is a play upon the way in which Hayek had described his rejected paper when he sent a letter of complaint to Juergen Eick in early 1979 (see Walpen and Plehwe 2001: 42). Indeed, as we explain below, the draft paper that Hayek sent to the FAZ in late 1977 (the paper that the FAZ rejected shortly thereafter and that the Hanns-Seidel Foundation subsequently published in 1978) did not provide a defense of the specific policies adopted by the Pinochet regime and was not titled ‘True Reports on Chile.’⁴

Although we disagree with Fischer’s assessment of Hayek’s 1978 paper, Hayek does praise the Pinochet regime in other writings. For instance, Hayek—writing to *The Times* in 1978 and explicitly invoking Pinochet by name—noted that under certain “historical circumstances,” an authoritarian government may prove especially conducive to the long-run preservation of liberty: There are “many instances of authoritarian governments under which personal liberty was safer than under many democracies” (Hayek 1978e). As we note below,

however, Hayek's interest in the way in which ostensibly transitional 'liberal' dictatorship might help to rein in the supposed "abuses of democracy" (Hayek 1962) and prepare the way for a transition to what Hayek would deem a genuinely free society (a liberal order) predates the late 1970s and early 1980s.

Accordingly, this article evaluates Hayek's defense of transitional dictatorship. As we show in section one, Hayek's 1978 article did not provide a full-blown defense of the Pinochet junta but instead charged the international media (the FAZ included) with an anti-Chile bias and with unfairly singling out the Pinochet regime for international pariah status. In section two, we examine Hayek's 1981 interviews with *El Mercurio*. Hayek's supposed claims in these interviews are the cause of much online controversy and Hayek's defenders often claim that Hayek was misquoted or argue that his remarks were badly translated into Spanish. As we note below, however, Hayek's negative view of unlimited democracy had apparently also been the primary topic of conversation when Hayek met with Pinochet in 1977. In section three, we try to place Hayek's 1981 remarks about transitional liberal dictatorship (often interpreted as highly supportive of Pinochet's regime) within the context of Hayek's 1960s and early-mid 1970s qualms about the supposedly bleak future of unlimited democracy. Section four of the article briefly subjects Hayek's defense of transitional dictatorship to critical scrutiny and notes that Hayek's defense of government led by "some generals" is inconsistent with many of the arguments that Hayek made against benevolent dictatorship during the socialist calculation debate of the 1930s and 1940s. Section five concludes the article.

True Reports on Chile?

Hayek's 1978 paper 'Internationaler Rufmord: Eine persönliche Stellungnahme'—International Calumny: A Personal Statement—was written when Hayek was visiting Brazil in November 1977 and was initially sent to Juergen Eick (the editor of FAZ) on November 30.⁵ Eick, replying to Hayek on December 14, explained that he was unwilling to publish Hayek's article in the FAZ because Hayek's draft "contribution would make it too easy for . . . [your] and our enemies to

brand you as a second Chile-Strauss" (Eick 1977a).⁶ Hayek responded to Eick on December 17: "I am very disappointed that the FAZ does not have the civil courage, to resist the popular [anti-Pinochet] opinion" (Hayek 1977).⁷ Although Hayek was supposedly unaware of the particular controversy to which Eick had alluded when he mentioned Strauss ("Chile-Strauss"), he noted that if "Strauss (who I met during a reception in Chile briefly)" had been "attacked for his support for Chile he deserves to be congratulated for his courage" (1977).⁸ Hayek explained that he had been invited to write an article on Chile for publication in *Politische Studien* (a magazine published by the Strauss-friendly Hanns-Seidel Foundation) and noted that he would much "prefer" that Eick publish his rejected draft article—"my report"—in the FAZ's "letters to the editor section un-shortened" rather than "leave" it for subsequent inclusion in "F.J. Strauss's publication on Chile" (1977).⁹ Eick replied on December 20 and informed Hayek that the FAZ was unwilling to publish Hayek's draft article as a letter to the editor. Eick also noted that he and his FAZ colleagues much regretted that Hayek had doubted the "civil courage of our newspaper" (Eick 1977b): FAZ's "political editors are the least to deserve this judgment . . . [they] have published [articles] on terrorism and the fight against terrorism . . . [and] receive death threats constantly" (Eick 1977b). Accordingly, Hayek's draft paper subsequently appeared in the Strauss-friendly *Politische Studien* (Hayek 1978b).

Although Hayek had rather misleadingly self-described his draft rejected paper as a "report" when corresponding with Eick (see, Hayek 1977, 1979a), his article is not a report on the political and economic situation in Chile per se. Instead, Hayek argues that the Pinochet regime is unfairly subjected to a particularly negative propaganda campaign (1978b: 44).¹⁰ As Hayek explained in his paper, his "long held suspicion" that organized efforts were underway to turn "slander [into] a weapon of international politics" had subsequently solidified into genuine "conviction" when he visited California in the summer of 1977 (44). Hayek had accepted an "invitation . . . [from] a private university in Chile to give lectures there" and when this became public knowledge he was supposedly inundated with "letters . . . [and] telephone calls" and was also provided with a wealth of anti-Pinochet documentary evidence by organizations like Amnesty

International and other similarly “well-intentioned people I did not know . . . [all of] which were intended to stop me visiting such an ‘objectionable’ country” (44). As Hayek indignantly noted, he received many “barely concealed threats about how . . . [any] visit . . . [to Chile] would damage my reputation” and he added that he was unaware of any similarly prominent “social scientist” having been warned about the supposedly damaging consequences to their reputation if they visited the “Soviet Union, China, Libya, Algeria or Uganda” (44).¹¹

For Hayek, the unfair way in which the international media supposedly treated Pinochet’s Chile amply demonstrated that international hypocrisy was rife.¹² As Hayek noted, he had met many members of the government during his initial visit to Chile in 1977—“educated, reasonable, and insightful men—men, who honestly hope that the country can be returned to a democratic order soon . . . [men who will be] happy when they can let go the responsibility which they believed they had to assume” (44)—and he accordingly had no doubts “[a]fter my experience in Chile . . . about the systematic organization of the campaign against this country” (44).¹³

For Hayek, the international propaganda campaign against Chile (and also that against South Africa)—the “systematic distortion of . . . [the] facts” about these countries—would have serious consequences: “politicians in Western countries. . . increasingly bow to this false public opinion” (44) and their representatives at the United Nations had voted in favor of the international arms embargo “against South Africa” (45). This measure, Hayek argued, could ultimately lead to the wholesale destruction of the “international economic order” (45).¹⁴ Hayek was highly critical of the United Nations and argued that the imposition of “boycotts and similar measures against individual countries” (Chile and South Africa) had been made on an arbitrary basis rather than in accordance with binding rules that had “been set and announced prior.” For Hayek, the United Nations had been “seduced” into adopting “such measures . . . by crass vote-catching” (Hayek 1978b: 44).¹⁵

As noted above, Fischer views Hayek’s *Politische Studien* paper as an explicit “defense of economic and social policies under Pinochet” (2009: 339). This is inconsistent with the way in which Hayek himself viewed his paper: indeed, Hayek made it abundantly clear that his

objections to the supposedly biased leftist propaganda campaign against Chile (and South Africa) had “*nothing to do with the justification of the politics against which these measures are directed*” (Hayek 1978b: 44, emphasis added).

Accordingly, it appears harsh to view Hayek’s paper as a full-blown defense of Pinochet per se: indeed, Hayek did not view or describe his paper in this way. For instance, when Hayek wrote to his friend Arthur Seldon in early 1978 (Hayek was indignant at the unfair way in which he had supposedly been treated by the FAZ and the BBC) he did not describe his rejected FAZ piece as a defense of the Pinochet regime per se. As Hayek complained, “the supposedly liberal [FAZ] . . . has rejected an article I sent them from South America in *protest against the international treatment of Chile and South Africa*” (Hayek 1978c, emphasis added). Indeed, Hayek argued that the FAZ’s rejection of his article amply illustrated his claim that Chile was subject to unfair media bias: “That this article—written out of spontaneous outrage [while] in South America [Hayek was in Brazil when he wrote the piece] and [then] sent to the FAZ—has been rejected by this newspaper confirms my impression” (1978b: 45).

As we noted earlier, Walpen and Plehwe explain that the title of their 2001 paper is a play upon Hayek’s wording in a letter of complaint—apparently intended for publication in the FAZ but never printed—that he sent to Juergen Eick in January 1979. In particular, Hayek notes that he is severing all ties with the FAZ: There “was a time when we fought for freedom together. But *your swing to the left is too far for me*” (Hayek 1979a, emphasis added). As Hayek noted, however, the primary cause of his break with the FAZ was Eick’s refusal to publish Hayek’s “*truthful report on Chile*—which I sent you after a visit to that country—even as a letter to the editor” (1979a, emphasis added).¹⁶

Although Hayek described his rejected FAZ article as a “truthful report” on the situation in Chile when he wrote to Eick in January 1979, his draft paper—initially submitted to the FAZ on 30 November 1977 and rejected shortly thereafter—is not a report on Chilean economic and social policy.¹⁷ Moreover, Eick himself—writing to thank Hayek for having considered the FAZ as a potential publication outlet—viewed Hayek’s rejected piece as an article that objected to the

supposed international propaganda campaign against the Chilean junta (Eick 1977a). As we now show, however, Hayek was apparently supportive of the Pinochet regime and was often fulsome in his praise for Chilean economic policy. Accordingly, we now consider Hayek's initial visit to Chile in 1977 and his 1981 interviews with the Santiago based newspaper *El Mercurio*.¹⁸

Hayek and the *El Mercurio* Interviews

Though Hayek's 1981 interviews with *El Mercurio* have attracted much attention, scholars have ignored *El Mercurio's* coverage of Hayek's initial visit to Chile in 1977.¹⁹ In particular, *El Mercurio* notes that Hayek—quoted as saying that Chile's efforts to develop and reform its economy provided “an example at the global level” (1977: 27)—had met with Pinochet: “At the end of his visit . . . Hayek . . . was received by President Augusto Pinochet. He [Hayek] told reporters that he talked to Pinochet about the issue of limited democracy and representative government. . . . *He said that in his writings he showed that unlimited democracy does not work because it creates forces that in the end destroy democracy.* He said that the head of state listened carefully and that he had asked him to provide him with the documents he had written on this issue” (1977: 27–28, emphasis added). Although we defer any further discussion of Hayek's 1977 meeting with Pinochet until section three, we note that Hayek was quoted as highly praising the Chilean government for having “freed” the market—allowing the price system to replace Allende's penchant for allocating capital by administrative fiat—and for significantly reducing the rate of “inflation . . . which is extraordinary” (28). According to *El Mercurio*, Hayek viewed these significant changes as “the appropriate indicators for reaching the conclusion that the economic tendency of Chile is very good” (28).

Hayek's initial 1981 interview with *El Mercurio* (Hayek is interviewed by Renee Sallas) appeared in print on 12 April 1981. During the interview, Hayek pointed to what he viewed as a vitally important distinction between limited and unlimited democracy (1981a: D9).²⁰ In particular, Hayek argues that unlimited democracy is under the sway of the dangerous and “demagogic” idea of social justice and allows

“governments too much power” (1981a: D9).²¹ Hayek’s own preferred “choice is for limited democracies” (1981a: D9).²²

Towards the end of the interview, Sallas asks Hayek what “opinion, in your view, should we have of dictatorships?” Hayek’s response is telling:

“[A]s long-term institutions, I am totally against dictatorships. *But a dictatorship may be a necessary system for a transitional period.* At times it is necessary for a country to have, for a time, some form or other of dictatorial power. *As you will understand, it is possible for a dictator to govern in a liberal way. And it is also possible for a democracy to govern with a total lack of liberalism. Personally, I prefer a liberal dictator to democratic government lacking in liberalism.* My personal impression . . . is that in Chile . . . we will witness a transition from a dictatorial government to a liberal government . . . *during this transition it may be necessary to maintain certain dictatorial powers, not as something permanent, but as a temporary arrangement*” (Hayek 1981a: D9, emphasis added).²³

Hayek provided several examples of the type of supposedly transitional dictatorial government he had in mind (1981a: D9): England under Oliver Cromwell (Cromwell’s Protectorate supposedly providing a vital transitional way-station “between absolute royal power and the limited powers of constitutional monarchies”), the example provided by “two very strong men” (“Adenaur and Ludwig Erhardt”) in West Germany, and the example provided by the Portuguese “dictator Oliveira Salazar” (Salazar supposedly “started on the right path . . . but he failed”).²⁴ Interestingly enough, Hayek had sent Salazar a copy of Hayek’s *The Constitution of Liberty* (1960) in 1962 and Hayek’s accompanying note to Salazar is particularly revealing: Hayek hopes that his book—this “preliminary sketch of new constitutional principles”—“may assist” Salazar “in his endeavour to design a constitution *which is proof against the abuses of democracy*” (Hayek 1962, emphasis added).²⁵

In his interview with Sallas, Hayek noted that he had visited Argentina following the demise of Peron’s regime: “I talked with many officers from the Military School . . . [and] hoped they could have laid the foundations for a stable democratic government. And yet they did not. I do not know why they failed . . . my impression is that they had the political ability and the intelligence to do so.” Sallas subsequently

asks whether Hayek would himself favor “stronger, dictatorial governments, during transitional periods [?]” (1981a: D9).

Hayek’s reply to Sallas is revealing: When any “government is in a situation of rupture, and there are no recognized rules, rules have to be created. . . . In such circumstances it is practically inevitable for someone to have almost absolute powers. *Absolute powers that need to be used precisely in order to avoid and limit any absolute power in the future* . . . when I refer to this dictatorial power, I am talking of a transitional period, solely. As a means of establishing a stable democracy and liberty, clean of impurities. This is the only way I can justify it—and recommend it” (1981a: D9, emphasis added).

As we show in the next section, Hayek’s apparent defense of transitional dictatorship in his initial *El Mercurio* interview is not merely an impromptu justification for Pinochet’s junta. For now, however, we turn to Hayek’s second *El Mercurio* interview. Hayek was interviewed by Lucia Santa Cruz and the interview appeared in print on 19 April 1981. As in 1977, Hayek is fulsome in his praise for Chilean policy: “From the little I have seen, I think it is no exaggeration to talk of a Chilean miracle. The progress in recent years has been enormous” (Hayek 1981b: D2). In particular, he notes the “importance of [Chile] continuing on the same path,” continuing to combat inflation and avoiding the adoption of price controls and “trade union privileges of any kind” (1981b: D2).

During the interview, Hayek suggests that liberty is incompatible with unlimited democracy—“a representative assembly with all-embracing powers” (1981b: D2)—and states that democracy (a merely procedural rule) is “not an end in itself” and ought not to rank “on a par with liberty” (1981b: D2).²⁶ As Hayek explains, he would “prefer to sacrifice democracy temporarily, I repeat temporarily, rather than have to do without liberty, even if only for a while” (Hayek 1981b: D2).

Santa Cruz—alluding to Hayek’s initial interview—notes that Hayek had “referred on other occasions to the apparent paradox that a dictatorial government may be more liberal than a totalitarian democracy. However, it is also certain that dictatorships have other characteristics which clash with liberty, even when conceived in the negative way you do” (1981b: D2). Hayek cedes that there “are

major dangers in dictatorships. But a dictatorship can place limits on itself and a dictatorship that deliberately sets limits on itself can be more liberal in its policies than a democratic assembly without limits.” Hayek makes clear that he has to “*admit that it is not very likely that this will succeed, even if, at a particular point in time, it may be the only hope there is.*” As Hayek explains, however, “It is not a certain hope, because *it will always depend on the goodwill of an individual*, and there are very few individuals one can trust. *But if it is the sole opportunity which exists at a particular moment it may be the best solution despite this.* And only if and when the dictatorial government is visibly directing its steps towards limited democracy” (1981b: D2, emphasis added).

For Hayek, the supposedly stark difference between authoritarianism and totalitarianism has much importance and Hayek places heavy weight on this distinction in his defense of transitional dictatorship. For example, when Hayek visited Venezuela in May 1981, he was asked to comment on the prevalence of “totalitarian” regimes in Latin America. In reply, Hayek warned against confusing “totalitarianism with authoritarianism,” and said that he was unaware of “any totalitarian governments in Latin America. *The only one was Chile under Allende*” (Hayek quoted in Ebenstein 2001: 300, emphasis added). For Hayek, however, the word ‘totalitarian’ signifies something very specific: The totalitarian—“totalitarian in the true sense of this new word” ([1944] 1994a: 63)—wants to “organize the whole of society” to attain a “definite social goal” and—in stark contrast to “liberalism and individualism”—wholly refuses to “recognize autonomous spheres in which the ends of . . . individuals are supreme” (63). Accordingly, totalitarianism is the sworn enemy of liberalism.

Hayek amplified on this theme when he later noted that “Liberalism and democracy” are not necessarily identical. Though “compatible . . . [they] are not the same” (Hayek [1966] 1967: 161). As he explained, the “opposite of liberalism is totalitarianism . . . the opposite of democracy is authoritarianism” (161). Accordingly, “democratic government may be totalitarian and . . . an authoritarian government may act on liberal principles” (161): As Hayek puts it, “Democratism . . . [demands] *unlimited* power of the majority . . . [and] has become

essentially anti-liberal” (161).²⁷ Hayek had argued much the same point in the book he sent to Salazar in 1962: *The Constitution of Liberty* (1960: 103).

While any adequate discussion of Allende’s policies is beyond our scope here, we imagine that Hayek would have viewed Allende’s nationalization program as an ominous harbinger of Allende’s supposed totalitarian ambition to engage in wholesale command planning. We similarly imagine that if Hayek had any knowledge of the Cybersyn data-gathering project (very embryonic indicative planning) he would have viewed it as a step towards the adoption of full-blown totalitarian planning.²⁸ As noted above, however, Hayek never provides any detailed commentary on Chilean policy per se other than briefly nodding his approval for Pinochet’s policies (see *El Mercurio*’s coverage of Hayek’s 1977 visit to Chile and his 1981 interview with *El Mercurio*), and we have found no real evidence—whether in the Hayek archives or elsewhere—that Hayek had any in-depth knowledge of Chilean policy under Allende (or Pinochet) or wrote in any detail upon the topic.

“The Containment of Power and The Dethronement of Politics”—Hayek and Transitional Dictatorship?

As noted above, Hayek had been thinking about the issue of transitional dictatorship and unlimited democracy for a number of years prior to his 1981 interviews with *El Mercurio*. As Hayek noted in the preface to volume three of *Law, Legislation and Liberty* (1979b), the “majority of the book “was in fairly finished form as long ago as the end of 1969 when indifferent health forced me to suspend efforts to complete it” (1979b: xi). As Hayek bleakly predicts, however, the “political order . . . [in] the most advanced countries is tending” towards a “totalitarian state” (1979b: xiii). For Hayek, this was supposedly the inevitable result of the “deeply entrenched defects of construction” inherent to unlimited democracy (xiii). Hayek was convinced that the Western democracies were heading “towards an impasse from which political leaders will offer to extricate us by desperate means” (xiii).

As noted earlier, Hayek maintained that the Allende government was a “totalitarian” regime. Hayek (in his April 19 interview with *El*

Mercurio) also noted that he had sketched a model constitution in the final volume of *Law, Legislation and Liberty*. Indeed, as Hayek explained, the model constitution he had sketched out would make “all socialist measures [for example, the sort favored by Allende] for redistribution impossible” (1979b: 150).²⁹

For Hayek, unlimited democracy—“nominally omnipotent” but in reality the “exceedingly weak . . . playball of all the separate interests it has to satisfy to secure majority support” (99)—would inevitably lead to the “gradual transformation of the spontaneous order of a free society into a totalitarian system” (1973: 2).³⁰ Hence, and much as Hayek had implied in his 1962 note to Salazar, he thought it “clearly legitimate to provide against our inadvertently sliding into a socialist system by constitutional provisions which deprive government of the discriminating powers of coercion” (1979b: 151). As Hayek explains, the three volumes of *Law, Legislation and Liberty* (and his 1976 monograph on *The Denationalization of Money*) are intended to provide a ready “guide out of the process of degeneration of the existing form of government” and as “an *intellectual emergency equipment which will be available when we have no choice but to replace the tottering structure by some better edifice rather than resort in despair to some sort of dictatorial regime*” (1979b: 152, emphasis added).³¹

As we noted above, *El Mercurio*’s coverage of Hayek’s initial 1977 visit to Chile noted that Hayek had met with Pinochet to discuss the “issue of limited democracy and representative government” (1977). According to Hayek, Pinochet had requested copies of Hayek’s writings (“documents”) explaining why unlimited democracy would inevitably lead to the destruction of democracy (1977). Consequently, Hayek asked Charlotte Cubitt (his secretary from February 1977 until his death in 1992) to send Pinochet a draft of Hayek’s ‘A Model Constitution’ (Cubitt 2006: 19).³² Importantly, Hayek’s chapter—‘A Model Constitution’ (1979b: 105–127)—provides a three-page discussion of the conditions under which the adoption of Emergency Powers (124–126) and the suspension of democracy are supposedly justified: The “basic principle of a free society . . . [“the coercive powers of government are restricted to the enforcement of universal rules of just conduct”] . . . may . . . have to be *temporarily suspended* when the

long-run preservation of that order [the free society] is itself threatened" (1979b: 124, emphasis added).

We suggest that Hayek's discussion of the temporary suspension of democracy has much relevance for his apparent defense of the Pinochet junta. For Hayek, the Allende government—the "only" totalitarian government in "Latin America" (Ebenstein 2001: 300)—assuredly threatened the long-run preservation of liberty. Hence, the Pinochet regime provided the only viable alternative to Allende's totalitarianism and the temporary suspension of liberty was seemingly inevitable.

Transitional Dictatorship and the Weak Reed of Agent Benevolence?

As is well-known, Hayek's worry—qualms that were front and center in his writings during the 1970s (for example, his trilogy *Law, Legislation and Liberty*)—that any dogged adherence to interventionist policy (for example, interference with prices and quantities and income redistribution) would inevitably mutate into full-blown totalitarian planning provides the analytical core of his 1944 *The Road to Serfdom* ([1944]1994a: 69–75): As Hayek put it, his "book . . . pointed to certain dangers created by the present trend of economic policy" (1945: 75).³³ For Hayek, his 1944 argument had much supposed applicability to events in Weimar Germany: The legislative gridlock induced by interventionist policy and partial planning had allegedly led Germany, "for some time before 1933 . . . [to] a stage in which it had, in effect, had to be governed dictatorially . . . democracy had broken down and . . . sincere democrats like Brüning were no more able to govern democratically than Schleicher or von Papen" ([1944] 1994a: 75–76). Thus, Hitler "did not have to destroy democracy; he merely took advantage of the decay of democracy" (76). As noted above, similar reasoning is all-pervasive in the third volume of Hayek's *Law, Legislation, and Liberty* (1979b): Interventionist policy ultimately mutates into a "wholly rigid economic structure which . . . *only the force of some dictatorial power could break*" (1979b: 93, emphasis added).

As noted earlier, Hayek maintained that without major constitutional surgery the "tottering structure" induced by the logic of unlimited

democracy would ultimately give way to “some sort of dictatorial regime” (152). This line of reasoning is congruent with Hayek’s oft-invoked 1930s and 1940s charge that any dogged adherence to interventionist policy would “necessitate further and further measures of control until all economic activity is brought under one central authority” (1948: 134). This central planning authority would subsequently be inevitably captured by “a group of ruffians” who disregarded “all the traditional decencies of political life” ([1956] 1994b: xli).

Hayek’s defense of transitional dictatorship appears to assume away a bevy of public choice warnings about the self-interest of political actors (see, Levy 1990). Moreover, it is unclear why Hayek’s argument about the supposed capture of the planning bureaucracy by ‘bad’ planners (see, Hayek [1944] 1994a) would not similarly apply to the dictatorial bureaucratic machinery—supposedly a merely temporary expedient—that is created by Hayek’s “liberal” dictator. Indeed, public choice reasoning suggests that any would-be “illiberal” dictator who can overthrow Hayek’s “liberal” dictator will seize control over whatever dictatorial machinery is already in place (the bureaucracy and the military) and—once in power—nationalize vast swathes of the economy to squarely cement their position as dictator (see Lindbeck 1971: 64–65) and to greatly strengthen their ability to extract rents from the private sector (see, Levy 1990).

As Hayek recognized in his second *El Mercurio* interview (1981b), any advocacy of “liberal” dictatorship places immense faith in the weak reed supposedly provided by agent benevolence: Thus, Hayek’s implicitly “maximax” model of transitional dictatorship would appear horribly non-robust in general (Levy 2002).³⁴ Indeed, Hayek—surveying the “various tendencies toward totalitarianism in England”—argued that these tendencies would be much strengthened in the postwar era because the “men who during the war have tasted the powers of coercive control . . . will find it difficult to reconcile themselves with the humbler roles they will [then] have to play” (Hayek [1944] 1994a: 213). Again, however, it is unclear why Hayek would not deem this particular argument to apply to transitional dictatorship: when the time to stand down and give way to democracy finally arrives the dictatorial bureaucracy may—along with the ‘liberal’ dictator himself—prove reluctant to give up their power, prestige, and

rents. Indeed, Hayek himself raises a similar objection when discussing the initial adoption of emergency powers in the published version of the chapter—*A Model Constitution*—that he sent to Pinochet in 1977: “The conditions under which such emergency powers may be granted without creating the danger that they will be retained when the . . . [supposed danger] has passed are among the most difficult and important points a constitution must decide on” (1979b: 124). As Hayek notes, “‘Emergencies’ have always been the pretext on which the safeguards of individual liberty have been eroded . . . once they are suspended it is not difficult for anyone who has assumed such emergency powers to see to it that the emergency will persist” (1979b: 124).

As noted by a variety of Hayekian fellow-travelers, Hayek’s envisaged model constitution is not self-enforcing (see, Tullock 1987: 87): The constitution *per se* cannot itself provide a binding assurance that limited democracy cannot mutate into unlimited democracy. Hence, and in much the same way as Hayek argued that any liberal-socialist planner who wanted to engage in partial intervention and planning would ultimately have to abandon their faith in interventionist policy or necessarily and inevitably assume an ever-increasing wealth of “dictatorial powers” (Hayek 1994a: 149), Hayek’s would-be “liberal” dictator may find themselves having to similarly “choose between disregard of ordinary morals and failure” (149): As Nicholas Kaldor noted, “Chile is a dictatorship equipped with secret police, detention camps, etc. where strikes are ruled out and the organization of workers in trade unions is prohibited . . . if we take Professor Hayek literally, a fascist dictatorship of some kind should be regarded as the necessary precondition . . . of a ‘free society’” (Kaldor 1978).³⁵ Accordingly, Hayek—having noted that the Weimar socialists were supposedly insufficiently ruthless to enforce their supposed plans and thus paved the way for Hitler (1994a: 151)—ought to have had serious qualms about how transitional and “liberal” any supposedly transitional dictatorship might prove in practice. After all, Hayek himself often maintained that the “readiness to do bad things becomes a path to promotion and power” under a dictatorship (166). Indeed, Hayek (1948: 207) took H. D. Dickinson—one of his opponents in the interwar socialist calculation debate—to task for defending the

supposedly naive idea of a ‘transitional’ socialist dictatorship. Dickinson—like Hayek tellingly invoking the example of Oliver Cromwell—had argued that “[d]uring the . . . transition from a capitalist to a socialist society . . . [economic and political] liberty may be abridged, just as during the early phases of the struggles which made possible . . . political liberty those very liberties were temporarily eclipsed . . . Cromwell and Robespierre ruled arbitrarily, yet the ultimate influence of their rule was to establish civil liberty. . . . [Although] Lenin and Stalin have shown scant respect for the preferences of the . . . consumer . . . if they shall have been the means of establishing a classless society, their ultimate influence will be for economic liberty. After a socialist order has been safely established, the *raison d’être* of restrictions on liberty will have ceased” (Dickinson 1939: 235–236). As Hayek tartly noted, any adoption of transitional socialist dictatorship would more likely culminate in a permanent regime akin to that of Hitler or Stalin than in the “beautiful and idyllic picture . . . of ‘libertarian socialism’” painted by Dickinson (Hayek 1948: 207). Much the same criticism, however, can be readily leveled against the best-case (or implicitly maximax) assumptions underlying the giant leap of faith that is implicit in Hayek’s own defense of transitional dictatorship (see, Levy 2002: 133).

Concluding Remarks

As noted above, although Hayek (1979) chided Eick and the FAZ for refusing to print his supposed “report” on Chile, his 1978 paper is not a report on the political and economic situation in Chile. Instead, Hayek takes much umbrage at what he views as an all-pervasive unfair media bias against the Pinochet regime. Accordingly, we think it harsh to view Hayek’s “personal statement” (1978b) as providing evidence that Hayek approved of the policies adopted by the Pinochet regime (Fischer 2009: 339). Instead, Hayek chided the critics of the Chilean junta for their supposed sin of apparent omission: their supposed proclivity to denounce Pinochet without simultaneously roundly condemning dictatorial regimes such as the USSR and North Korea. Again, however, this is not to deny that Hayek himself does appear to provide much support for Pinochet and his economic

policies: indeed, much the same charge that Hayek leveled against the international media in 1978 can be readily leveled at Hayek's own lamentable failure to roundly condemn the legion human rights abuses of any and all dictatorial regimes (be they ostensibly transitional 'liberal' dictatorships or otherwise).

George DeMartino has recently noted the role that maximax thinking—characterizing “each policy option as a probability distribution of payoffs” and then dismissing “the matter of risk entirely in policy selection” (2011: 145)—appears to implicitly play in the “Washington Consensus prescription” for neoliberal market-based reform (141–157). As noted above, although Hayek thought there were “very few individuals one can trust” with emergency dictatorial powers (1981b), he seemingly left any such qualms to one side when it came to the Pinochet junta.³⁶ DeMartino has also noted that classical liberal defenses of economic transition tend to seriously downplay or ignore whatever adjustment costs are incurred in the short-run: this allows economists to favor policies that impose “substantial costs on those living in the present for the purported benefit of those who would inhabit the future” (153). Hayek's defense of transitional dictatorship appears to fall especially prey to DeMartino's charges: As noted by *El Mercurio's* coverage of Hayek's 1977 visit to Chile, Hayek had argued that the various “social costs” associated with having a government “that is ready” to uncompromisingly “push the country forward . . . [were] a necessarily evil that will be outdone” (Hayek quoted by *El Mercurio* 1977).

Notes

1. We thank the editor, 3 anonymous referees, David M. Levy, Richard Toye, Barkley Rosser, John Quiggin, Sinan Koont, Ted Burczak, Rob Garnett, and Herbert Gintis for very helpful comments and suggestions. We also thank seminar participants at the University of Missouri Kansas City (22 April 2011) for helpful discussion and encouragement. We thank the Estate of F.A. Hayek for permission to quote from the Hayek archives. Farrant and McPhail thank Dickinson College for an invaluable spring 2010 research grant that facilitated the writing of this paper.

2. “I have not been able to find a single person even in much maligned Chile who did not agree that personal freedom was much greater under

Pinochet than it had been under Allende. Nor have I heard any sensible person claim that in the principalities of Monaco and Lichtenstein, which I am told are not precisely democratic, personal liberty is smaller than anywhere else!” (Hayek 1978e: 15).

3. “Cromwell ruled as Lord Protector of England, Scotland, and Ireland from 1653 to 1658. When the parliament of 1654–1655 sought to revise the Instrument of Government, which had established the protectorate, and to limit the Protector’s powers, Cromwell dissolved it and established military rule” (Miller 1985: 52). Also see Macaulay (1895: 69).

4. We do not intend to evaluate the veracity of Fischer’s overall account of the role that neoliberal economic and political ideas have played in Chile “before, during, and after Pinochet” (Fischer 2009: 305) and refer the reader to Fischer’s fascinating paper.

5. All translations from the original German are ours. The published version of Hayek’s article and the letter that Hayek sent to Eick accompanying the draft he sent to the FAZ are dated 30 November 1977.

6. Franz Josef Strauss was a leading right-wing German politician. *Der Spiegel* (1977: 23–24) provides extensive coverage of Strauss’ 1977 visit to Chile and notes that Strauss met with Pinochet. Hofmann (1977) provides much context for Eick’s reference to a controversy over “Chile-Strauss.” Hofmann notes that Strauss’ highly favorable view of the Pinochet regime—creating “domestic peace and political stability” (Strauss quoted in Hofman 1977)—had attracted much negative commentary in West Germany. For example, Chancellor Schmidt roundly condemned Strauss’ remarks. A “group of clergymen and university professors requested the judiciary branch of the Government to start legal action against . . . Strauss on charges of ‘aiding and abetting a terrorist organization’—the ruling military junta in Chile” (Hofmann 1977). Strauss was unrepentant and accused his critics of “giant hypocrisy,” while noting that the Pinochet junta was “authoritarian . . . not totalitarian, and much less brutal than other military regimes throughout the world” (Hofmann 1977). Pridham (1980: 325) notes that Strauss’s favorable view of the Pinochet regime much offended the Christian Democratic Parties who were allied with Strauss’ Christian Social Union in the European People’s Party (an umbrella organization for Western European Christian Democratic parties). For example, the Belgian Christian Democrats published a statement in FAZ objecting to Strauss’s remarks. The West German Christian Democratic Union (led by Helmut Kohl) declared its solidarity with the Chilean Christian Democrats who opposed the Pinochet junta (Pridham 1980: 323). Also see *Der Spiegel* (1977).

7. Cubitt (2006) notes that in 1980, Hayek had “wanted to help . . . Strauss, the then President of Bavaria, to become the Chancellor of Germany” (47).

8. Hayek also contrasted Strauss’ courage with the timidity of the FAZ.

9. The Hanns-Seidel Foundation was intimately associated with F. J. Strauss' Christian Social Union. Hayek had originally rejected their invitation to write a piece on Chile.

10. Hayek—in a 16 January 1978 letter to Eick—charges FAZ with printing biased and “distorting propaganda against Chile” (Hayek 1978a).

11. Hayek notes the student protests during Milton Friedman's 1976 Nobel Prize visit to Sweden and states that he “can imagine very well who informed these young demonstrators to make them behave in such a way” (Hayek 1978b: 44). Milton Friedman similarly notes that when he visited China there was no student outcry of the type he experienced during his 1976 trip to Sweden (Friedman and Friedman 1998: 403).

12. For Hayek, South Africa was supposedly subjected to similarly unfair treatment: As Hayek explains, when he attended a conference on monetary policy, “someone overheard how I was invited by the South African finance minister to visit his country and . . . someone immediately remarked that he hoped I would not . . . [accept] this invitation” (44). Hayek—noting that he deems “Apartheid” a marked “injustice and a mistake”—explains that his negative view of apartheid has “nothing to do with the question whether it is morally justified or reasonable to impose our moral tenets onto an established population which built up the economy and the culture of its country” (1978b: 45).

13. Hayek—writing to Eick—similarly explains that he had “spent one week amongst the liberal democratic Chilean intelligentsia” (Hayek 1978a).

14. “I have already heard in more than one country that the danger of an arbitrary measure of the United Nations would just as well make impossible free trade and . . . the country would have to protect itself against such interventions” (Hayek 1978b: 45).

15. As Hayek notes in his paper, he finds the ad-hoc decisions of the United Nations very objectionable: “It is the lack of principle of arbitrary interventions in individual cases that evokes displeasure, while much worse behavior, the killing of thousands and the extinction of whole groups is not being prevented” (1978b: 45). Hayek does not invoke any particular example of mass killing to support his point.

16. Hayek had initially told the FAZ that they could no “longer count on” him as a contributor to the FAZ in his 16 January 1978 letter. Aside from his complaint about FAZ's supposed anti-Chile biases, Hayek was unhappy that FAZ had supposedly praised Senator Hubert Humphrey and described him as a liberal without “explaining to the German public” that liberal “means socialist” in the United States. As Hayek explains in his 1979 letter, FAZ's apparent praise for the “Frankfurt Institute for Social Science . . . surpassed everything that one would expect from a self-declared liberal [in Hayek's sense of liberal] newspaper.” Hayek similarly takes umbrage at FAZ's attack on “capitalist usurers [Hayek is alluding to what an American audience would

refer to as price-gouging behavior] . . . after the earthquake in Schwaebisch Alp [Swabian Alp] last September.” Hayek’s anger is clear: “Such cheap socialist propaganda I would not have expected from the FAZ” (1979a). Also see Cubitt (2006: 31). Cubitt notes that “Hayek continued to subscribe to the ‘FAZ’ till the end” (2006: 19).

17. Hayek—writing to Eick on 16 January 1978—highly praises the “incredible economic recovery” following the “departure of Allende” (1978a).

18. Cubitt (2006: 19) notes that when Hayek visited Chile in 1981 he “took time off from his official commitments to walk around and see for himself whether people were cheerful and content. He told me that it was the sight of *many sturdy and healthy children* that had convinced him” (emphasis added). Any further discussion of this point is beyond our scope here. The discussion provided by Drèze and Sen (1989: 229–239) is pertinent.

19. The Hayek archives contain copies of the relatively extensive press coverage (provided by a variety of newspapers and magazines) of Hayek’s 1977 visit to Chile. Any translations from *El Mercurio*’s coverage of Hayek’s 1977 visit to Chile are ours.

20. As Hayek had argued in a 1978 letter to *The Times*: “[A]n unlimited democracy is probably worse than any other form of unlimited government . . . free choice can at least exist under a dictatorship that can limit itself but not under the government of an unlimited democracy which cannot” (1978d). The passages we quote from Hayek’s *El Mercurio* interviews (1981a, 1981b) are taken from the English translations of Hayek’s interviews that can be found online at: http://www.fahayek.org/index.php?option=com_content&task=view&id=121&Itemid=0 (1981a) and http://www.fahayek.org/index.php?option=com_content&task=view&id=147&Itemid=0 (1981b). We provide the page numbers for the original edition of *El Mercurio*. We quote from these particular translations because we consider them very accurate (we compared their translations to our own). We note whenever their translation—choice of phraseology—differs substantively from our own.

21. As Hayek tellingly notes, “[a]ll movements in the direction of socialism, in the direction of centralized planning, involve the loss of personal freedom and end up ultimately in totalitarianism” (1981a: D9).

22. The “tradition in South America” is supposedly much influenced by the rationalist constructivism of the “French Revolution . . . [a] tradition [that] lies . . . in maximum government power.” As Hayek explains, “South America has been overly influenced by the totalitarian type of ideologies . . . this includes . . . Jeremy Bentham, who effectively believed in the deliberate organization of everything.” Accordingly, Latin America “sought to imitate the French democratic tradition, that of the French Revolution, which meant giving maximum powers to government” (1981a: D9).

23. As Hayek notes, “democracy needs ‘a good cleaning’ by strong governments” (Hayek 1981a: D9, our translation). “[M]y old doubts whether a

democracy can be maintained in a country which has not by *different institutions been taught the tradition of the rule of law* has certainly been only confirmed by recent history” (Hayek 1978e: 15, emphasis added).

24. As Hayek is such an admirer of the ideas of David Hume it is surprising that he would invoke Cromwell: “If any single person acquire power enough to take our constitution to pieces, and put it up a-new, he is really an absolute monarch; and we have already had an instance of this kind [Oliver Cromwell], sufficient to convince us, that such a person will never resign his power, or establish any free government” (Hume [1742] 1985: 52).

25. Hayek would later favorably invoke Salazar in a letter to *The Times*: There have been “many instances of authoritarian governments under which personal liberty was safer than under many democracies. I have never heard anything to the contrary of the early years of Dr Salazar’s early government in Portugal and I doubt whether there is today in any democracy in Eastern Europe or on the continents of Africa, South America or Asia (with the exception of Israel, Singapore and Hong Kong), personal liberty as well secured as it was then in Portugal” (Hayek 1978e: 15). Fischer notes that Wolfgang Frickhoffer—speaking at the 1981 Mont Pelerin Society meeting in Chile—“affirmatively likened Pinochet’s efforts to the post-World War II German efforts to secure a social market economy under Ludwig Erhard” (Fischer 2009: 327).

26. Democracy “meant originally no more than a certain procedure for arriving at political decisions” (Hayek 1979b: 98).

27. As Fischer (2009: 327) notes, *Estudios Públicos*—the journal of the Chilean free-market think-tank CEP—reprinted Hayek’s 1966 paper. As Puryear explains, CEP—Cento de Estudios Publicos—“had been founded in 1980 by a group of economists and business leaders seeking to broaden the legitimacy of neoconservative political and economic thinking by distancing it from the military regime. Fully independent of the government, CEP relied on local business groups and foreign donors for support” (Puryear 1994: 91).

28. Medina (2006) provides a fascinating history of Project Cybersyn.

29. Fischer notes that the Pinochet junta “enacted a new constitution in September 1980. . . . The constitution was not only named after Hayek’s book *The Constitution of Liberty*, but also incorporated significant elements of Hayek’s thinking” (2009: 327).

30. We note that while Hayek did favor a guaranteed “flat minimum” income for “all who cannot earn more in the market” (1979b: 150) he argued that any guaranteed “minimum standard” of living involved the “recognition of a kind of collective ownership of the resources of the country which is not compatible with the idea of an open society and which raises serious problems” (55–56).

31. Hayek similarly notes that volume three is intended as an “intellectual standby equipment for the time, which may not be far away, when the

breakdown of the existing institutions [unlimited democracy] becomes unmistakable. . . . I hope it may show a way out” (1979b: xiii). As Hayek similarly puts it, the volume, together with the argument for denationalizing the “supply of money (equally necessary if we are to escape the nightmare of increasingly totalitarian powers . . .) . . . proposes what is a possible escape from the fate which threatens us” (xiv).

32. Cubitt also notes that Hayek asked her to also send the draft chapter to Pedro Ojeda Ibanez, “Chilean Senator and member of the Mont Pelerin Society” (2006: 19).

33. Hayek argued that the supposed similarity between intellectual trends in Germany “during and after the last war and the present current of ideas in the democracies” suggested “at least the probability, that developments will take a similar course” ([1944] 1994a: 4).

34. “The ‘maximax’ criteria . . . would proceed on the most optimistic assumptions about how things would work out—Godwin, if you like that sort of thing” (Nozick 1974: 5).

35. Hayek wrote to Margaret Thatcher noting the way in which the Pinochet regime had reduced public expenditure as a proportion of Chilean GDP. Thatcher—noting that the Chilean experience provided “many lessons” about economic reform—replied to note that Hayek would surely agree with her that as Britain had “democratic institutions and the need for a high degree of consent, some of the measures adopted in Chile are quite unacceptable. Our reform must be in line with our traditions and our Constitution . . . the process may seem painfully slow . . . we shall achieve our reforms in our own way. . . . Then they will endure” (Thatcher quoted in Ebenstein 2001: 295–296). Cubitt (2006: 19) notes that Thatcher’s “rebuff must have been painful for [Hayek] . . . he did not show me her letter until a fortnight after he had received it, and even asked me whether he needed to reply to it. I said I thought not because I could not imagine what he could possibly say to her.” We have been unable to find a copy of Hayek’s original letter to Thatcher. Thatcher’s reply to Hayek can be found in the Hoover Archives. We conjecture—we have no evidence—that Hayek was urging Thatcher to outlaw strikes or severely curtail union activity.

36. Ludwig von Mises appears to have had a similarly naïve view of transitional dictatorship: “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.* But though its policy has brought salvation for the moment, it is not of the kind which could promise continued success. Fascism was an emergency makeshift. To view it as something more would be a fatal error” (Mises [1927] 1978: 51, emphasis added). “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* (Mises [1927] 1978: 49, emphasis added). We thank John Quiggin for drawing our attention to Mises' remarks.

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