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RESEARCH ARTICLE

F. A. Hayek, Libertarianism, and the Denationalization of Money

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Abstract

Amid the inflation crisis of the 1970s, the Austrian School economist F. A. Hayek presented a radical proposal to solve inflation: the denationalization of currency and the introduction of competing currencies into the monetary system. While Hayek's proposal proved too radical for mainstream economists, Hayek found support within the American libertarian movement. Libertarians realized that Hayek's radical proposal would limit state control over the monetary system and allow for the free exchange of gold. Even though libertarians were not immediately successful in bringing Hayek's plan to fruition, their continued activism paved the way for the creation of cryptocurrency in 2009. This article demonstrates how Hayek and his libertarian supporters opened a new chapter in the history of the "money question" in the United States by advocating for the elimination of the government monopoly over money and the abolition of monetary politics itself.

> "Our only hope for a stable money is … to protect money from politics."
> —F. A. Hayek, 1975

At the Mont Pelerin Society meeting in Madrid in 1979, a Kansas City, Missouri, businessman stood to present a gold coin to the Austrian School economist and Nobel Prize Laureate, F. A. Hayek. On one side, the half-ounce pure gold coin bore Hayek's profile with the words "Denationalization of Money" etched in bold. On the other side was the phrase "for integrity there is no substitute" (Figure 1). While there was a likeness to the Nobel Prize gold medallion that Hayek had been awarded only five years earlier, the intended use of this coin was different: the coin was meant to be a medium of exchange and a store of value—a form of money. The man who presented the coin, Conrad Braun, was the owner of the Gold Standard Corporation, a small outfit that issued gold coins for sale in an attempt to form "a primitive private money system" within the United States.[1] Braun, who considered himself a "practical young man," rather than a scholar or intellectual, described the invitation to present the coin to Hayek as "the greatest honor of my life."[2]

Hayek had asked Braun to present the coin as a way to demonstrate, in tangible form, the possibilities of his most recent project: the "denationalization" of currency and the introduction

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[1]Gold Standard Corporation, "1979 Hayek Half-Ounce Gold Piece," folder 5, box 91, Friedrich A. von Hayek papers 1899–2005, Hoover Institution Library & Archives, Stanford University, Palo Alto, CA [hereafter FAHP].

[2]Conrad Braun to F. A. Hayek, Mar. 24, 1979, folder 43, box 21, FAHP.

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Figure 1. The "Hayek Half" minted by the Gold Standard Corporation. "Gold Standard Corporation gold proof medallion undated," box 213, FAHP.

of competing currencies into the monetary system.[3] As early as the mid-1970s, Hayek argued that the government's monopoly on money limited private groups' ability to experiment with the creation of currencies, thereby inhibiting innovation in the monetary system. Moreover, Hayek believed that as long as the government retained its monopoly over money, it would always be subject to political pressures from interest groups vying for profit. Diverging sharply from mainstream economists, Hayek made the radical proposal to abolish government monopoly over the currency and unleash the forces of the market to issue and experiment with new currencies.

While Hayek made the denationalization of money, or what he called "Free Money," one of his major projects in the last two decades of his life, the effort has eluded the attention of recent scholars of the Austrian economist, who have typically examined his intellectual contributions to neoliberal thought prior to his departure from the United States in 1962 to Freiburg, Germany.[4] When scholars have examined Hayek's later life, they have tended to focus on his visits to Chile and his discussions with officials of Augusto Pinochet's military dictatorship.[5] Yet Hayek felt such urgency about this project that he paused his work on his major book *Law, Legislation, and Liberty* (1973–1979) to write *Denationalisation of Money* (1976), a 100-page pamphlet published by the London-based free-market think tank, the Institute of Economic Affairs.[6] Although it might have appeared quixotic, *Denationalisation* was the culmination of his lifelong criticism of the government's use of monetary tools to stabilize prices, and also an application of his philosophy that a free society evolved best through spontaneous human action, not from conscious design.[7]

Hayek's turn to "Free Money" points to the growing influence of libertarian activists within the Right in the 1970s, as well as the role of inflation in galvanizing them into action. In

[3] F. A. Hayek to Conrad Braun, Mar. 9, 1979, folder 43, box 21, FAHP.

[4] See Bruce Caldwell, *Hayek's Challenge: An Intellectual Biography of F. A. Hayek* (Chicago, 2004); Angus Burgin, *The Great Persuasion: Reinventing Free Markets since the Depression* (Cambridge, MA, 2012); Daniel Stedman Jones, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics* (Princeton, NJ, 2012); Quinn Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism* (Cambridge, MA, 2018); Janek Wasserman, *The Marginal Revolutionaries: How Austrian Economists Fought the War of Ideas* (New Haven, CT, 2019); and Bruce Caldwell and Hansjoerg Klausinger, *Hayek: A Life, 1899–1950* (Chicago, 2022).

[5] For instance, see Bruce Caldwell and Leonidas Montes, "Friedrich Hayek and His Visits to Chile," *Review of Austrian Economics* 28, no. 3 (Sept. 2015): 261–309; Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism* (New York, 2008); and Karen Fischer, "The Influence of Neoliberals in Chile before, during, and after Pinochet," in *The Road from Mont Pèlerin: The Making of the Neoliberal Thought Collective*, ed. Philip Mirowski and Dieter Plehwe (Cambridge, MA, 2009), 305–46.

[6] F. A. Hayek, *Denationalisation of Money* (London, 1976).

[7] One of the best contextualized readings of *Denationalisation of Money* is by Stefan Eich, who contrasts Hayek's ideas to the Arusha Statement and looks at the longer-term impact of Hayek's ideas on the emergence of cryptocurrency. Stefan Eich, "Old Utopias, New Tax Havens: The Politics of Bitcoin in Historical Perspective," in *Regulating Blockchain: Techno-Social and Legal Challenges*, ed. Philipp Hacker et al. (Oxford, UK, 2019), 84–98; Stefan Eich, *The Currency of Politics: The Political Theory of Money from Aristotle to Keynes* (Princeton, NJ, 2022).

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Denationalisation, Hayek tackled the key economic issue of the early 1970s: rapid inflation combined with increasing unemployment, otherwise known as "stagflation." Stagflation was one outcome of a greater international monetary crisis created by deficits in America's balance-of-payments and balance-of-trade accounts. Under the Bretton Woods system, the United States had pledged to redeem dollars for gold at a fixed rate, while other countries pegged their currencies to the U.S. dollar. The Federal Reserve maintained the gold supply to back the dollar, allowing foreign governments—but not private individuals—to convert dollars into gold. The quantity of U.S. dollars in circulation, however, far exceeded the nation's gold reserves. To avoid a run on U.S. gold reserves, President Richard Nixon ended convertibility of U.S. dollars to gold in 1971, which devalued the dollar and ultimately marked the end of the Bretton Woods system.[8] Yet Nixon's actions, together with the Organization of the Petroleum Exporting Countries (OPEC) crisis, only exacerbated inflation, which reached into American households as families struggled to keep up with rising prices of common consumer goods.[9]

The experience of inflation across the United States raised anew old questions and struggles over the politics of money that had long been dormant in American life. Grassroots mobilizations around money had been considered the province of the nineteenth century, when the bank wars of the 1820s and 1830s or Populist calls for a popularly controlled currency presented money as a terrain of social struggle and class conflict. The establishment of the Federal Reserve in 1913 put many of these questions to rest, moving the "money question" from the center to the margins of American political discourse.[10] During the inflation crisis of the 1970s, however, public attention returned to the politics of the dollar. In the midst of this crisis, Hayek hoped to reopen dormant debates over the role of money and to mobilize a popular following in support of "Free Money." Yet he sensed that his ideas were too radical for the public, the mainstream economics profession, or even most neoliberal intellectuals, who, by the 1960s, supported a global monetary system of flexible exchange rates. Facing such opposition, Hayek turned to a constituency who had previously supported his ideas in *The Road to Serfdom* and on whom he knew he could again depend: American libertarians.

Libertarians identified the state as the central source of coercion in society and sought to diminish the reach of the state by abolishing government intervention in the economy, repealing laws about private conduct, and ending interventionist foreign policy. While libertarians initially allied with conservatives in the postwar years over their shared support for the free market, key rifts formed within this alliance over civil liberties during the 1960s rights revolution.[11] Libertarians, who supported gay rights, abortion rights, the counterculture, the use of drugs, Black power, and opposed the draft, began to coalesce into their own movement. By 1971, libertarians finally broke with their conservative allies and established their own

[8]Benjamin C. Waterhouse, "Mobilizing for the Market: Organized Business, Wage-Price Controls, and the Politics of Inflation, 1971–1974," *The Journal of American History* 100, no. 2 (2013): 454–78.

[9]For histories of the effect of inflation on American social life and politics, see Waterhouse, "Mobilizing for the Market"; Meg Jacobs, *Panic at the Pump: The Energy Crisis and the Transformation of American Politics in the 1970s* (New York, 2016); and Kim Phillips-Fein, *Fear City: New York's Fiscal Crisis and the Rise of Austerity Politics* (New York, 2017).

[10]As Jeffrey Sklansky writes, the "money question" revolved around three key questions: "What should serve as the standard of value and the means of payment, who should control its creation and circulation, and according to what principles?" Jeffrey Sklansky, *Sovereign of the Market: The Money Question in Early America*, American Beginnings, 1500–1900 (Chicago, 2017), 7; James Livingston, *Origins of the Federal Reserve System: Money, Class, and Corporate Capitalism, 1890–1913* (Ithaca, NY, 1986); William Greider, *Secrets of the Temple: How the Federal Reserve Runs the Country* (New York, 1987).

[11]George Nash best explains the formulation of the New Right in the postwar years as a tripartite alliance between traditional conservatives, libertarians, and anticommunists, yet he understates the rifts that emerged between conservatives and libertarians in the 1960s. George H. Nash, *The Conservative Intellectual Movement in America, since 1945* (New York, 1979).

organizations, such as the Libertarian Party, think tanks, magazines, and funding networks. Libertarians brought together a diverse array of anti-statists—from libertarian socialists to anarcho-capitalists, Objectivists, survivalists, and pacifists—whose ideas sometimes only overlapped over a shared distrust of the state. While scholars have extensively charted the rise of libertarian ideas as foundational to the modern Right, there is still little scholarship that captures the breadth of the American libertarian movement as a movement with its own organizations, intellectual culture, and libertarian sensibility that continues to pervade American life.[12]

One of the most influential factions within the nascent libertarian movement was an ardently capitalist, grassroots group of hard money advocates who supported the gold standard or the exchange of gold or silver coins. Hard money advocates are an important, yet underrecognized, faction within the American Right, who became a bedrock constituency for the growing libertarian movement in the 1970s.[13] Movement libertarians found they could always depend on hard money advocates to be subscribers for magazines, donors for new organizations, and supporters for the Libertarian Party. Hard money advocates believed that inflation had directly resulted from President Nixon ending the redemption of U.S. dollars for gold in 1971, making the U.S. dollar "nothing but a printed piece of green paper."[14] Discretionary monetary policy, in their eyes, not only led to serious economic instability but also to high interest rates, inflation, lack of capital formation, and high unemployment. Moreover, by increasing the money supply, the Federal Reserve allegedly aided the state in financing wars and expanding the welfare state. In the short run, hard money advocates attempted to avoid the costly effects of inflation by investing or hoarding capital outside of the mainstream economy. Libertarian publications of the period are littered with advertisements for workshops, books, or products that claimed to teach the reader "how to sell your home for more than it's worth!" or "how to borrow $25,000 overnight" or how to acquire precious metals such as gold bars or silver coins.

Hayek's proposal in *Denationalisation* spoke directly to these fears of inflation and to hard money libertarians' ongoing search for hedges against a depreciating American dollar. The presentation of the coin at the Mont Pelerin Society exemplified Hayek's developing partnerships with small, libertarian, hard money outfits, and with activists who were emboldened by Hayek's research into the theoretical and practical possibilities of a denationalized currency. Despite Hayek's opposition to the gold standard, hard money advocates immediately embraced his proposal. Realizing that their extant commitment to gold could be combined with advocacy for competitive currencies, they used Hayek's ideas to strengthen their arguments, expand their

[12]The scholarship on the American libertarian movement remains thin, partisan, and lacking in synthesis. For works that examine the libertarian movement, see Brian Doherty, *Radicals for Capitalism: A Freewheeling History of the Modern American Libertarian Movement* (New York, 2008); Jennifer Burns, "O Libertarian, Where Is Thy Sting?," *Journal of Policy History* 19, no. 4 (Oct. 2007): 452–70; and John L. Kelley, *Bringing the Market Back in: The Political Revitalization of Market Liberalism* (New York, 1997).

[13]Few scholarly works examine the hard money movement in the twentieth century, aside from James Ledbetter's scholarship that investigates the role of gold within the American political imagination and examines the rise of a hard money movement in the mid-1960s and 1970s. See James Ledbetter, *One Nation under Gold: How One Precious Metal Has Dominated the American Imagination for Four Centuries* (New York, 2017). Hard money advocates had much in common with grassroots market conservatives or advocates of Christian free enterprise, often working together to shared ends. This article builds on existing scholarship that shows how grassroots conservative movements have contributed to the formation of the American Right. See Lisa McGirr, *Suburban Warriors: The Origins of the New American Right* (Princeton, NJ, 2001); Bethany Moreton, *To Serve God and Wal-Mart: The Making of Christian Free Enterprise* (Cambridge, MA, 2009); Michelle M. Nickerson, *Mothers of Conservatism: Women and the Postwar Right* (Princeton, NJ, 2012); and Stacie Taranto, *Kitchen Table Politics: Conservative Women and Family Values in New York* (Philadelphia, 2017).

[14]Ron Paul and Lewis E. Lehrman, *The Case for Gold: A Minority Report of the U.S. Gold Commission* (Washington, DC, 1982), 9.

coalition, and broaden their base.[15] Just as Hayek had hoped, hard money advocacy frequently began to take on a Free Money cast, looking beyond the gold standard to other ways of hedging against inflation. Over the next several decades, Hayek's ideas spawned various libertarian experiments in currency, though none were hugely successful. It would not be until the founders of cryptocurrency built a financial system outside of regulatory control in 2009 that Free Money advocates would get the experiment in competitive currencies that they had long sought.[16]

Beyond showing the central role of Free Money advocacy and libertarianism within the growing American Right in the 1970s, this article demonstrates how Hayek and his libertarian supporters opened a new chapter in the history of the money question in American politics. Prior grassroots mobilizations around the money question had generally tried to reform monetary politics in order to increase popular control of the currency. The Populists of the late nineteenth century insisted on an expanded currency and credit structure in their battle against the concentration of political power. Hayek and the libertarians fundamentally agreed with the Populists that money was not merely a means of exchange, but a social institution and political relationship—one whose parameters should be sharply contested.[17] Yet, when faced with the money question, they provided an entirely different answer to the Populists. Rather than seek to democratize the dollar or *reform* monetary politics, Hayek and the libertarians sought to *abolish* monetary politics itself. Politics, they believed, was inherently corrupt and corrupting: a means through which better organized or better funded interest groups forced others to serve their interests. By contrast, the miracle of markets lay in their ability to displace democratic forms of oversight or political means of contestation—such as lobbying or voting—with "neutral" or "objective" market mechanisms. For Hayek and the libertarians, reforms that went only as far as deregulating the financial system or displacing power into the hands of technocrats or central bankers were not enough: they sought the wholesale abdication of the state's role in monetary policy.[18] Energized by Hayek's ideas in *Denationalisation*, Free

[15] Attempts to show the potential overlap of these competing systems can be seen in Paul and Lehrman, *The Case for Gold*; and James A. Dorn and Anna J. Schwartz, eds., *The Search for Stable Money: Essays on Monetary Reform* (Chicago, 1987).

[16] While some scholars of cryptocurrency like Stefan Eich have focused on cryptocurrency's roots in the Great Financial Crisis, others have shown that cryptocurrency drew on several decades of innovation in cryptography and experiments in digital cash. In line with the latter group of scholars, this article traces how the spread of Hayek's ideas through the hard money movement and libertarian networks laid the groundwork for the rise of cryptocurrency decades later. Eich, "Old Utopias, New Tax Havens"; Finn Brunton, *Digital Cash: The Unknown History of the Anarchists, Utopians, and Technologists Who Created Cryptocurrency* (Princeton, NJ, 2019); Nigel Dodd, *The Social Life of Money* (Princeton, NJ, 2014).

[17] Recent scholars have described the history of money as a political institution or relationship. This essay builds on that pathbreaking research by showing how Hayek and Free Money advocates theorized money as fundamentally *political*, yet believed that politics was inherently corrupting, and searched for libertarian solutions to craft an alternative monetary system that abolished centralized power—opening a new, undocumented chapter in the long history of popular monetary politics in the United States. Jeffrey Sklansky, *Sovereign of the Market: The Money Question in Early America* (Chicago, 2017); Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (New York, 2014); Nigel Dodd, *The Social Life of Money* (Princeton, NJ, 2014); Eich, *The Currency of Politics*.

[18] Many scholars of neoliberalism, such as Wendy Brown and Quinn Slobodian, have described the neoliberal project as a project of depoliticization that put questions of economics outside the reach of democratic politics. Other scholars, notably Greta Krippner, have shown that financialization and deregulation of the economy in the 1970s was the inadvertent result of policy makers' desire to escape difficult decisions regarding the allocation of resources to social groups. This article shows that hard money and Free Money libertarians responded to postwar economic crises less by calling for better-known forms of depoliticization—the gradual removal of state controls, or the displacement of power into the hands of technocrats and central bankers—than by seeking the elimination of state control over the monetary system. Wendy Brown, *In the Ruins of Neoliberalism: The Rise of Antidemocratic Politics in the West* (New York, 2019); Quinn Slobodian, *Globalists: The End of Empire and the Birth of*

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Money advocates fueled the first popular mobilization around the money question since the nineteenth century—a mobilization that has since sought new ways to put money out of reach of democratic politics.

F. A. Hayek and *Denationalisation of Money*

"After being a theorist all my life," Hayek said in 1977, "I have come up with two inventions."[19] Hayek's first purported "invention" was a system of competitive currencies; his second was "limited democracy" where the nation's chief executive would no longer have the ability to change the law, and the powers of two elected assemblies would be substantially limited.[20] Both proposals attempted to limit political action by replacing discretionary action with laws or market mechanisms, and both drew from a lifetime dedicated to Austrian school economics and social theory. Then as now, Hayek's second theoretical "invention" has received more attention than his first.

Born in 1899 in Vienna, Austria, Hayek trained in economics, law, and political science at the University of Vienna before joining the faculty of the London School of Economics in 1931. After receiving much acclaim among American conservatives for his criticism of collectivism in *The Road to Serfdom* (1944), Hayek founded the Mont Pelerin Society in 1947, which would become the beacon of neoliberal thought for the next several decades. In 1950, Hayek left the London School of Economics to join the faculty of the Committee on Social Thought at University of Chicago where he stayed until 1962. While in the United States, Hayek expanded on his philosophy of society in *The Constitution of Liberty* (1960), which outlined the centrality of spontaneous action in the development of civilization and the necessity of putting limits on government action to promote individual freedom. Throughout the postwar years, conservative and libertarian activists frequently cited Hayek's work.[21]

When the funding for his position at Chicago ended in 1962, Hayek moved back to Freiburg, Germany, where he remained until his retirement in 1968. Scholars of Hayek have examined his life in depth up until the 1960s, but most major accounts have not reached into the later decades of his life before his death in 1992. *The Road to Serfdom* remains his most studied text due to its outsized cultural impact on spurring free-market ideas among American businessmen, conservatives, and libertarians. Less attention to Hayek's later years may be the result of the widespread understanding that Hayek passed the torch to others in the American libertarian movement, particularly Milton Friedman, upon his return to Germany. Yet by engaging with the hard money circuit in the 1970s, Hayek once again appealed to the constituency that had previously admired *The Road to Serfdom*. Hayek pursued support from business people from small and mid-size companies who often held ideas about the economy that did not fit the common mold. Even if he was physically absent from the United States, he remained prolific, continuing to disseminate his political and economic theories using tactics developed over the course of a lifetime.

Questions about money and inflation had long been of interest to Hayek. At the start of his career, Hayek supported the gold standard and argued that monetary expansion affected relative prices, distorted the structure of production, and drove economic depressions. By the

Neoliberalism (Cambridge, MA, 2018); Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, MA, 2011).

[19] James Elsener, "Economist: Our System's So Bad That It's Stupid," *Chicago Tribune (1963–1996)*, July 2, 1977, C7.

[20] Hayek presented a "model constitution" to carry out his vision of "limited democracy" in the third volume of *Law, Legislation, and Liberty*, published in 1979. F. A. Hayek et al., *Law, Legislation, and Liberty: A New Statement of the Liberal Principles of Justice and Political Economy*, The Collected Works of F. A. Hayek, volume XIX (Chicago, 2021).

[21] Many movement libertarians drew heavily on Hayek in their own analyses of political and social issues. See Joan Kennedy Taylor, *Reclaiming the Mainstream: Individualist Feminism Rediscovered* (Buffalo, NY, 1992); Robert W. Poole, Jr., *A Think Tank for Liberty: A Personal History of Reason Foundation* (Ottawa, 2018).

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1940s, Hayek moderated his views, making an early attempt to find a substitute for the gold standard by arguing for a commodity reserve currency. In this scheme, a currency is tied to a basket of commodities, so that the monetary authority would buy or sell raw commodities if the price of the currency fell or rose. The system had a likeness to the subtreasury system proposed by the Populists in the late nineteenth century, although Hayek's justification for the system differed dramatically. Hayek explained that a commodity reserve currency would retain the key advantages of the gold standard—known rules and automatic action by a monetary authority—while leaving behind the "unreasoned prejudice against gold" that had formed in popular opinion.[22] Consistent with the social philosophical work that Hayek would embark on over the next several decades, Hayek wished to design a rules-based order that provided monetary stability by stabilizing expectations about the supply and demand for money. After the mid-1940s, however, Hayek eschewed economics as his central concern, spending much of the next two decades fleshing out his social philosophy in *The Road to Serfdom* and *The Constitution of Liberty*. It was not until the early 1970s that he seriously returned to the subject of inflation.

Debates throughout the postwar period had divided neoliberals and libertarians into two camps on monetary policy. In the first camp, gold standard advocates sought convertibility for government-issued currency into gold, arguing that only a commodity-backed money created price stability because consumers had greater confidence in money when it was out of the hands of the state.[23] By contrast, the second camp sought to impose greater legislated constraints on the central monetary authority to limit political discretion. Friedman and other monetarists called for a "monetary constitution" that would provide rules to limit the central bank's powers, including its power to set reserve requirements and the growth rate of money.[24] Friedman argued for binding monetary rules on the grounds that technocrats and central bankers in control of the currency faced insurmountable limitations of knowledge to finetune the economy. Public Choice theorists James Buchanan and Gordon Tullock similarly argued for a monetary constitution, yet they emphasized its importance on the basis of the motivational shortcomings of monetary authorities, rather than the limitations of knowledge.[25] While most attendees at the first Mont Pelerin Society meeting in 1947 had backed the gold standard, by the 1970s the majority had migrated to the second camp led by Friedman.[26]

[22]F. A. Hayek, "A Commodity Reserve Currency," *The Economic Journal* 53, nos. 210/211 (1943): 176–84.

[23]Some hard money advocates like Austrian economists Murray Rothbard or Joseph T. Salerno even defended 100 percent gold reserve requirements, arguing that banks were contractually obligated to maintain the entire amount of a depositor's money, making fractional reserve banking—that is, a system in which banks only hold a fraction of deposits in cash—illegal. Murray Rothbard, "The Case for a 100 Percent Gold Dollar," in *In Search of a Monetary Constitution*, ed. Leland B. Yeager (Cambridge, MA, 1962), 94–136; Joseph T Salerno, "Gold Standards: True and False," in *The Search for Stable Money: Essays on Monetary Reform*, ed. James A. Dorn and Anna J. Schwartz (Chicago, 1987), 241–55.

[24]Milton Friedman, "Should There Be an Independent Monetary Authority?," in *In Search of a Monetary Constitution*, ed. Leland B. Yeager (Cambridge, MA, 1962), 219–43; Milton Friedman, *A Program for Monetary Stability* (New York, 1992).

[25]Buchanan and Tullock believed that politicians and bureaucrats always maximized their own interests, and therefore they could not be trusted to have discretionary power over the currency, as they would naturally pursue their own ends rather than the public good and would be compelled by competing constituencies to spend more, thus going into debt, and inflating the currency. Gordon Tullock, "Competing Monies," *Journal of Money, Credit and Banking* 7, no. 4 (1975): 491–7; James M. Buchanan, "Predictability: The Criterion of Monetary Policy," in *In Search of a Monetary Constitution*, ed. Leland B. Yeager (Cambridge, MA, 1962), 155–81. For scholarship on Public Choice theory, see S. M. Amadae, *Rationalizing Capitalist Democracy: The Cold War Origins of Rational Choice Liberalism* (Chicago, 2003); Nancy MacLean, *Democracy in Chains: The Deep History of the Radical Right's Stealth Plan for America* (New York, 2017); and Jennifer Burns, "*Democracy in Chains: The Deep History of the Radical Right's Stealth Plan for America* by Nancy MacLean," *History of Political Economy* 50, no. 3 (Sept. 1, 2018): 640–8.

[26]Matthias Schmelzer, "What Comes after Bretton Woods? Neoliberals Debate and Fight for a Future Monetary Order," in *Nine Lives of Neoliberalism*, ed. Dieter Plehwe and Quinn Slobodian (New York, 2020), 197–218.

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Like both of these camps on the Right, Hayek sought a rules-based order. But he otherwise doubted the efficacy of any existing approach—whether it was monetarist, Public Choice, hard money, or Keynesian—to solve the inflation crisis. On September 25, 1975, Hayek made the first of several important addresses, "International Money," at the Gold and Monetary Conference in Lausanne, Switzerland, where he proposed a wholly new paradigm for monetary theory. Hayek asserted that inflation could not be solved through any discretionary policy tools because the root cause of inflation was the politicization of the monetary system itself. As long as politicians were in office, they had to meet the demands of interest groups for enlarged government services or expanded credit. Even if inflation was harmful to a great majority of the population, interest groups that profited from inflation in the short run would pressure the government to meet their needs. Hayek believed that a new national or international monetary order would do nothing to alter this dynamic; rather, the public had to be taught to stomach recessions, instead of pressuring the government to avoid them. Without "the conviction of the public at large that certain immediately painful measures are necessary to preserve reasonable stability," government would never be able to resist the appeal of cheap money. The government would always try to suppress the effects of inflation, inevitably leading to price controls and the centralized direction of the banking system. Hayek soon thereafter warned that money was "too dangerous an instrument to leave it to the fortuitous expediency … of politicians—or, it seems, economists." Rather, "our only hope for a stable money is indeed… to protect money from politics."[27]

But instead of returning to the gold standard to take money out of politics, Hayek depicted the gold standard as a past ideal that could no longer be attained. The gold standard's key function had been to impose discipline on the government, forcing the government to weather recessions rather than increase the quantity of money beyond a fixed level of reserves. When the federal government ended the redemption of dollars in gold, the government closed off a useful tool for monetary policy. Gold had once maintained a special status among the populace, but now that the illusion had been dispelled, it was no longer a viable means of anchoring the monetary system. As he had done in many other points in his career, Hayek argued that it was not possible to return to a prior liberal order, but that a new order was necessary to respond to new circumstances.

Hayek's chief goal was to create a system that retained the advantages of the gold standard without returning to the gold standard itself. He began to craft a monetary system that would not be directed by a central authority, but rather would arise from the unplanned actions of individuals. In his speech in Lausanne in 1975, Hayek made the proposal to remove the government's monopoly of money and instead allow for the proliferation of private currencies, which, through competition with one another, would provide stable sources of value for consumers.[28] Notably, Hayek did not object to the government issuing money, limiting the kinds of monies that could be used in contracts, or determining exchange rates between currencies in a given territory. Governments could issue a currency, but other private currencies would compete with it. The key was that competitive currencies would generate their own order.[29]

Driven by his continuing "despair about the hopelessness of finding a politically feasible solution" to the inflation crisis, Hayek spent the next year expanding on the initial ideas he

[27]F. A. Hayek, "International Money," folder 19, box 129, FAHP. A revised version of this speech can be found in F. A. Hayek, *Choice in Currency: A Way to Stop Inflation* (London, 1976).

[28]Hayek later acknowledged that Benjamin Klein and Gordon Tullock had considered competing currencies before him, though he had not known about their work. Benjamin Klein, "The Competitive Supply of Money," *Journal of Money, Credit and Banking* 6, no. 4 (1974): 423–53; Tullock, "Competing Monies."

[29]While Hayek had supported fixed exchange rates for over forty years, he now explained that he had only supported fixed exchange rates within a world of monetary nationalism. Now, he wished to abolish monetary frontiers entirely and supported flexible exchange rates between competitive currencies. Hayek, *Denationalisation of Money*, 81–7.

had offered in Lausanne in a pamphlet, *Denationalisation of Money*, published by the Institute for Economic Affairs in 1976. Once he finished *Denationalisation*, Hayek admitted he was anxious to get the volume out "as rapidly as possible" in the United Kingdom and the United States, as he was confident that "the book will make a splash."[30] In *Denationalisation*, Hayek made an even stronger case that a government's monopoly on money had no legitimate moral or legal basis. Governments had preserved their monopolies over money for over 2,000 years through coercion and by spreading the fiction that coining and printing money was a central prerogative of the state. The effect had been that government monopoly of money had short-circuited the natural evolutionary path of the development of money.[31] Here, Hayek applied to money the evolutionary theory of social change he had developed over many years, wherein human institutions like law, morals, or language evolved through the use of trial and error to establish institutions that supported peace and freedom. Hayek's evolutionary theory of change suggested that humans should "make as much use as possible of the spontaneous forces of society," and avoid attempting to design institutions based on ever-faulty human calculations.[32] This was as true for money as it was for any other social institution. By removing the government monopoly on money, private entities could instead engage in experimentation with currencies and thus discover its most profitable and effective forms.

Underlying all of Hayek's arguments for spontaneous order and evolutionary change—whether in law, language, morals, or money—was a teleological assumption that the resulting institutions of evolutionary change would be beneficial to society. Hayek reiterated that market competition had evolved spontaneously as a means of discovering and transmitting information, using prices as signals for market activity.[33] Prices conveyed instantaneous information to individuals, providing an automatic "self-steering mechanism" by which individuals constantly adjusted their activities. Competition in the market, moreover, provided the discipline that the gold standard once had: private issuers would be forced to provide a stable money lest their customers turn to other issuers. A competitive money supply ultimately had three major advantages: first, an increase in consumer choice; second, competition would lead to units with stable purchasing power, which would in turn increase the predictability of prices and their information value for the business cycle; and third, abolishing government monopoly over money would diminish government coercion.

Hayek wrote to his editor, Arthur Seldon, in June 1977, that he must put his work on competing currencies aside and turn back to *Law, Legislation, and Liberty*.[34] Yet such was his interest in the subject and his sense of its relevance that he could not help but refine his ideas. At his next speech at the National Committee on Monetary Reform in November 1977, Hayek admitted that he was "more convinced than ever" that only private issuers could create a system of sound money. Soon, he produced a second edition of *Denationalisation*, published in 1978, which described the role of free banking in a system of competitive currencies and responded to his critics.

[30]F. A. Hayek to Arthur Seldon, July 2, 1976, folder 6, box 27, FAHP.

[31]Hayek, *Denationalisation of Money*, 28–30.

[32]While Hayek's idea of spontaneous order is outlined in *The Road to Serfdom* in 1944, he continued to expand on this idea and how it applied to a host of social institutions in *The Constitution of Liberty* and his essays throughout the 1960s. F. A. Hayek, *The Road to Serfdom: Text and Documents*, ed. Bruce Caldwell, Definitive ed., The Collected Works of F. A. Hayek, vol. 2 (Chicago, 2007), 71. See also, F. A. Hayek, "The Results of Human Action But Not of Human Design (1967)," in *The Market and Other Orders*, ed. Bruce Caldwell, Collected Works of F. A. Hayek, volume XV (Chicago, 2014), 293–303.

[33]See F. A. Hayek's essays "The Use of Knowledge in Society," "Economics and Knowledge," "The Meaning of Competition," and "Competition as a Discovery Procedure (1968)," in *The Market and Other Orders*, ed. Bruce Caldwell, Collected Works of F. A. Hayek, volume XV (Chicago, 2014), 304–13.

[34]F. A. Hayek to Arthur Seldon, June 6, 1977, folder 6, box 27, FAHP.

Yet even with this edition, Hayek's ideas gained little traction in scholarly circles. Milton Friedman agreed in principle with Hayek's thought, but argued that there was no empirical evidence to show that competition would automatically lead to a stable unit or drive out government currencies.[35] (Hayek responded that there was indeed historical evidence demonstrating that competing currencies worked, specifically, when sterling had been displaced as the general unit of international trade, and chided Friedman for having such little faith in competition and accepting state monopoly over the currency.)[36] Other critics argued that Hayek overreached in *Denationalisation* by supposing that he knew what kinds of characteristics of money the public wanted and by constructing a monetary system when he himself had long ridiculed the idea that institutions could be designed using human reason.[37] Hayek spent little time on these criticisms, convinced as he was that the inflation crisis was the most pressing issue of his time. The politics of inflation, he believed, would lead the government to more and more intervention until society slid into totalitarian rule.[38] Hayek declared that the denationalization of money was not a "standby arrangement" or even "an emergency plan," and gave hard money libertarians their marching orders: "stop the continuous progress of all government towards totalitarianism."[39]

From Hard Money to Free Money

While Hayek's ideas gained little recognition among scholars, they met with great interest from libertarian activists. After publishing *Denationalisation* in 1976, Hayek received letters "from all kinds of surprising quarters."[40] Some of these letters arrived from representatives of small banking houses, who explained that they were trying to issue gold or silver accounts. Others came from individuals offering their support for his new monetary system. Arthur Aydt from St. Louis, Missouri, wrote, "I want to work with you and your plan. I am retired and have money to rent or build a monetary school—free to the public."[41] Raymond Kendall of the Motorola Corporation expressed his interest in Austrian economics and wished to meet Hayek to discuss the denationalization of money.[42] Hayek had tapped into the hard money movement, which would prove to be the greatest audience for his ideas.

The hard money movement was a sprawling, diverse strand of the libertarian movement that came together over a search for investment and profit, and, prior to Hayek's publication of *Denationalisation*, over support for gold ownership and the gold standard.[43] Gold ownership in the United States had long been prohibited by the federal government, frustrating hard money advocates in search of a tangible store of wealth. During the Great Depression,

[35]Robert W. Poole, Jr., "REASON Interview: Milton Friedman," *Reason.com*, Aug. 1, 1977, https://reason.com/1977/08/01/reason-interview-milton-friedm/; Milton Friedman, "Currency Competition: A Sceptical View," in *Currency Competition and Monetary Union*, ed. Pascal Salin, F. A. Hayek, and Institutum Europeum (Boston, 1984), 42–6.

[36]F. A. Hayek, *Denationalisation of Money—The Argument Refined* (London, 1978), 85.

[37]John Porteous, "Money," *New Statesman* (London, 1977); David H. Howard, "Denationalisation of Money: F. A. Hayek (Institute of Economic Affairs, London, 1976) Pp. 107, $5.75," *Journal of Monetary Economics* 3, no. 4 (Oct. 1, 1977): 483–5; Richard Ebeling, "Decontrolling Money," *Libertarian Review*, Apr. 1977, https://www.libertarianism.org/publications/essays/decontrolling-money.

[38]F. A. Hayek, "Toward a Free Market Monetary System," *Journal of Libertarian Studies* 3 (Spring 1979), 7.

[39]Ibid.; Hayek, *Denationalisation of Money—The Argument Refined*, 134.

[40]Hayek, "Toward a Free Market Monetary System, 7.

[41]Arthur E. Aydt to F. A. Hayek, July 25, 1977, folder 6, box 5, FAHP.

[42]Kenneth Templeton to F. A. Hayek, June 9, 1977, folder 1, box 27, FAHP.

[43]The core of the hard money movement had somewhere between 3,000–7,000 adherents. Robert D. Kephart to David F. Nolan, July 24, 1972, box 17, MSS10187-k, Libertarian Party Papers, Albert and Shirley Small Special Collections Library, University of Virginia, Charlottesville, VA [hereafter LPP]; "Mailing List Data Sheet: 7,277 Financial/Investment Buyers - $30/M," Apr. 1975, MSS10187-k Box 17, LPP.

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President Roosevelt had signed an executive order on April 5, 1933, that forbade the hoarding of gold coin, gold bullion, and gold certificates.[44] Still, remnants of the gold standard system remained until President Nixon finally ended the redemption of gold in 1971. Many movement libertarians and hard money advocates pointed to Nixon's wage and price controls and the closing of the gold window as the moment when they awakened to the need for libertarian action. As Texas Congressman Ron Paul reminisced, "I remember the day very clearly … Nixon closed the gold window, which meant admitting that we could no longer meet our commitments and that there would be no more backing of the dollar. After that day, all money would be political money rather than money of real value. I was astounded."[45] Hard money advocates would repeatedly refer to U.S. dollars as "fiat" or "paper" money with no real worth, given that the government no longer had an obligation to redeem paper notes for gold.[46]

Following the end of gold redemption, hard money supporters banded together to advocate a return to the gold standard and the legalization of gold ownership. Supporters of gold ownership openly defied the law to challenge the ban, purchasing gold in private markets in Canada and bringing it back into the United States, or prominently displaying gold at press conferences and challenging the Treasury to take legal action.[47] James U. Blanchard III, founder of the National Committee to Legalize Gold, arranged for a plane to fly a sign that said "Legalize Gold" at Nixon's second inauguration to protest the prohibition against private gold ownership.[48] The Treasury continued to maintain that removing the ban on gold ownership would engender speculation in gold markets that could hurt the international monetary system. Yet Congress experienced growing pressure over the 1970s to lift the ban so that individuals could buy gold as a hedge against rising inflation. Much to the delight of hard money advocates, President Gerald Ford signed a bill in 1974 legalizing private ownership of gold.[49]

Prior to this bill, hard money advocates had long been putting their ideas into action by privately minting and selling gold and silver coins. Hard money firms in the United States included Deak-Perrea, a currency trading firm; Monex International, Ltd., which specialized in the purchase and sale of precious metals and foreign currencies; and James U. Blanchard & Co., a marketer of silver coins. The hard money outfit that Hayek took most interest in was the Gold Standard Corporation, established by Conrad Braun. In April 1977, Hayek invested $1,500 in the corporation by buying 10.2145 troy ounces of gold at the Gold Standard rate of $146.85 in order to see how Braun's system worked.[50] (Hayek closed his account in June the next year after losing a portion of his initial investment.[51])

[44]For literature on President Roosevelt's monetary policy of the 1930s, see Eric Rauchway, *The Money Makers: How Roosevelt and Keynes Ended the Depression, Defeated Fascism, and Secured a Prosperous Peace* (New York, 2015); Sebastian Edwards, *American Default: The Untold Story of FDR, the Supreme Court, and the Battle over Gold* (Princeton, NJ, 2018).

[45]S. C. Gwyne, "Dr. No," Texas Monthly, Oct. 1, 2001, https://www.texasmonthly.com/the-culture/dr-no/. Ed Clark, the 1980 LP presidential candidate had a similar experience, as described by Paul Ciotti, "Ed Clark: Another Kind of Candidate," *Reason.com*, Nov. 1, 1980, https://reason.com/1980/11/01/ed-clark-another-kind-of-candi/.

[46]Just as Richard Hofstadter described the Populists in his introduction to *Coin's Financial School*, these hard money advocates believed that "silver and gold were not merely precious metals but precious symbols"—symbols of their freedom from an overreaching government. W. H. Harvey, *Coin's Financial School* (Cambridge, MA, 1963).

[47]"Gold Ownership Repeal Studied," *Reno Evening Gazette*, Mar. 14, 1973, 2; "An Appeal to Libertarians," National Committee to Legalize Gold, box 15, MSS10187-k, LPP.

[48]Albert Sehlstedt, "Reporter's Notebook: Inaugural Scene: Thrill, Arrest, Ire," *The Sun*, Jan. 21, 1973, A7.

[49]"Bill Signed to Allow Owning Gold in U.S.," *The New York Times*, Aug. 15, 1974, https://www.nytimes.com/1974/08/15/archives/bill-signed-to-allow-owning-gold-in-us-gold-ownership-in-u-s.html.

[50]James U. Blanchard III to F. A. Hayek, Apr. 27, 1977, box 21, folder 43, FAHP; "Gold Standard Corporation," Apr. 27, 1975, folder 43, box 21, FAHP.

[51]F. A. Hayek to Gold Standard Corporation, June 8, 1978, folder 43, box 21, FAHP.

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Braun was ecstatic to have Hayek's attention. He reflected that it was "very flattering and ironic that I was simultaneously 'doing' what a great mind was 'thinking.'"[52] For a little-known hard money seller, the attention of a Nobel laureate brought much needed legitimacy to his limited operations. Braun wrote to Hayek, "While many of the popular (but less esteemed) sound money figures have ignored my primitive efforts and still others have ridiculed them, your recognition has given me and I hope will give others the courage and inspiration to carry on with action where you have left off."[53] He had opened Gold Standard Corporation in early 1977 with the hopes of establishing a sound means of trade and a syndicate of independent clearing centers outside of the paper banking system. He proudly claimed to be neither an economist nor a monetary expert, but rather an average man with sound monetary sense.[54] Braun understood how radical his work was, indicating he would continue production of the coins "so long as the market will bear it or until such a time that government suppresses our activities."[55]

Braun soon asked Hayek whether the Gold Standard Corporation could mint a "Hayek Half" coin with Hayek's portrait on it, as he had done for Adam Smith and the founder of the American Institute for Economic Research, E. C. Harwood. Hayek agreed and Braun's production of the Hayek Half began sometime in the summer of 1979, after Hayek sent several photographs of himself for Braun's artist.[56] Hayek was excited about being featured on one of the Gold Standard Corporation coins, offering Braun a few hundred addresses of persons likely to be interested in the Hayek Half—chiefly members of the Mont Pelerin Society.[57] Following the presentation of the coin at the Mont Pelerin Society meeting in Madrid, Braun sold over 1,000 Hayek Halfs and circulated 200,000 coins by the end of 1979.[58]

While Braun was only a bit player in the hard money circuit, one of the most prominent advocates of gold and a leader of the hard money movement was Blanchard, who Hayek would also come to know personally.[59] Blanchard grew up in Houston, Texas, and graduated from Louisiana State University, before encountering libertarianism through the works of Ayn Rand. Blanchard felt deeply that "by far the most dangerous power the government has is the power to create and control the money supply."[60] He became interested in hard money after reading Austrian economists Ludwig von Mises and Hayek, which motivated him to sell hard assets through his company James U. Blanchard & Co.[61] Blanchard also started the *Gold Newsletter* in November 1971, with anarcho-capitalist and hard money advocate Murray Rothbard on his advisory board. The *Gold Newsletter* featured essays on gold and monetary reform; interviews with economists, bankers, investment advisors, and brokers; investment advice; and news on legislation in Washington and the international monetary system. Notably, the *Gold Newsletter* not only provided commentary, but arranged the wholesale purchase of gold coins and directed subscribers to minting outfits. Gold advocacy always retained

[52]Conrad Braun to F. A. Hayek, Mar. 15, 1977, folder 43, box 21, FAHP.

[53]Conrad Braun to F. A. Hayek, Mar. 24, 1979, folder 43, box 21, FAHP.

[54]Conrad Braun to F. A. Hayek, Apr. 27, 1977, folder 43, box 21, FAHP.

[55]Conrad Braun to F. A. Hayek, Dec. 15, 1978, folder 43, box 21, FAHP.

[56]Conrad Braun to F. A. Hayek, Feb. 26, 1979, folder 43, box 21, FAHP.

[57]F. A. Hayek to Conrad Braun, Dec. 23, 1978, folder 43, box 21, FAHP.

[58]Conrad Braun to F. A. Hayek, Apr. 17, 1980, folder 43, box 21, FAHP; Braun to Hayek, Sept. 14, 1979, folder 43, box 21, FAHP.

[59]In 1980, Blanchard named his son "Anthem Hayek" after the title of one of Ayn Rand's books and Hayek, to which Hayek responded with great enthusiasm and sent him an autographed photo of himself. Blanchard framed the photo with a Hayek Half, telling Hayek that he would give it to his son "one of these days and tell him about how important your ideas are for the future of Western civilization." Blanchard to Hayek, May 7, 1980; Blanchard to Hayek, June 2, 1980, folder 31, box 39, FAHP.

[60]James U. Blanchard III, *Confessions of a Gold Bug* (1990), 58.

[61]Joe Cobb, "Interview with James U. Blanchard III," *Reason*, June 1, 1983, https://reason.com/1983/06/01/interview-with-james-u-blancha/; Blanchard, *Confessions of a Gold Bug*.

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this dual purpose: to spread knowledge of the theoretical benefits of gold and to meet investors' practical investment needs. The *Gold Newsletter* grew rapidly during the 1970s, starting with a circulation of 3,000 individuals in 1972 and claiming to have 10,000 members in all fifty states and across thirty-eight foreign countries by 1977.[62] The newsletter also boasted that it was read by "almost all the young libertarian scholars in the United States."[63]

Blanchard's greatest accomplishment for the movement was organizing the National Committee to Legalize Gold, which called itself "a libertarian organization" advocating for "legalization of gold ownership" that "would effectively limit the power of the state's money monopoly."[64] After Ford legalized gold ownership in 1974, the National Committee to Legalize Gold renamed itself the National Committee for Monetary Reform (NCMR) and outlined a three-point program: to prevent the sale of U.S. gold reserves; to legalize gold contracts; and to educate the public on the necessity of a gold standard.[65] This program aimed to restrict competition and limit the supply of gold in the commodity market.

In 1974, the NCMR held its first annual conference in New Orleans, which was described by one attendee as a "multi-day monetary madness marathon."[66] NCMR conferences aimed to educate their attendees in monetary theory, while also providing practical tools for profit maximization through talks about the end of government intervention in the economy, the national and international environment for investment, and the theoretical possibilities for changing the monetary system to create better conditions for profit.[67] At its first conference in March 1974, the NCMR attracted 700 attendees to New Orleans. NCMR conferences continued to grow in size, welcoming over 1,000 in March 1975 and 6,000 in 1980, swiftly becoming the hard money movement's largest conference.[68] Although its funding sources are unknown, the NCMR had enough money to donate $30,000 to the Libertarian Party in 1976.[69] Dozens of firms selling precious stones would set up shop at NCMR conferences to sell diamonds, rubies, emeralds, or other varieties, competing for space and customers. Colored stones, as one attendee put it, were "on the investment frontier—fraught with risks but also filled with opportunities."[70] Other vendors, part of a veritable "army of capitalist entrepreneurs," would sell books, investment newsletters, and counterfeit gold bars.[71]

Importantly, the NCMR's annual conference attracted not only investors in precious stones, but a host of economists, politicians, and other luminaries such as Milton Friedman, Arthur Laffer, Jack Kemp, Barry Goldwater, Jesse Helms, and Ayn Rand, who understood the importance of this growing investor, hard money movement for garnering political support and fundraising. While the NCMR conferences were open to all, they marketed to a wealthy clientele.[72]

[62] James U. Blanchard III, *Gold Newsletter*, National Committee for Monetary Reform, 5.1, box 15, MSS 10187-k, LPP.

[63] James U. Blanchard III to F. A. Hayek, Dec. 6, 1978, folder 31, box 39, FAHP.

[64] "An Appeal to Libertarians," National Committee to Legalize Gold, box 15, MSS10187-k, LPP.

[65] Lynn Kinsky, "REASON Profile: James U. Blanchard, III," *Reason*, June 1, 1975, https://reason.com/1975/06/01/reason-profile-james-u-blancha/.

[66] Jeff Calvert, "Gold Bug Gumbo," *Reason*, June 1, 1981, https://reason.com/1981/06/01/gold-bug-gumbo/.

[67] James U. Blanchard III to F. A. Hayek, Dec. 6, 1978, folder 31, box 39, FAHP.

[68] James U. Blanchard III to F. A. Hayek, July 1, 1975; Blanchard to Hayek, May 7, 1980, folder 31, box 39, FAHP.

[69] Ed Crane to James U. Blanchard III, Apr. 3, 1975, MSS 10187-k, box 4, file 1975, LPP. The director of the National Committee to Legalize Gold was in contact with the founder of the Libertarian Party, David F. Nolan, in 1972 when the Libertarian Party was getting off the ground. Eva R. Soule Jr. to David F. Nolan, Jan. 17, 1972, box 15, MSS10187-k, LPP.

[70] Steven Beckner, "Money: Precious Stones," *Reason*, Feb. 1, 1980, https://reason.com/1980/02/01/precious-stones/.

[71] Robert W. Poole, Jr., "Special Report—1975 Monetary Conference," *Reason*, June 1, 1975, https://reason.com/1975/06/01/frontlines-16/.

[72] In their advertisements for their conferences, they often pitched to the "wealthy." The 1975 conference was held at the Hotel Beau Rivage in Lausanne, Switzerland, boasting of travel packages that included seminars on "Diversified Investment and Tax Havens," a tour of the Swiss Banks, and a symposium on business and

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It is thus no surprise that Hayek made two prominent speeches about the denationalization of money at NCMR conferences to an audience delighted to hear his ideas. Hayek delivered his first address, "International Money," in September 1975 at a NCMR-sponsored conference in Lausanne, Switzerland, speaking alongside prominent speakers who held similarly radical or libertarian ideas, such as Member of Parliament and former cabinet minister of Britain Enoch Powell, editor of the *Times of London* William Rees-Mogg, and investment guru Harry Schultz.[73] Over the years, the NCMR would attract many of the same figures who circulated through elite libertarian organizations like the Mont Pelerin Society. But by contrast, the NCMR provided libertarian circles with a more casual, less academic space that openly declared individual profit maximization as its aim.[74]

The NCMR not only brought libertarians together, but was also essential in spreading Hayek's vision of competitive currencies. After the publication of *Denationalisation of Money* in 1976, the NCMR bought thousands of copies, hoping to put them into the right hands to further Hayek's ideas. Blanchard understood that Hayek's project could bridge different sides of the debate within hard money libertarianism. Whereas Blanchard had once been a "great gold enthusiast," he considered a state-backed gold standard as too "authoritarian" and found Hayek's system of a freely competitive monetary system preferable.[75] In turn, Hayek recognized how essential the NCMR and hard money advocates were to the acceptance of his ideas. Hayek sought out individuals deemed "useful propagandist[s] for the publication."[76] Moreover, he worked with his editor, Arthur Seldon, to ensure that editions of *Denationalisation* would be made available in New Orleans when he spoke again at the NCMR's "Gold and Monetary Conference" in November 1977.[77]

When Blanchard asked Hayek to return to the conference in 1977, he expressed his hope Hayek would "include an explanation of how gold would fit into a totally free market society."[78] Recognizing that the conference attendees were mostly concerned with gold, Hayek proposed "to speculate on what would happen if governments removed all restrictions, suggesting that, though at first gold would probably be most popular, the hope placed in it would probably be disappointed and gradually competitively issued paper moneys displace it."[79] Hayek hoped to show that while the gold standard had once been an important institution for providing monetary discipline, it would eventually be displaced by a system that would do more to incorporate the spontaneous forces of society. When Hayek spoke at the NCMR conference in November 1977, an estimated 1,200 attendees attended, as well as twenty-six speakers from six different countries. Following the conference, Blanchard reiterated that Hayek's original

management that featured the founder of transcendental meditation, Maharishi Mahesh Yogi. NCMR also held "offshore investment" conferences that were literally held offshore. In November 1977, a conference was held in Bermuda that focused on "How you can protect your assets and profits from today's Monetary Crisis." At the Bermudiana Hotel, which offered pools, tennis courts, a spa, and a night club, attendees could leisurely enjoy the island in between lectures on off-shore banks, gold investments, growing government economic controls, legal means to reduce taxation, and international monetary reform. "Gold and Monetary Conference: An Assessment of the IMF," box 39, folder 31, FAHP; "Bermuda: Preliminary Announcement," box 39, folder 31, FAHP.

[73] James U. Blanchard III to F. A. Hayek, July 1, 1975; F. A. Hayek to James U. Blanchard, III, Aug. 2, 1975; "Gold and Monetary Conference: An Assessment of the IMF," box 39, folder 31, FAHP.

[74] Blanchard later wrote that following Hayek's speech in Lausanne, the conference organizers took Hayek to a dining room in a private chalet. When Hayek raised a toast, he said, "On this exact date and in this same room, the world's best economists joined me to found the Mont Pelerin Society. May tonight's gathering prove of equal historical importance." Blanchard, *Confessions of a Gold Bug*, 117.

[75] James U. Blanchard III to Hayek, Dec. 6, 1978, folder 31, box 39, FAHP.

[76] In this instance, Hayek was referring to Franz Pick, who published a hard money newsletter, *Pick's World Currency Report*. F. A. Hayek to Arthur Seldon, July 15, 1977, folder 6, box 27, FAHP.

[77] F. A. Hayek to Arthur Seldon, July 30, 1977, folder 6, box 27, FAHP.

[78] James U. Blanchard III to F. A. Hayek, Apr. 27, 1977, folder 43, box 21, FAHP.

[79] F. A. Hayek to Arthur Seldon, Aug. 17, 1977, folder 6, box 27, FAHP.

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ideas on "money and … consistent defense of a free market approach to monetary reform is fundamentally important to what we are trying to accomplish."[80] Although hard money advocates like Blanchard had long focused their energies on a return to gold ownership and the gold standard, they recognized that Hayek's theory of competitive currencies could be a revolutionary solution for addressing their concerns about limiting monetary discretion.

Hayek's proposal to denationalize the currency transformed debates about monetary reform within the hard money movement. When *Denationalisation* was reviewed in the *Gold Newsletter*, it was deemed "nothing less than an international financial revolution."[81] Competitive currencies captured the fundamental goal of hard money advocates—constructing a system with no political oversight—while presenting new, revolutionary possibilities. Although Hayek's proposal did not specifically suggest the reimposition of the gold standard, his proposal allowed for the continued ownership and trade of gold, and the possibility that consumers might eventually elect to return to the gold standard.[82] By the end of the 1970s, hard money advocacy had taken on a protean form that incorporated both support for the gold standard and competitive currencies—transforming hard money advocacy at times into Free Money advocacy.

Free Money in National Politics

By December 1980, the libertarian Congressman Ron Paul of Texas had never been more hopeful for the prospects for Free Money in national politics. Ronald Reagan, an ostensible gold supporter, had just been elected to the presidency. While Reagan had made no explicit commitments while on the campaign trail, he was often quoted saying that as president he would consider returning to the gold standard—going so far as to assert that "no nation in history has ever survived fiat money, money that did not have precious-metal backing."[83] Reagan also supported an implicit gold plank in the Republican Party platform to restore sound money and impose fiscal restraint. Paul registered his optimism in a letter to Hayek, writing, "Although I am the only Hayekian and believer in free-market money in Congress, there are more who are sympathetic," and certainly now was the time to "emphasize that there is an alternative to state money."[84]

Born in Pittsburgh in 1935, Paul received a medical degree at Duke University in 1961, which he later employed to run a private practice in obstetrics and gynecology in Texas in 1968. Like many other libertarians, Paul "came to his politics more from philosophy than from experience," by reading Ayn Rand and Austrian School economists, particularly Ludwig von Mises and Hayek.[85] Once elected to Congress, Paul made a name for himself by voting in line with his principles rather than following the Republican Party line, as well as for his criticisms of American interventionist foreign policy, his xenophobic views on immigration, and his opposition to the Federal Reserve. While he was initially an avid gold standard supporter, after reading *Denationalisation*, Paul became the most visible supporter of Hayek's ideas in national politics.

[80]James U. Blanchard III to F. A. Hayek, Nov. 28, 1977, folder 31, box 39, FAHP.

[81]Joe Cobb, Review of *Denationalisation of Money: An Analysis of the Theory and Practice of Concurrent Currencies* by F. A. Hayek, *Gold Newsletter* 5, no. 11 (Nov. 1976), box 15, MSS10187-k, LPP. Pamela Brown made a similar claim for the importance of Hayek's ideas in her bibliographic essay on alternative proposals for monetary reform. Pamela J. Brown, "Constitution or Competition? Alternative Views on Monetary Reform; Bibliographical Essay," *Literature of Liberty* 5 (1982): 7–52.

[82]For instance, see Pascal Salin, F. A. Hayek, and Institutum Europeum, eds., *Currency Competition and Monetary Union* (Boston, 1984).

[83]Steven Rattner, "Ronald Reagan's Economic Policy," *The New York Times*, Apr. 13, 1980, 183, 194.

[84]Ron Paul to F. A. Hayek, Dec. 8, 1980, folder 1, box 43, FAHP.

[85]Brian Doherty, *Ron Paul's Revolution: The Man and the Movement He Inspired*, 1st ed. (New York, 2012); Jennifer Burns, "Ron Paul and the New Libertarianism," *Dissent* 59, no. 3 (2012): 46–50.

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Once Reagan took office, Paul and other hard money supporters, including supply-side economists, called on Reagan to appoint a Gold Commission to assess the possibility of returning to a gold standard. Reagan at first ignored these calls, preoccupied as he was with budget cuts, tax cuts, and spending reductions, but he finally caved to pressure in June 1981, naming a commission with seventeen members from the Federal Reserve Board, Congress, the Council of Economic Advisors, and the public. Led by monetarists Treasury Secretary Donald T. Regan, Under Secretary of the Treasury Beryl Sprinkel, and economist Anna Schwartz, the commission did not include any supply-side economists, leaving hard-money advocates like Paul to make the case for gold.

To most onlookers, it was immediately obvious that the commission would never be amenable to the imposition of the gold standard and was simply a political concession to gold supporters. Even so, the gold standard was curiously absent from commission discussions. Commission members such as Paul only made limited attempts to persuade their colleagues of the necessity of the gold standard per se and instead advocated a system of competitive currencies.[86] Paul admitted during the commission that he was "not necessarily a strong or rigid supporter of the gold standard" and would prefer that banks issue commodity-backed money, whatever that commodity might be. The crucial point was that the government should not have a monopoly on money, nor should a central bank, and the private proliferation of currencies should be allowed.[87] Paul argued, "I don't want a law that says that thou shall use and mandate a gold standard. We want competition, we want fairness."[88] Over the course of the commission, Paul suggested time and again that they "deal in a little bit more depth with the parallel type of standard where dollars would be competing more or less" with other currencies.[89]

By the commission's last meeting on January 9, 1982, a majority had rejected most hard money and Free Money proposals, instead recommending that the Federal Reserve examine the monetarist proposal of employing a monetary rule for the growth of the nation's money supply. The commission made just one concession to Free Money advocates: a recommendation to mint gold coins, which would not be legal tender but would be exempt from capital gains and sales taxes.[90] These coins would not be much different from the gold medallions minted by the Treasury as part of the American Arts Gold Medallion Act of November 1978. But by calling these new gold objects "coins" rather than "medallions," the commission made a symbolic concession to Free Money advocates, who had hoped the gold coins could

[86]Recognizing that the cards were stacked against them, several libertarians, including Ron Paul, James U. Blanchard III, Conrad Braun, and the New York businessman Lewis Lehrman banded together to support a shadow "Choice-in-Currency Commission," created by Joe Cobb of the free-market organization, Citizens for a Sound Economy. Together, they promoted Hayek's ideas about competitive currencies and specifically called for competition between private entities and Federal Reserve dollars. The shadow commission also supported Representative Daniel Crane (R-IL) in sponsoring The Free Market Gold Coinage Act in the House in June 1981, which called for the private coinage of coins and the end to the government monopoly on money. While the Act went nowhere, its major provisions became the main talking points of the Gold Commission. Paul invited Hayek to Washington, DC, to discuss the commission with the group, but Hayek politely declined due to other obligations, though he later donated a small sum to the Choice-in-Currency Commission. See Joe Cobb, "Going for Solid Gold," *Reason*, Sept. 1, 1981, https://reason.com/1981/09/01/going-for-solid-gold/; Ron Paul to F. A. Hayek, June 23, 1981, folder 1, box 43, FAHP; Joe Cobb to F. A. Hayek, Apr. 29, 1982, folder 16, box 23, FAHP.

[87]"Notes on Gold Commission Meeting," July 16, 1981, folder: "Gold Commission (Prepared Texts) (6 of 7)," box 7432, OA 7432, Jerry L. Jordan Files, Ronald Reagan Library, Simi Valley, CA [hereafter JJ].

[88]"Meeting on September 18, 1981," Sept. 18, 1981, folder "Gold Commission: File #2 (8 of 9)," box 2, OA 7432, JJ.

[89]"Meeting on February 12, 1982," Feb. 12, 1982 folder "Gold Commission: File #2 (4 of 9)," box 2, OA 7432, JJ.

[90]The majority report of the commission also included a proposal for private coinage and currency competition, referencing *Denationalisation*. United States Gold Commission, *Report to the Congress of the Commission on the Role of Gold in the Domestic and International Monetary Systems* (Washington, DC, 1982).

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Figure 2. The American Gold Eagle authorized by the Gold Bullion Coin Act. “1 Oz American Gold Eagle Coins BU,” Blanchard, accessed May 19, 2023, https://www.blanchardgold.com/product/1-oz-american-gold-eagle-coin-bu-dates-vary/.

serve, or eventually would serve, as legal tender (Figure 2). Free Money advocates believed that use of the gold coins would convince Americans of the necessity of gold in economic transactions, leading them eventually to seek a gold standard.[91] Hard money and Free Money advocates claimed the Gold Commission as a small victory, some even declaring it as “the greatest victory for gold bugs in the 20th century.”[92]

Just as American libertarians attempted to bring Free Money ideas to the fore of American politics, Hayek similarly looked for ways to put his ideas into action in the United Kingdom. In the early 1980s, even as his work was primarily focused on an attack on the intellectual and moral foundations of socialism that would be later published as *The Fatal Conceit* (1988), he also spent a surprising amount of time and energy seeking the practical implementation of his proposals for monetary reform.[93] In September 1981, Hayek spoke at the Visa International Conference in Athens, Greece, announcing his intention to develop a “practical proposal” for bringing about competitive currencies. Although Hayek was well aware that governments were unlikely to abdicate their monopoly of the monetary supply in the near future, he believed that he might introduce a privately issued monetary unit with the help of financiers.[94]

In July 1985, Hayek reached out to Lord Ralph Harris of High Cross, a British economist and head of the Institute of Economic Affairs, to say he would be visiting London and would like to meet experts in banking. Hayek hoped to unveil his proposal, which was no longer “a theoretical critique … but … an operational idea which should be taken up for early action—preferably in England.”[95] Lord Harris organized a meeting of British academics and bankers on May 13, 1985, to explore the possibility of implementing Hayek’s proposal.[96] The meeting brought together an impressive group of elites, including Citibank CEO Walter Wriston, deputy chair of Barclays John Quinton, and London School of Economics professors Harold Rose and Brian Griffiths, among others. At the meeting, Hayek described how he had long hesitated to announce his idea for a name for a currency—a name that would put these

[91]Gold advocate Howard Katz optimistically wrote to libertarian David F. Nolan, “The new gold coin recommended by the Gold Commission is going to put the country on the gold standard. It will allow them to go on the gold standard in their personal lives by making gold clause contracts in the new coin.” Howard S. Katz to David F. Nolan, June 3, 1982, folder: “The Gold Bug, 1980–1982,” box 9, David F. Nolan Papers, Library of Congress, Washington, DC.

[92]Ibid. It was not until 1985 that the Gold Bullion Coin Act formalized a U.S. gold coin, and not for libertarian explicitly reasons, either. Rather, it was produced after the United States banned South African Krugerrand gold coins, as part of Reagan’s imposition of limited economic sanctions on South Africa for racial apartheid in 1985.

[93]Hayek also hoped to write a systematic book on money, but he never managed to complete this project. F. A. Hayek to Ron Paul, June 19, 1980, folder 1, box 43, FAHP.

[94]Hayek, “The Future Unit of Value,” folder 5, box 131, FAHP.

[95]“The Case for the “Standard”: Transcript of Remarks by Professor F. A. Hayek delivered at the Institute of Economic Affairs, London, July 5th, 1985,” folder 17, box 131, FAHP.

[96]Lord Harris to Peter Hordern Esq., MP, May 13, 1985, folder 9, box 99, FAHP.

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men "a great step ahead of all others." The name, "The Standard," would be the best name to introduce a new stable monetary unit, he argued, because it was "symbolic of the intention you pursue, that it may spread like wild-fire all over the world that there are standards available." Hayek's hope was to persuade these men to create an independent company—for instance, "Standard Accounts Limited"—and invest millions of pounds to get the venture started.[97]

Although Hayek initially presented these ideas to this select circle of bankers and thinkers, none of them took up his proposal. Instead, he made his ideas public in 1986. When he published an article in *Economic Affairs* presenting his ideas, it was accompanied by images of a "Hayek Half-dollar" with an exact likeness to Braun's Hayek Half, though the coins were to be minted in silver by the hypothetical "The Standard Money Co."[98] Hayek had given up hope of profiting from The Standard, and instead turned his efforts toward ensuring that someone would take up his idea, particularly in London, so that London could once again become "the financial center of the world." He still believed that once such a unit existed, it would become the unit of long-term business contracts and used by courts to interpret contracts, and it would gradually displace the existing central banking and monetary system. That same year, Hayek became ill and was not able to enter into any further examination of the problems he raised, nor implement his new monetary unit before he died in 1992.[99] Still, the dream of competitive currencies would live on among Free Money advocates.

Conclusion

Hayek's proposal to denationalize the currency found no immediate purchase among mainstream economists. The collapse of Bretton Woods in the 1970s ushered in a new monetary system that did not eradicate the government monopoly of money, but rather established a global system based on capital mobility and floating fiat currencies operated via independent central banks. If policy makers had drawn anything from libertarians, it was not a greater use of gold or competitive currencies in the monetary system, but rather Friedman's advocacy of floating exchange rates, the role of central banks in controlling inflation, and the use of monetary rules.[100] Proposals for a gold standard or competitive currencies sometimes made headlines, but in the end, they remained peripheral to the dominant policy and scholarly treatments of the monetary system.

Even so, Hayek's ideas continued to hold a prominent place in libertarian circles, which have proven to be an enduring source of opposition to the present monetary system. *Denationalisation* succeeded in galvanizing support because Hayek presented a forward-looking, untested proposition that incorporated gold in a world that was less and less likely to return to the gold standard. In his monetary proposals, as throughout his life, Hayek encouraged his fellow hard money supporters to have "courage and confidence" in the workings of the free market, "even if we cannot predict where it will lead."[101] Hard money advocates jubilantly took up the Free Money mantle, championing Hayek's ideas, and offering some of the most ardent opposition to the prevailing monetary system since the Progressive era. They used revolutionary language, believing that their proposal for competitive currencies "would be one of the major transformations in monetary history"—finally providing an answer to the money question that had pervaded American politics since the country's founding.[102]

Hayek's ideas also spawned discussions of monetary reform at the Mont Pelerin Society, the Institute for Humane Studies, the Frankfurt International Monetary conference, the Cato

[97] "The Case for the 'Standard'".
[98] F. A. Hayek, "Market Standards for Money," *Economic Affairs* 6, no. 4 (May 4, 1986): 8.
[99] Charlotte E. Cubitt to Conrad Braun, Jan. 28, 1987, folder 43, box 21, FAHP.
[100] Jennifer Burns, *Milton Friedman: The Last Conservative* (New York, 2023).
[101] F. A. Hayek, *The Constitution of Liberty: The Definitive Edition*, ed. Ronald Hamowy, The Collected Works of F. A. Hayek, v. 17 (Chicago, 2011), 522.
[102] Cobb, "Going for Solid Gold."

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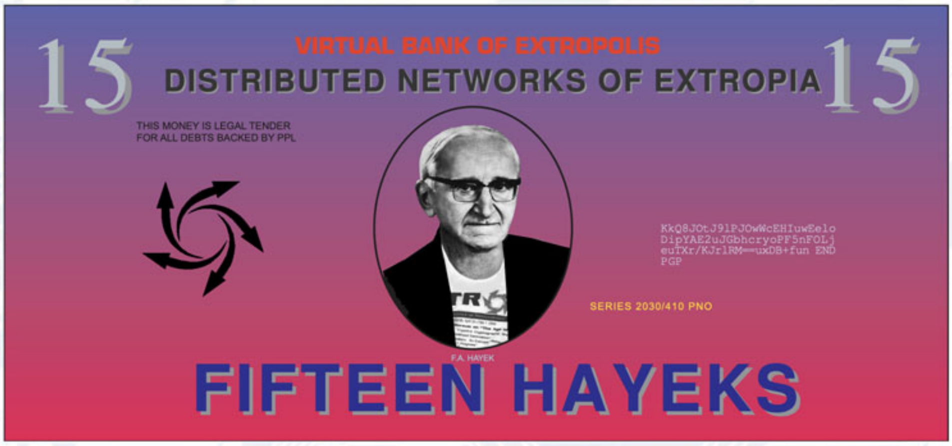

Figure 3. An imaginary "Fifteen Hayeks" issued by the "Virtual Bank of Extropolis." *Extropy*, 7, no. 2 (2nd/3rd Quarter 1995).

Institute, and within libertarian scholarship at large.[103] The Cato Institute organized its first of many annual monetary conferences in January 1983 to educate libertarians on Hayek's view of monetary policy, as well as other monetary alternatives.[104] Over the course of the 1980s, Cato's annual monetary conferences brought monetarists, Public Choice theorists, hard money advocates, and competitive currency supporters into the same room, many of whom tried to find common ground and present more unified opposition against discretionary monetary policy.[105] These conferences have since provided a place for libertarians to develop a monetary politics that lauds decentralization over centralization, market mechanisms over technocratic discretion, private currencies over public currency, and a world of economic contracts over a social contract.

Finally, although Hayek's unit "The Standard" never took hold, Hayek's ideas inspired other experiments in currency and information networks over the next several decades.[106] Most notably, Hayek and Austrian School economists influenced a group known as the Extropians in the San Francisco Bay Area who explored the possibilities of cryptographically authenticated digital cash. In 1995, leading Extropian Max More wrote in *Extropy: The Journal of Transhumanist Thought* that Hayek's "groundbreaking" theorization of competing currencies should be combined with "anonymous digital money."[107] Splashed across the front cover of the issue was an imaginary currency of "Hayeks" featuring a portrait of Hayek in what appears to be an Extropy t-shirt (Figure 3). While there were only ever a few thousand Extropians, their numbers

[103]The work of economist Lawrence White is one example of a libertarian scholar who expanded on Hayek's ideas—in his case, by studying the history of free banking. For a selection of his writings, see Lawrence H. White, *Competition and Currency: Essays on Free Banking and Money* (New York, 1989).

[104]"From Stagflation to Quantitative Easing: The History of the Cato Institute's Monetary Conference," Mercatus Center, Nov. 12, 2019, https://www.mercatus.org/bridge/commentary/stagflation-quantitative-easing-history-cato-institute%E2%80%99s-monetary-conference.

[105]Dorn and Schwartz, *The Search for Stable Money*.

[106]For scholarship on the ideas that undergird cryptocurrency, see Nigel Dodd, "The Social Life of Bitcoin," *Theory, Culture & Society* 35, no. 3 (May 1, 2018): 35–56; Nathaniel Popper, *Digital Gold: Bitcoin and the inside Story of the Misfits and Millionaires Trying to Reinvent Money* (New York, 2015); David Golumbia, *The Politics of Bitcoin: Software as Right-Wing Extremism* (Minneapolis, 2016); Brunton, *Digital Cash*; and Eich, "Old Utopias, New Tax Havens." For a history of the innovations in cryptography that laid the technological groundwork for cryptocurrency, see Steven Levy, *Crypto: How the Code Rebels Beat the Government, Saving Privacy in the Digital Age* (New York, 2001).

[107]Max More, "Denationalisation of Money: Friedrich Hayek's Seminal Work on Competing Private Currencies," *Extropy* 7, no. 2 (2nd/3rd Quarter 1995): 19–20.

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included almost every key person involved in creating Bitcoin, the world's first cryptocurrency.[108] Even if no direct line can yet be drawn from *Denationalisation* to Bitcoin, the world of libertarian experimentation that produced cryptocurrency had certainly been profoundly shaped by Hayek. When the pseudonymous Satoshi Nakamoto founded Bitcoin, he built a decentralized monetary system that relied on technological innovations and market mechanisms, rather than the vagaries of politics, the public interest, or social "trust"—just as Hayek had once hoped.[109]

Recognizing that Hayek's ideas have had enduring intellectual force in libertarian circles leads us to revise our periodization of the rise of cryptocurrency and look back to the 1970s as a seedbed for projects for competitive currencies. The inflation crisis of the 1970s prompted Hayek to theorize and attempt to implement a new monetary system, namely one that would eliminate state monopoly over the currency and would instead give private issuers of currency the freedom to compete on the market. Hayek's ideas in *Denationalisation* were pivotal in translating hard money concerns for a world that, in all likelihood, would never return to the gold standard. As hard money libertarians took up the Free Money cause, they became an influential, yet underrecognized, movement within the broader American Right promoting a radical, decentralized monetary politics in opposition to state power. Libertarians have since remained some of the most powerful challengers to the reigning monetary system, repeatedly sounding Hayek's call to protect money from democratic politics.

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[108]Brunton, *Digital Cash*, 120.

[109]Satashi Nakamoto, "Bitcoin Open Source Implementation of P2P Currency," P2P Foundation, https://p2pfoundation.ning.com/forum/topics/bitcoin-open-source (accessed Feb. 8, 2024).

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