

HAYEK'S UNACKNOWLEDGED DISCIPLE: AN EXPLORATION OF THE POLITICAL AND INTELLECTUAL RELATIONSHIP OF F. A. HAYEK AND AARON DIRECTOR (1945–1950)

BY
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None of the existing scholarly literature has explored or appreciated Director's great respect for Hayek or their relationship. This paper explores the relationship of Hayek and Director, and argues that Director should be viewed as a disciple of Hayek in the immediate post-war period. Newly available archival material in the Director Papers at the University of Chicago as well as material in the Hayek Papers allow for a deeper appreciation of their relationship than was previously possible. The archival record indicates that the central arc of their relationship occurred from 1945 to roughly 1950, when they heavily corresponded, and primarily focuses on this pivotal time period. Through exploring the relationship of Hayek and Director, this paper challenges the frequent claim that Hayek did not influence the post-war Chicago School, and argues that, starting in 1946, Hayek, even though he was not yet at Chicago, influenced the initial intellectual trajectory of the post-war Chicago School through his disciple Director.

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I. INTRODUCTION

In 1945, Crosswell Bowen, a writer for *P.M.* magazine, published a five-page article in *P.M.* explaining how Friedrich Hayek's *The Road to Serfdom* became "an anti-New Dealers' bible." *Road*, according to Bowen, had become "one of the best-ballyhooed books published in the U. S. A. in recent years. *Fortune*, *Look*, *The Reader's Digest*, the Hearst newspapers, the National Association of Manufacturers, General Motors, the New Jersey Power & Light Co., and many smaller groups and less thunderous publications, have helped to spread its ... message to millions" (1945, p. 12). Bowen attributed the far-reaching impact of *Road* to "overlapping circles" of men, six of whom were pictured on page four (p. 17). In the top left corner, to the left of the director of the University of Chicago Press, Joseph Brandt, was Aaron Director. Bowen suggested that Director set in motion the series of events that led to the "tremendous buildup" of *Road* (p. 17).

After three attempts to find an American publisher for *The Road to Serfdom* failed, it was Director who promoted the book to the University of Chicago Press.¹ After its publication by the University of Chicago Press, *The Reader's Digest* published a condensed version of Hayek's book. Thanks to *The Reader's Digest* readership of 8,750,000 and the publicity given to *Road* by other periodicals, when Hayek toured the United States in April of 1945 to promote his book, he encountered much larger crowds than he ever expected (Caldwell 2007, p. 18–23). Ultimately, Hayek had Director to thank for setting in motion the events that would lead to his widely publicized book tour.

Director's interest in Hayek's scholarship began as early as 1933 when Director first cited Hayek.² Director and Hayek had known each other since the late 1930s. In 1937, Director traveled to England to do research for his dissertation on the quantitative history of the Bank of England. When the bank unexpectedly thwarted his efforts, Director spent a good deal of time at the London School of Economics.³ There he met Hayek and participated in one of Hayek's seminars.⁴ Partly because of this experience, Director considered Hayek one of his teachers.

When Director left London in 1939, he sailed to Washington, where he worked until 1946. Shortly after he arrived in Washington, Director commiserated with Hayek over politics: "In a future war we must give some consideration to economizing the use of authoritarian control" (1940, p. 360). Although Director had great admiration for Hayek, the archival record indicates that the two did not correspond at all until 1945.

Director's effort to get *The Road to Serfdom* published and publicized grabbed Hayek's attention. Indeed, Hayek's close friend and long-time colleague, Fritz Machlup, wrote Hayek that Director did a "grand job" promoting his book, and encouraged Hayek to personally thank Director.⁵ Once Hayek and Director began their correspondence,

¹MPHI, July 12, 1945, box 43, folder 16.

²See Director (1933, p. 7).

³Director was at the LSE for the fall term in 1937 (VPML, Box 56, Folder: Robbins).

⁴HPHI, Hayek to Director, July 10, 1946, Box 73, Folder 14. Hayek does not say exactly when Director took one of his seminars. However, Director's time in England would have been his only opportunity to do so prior to the date of Hayek's July 10, 1946, letter.

⁵MPHI, March 8, 1944, box 43, folder 16.

Director, showing his great respect for Hayek, opened his letters, “Dear Professor Hayek.”⁶ When Hayek later asked Director to drop the formal address, Director told Hayek he strongly preferred to formally address his teachers.⁷

None of the existing scholarly literature has explored or appreciated Director’s great respect for Hayek or their relationship. Bruce Caldwell, in his superb intellectual biography of Hayek, does not mention Director’s name (Caldwell 2004). Ronald Coase only very briefly discusses Hayek in his short biography on Director (Coase 1998). Johan van Overtveldt, in his history of the Chicago School, does not touch upon the relationship of Hayek and Director (van Overtveldt 2007).

This paper explores the relationship of Hayek and Director and argues that Director should be viewed as a disciple of Hayek in the immediate post-war period. Newly available archival material in the Director Papers at the University of Chicago as well as material in the Hayek Papers allow for a deeper appreciation of their relationship than was previously possible. The archival record indicates that Hayek and Director maintained intermittent correspondence from 1945 through the 1960s; however, it suggests that the central arc of their relationship occurred from 1945 to roughly 1950, when they heavily corresponded. As Philip Mirowski and I have argued, this was a crucial period in the history of the Chicago School as well as Chicago law and economics; it was during this time that Hayek helped to lay the institutional foundations for the rise of the Chicago School and that Director, Milton Friedman, and others questioned many of the ideas of the previous generation of Chicago economists, such as Frank Knight, Jacob Viner, and Henry Simons.⁸ This paper will primarily focus on this pivotal time period. It could very well be that the relationship of Hayek and Director continued to deepen after Hayek joined the Committee on Social Thought at Chicago in the fall of 1950; however, there is little archival evidence to support this speculation.

This paper, through exploring the relationship of Hayek and Director, challenges the frequent claim that Hayek did not influence the post-war Chicago School.⁹ Admittedly, claiming Hayek did not influence the post-war Chicago School certainly seems plausible, based on a glance at the historical record. Most of the seminal figures of the post-war Chicago School—Milton Friedman, Allen Wallis, and Director—had all been hired in 1946, four years before Hayek arrived at Chicago. When Hayek did come, because the Economics Department did not want him, Hayek joined the Committee on Social Thought in 1950, which, unlike the Economics Department, the Law School, and the Business School, is not considered one of the pillars of post-war Chicago economics. Moreover, while part of the committee from 1950 until 1962, Hayek principally focused on political philosophy, not economics.

The perception that Hayek did not influence the post-war Chicago School stems from the fact that Director and Hayek’s relationship has been unappreciated and unexplored.

⁶HPHI, Director to Hayek, July 1, 1946, Box 73, Folder 14.

⁷HPHI, Hayek to Director, July 10, 1946, Box 73, Folder 14. Director did eventually concede and address his letters: “Dear Hayek.”

⁸See Van Horn and Mirowski (2009), Van Horn (2009), Van Horn (2011), Van Horn and Klaes (2011), Van Horn and Klaes (2011b), and Nik Khah and Van Horn (2012).

⁹For example, see van Overtveldt (2007) and Caldwell (2011) for a more detailed look at why it is commonly maintained that Hayek did not influence the post-war Chicago School.

This is unfortunate because an appreciation of their relationship sheds new light on the rise of the post-war Chicago School. This paper suggests that, starting in 1946, Hayek, even though he was not yet at Chicago, influenced the initial intellectual trajectory of the post-war Chicago School through his disciple Director.

II. HAYEK, *THE ROAD TO SERFDOM*, AND THE “COMPETITIVE ORDER”: PLANNING FOR COMPETITION

To appreciate Hayek and Director’s relationship from 1945 to 1950, it is necessary to begin by examining not only Hayek’s assault on collectivism, but also his vision about what needed to be done in the future to enhance the attack on collectivism. Hayek believed that collectivism in all its forms—including socialism, Institutional reformism, and Keynesianism—was inherently totalitarian. Collectivism, according to Hayek, had been ascendant in Western intellectual circles since the late nineteenth century, and had finally triumphed in the Western world during the Great Depression. Hayek lamented the waves of nationalization and central planning as well as interventionist government policies. Fearing the worst, Hayek, by the summer of 1940, had immersed himself in a massive project that he dubbed the “Abuse of Reason” project.¹⁰ Hayek believed that it was “the best [he could] do for the future of mankind” (quoted in Caldwell 2010 p. 4). Although Hayek never completed the Abuse of Reason project, he published portions of it; one portion became the cultural icon, *The Road to Serfdom*.

Hayek’s thesis in *The Road to Serfdom* was simple: central planning—by which Hayek meant the central direction of all economic activity based on a single plan—increasingly led to dictatorial rule *and* suppressed individual freedom. Central planning, Hayek argued, was necessarily arbitrary, and ultimately destroyed individual liberty. Hayek observed:

Economic control is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends. And whoever has sole control of the means must also determine which ends are to be served, which values are to be rated higher and which lower—in short, what men should believe and strive for. (Hayek 2007, p. 127)

Nazi Germany was the embodiment of Hayek’s fears: “the rise of fascism and nazism was not a reaction against the socialist trends of the preceding period but a necessary outcome of those tendencies” (p. 59). Hayek feared that Britain was heading in the same direction because many British intellectuals and political leaders, such as those of the Labor Party, advocated replacing the competitive system with a planning system and championed planned production as the basis of democracy.¹¹

Hayek suggested that, although the Allies might win WWII, another crucial war in the realm of ideas had to be fought and won: “Though for the time being the different

¹⁰WLYA, box 77, folder 1011, reel 66. Correspondence between Hayek and Walter Lippmann suggests that Hayek was thinking about the Abuse of Reason project as early as 1937. (I would like to thank Bruce Caldwell for bringing this to my attention.) For more about the history of the Abuse of Reason project, see Caldwell (2010).

¹¹See Caldwell (2007, pp. 9–15).

ideals are represented by hostile nations fighting for their existence, we must not forget that this conflict has grown out of a struggle of ideas within what, not so long ago, was a common European civilization.... Though the first task must now be to win the war, to win it will only gain us another opportunity to face the basic problems and to find a way of averting the fate which has overtaken kindred civilizations” (2007, p. 66). Hayek believed that ideas substantially shaped social life, and thought collectivist ideas to be at the root of social conflict and WWII. Consequently, if one disagreed with the status quo, one needed to change the ideas on which the status quo was based.

Although Hayek opposed all forms of “collectivist” planning, he claimed that his brand of liberalism was not tantamount to laissez-faire liberalism. Hayek observed, “The liberal argument is in favor of making the best possible use of the forces of competition as a means of coordinating human efforts, not an argument for leaving things just as they are” (p. 85). Hayek championed the creation of an institutional framework, or what he later referred to as a “competitive order,” so that effective competition might flourish. Hayek maintained, “There is, in particular, all the difference between deliberately creating a system within which competition will work as beneficially as possible and passively accepting institutions as they are” (p. 71). *The Road to Serfdom* should not be read as a critique of planning *tout court*, but only as a critique of planning that undermined effective competition; i.e., collectivist planning. Indeed, Hayek asserted, “It is of the utmost importance to the argument of this book for the reader to keep in mind that the planning against which all our criticism is directed is solely the planning against competition” (p. 90). In short, Hayek advocated planning *for* competition.¹²

Hayek believed the competitive system, if it worked effectively, provided the best means to coordinate the efforts of individuals in society. A well-designed competitive order was vital for effective competition. In *The Road to Serfdom*, Hayek actually said little about what the competitive order comprised.¹³ In general, the competitive order required adequately organized institutions such as money and channels of information, but in particular, and most importantly, according to Hayek, it required a well-crafted legal framework. Hayek maintained, “The functioning of competition ... depends, *above all*, on the existence of an appropriate legal system, a legal system designed both to preserve competition and to make it operate as beneficially as possible” (p. 87). Hayek suggested that private property and freedom of contract, the guiding lights of classical liberalism, were not sufficient. Consequently, he indicated that a thorough study of the competitive order had to be broader in scope, encompassing additional areas of law, and greater in depth, providing a richer analysis of property law and contract law.

Hayek, however, opined that an in-depth study of the competitive order had never occurred:

The systematic study of the forms of legal institutions which will make the competitive system work efficiently has been sadly neglected; and strong arguments can be advanced that serious shortcomings here, particularly with regard to the law of corporations and of patents, not only have made competition work much less effectively than it might have done but have even led to the destruction of competition in many spheres. (p. 87)

¹²One year later, Hayek stated that “competition, ... if it is to be made effective, requires a good deal of government activity directed toward making it effective” (Hayek, Krueger, and Merriam 1989, p. 111).

¹³Hayek noted, “[W]e cannot, within the scope of this book, enter into a discussion of the very necessary planning which is required to make competition as effective and beneficial as possible” (2007, p. 90).

Indeed, Hayek blamed the triumph of collectivism on that fact that nineteenth-century liberals failed to go beyond the principle of laissez-faire liberalism and plan the legal foundations of competition. Hayek stated:

Probably nothing has done more harm to the liberal cause as the wooden insistence of some liberals on certain rough rules of thumb, above all the principle of laissez faire.... No sensible person should have doubted that the crude rules in which the principles of economic policy of the nineteenth century were expressed were only a beginning—that we had yet much to learn and that there were still immense possibilities of advancement on the lines on which we had moved. (p. 71, emphasis added)

He suggested that the task for the future would be to succeed where nineteenth-century liberals failed; as a prerequisite, twentieth-century liberals would need to thoroughly investigate and understand the competitive order to thereby reconstitute the liberal doctrine.

III. TWO COMRADES IN ARMS

Believing his book provided a crucial countervailing force to the ideas of both fascism and socialism, Hayek attempted to get his book published not only in the United States, but also in Italy, France, and other European countries. For example, in November 1944, Hayek mailed a copy of his book, along with a letter, to His Excellency Signor Benedetto Croce, the president of the reconstituted Liberal Party in Italy, and asked him to sponsor an Italian version of *The Road to Serfdom*.¹⁴

Hayek sought as large an audience as possible for his book. Thus, in all likelihood, he would have felt a great debt of gratitude toward Director for his indispensable role in getting his book published in the United States. Besides successfully promoting Hayek's book to the University of Chicago Press, Director also attempted to arrange for a prominent individual to write a foreword for Hayek's book. He asked both John Chamberlain and Wendell Willkie.¹⁵ Chamberlain—the book review editor for the *New York Times*—agreed to write the foreword. Director also sent copies of *The Road to Serfdom* to John Davenport on *Fortune's* staff.¹⁶ Davenport was primarily responsible for persuading *Fortune* to give Hayek much space in their magazine (Bowen 1945, p. 15).

Director further supported Hayek's endeavor to promote *The Road to Serfdom* with his enthusiastic review of it. The circumstances under which Director agreed to write his review further demonstrate his loyalty to Hayek. During the 1944–1945 academic year, Fritz Machlup was the acting editor for the *American Economic Review*. The former editor, Paul Homan, had arranged to publish two reviews on Hayek's book, one by Eric Roll and the other by Michael Heilperin. Machlup, however, was displeased. He believed Heilperin's review would not be an adequate counterweight to Roll's harsh

¹⁴HPHI, letter, Hayek to Croce, November 26, 1944, Box 16, Folder 50.

¹⁵MPHI, March 8, 1944, box 43, folder 16; MPHI, March 15, 1944, box 43, folder 16. Director also sent Hayek's book to Knight and Simons (MPHI, Machlup to Hayek, November 22, 1943, box 43, folder 16; MPHI, March 8, 1944, box 43, folder 16).

¹⁶MPHI, July 12, 1945, box 43, folder 16.

attacks on *Road*. In mid-September, he wrote Henry Simons: "I am not happy about this situation and I am sure that you will understand my feelings. I believe that we can repair the situation by a third review from your pen."¹⁷ Machlup added, "I have talked over this with Aaron Director and ... he asked me to convey to you his endorsement of my request."¹⁸ Two weeks later, after Simons had spoken to his close friend Director, Simons responded to Machlup's invitation with ambivalence. He wrote: "I am reluctant to review Hayek because I like the book so much."¹⁹ Simons assured Machlup that Heilperin would "perhaps do a good job."²⁰ However, about three months later, Heilperin said he could not write the review. Again, Machlup turned to Simons to write the counterweight to Roll's "vitriolic" and "socialist" review. He wrote Simons: "You gave me permission to fall back on you if necessary in the matter of the reviews of Hayek's book.... I am, therefore, sending you Roll's review. You will agree with me that it needs an antidote."²¹ Yet again, Simons declined, saying: "I'm just no good at gilding lilies."²² Simons encouraged Machlup to press Heilperin or to ask others, such as Frank Graham. Simons even added, "Roll's piece will probably attract more readers to the book than it repels."²³ Less than a week later, Director wrote Simons: "It is really too bad you are not reviewing the Hayek book. If we can't find some one I will have to do it. And since people like [Alvin] Hansen are going around saying very foolish things about it, the book ought to be reviewed by someone with a reputation. And Hayek deserves it."²⁴ A few days later, Machlup informed Simons that he had asked others, including Thurman Arnold, but to no avail. However, Machlup added that Director was "good-hearted enough to jump into the breach" and write the review.²⁵ Unlike Simons, Director was unwilling to let the Roll review be published without a contending perspective.

Director opened his review by expressing his gratitude toward Hayek. Director thanked Hayek for "taking the time ... to explore the ultimate political implications of abandoning the competitive system" (1945, p. 174). Director extolled Hayek: "There is no economist writing in English more eminently qualified to do this job. In addition to his unique personal experience ... and his great repute as an economist, Professor Hayek is our most accomplished historian of the development of economic ideas" (p. 174).

Director claimed that, in the economics profession, there was "widespread approval of a planned society" (p. 175). In contrast with "the character of the work of our great political economists whose broad interests precluded such narrow specialization," many economists, according to Director, advanced "grand" and deleterious proposals for reform because they failed to undertake the "requisite examination of the noneconomic implications" (p. 175).²⁶ In short, Director suggested that these economists failed to realize they advocated policies that led to totalitarianism.

¹⁷SPRL, Machlup to Simons, September 13, 1944, box 4, folder 37.

¹⁸Ibid.

¹⁹SPRL, Simons to Machlup, September 27, 1944, box 4, folder 37.

²⁰Ibid.

²¹SPRL, Machlup to Simons, January 5, 1945, box 4, folder 37.

²²SPRL, Simons to Machlup, January 9, 1945, box 4, folder 37.

²³Ibid.

²⁴SPRL, Director to Simons, January 12, 1945, box 13, folder 3.

²⁵SPRL, Simons to Machlup, January 17, 1945, box 4, folder 37.

²⁶Director did not say who any of these economists were. In all likelihood, Director at least had in mind the institutional reformers, such as Rex Tugwell.

Director, like Hayek, emphasized that the liberal tradition did not oppose all forms of planning, and, hence, that this tradition was, in Director's words, "not a negative one." He wrote:

Professor Hayek makes it abundantly clear that a liberal society must do many things which can only be done through the instrumentality of governmental authority both in order to assure the continuation of competitive enterprise and to mitigate some ... of its undesirable results. This is true not only as regards the perfection of the rules of the game to increase the effectiveness of competition, monetary management to promote economic stability, and the control of economic activities not amenable to the competitive principle, but also as regards measures to alleviate the lot of those 'who, in the great lottery of life, have drawn a blank.' (p. 175)

Director noted that because Hayek endeavored to attack collectivism in *The Road to Serfdom*, Hayek did not elaborate on how to plan for effective competition. Director suggested that this task, when undertaken, should be carried out with the utmost circumspection; otherwise, "the very proper concern for increasing economic well-being through state action" would "itself result in such great centralization of power as to create a new kind of 'inevitability' toward collectivism" (p. 175).

Because of Director's efforts, Hayek would have surely viewed Director as someone sympathetic to his cause and as someone on whom he could depend in the future.

IV. THE "HAYEK PROJECT"

In April 1945, Hayek went on a five-week lecture tour across the United States to promote *The Road to Serfdom*.²⁷ In his lecture at the Economic Club in Detroit, he proposed, "I think there is a great educational task to be fulfilled. We must make the masses of people learn and understand the problem that is before us, make them capable of discriminating between methods which will achieve the end and methods which are empty promises."²⁸

The next day, Loren Miller contacted Allen Crow at the Economic Club in order to inquire about the upcoming schedule of Hayek. In a letter to Crow, Miller said he knew of someone greatly interested in the problems that concerned Hayek, and who would like to determine how he might best help Hayek address those problems. Miller referred to Harold Luhnnow, the president of the William Volker Charities Fund.²⁹ It happened that Luhnnow was in Chicago on business that week at the Western Shade Cloth Company. The following day, Miller telegraphed Hayek to let him know when Luhnnow would be available.³⁰

When they met, Luhnnow asked Hayek if he would write an American version of *The Road to Serfdom* if the Volker Fund financed this endeavor. Hayek, however, had his own proposal for Luhnnow. Because Hayek believed that an inadequate understanding

²⁷For details, see Caldwell (2007, pp. 18–23).

²⁸HPHI, Box 106, Folder 8.

²⁹Miller and Luhnnow had a close relationship (HPHI, Miller to Allen Crow, April 24, 1945, box 58, file: William Volker Fund 1939–1948). For background on the Volker Fund, see Hoplin and Robinson (2008).

³⁰HPHI, L. Miller to Hayek, April 25, 1945, box 58, file: William Volker Fund 1939–1948.

of the conditions necessary for effective competition resulted in the demise of liberalism and the rise of collectivism, he proposed a study of the legal foundations necessary for effective competition.³¹ They agreed that a three-year, American-based study of the conditions necessary for an effective competitive system needed to be organized, and that a product of this study, *The American Road to Serfdom*, would be used to influence American political opinion. The Volker Fund would provide the necessary funding.

Even though he felt this task to be one of the utmost importance, Hayek did not want to undertake it himself. He believed that someone familiar with the American economy and society would be better able to undertake this endeavor than he would. Hayek also wanted to devote a great deal of his energy to setting up an international society, which would become the Mont Pelerin Society (see the following section for a description of this society). Thus, he arranged for a Chicago Law School-based project that would come to be known as the “Free Market Study” to carry out the writing of *The American Road to Serfdom*.³² The memorandum detailing the primary function of the study declared that it would be responsible for “a study of a suitable legal and institutional framework of an effective competitive system.”³³

Hayek chose Director, who considered the project to be—as Director put it—“of the greatest importance,” to head the Free Market Study.³⁴ The other members included Theodore Schultz, Milton Friedman, and Frank Knight of the Economics Department, Edward Levi and Wilbur Katz of the Law School, and Garfield Cox of the Business School. The Law School accepted the project under its auspices. Director later recalled: “It was earlier decided that Chicago was the only place that was likely to accept such a project, and it was also decided that the law school was the only part of the University of Chicago that would accept such a project” (Kitch 1983, p. 181).

The principals involved in the organization of the Free Market Study, which included Simons and Director, considered it Hayek’s project and sometimes even referred to it as the “Hayek Project.”³⁵ Additionally, Wilbur Katz, then dean of the Chicago Law School, also referred to the study as the “Hayek Research Project,” and Milton Friedman christened it “Hayek’s baby.”³⁶ Hayek himself indicated that the study would fulfill his own objectives. Indeed, he told Walter Eucken, the German economist, that the project provided a “positive complement” to his *Road to Serfdom*.³⁷ He wrote Director, “I ... feel strongly ... that you would do the work I have in mind better than anyone else I know of.”³⁸

Simons wrote the first formal proposal of Luhn and Hayek’s plan. By June 1945, Simons had drafted two memoranda, Memorandum I and Memorandum II, the latter

³¹HPHI, Hayek to Harold Luhn, May 3, 1945, box 58, file: William Volker Fund 1939–1948.

³²For a summary of the trials and tribulations that went into the organization of the study, see Van Horn and Mirowski (2009).

³³Quoted in Coase (1993, p. 246).

³⁴HPHI, July 15, 1946, box 73, folder 13.

³⁵Simons referred to the study as the “Hayek Project” (SPRL, September 4, 1945, box 8, file 9). Director also referred to the study as “your endeavor,” meaning Hayek’s project (HPHI, Director to Hayek, letter, June 21, 1946, box 73, file 13).

³⁶Katz quoted in Coase (1993, p. 246); WPRL, letter, Friedman to Allen Wallis, May 31, 1946, box 12A1, folder: “Friedman.”

³⁷HPHI, letter, 3 November 1946, box 18, folder 40.

³⁸HPHI, July 10, 1946, box 73, folder 13.

being essentially a succinct, executive version of the former. Even though Simons drew up a proposal that touched upon what would become many of the characteristics of the post-war Chicago School, it was Director's Free Market Study proposal, which echoed Hayek's initial idea of which research agenda the project should advance, that would shape the initial intellectual trajectory of the study.

In his Free Market Study proposal, Director outlined of the objectives of the study, suggesting that studying and creating a competitive order was of great importance to him. In the section "Policies for Movement Towards the Free Market," Director included ten policy areas. Five of the first seven were: antitrust enforcement, tariff policy, corporate policy, labor policy, and patent policy.³⁹

Shortly after the Free Market Study began, Director distributed a research proposal at the second meeting, entitled "A Program of Factual Research into Questions Basic to the Formulation of a Liberal Economic Policy." By empirically investigating the facts taken for granted by both liberals and their opponents, Director believed it would be possible to develop a robust liberal policy to counter collectivism, and thereby bring about policy changes in the United States. In the spirit of what Hayek suggested in *The Road to Serfdom*, the study sought to investigate and understand the competitive order in order to create a more robust liberalism. The study thus attempted to succeed where Hayek believed nineteenth-century liberals had failed.

Despite its initial broad ambitions, the Free Market Study especially focused on industrial monopoly, which Hayek flagged as a serious problem in *The Road to Serfdom*. Hayek emphasized in *Road* that because the status quo legal framework undermined rather than promoted effective competition, private monopoly had been progressively growing since the late nineteenth century (2007, pp. 91–93). Even though Hayek maintained that private monopoly was "scarcely ever complete and even more rarely of long duration or able to disregard potential competition" (p. 206), he insisted that the law, especially patent law and corporate law, inhibited the ability of competition to eradicate monopoly power. Hayek suggested that the creation of a competitive order would help to reverse this trend.

At an early meeting of the Free Market Study, Director conveyed the significance of the topic of industrial monopoly and briefly described the debate about the extent of industrial monopoly.⁴⁰ In describing this debate, Director referred to what might be called the "inevitability thesis"; that is, the efficiency of large-scale industry would inevitably give rise to more and more monopoly and, hence, result in less and less competition. Unlike Director and Hayek, their opponents on the Left, the collectivists, predicted that the forces of competition would prove ineffectual in the face of the growth of industrial monopoly, and insisted that the only rational solution was socialist control of the economy.⁴¹ Hence, Director, like Hayek, maintained that widespread belief in the inevitability thesis gave rise to collectivist policies.⁴²

In *The Road to Serfdom*, Hayek asserted that the growth of industrial monopoly was not due to the advancement of technology, and, thus, nothing was inevitable about the increasing development of industrial monopoly. Hayek undermined the position of the

³⁹TSPR, May 23, 1946, box 39 (addenda), folder: Free Market Study.

⁴⁰FPHI, October 30, 1946, box 79, folder 4.

⁴¹See, for example, Tarshis (1946).

⁴²See Director (1951a, p. v) and Hayek (2007, p. 91).

Left by referencing a study of the Temporary National Economic Committee and marshaling historical evidence. Nonetheless, Hayek suggested that much more work needed to be done in order to undermine the inevitability thesis.⁴³

The Free Market Study challenged the inevitability thesis through the doctoral work of Warren Nutter. Nutter, under the supervision of Director, O. H. Brownlee, and Milton Friedman, wrote his dissertation at the University of Chicago in association with the study. Nutter completed his dissertation in 1949, and the University of Chicago Press published it two years later as *The Extent of Enterprise Monopoly in the United States, 1899–1939*. As he had done for *The Road to Serfdom*, Director also played a role in the University of Chicago Press' publishing Nutter's work. Indeed, he wrote a letter to the press, promoting Nutter's book.⁴⁴

Nutter undertook an empirical study of the extent of business monopoly in the United States, and found that there had been no significant increase in business monopoly since 1900. Since proponents of the inevitability thesis maintained that monopoly had been substantially increasing, Nutter's investigation dealt a sharp blow by suggesting that the Left had exaggerated the growth of monopoly, and, thus, was mistaken about its inevitability.

Notably, works like Nutter's were not undertaken because of purely theoretical concerns. Political motivation was a factor. Nutter's work was carried out as part of the Free Market Study's effort to reinvigorate liberalism and attack collectivism, and thereby shape United States economic policy. Director himself attested that the study sought to shape popular opinion and influence public policy. In a *New York Times* interview about the study, Director stated: "a program for restoring and maintaining a free-market economy can be constructed and a realistic appraisal of its attainment can be made in relation to the political pressures and other factors involved."⁴⁵ Notably, Director indicated that one criterion for assessing the success of the study was its ability to exert political pressure. Likewise, in his outline of the objectives of the study, Director also emphasized the political motivation of the project. For point ten, Director wrote:

X. CONCLUSION—Prospects and Policies

- A. The political pressures involved
- B. The education and attitudes necessary
- C. What can reasonably be expected, and is it enough?⁴⁶

Like Hayek, the Free Market Study did not seek strictly academic outlets for its publications. In 1952, *Fortune*—according to one reviewer for *The Review of Economics and Statistics*—featured Nutter's monograph in "a full dress presentation," which suggests the political initiative of the study as well (Lebergott 1953, p. 349). (Notably, this paralleled the publicity that *The Road to Serfdom* received.) The study sought places where the general public would read its work. Indeed, Milton Friedman

⁴³In attacking the position of the Left, Hayek noted that it was not possible to investigate the issue of whether monopoly was inevitable "in detail," and said that the reader had to be "content to accept" his conclusions based on "the best evidence available" (2007, p. 92).

⁴⁴URRL, Director to Couch, October 12, 1950, box 353, folder 9.

⁴⁵"Chicago University to Scan Free Market," *The New York Times* November 2, 1946, p. 31.

⁴⁶TSPR, May 23, 1946, box 39 (addenda), folder: Free Market Study.

published semi-popular pieces in the early 1950s that referred to Nutter's finding as well.⁴⁷

Following Hayek, the Free Market Study sought to be a hands-on player in the political arena; it aimed to shape public policy and thereby countervail collectivism.

V. CHAMPIONING THE COMPETITIVE ORDER AT MONT PELERIN

A look at the first Mont Pelerin Society meeting provides yet another way to appreciate the shared intellectual and political vision of Hayek and Director in the immediate post-war period. Several months after the Free Market Study began, Hayek sent Director a formal invitation to attend the first Mont Pelerin Society meeting. Hayek included a handwritten note, which stated: "May I add to this formal circular that I am especially counting on your interest and active support." Hayek wanted Director to join him in opening the discussion on the subject of "'Free' Enterprise or Competitive Order."⁴⁸

The Mont Pelerin Society, a transnational institutional project, sought to reinvent a liberalism that had some prospect of challenging collectivist doctrines ascendant in the immediate post-war period. The society enabled its members—liberals from America, many who represented the Chicago School, and Europe—to debate and offer each other mutual support. At the first meeting, its members, besides debating the issue of "'Free' Enterprise or Competitive Order," debated "The Future of Germany," "The Problems and Chances of European Federation," "Liberalism and Christianity," and "Modern Historiography and Political Education." The opening session, which was on "'Free' Enterprise or Competitive Order," was, in Hayek's opinion, the one that would be of the greatest interest to those at the meeting.⁴⁹

Director accepted Hayek's invitation to join him in opening the discussion on the subject of "'Free' Enterprise or Competitive Order."⁵⁰ Hayek considered his own talk, which he published one year later in *Individualism and Economic Order*, "in a sense ... supplementary to that advance sketch of certain practical conclusions which a sense of urgency has tempted me to publish under the title *The Road to Serfdom*" (1948, p. v). Thus, the fact that Hayek had just recently set up the Free Market Study to investigate the competitive order, and that he himself chose to address this topic in opening session of the Mont Pelerin Society, further demonstrates the great importance of this subject to Hayek.

⁴⁷See Friedman (1950) and Friedman (1951).

⁴⁸DPRL, December 28, 1946, box 1, folder: "Correspondence: 1946–1952."

⁴⁹DPRL, February 14, 1947, box 1, folder: "Correspondence 1946–1952." Because of the importance of this topic, after the first Mont Pelerin meeting, several charter members, which included Hayek, drew up a "Draft Statement of Aims" of the Mont Pelerin Society. In the statement, point five further demonstrates the pivotal importance of the competitive order to its framers: "The preservation of an effective competitive order depends upon a proper legal and institutional framework. The existing framework must be considerably modified to make the operation of competition more efficient and beneficial. The precise character of the legal and institutional framework within which competition will work most effectively and which will supplement the working of competition is an urgent problem on which continued exchange of views is required" (quoted in Hartwell 1995, p. 49).

⁵⁰Walter Eucken also gave an address on the topic of the "competitive order."

Director's talk strongly echoed *The Road to Serfdom*. Director maintained that "the shift from individualism to authority" was "proceeding at a rapid rate" everywhere and was "completed" in some countries. Director suggested that central planning was displacing the competitive market, and that command was replacing the "virtues of individual freedom."⁵¹ Director highlighted the collectivist "allegation" that because of the tremendous increase in efficiency of large-scale business enterprise and because of the inevitability of monopoly, it would be imprudent to "prevent enterprises from growing to monopolistic size."⁵² And, like Hayek, Director maintained that this allegation contributed to the trend toward central planning and the suppression of individual freedom. Director also emphasized that the substantial amount of state intervention responsible for the destruction of the competitive order was "a direct consequence of the incomplete character of the theory of liberalism as developed in the nineteenth century."⁵³ Director observed, "The founders of liberalism endeavored to minimize the role of the coercive powers of the state. The task of our day is to redefine the role of the state."⁵⁴ Director, like Hayek, suggested the importance of planning for competition.

Further demonstrating their shared vision of the future, Director and Hayek, in their addresses, focused on the fundamental question of how the legal framework ought to be altered in order to make competition work effectively—that is, how to design a "competitive order," a term used by both Director and Hayek. Both Director and Hayek viewed the task of answering this question to be of necessity in countering the trend toward collectivism, and agreed that deleterious state intervention could be eliminated only if liberals offered a viable alternative program to the status quo. Because of this, they primarily addressed a number of legal issues in their talks. They each touched on property law, corporate law, patent law, antitrust law, and trade union policy.

Hayek had more to say about property law than Director did. Although Hayek did not offer a specific program of reform, he pointed out what he believed to be a serious problem in the field of property law. Hayek maintained that while property law could be adequately used for tangible things, it was not "suitable for indefinite extension" (Hayek 1948, p. 113). The unsuitable extensions that Hayek had in mind concerned trademarks, copyright, and patents for inventions. Hayek thought that these questionable extensions fostered the growth of business monopoly, and he thus claimed that "drastic reforms may be required if competition is to be made to work" (Hayek 1948, p. 114). Patent law especially troubled Hayek. He believed it necessary to "seriously ... examine whether the award of a monopoly privilege is really the most appropriate and effective form of reward" (p. 114).

Although Director spent relatively little time on the topic of property law in his address, he concurred with Hayek, and condemned patents without qualification as a means to extend monopoly power. Director observed: "A study of the American antitrust cases discloses the crucial importance which patents on inventions have played in creating and maintaining industrial monopoly."⁵⁵ In nearly a dozen antitrust cases,

⁵¹MPS1947LA, p. 75.

⁵²Ibid.

⁵³MPS1947LA, p. 76.

⁵⁴Ibid.

⁵⁵MPS1947LA, p. 79.

from 1939 to 1947, the United States Supreme Court had condemned the use of patents to monopolize industry or stifle competition.⁵⁶ According to Director, to begin to address the problems that stemmed from patents, there had to be a “drastic reduction of the period of the monopoly grant by change of existing statutory rules and existing administrative procedure.”⁵⁷

On the issue of the corporation and corporate law, Director took a relatively stronger position than Hayek, maintaining that the “unlimited power of corporations must be removed.”⁵⁸ Director indicated that radical corporate reform was needed:

Excessive size can be challenged through the prohibition of corporate ownership of other corporations, through the elimination of interlocking directorates, through a limitation of the scope of activity of corporations, through increased control of enterprise by property owners and perhaps too through a direct limitation of the size of corporate enterprise.⁵⁹

Although Hayek offered fewer policy recommendations than Director, Hayek agreed with Director that corporate law “greatly assisted the growth of monopoly” (1948, p. 116). Hayek maintained that it might be beneficial to prevent the indefinite growth of individual corporations, and suggested that it might also be beneficial to repeal legislation that recognized corporations as fictitious or legal persons (1948, p. 116).

Both Director and Hayek strongly attacked trade unions. They considered them the “most serious type of monopoly organization.”⁶⁰ Director and Hayek attributed the powerful position of trade unions to exemptions they had been granted under the laws and to the lack of consistent opposition on the part of liberals. They called for the cessation of government support of trade unions. And Director even called for the antitrust prosecution of unions, which he believed was the “only long run safeguard against this form of monopoly power.”⁶¹

In their analysis of industrial monopoly, Hayek and Director differed. Director called for a prescriptive role for the state in order to “promote freedom by promoting the dispersion of power necessary for a competitive order.”⁶² Although Director maintained that international trade provided a significant check on industrial monopoly, he cautioned that this check was insufficient. Director blamed England’s overconfidence in the ability of international trade to eliminate business monopoly as a significant cause of the relatively large number of business monopolies in England. Director expressed qualified praise for the enforcement of American antitrust law, and suggested

⁵⁶See: *Ethyl Gasoline Corp. v. United States*, 309 U.S. 436 (1940); *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488 (1942); *B. B. Chemical Co. v. Ellis*, 314 U.S. 495 (1942); *United States v. Unis Lens Co.*, 316 U.S. 241 (1942); *United States v. Masonite Corp.*, 316 U.S. 265 (1942); *Mercoird Corp. v. Mid-Continental Investment Co.*, 320 U.S. 661 (1944); *Mercoird Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680 (1944); *Hartford-Empire Co. v. U.S.*, 323 U.S. 386, 392 (1945); *United States v. National Lead Co.*, 332 U.S. 319 (1947); and *International Salt Co. v. United States*, 332 U.S. 392 (1947).

⁵⁷MPS1947LA, p. 79.

⁵⁸MPS1947LA, p. 80.

⁵⁹Ibid.

⁶⁰Ibid..

⁶¹MPS1947LA, p. 81.

⁶²MPS1947LA, pp. 77–78.

that even more vigorous antitrust was necessary to address the substantial amount of monopoly power in the American economy.

For Hayek, the creation of the competitive order was the best way to deal with the problem of business monopoly. He had indicated in *The Road to Serfdom* that it would be rare for industrial monopoly to survive for any duration with a competitive order in place. Although he suggested that antitrust law had some role to play in an economy (he maintained that the contracts in “restraint of trade” should not be enforced), he implied that antitrust law had gone too far during the fifty years leading up to the first Mont Pelerin meeting, and thereby significantly contributed to the decline of effective competition.⁶³ And, while Hayek indicated that monopolies and quasi-monopolies that remained after the establishment of a competitive order had to be dealt with, he offered no policy advice on how to do so.

Comparing Director’s Mont Pelerin speech with Hayek’s Mont Pelerin speech demonstrates that the two shared a substantial common ground when it came to understanding the competitive order. Thus, Hayek should have felt confident that Director, in heading the Free Market Study, would carry out the work Hayek had in mind relatively well. The most notable difference between them stemmed from Director’s emphasis on the necessity of the “dispersion of economic power,” which is why Director adopted a more hostile position toward corporations and advocated for vigorous antitrust enforcement. This difference can be attributed to the influence of Ludwig von Mises on Hayek, and the influence of the Chicago liberal tradition of Frank Knight, Jacob Viner, and, most importantly, Henry Simons on Director.⁶⁴

If Simons had not met an untimely death in 1946, he most probably would have joined Director at the first Mont Pelerin meeting. Simons’ comments on *The Road to Serfdom* suggest that he had a great deal of respect for Hayek. Although Hayek and Simons considered each other friends and agreed in many ways, their relationship differed from that of Hayek and Director. Simons did not address his letters “Dear Professor Hayek” or consider Hayek his teacher, as Director did. There is also no evidence to suggest that Simons went to any lengths to further the publication of *Road* or promote it. Indeed, Simons turned down multiple offers to promote *Road* in book reviews.⁶⁵ Perhaps most significantly, Simons, unlike Director, did not possess a “crusading spirit.”⁶⁶ In fact, in

⁶³“The extent to which the development of ... law, as much where it is judge-made law as where it is amended by legislation, can determine the developments away from or toward a competitive system ... is well illustrated by the development, during the last fifty years, of legislation and jurisdiction on cartels, monopoly, and the restraint of trade generally. It seems to me that no doubt is possible that this development ... has greatly contributed to the decline of competition” (pp. 115–116).

⁶⁴According to Simons: “A distinctive feature of ‘Chicago economics,’ as represented recently by Knight and Viner, is its traditional-liberal political philosophy—its emphasis on the virtues of dispersion of economic power (free markets)” (SPRL, undated, box 8, file 9). A mentor of Hayek, Mises, writing in 1927, maintained that the position of a business monopoly would invariably be undermined by competitive forces unless the government protected the position of that monopoly. See Mises (1985, p. 90).

⁶⁵In addition to the instance described above, Simons also declined when Franz M. Oppenheimer of the *Yale Law Journal* asked him to review Hayek’s book. In response to Oppenheimer, Simons wrote, “[O]ne shouldn’t review authors whom one knows so well or books which one is disposed to criticize only on dubious grounds of emphasis or omission” (SPRL, Simons to Oppenheimer, Feb. 27, 1945, Box 8, Folder 1).

⁶⁶Morris Gitlitz, a former college classmate of Director’s, described Director as possessing a “crusading spirit” (quoted in Breslin 1993, p. 46). For evidence of Director’s passion for reform during his early life, see Van Horn (2010).

a memorandum Simons drew up for the Hayek Project, he recommended Director to head the project and assigned himself no role. Of the two, only Director possessed the leadership qualities that Hayek sought. Thus, to advance Hayek's project at Chicago to examine the competitive order and thereby create a more robust liberalism, Director was a natural choice. And, most importantly, Hayek knew Director to be someone whom he could "count on," as Hayek put it in his Mont Pelerin invitation to Director.

VI. SUPPORTING MONT PELERIN FROM CHICAGO

Director, once settled in Chicago, supported Hayek and the Mont Pelerin Society and, when writing Hayek, frequently referred to the Mont Pelerin Society as "our society." Director, who became a secretary of the society, played the leading role in getting the society incorporated in America.⁶⁷ Having the Free Market Study based in the Chicago Law School proved most advantageous. Director informed Hayek that his "legal friends" in the Law School were investigating how to give "our society" legal standing, and that his friends would put together the necessary paperwork in the not-too-distant future.⁶⁸

From his post at Chicago, Director undertook a number of duties to further the society. He mailed invitations to join the Mont Pelerin Society to potential members, and kept track of acceptances.⁶⁹ He made administrative suggestions to Hayek. For example, Director recommended that the society "formulate some statement of principles for acceptance" to avoid "drifting into a miscellaneous membership."⁷⁰ Director took the initiative to attempt to raise funds for the society. Before the 1949 Mont Pelerin meeting in Seelisberg, Switzerland, Hayek asked Director to raise funds for Americans to go to that meeting. Hayek, in Europe at this time, wrote: "I am most anxious that this matter be taken in hand energetically, but feel quite powerless to do anything about it from here."⁷¹ After the first Mont Pelerin meeting, Director arranged for the printing of pamphlets to announce the formation of the Mont Pelerin Society. The pamphlets contained the society's statement of aims and its articles of incorporation as well as the program from the first meeting. Director mailed the pamphlet to current and prospective members.⁷²

A great illustration of Director's loyalty to the society is his administrative efforts after the death of C. O. Hardy, the treasurer of the Mont Pelerin Society. In December 1948, shortly after Hardy's death, Hayek wrote Director about possible replacements:

I have been distressed by the death of C. O. Hardy.... The sense of personal loss which it causes must not let us forget that we ought at once to make new arrangements

⁶⁷HPHI, letter, Director to Hayek, July 22, 1947, Box 73, Folder 13.

⁶⁸HPHI, May 19, 1947, box 73, folder 13.

⁶⁹HPHI, June 15, 1948, box 73, folder 13.

⁷⁰HPHI, November 3, 1948, box 73, folder 13.

⁷¹HPHI, January 15, 1949, box 73, folder 13.

⁷²HPHI, letter, Hayek to Director, November 17, 1947, box 73, folder 13; HPHI, letter, Director to Hayek, December 1, 1947, box 73, folder 13.

for the treasurership of the Mont Pelerin Society. I take it that it would be ... desirable that another American should take the post and it would evidently be convenient if it could be somebody at Chicago. Is there anyone among our members there who is likely to be willing to undertake this? If your little group could agree on a name I should certainly at once accept the suggestion and put the name formally to the other members of the council for co-option. Please let me know what you think we ought to do about it.⁷³

Director suggested Harry Gideonse, Loren Miller, and Allen Wallis. Because of the urgency to temporarily fill Hardy's shoes, Director stepped up to serve as "Acting Treasurer" of the society until a replacement could be chosen.⁷⁴ Showing his concern for the future of the society, Director had previously made precautionary arrangements in case Hardy died. Director reported to Hayek that he had made arrangements with Hardy that his secretary would have the authority to transfer "the effects of our society"; Director told Hayek that he had already obtained the society's money and that he would presently acquire its correspondence.⁷⁵ Per Director's suggestion, Wallis agreed to become treasurer.

Chicago thus proved to be an invaluable American base for promoting the Mont Pelerin Society, and Director was the devotee to whom Hayek turned again and again. Frank Knight testified to Director's importance. When, in April 1949, Knight had concerns about whether Director would be able to obtain funds to go to that year's Mont Pelerin meeting, he wrote Hayek that it was imperative that Director go, "if the society is to continue on a (let's say) North Atlantic basis."⁷⁶ Hayek, too, acknowledged the importance of Chicago and Director for the Mont Pelerin Society. When Hayek received word that Knight and Director might not be able to come to the 1949 MPS meeting, he wrote, "It seems to me that the continued existence of our Society will largely depend on at least some of the original representatives of your Chicago group turning up, and I ... believe that in creating contacts it has done and is capable of doing really useful work."⁷⁷ Presently, Director wrote Hayek, informing him that he and Wallis would be coming. One year later, in trying to persuade Director to come to the next Mont Pelerin meeting, Hayek wrote to Director: "I need hardly say how anxious I am that you should come."⁷⁸ Hayek even wrote in a second letter: "I shall very much regret it if you can't come but unless the situation is desperate ... I shall not try to press you."⁷⁹

Director also aided Hayek in a number of ways not directly related to the Mont Pelerin Society. In 1947, Director helped to arrange Hayek's travel to the United

⁷³DPRL, letter, Hayek to Director, December 16, 1948, box 1, folder: "correspondence: 1946–1952."

⁷⁴HPHI, January 15, 1949, box 73, folder 13.

⁷⁵HPHI, February 10, 1949, box 73, folder 13.

⁷⁶HPHI, letter, Knight to H, April 15, 1949, box 76, folder 24.

⁷⁷DPRL, May 2, 1949, box 1, folder: "correspondence: 1946–1952."

⁷⁸HPHI, April 27, 1950, box 73, folder 13.

⁷⁹HPHI, June 4, 1950, box 73, folder 13. In addition to Hayek, other Mont Pelerin members acknowledged the importance of Director. Karl Brandt, after suggesting to Hayek that an American committee based in New York City ought to be formed in order to help raise travel funds for American Mont Pelerin members, expressed his concern that this might upset Director. Brandt told Hayek that the idea should be immediately abandoned if Director disagreed. Brandt wrote, "Of course ... this would require that Director will not feel peeved by the initiative of such a committee" (DPRL, letter, Brandt to Hayek, January 27, 1949, box 1, folder: "correspondence: 1946–1952").

States.⁸⁰ In October of 1948, he worked with Robert Hutchins, then president of the University of Chicago, and John Nef, then head of the Committee on Social Thought, to bring Hayek to the University of Chicago to join the Committee on Social Thought.⁸¹ For example, Director helped Hutchins negotiate with the Volker Fund, which agreed to pay Hayek's salary for ten years.⁸² In 1949, Director helped Hayek publish his essay "The Intellectuals and Socialism" in the *Chicago Law Review*.⁸³

Tellingly, Hayek concluded his article with the following prognostication:

Unless we can make the philosophic foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark. But if we can regain that belief in the power of ideas which was the mark of liberalism at its greatest, the battle is not lost. The intellectual revival of liberalism is already under way in many parts of the world. Will it be in time? (1949, p. 433)

Hayek clearly had Director and the Free Market Study in mind when he wrote these final sentences.

VII. CONCLUDING REMARKS

In the months before he published his article in on *The Road to Serfdom* in *P.M.* magazine, Bowen wrote to those involved in the publication and promotion of *Road*. In July 1945, Director replied to Bowen's letter. He emphasized that Hayek's ideas should be propagated anywhere there was free discussion, especially in the United States, since developments in North America would significantly influence policy making in the remainder of the Western world.⁸⁴ In light of Director's response to Bowen, one can appreciate why Director worked hard to promote *Road*, agreed to head the "Hayek Project" in order to investigate the legal foundations of capitalism, and joined Hayek in forming, sustaining, and promoting the Mont Pelerin Society in its fledgling years.

Once we acknowledge that Director was a disciple of Hayek and that Hayek viewed Director as a devotee on whom he could depend, we can appreciate that a comprehensive history of the rise of the post-war Chicago School must take into account the role of Hayek. Hayek not only laid essential institutional foundations for the development of the post-war Chicago School (Van Horn and Mirowski 2009), but also influenced its initial intellectual trajectory. Although it is beyond the scope of this paper to consider the relative extent of Hayek's influence on the rise of the post-war Chicago School, this paper has made clear that Director's Free Market Study analyzed the competitive order and sought to countervail collectivism, and, thereby, carried out a key objective that Hayek had laid out in *The Road to Serfdom*.

⁸⁰HPHI, letter, Hayek to Director, November 17, 1947, box 73, folder 13.

⁸¹HPRL, letter, Director to Hutchins, October 14, 1948, box 101, folder 5; HPRL, letter, Director to Hutchins, October 19, 1948, box 101, folder 5.

⁸²HPRL, box 101, folder 5.

⁸³HPHI, March 14, 1949, box 73, folder 13.

⁸⁴MPHI, July 12, 1945, box 43, folder 16.

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 FPHI Milton Friedman Papers, Hoover Institution, Stanford University
 HPHI F. A. Hayek Papers, Hoover Institution, Stanford University
 HPRL Robert Hutchins Papers, Regenstein Library, University of Chicago
 MPHI Fritz Machlup Papers, Hoover Institution, Stanford University
 MPS1947LA Records of the 1947 meeting, Mont Pèlerin Society, Liberaal Archief, Ghent, Belgium
 SPRL Henry Simons Papers, Regenstein Library, University of Chicago
 TSPR Theodore Schultz Papers, Regenstein Library, University of Chicago
 URRL University of Chicago Press Records, Regenstein Library, University of Chicago
 VPML Jacob Viner Papers, Mudd Library, Princeton University
 WLYA Walter Lippmann Papers, Yale University Library Manuscripts and Archives
 WPRL W. Allen Wallis Papers, Rush Rhees Library, University of Rochester Library

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