

THE PROPERTY & FREEDOM SOCIETY: Reflections After Five Years

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The Mont Pelerin Society

When I first envisioned the idea of this Society, more than 10 years ago and then still a society without a name, I had direct experience with only two other Societies from which to learn.

My first experience was with the Mont Pelerin Society (MPS), which Friedrich Hayek had founded in 1947.

During the 1990s, I was three times invited as a speaker to MPS meetings in Cannes, Cape Town, and Barcelona. Each time, with papers attacking democracy and egalitarianism, defending monarchies vs. democracies, eviscerating the classical-liberal idea of a minimal-state as self-contradictory, and propagating a stateless, anarcho-capitalist natural order, my appearance was considered somewhat scandalous: too irreverent, too confrontational, and too sensational.

Whatever the function of the MPS may have been in the immediate aftermath of WW II, at the time of my encounter with it, I did not find it particularly to my liking.

To be sure, I met many bright and interesting people, but essentially, MPS meetings were junkets for “free-market” and “limited-government” think-tank and foundation staffers, their various professional affiliates and protégées, and the principal donor-financiers of it all, mostly from the U.S., and more specifically from Washington DC. Characteristically, Ed Feulner, long-time President of the Heritage Foundation, the major GOP think-tank and intellectual shill to the welfare-warfare state politics of every Republican government administration, from Reagan to Bush junior, is a former MPS president and, more significantly, has been its long-time treasurer.

There had been skepticism concerning the MPS from the beginning. Ludwig von Mises, Hayek’s teacher and friend, had expressed severe doubt concerning his plan simply in view of Hayek’s ini-

tial invitees: how could a society filled with certified state-interventionists promote the goal of a free and prosperous commonwealth? Despite his initial reservations, however, Mises became a founding member of the MPS. Yet his prediction turned out correct. Famously, at an early MPS meeting, Mises would walk out denouncing speakers and panelists as a bunch of socialists.

Essentially, this was also my first impression when I came in contact with the MPS and this impression has been confirmed since. The MPS is a society in which every right-wing social democrat can feel at home. True, occasionally a few strange birds are invited to speak, but the meetings are dominated and the range of acceptable discourse is delineated by certified state-interventionists: by the heads of government funded or connected foundations and think-tanks, by central bank payrollees, paper-money enthusiasts, and assorted international educrats and researchocrats in-and-out of government. No discussion in the hallowed halls of the MPS of US imperialism or the Bush war crimes, for instance, or of the financial crimes committed by the FED, and no discussion of any sensitive ‘race-issue,’ of course.

Not all of this can be blamed on Hayek, of course. He had increasingly lost control of the MPS already long before his death in 1992. But then: Hayek did have much to do with what the MPS had become. For, as Mises could have known already then and as would become apparent at last in 1960, with the publication of Hayek’s *Constitution of Liberty*, Hayek himself was a proven interventionist. In the third part of this famous book, Hayek had laid out a plan for a “free” society so riddled with interventionist designs that every moderate social-democrat—of the Scandinavian-German variety—could easily subscribe. When, at the occasion of Hayek’s 80th birthday in 1979, then social-democratic chancellor of West Germany, Helmut Schmidt, sent Hayek a congratulatory note proclaiming “we are all Hayekians now,” this was not an empty phrase. It was true, and Schmidt meant it.

What I came to realize, then, was this: The deplorable development—as judged from a classic-liberal vantage point—of the MPS was not an accident. Rather, it was the necessary consequence of a fundamental theoretical flaw committed not only by Hayek but, ultimately, also by Mises, with his idea of a minimal state. This flaw did not merely afflict the MPS. It afflicted the entire “limited-government” think-tank industry that had sprung up as its offspring since the 1960s throughout the Western, US. dominated world, and for which the MPS had assumed the function of an “International.”

The goal of “limited”—or “constitutional”—government, that Friedrich Hayek, Milton Friedman, James Buchanan and other MPS grandees had tried to promote and that every “free-market” think-tank today proclaims as its goal, is an “impossible” goal, much like it is an impossible goal to try squaring the circle. You cannot first establish a territorial monopoly of law and order and then expect that this monopolist will not make use of this awesome privilege of legislating in its own favor. Likewise: You cannot establish a territorial monopoly of paper-money production and expect the monopolist not to use its power of printing up ever more money. Limiting the power of the state, once it has been granted a territorial monopoly of legislation, is impossible, a self-contradictory goal. To believe that it is possible to limit government power—other than by subjecting it to competition, i.e., by not allowing monopoly privileges of any kind to arise in the first place—is to assume that the nature of Man changes as the result of the establishment of government (very much like the miraculous transformation of Man that socialists believe to happen with the onset of socialism). That is, the whole thing: limited government, is an illusionary goal. To believe it to be possible is to believe in miracles.

The strategy of Hayek and the MPS, then, *had* to fail. Instead of helping to reform—liberalize—the (Western) State, as they intended (or pretended?) to do, the MPS and the international “limited-government” think-tank industry would become an integral *part* of a continuously expanding welfare-warfare state system.

Indicators for this verdict abound: The typical location of the think tanks is in or near the capital city, most prominently Washington, DC, because

their principal addressee is the central government. They react to measures and announcements of government, and they suggest and make proposals to government. Most contacts of think-tankers outside their own institution are with politicians, government bureaucrats, lobbyists, and assorted staffers and assistants. Along with connected journalists, these are also the regular attendees of their conferences, briefings, receptions and cocktail parties. There is a steady exchange of personnel between think tanks and governments. And the leaders of the limited government industry are frequently themselves prominent members of the power elite and the ruling class. Most indicative of all: For decades, the limited government movement has been a growth industry. Its annual expenditures currently run in the hundreds of millions of dollars, and billions of dollars likely have been spent in total. All the while, State expenditures never and nowhere fell, not even once, but instead always and uninterruptedly increased to ever more dizzying heights. And yet, this glaring failure of the industry to deliver the promised good of limited government is not punished but, perversely, rewarded with still more ample funds. The more the think tanks fail, the more money they get. The State and the free market think tank industry thus live in perfect harmony with each other. They grow together, in tandem.

For limited government advocates such as Hayek and the entire free market think tank industry this is an embarrassment. They must try to explain it away somehow, as accidental or coincidental. And they typically do so. Simple enough, by arguing that without their continued funding and operations matters would be even worse. Thus excused, then, the industry continues on as before, undisturbed by any fact or event past or future. But the embarrassing facts are *not* accidental or coincidental and *could* have been systematically predicted—if only one had better understood the nature of the state and did not believe in miracles.

As a territorial monopolist of legislation and the money-printing press, the State has a natural tendency to grow: to use its “fiat” laws and “fiat” money to gain increasing control of society and social institutions. With “fiat laws” the State has the unique power of threatening and punishing or incentivizing and rewarding whatever it pleases, and with its “fiat money” it can buy-up support, bribe, and corrupt more easily than anyone else.

Certainly, an extraordinary institution such as this will have the means at its disposal, legal and financial, to deal with the challenge posed by a limited government industry! Historically, the State has successfully dealt with far more formidable opponents, such as organized religion, for instance! Unlike the Church or churches, however, the limited government industry is conveniently located and concentrated at or near the center of State power, and the industry's entire *raison d'être* is to talk and have access to the State. That is what its donor-financiers typically expect. Yet so much the easier then was it for the State to target and effectively control this industry. The State only had to set up its own bureaucracy in charge of free-market-relations and lure the limited-government NGOs with conferences, invitations, sponsorships, grants, money and employment prospects. Without having to resort to threats, these measures alone were sufficient to ensure compliance on the part of the free-market think-tank industry and its associated intellectuals. The market demand for intellectual services is low and fickle and hence intellectuals can be bought up cheaply! Moreover, through its cooperation with the free market industry the State could enhance its own legitimacy and intellectual respectability as an "economically enlightened" institution and thus open up still further room for State growth. Essentially, as with all so-called NGOs, the State managed to transform the limited government industry into just another vehicle for its own aggrandizement.

What I learned from my experience with the MPS, then, was that an entirely different strategy had to be chosen if one wanted to limit the power of the state. For socialists or social-democrats it is perfectly rational to talk and seek access to the State and to try marching through its institutions, because the Left wants to increase the power of the State. That is, the Left wants what the State is disposed to do anyway, by virtue of its nature as a territorial monopolist of law and order. But the same strategy is inefficient or even counterproductive if one wants to roll the power of the State *back*, regardless of whether one wants to roll it back completely and establish a state-less natural order or roll it back only "sharply" or "drastically" to some "glorious" or "golden" status quo ante. In any case, this goal can only be reached if instead of talking and seeking access to the State, the State is openly ignored, avoided and disavowed and its agents and propagandists are explicitly excluded

from one's proceedings. To talk to the State and include its agents and propagandists is to lend legitimacy and strength to it. To ostentatiously ignore, avoid and disavow it and to exclude its agents and propagandists as undesirable is to withdraw consent from the State and to weaken its legitimacy.

In sharp contrast to the MPS and its multiple offspring, then, that wanted to reform and liberalize the welfare-warfare state system from within—pursuing a "system-immanent" strategy of change, as Marxists would say—and that failed precisely for this reason and was instead co-opted by the State as part of the political establishment, my envisioned society, the PFS, was to pursue a "system-transcending" strategy. That is, it would try to reform, and ultimately revolutionize, the ever more invasive welfare-warfare State system from the outside, through the creation of an anti-statist *counterculture* that could attract a steadily growing number of defectors—of intellectuals, educated laymen and even the much-sworn to "man on the street"—away from the dominant State culture and institutions. The PFS was to be the international spearhead—the *avant-garde*—of this intellectual counterculture.

Central to this counterculture was the insight into the "perversity" of the institution of a State. A territorial monopolist of law and order that can make and change laws in its own favor does not and cannot without assuming miracles protect the life and property of its subjects (clients) but is and always will be a permanent danger to them, the sure road to serfdom and tyranny. Based on this insight, then, the PFS was to have a twofold goal. On the one hand, positively, it was to explain and elucidate the legal, economic, cognitive and cultural requirements and features of a free, state-less natural order. On the other hand, negatively, it was to unmask the State and showcase it for what it really is: an institution run by gangs of murderers, plunderers and thieves, surrounded by willing executioners, propagandists, sycophants, crooks, liars, clowns, charlatans, dupes and useful idiots, and an institution that dirties and taints everything it touches.

For purposes of full disclosure I must add this: At the urging of my friend Jesus Huerta de Soto, who had been co-opted at a very young age into the MPS by Hayek personally, I reluctantly applied for

membership sometime in the mid-1990s. Besides Huerta de Soto the late Arthur Seldon, who was then Honorary President of the MPS, had endorsed my membership. Nonetheless, I was turned down—and as I must admit, deservedly so, because I simply did not fit into such a society. From reliable sources I have been told that it was in particular Leonard Liggio, a former friend of Murray Rothbard's, who must have realized this and most vigorously opposed my membership, seconded from the German contingent of MPS movers and shakers by Christian Watrin. Both Liggio and Watrin would later become MPS presidents.

The John Randolph Club

My second experience with intellectual societies was with the John Randolph Club, which had been founded in 1989 by libertarian Murray Rothbard and conservative Thomas Fleming. From the outset, this society was far more to my liking. For a while, I played a leading role in the JRC. But I also played a prominent part in its breakup that occurred shortly after Rothbard's death in 1995, and that essentially resulted in the exit of the Rothbardian wing of the society. Nonetheless, I look back to those early JRC years with fond memories. So it is no surprise that quite a few of my old JRC comrades have also appeared here in Bodrum, at PFS meetings: Peter Brimelow, Tom DiLorenzo, Paul Gottfried, Walter Block, Justin Raimondo, Yuri Maltsev, David Gordon. In addition, I should mention my friend Joe Sobran, who had wanted to appear at our inaugural meeting but couldn't attend because of ill health.

In contrast to the “international” MPS, the JRC was an “American” Society. This did not mean that the JRC was more provincial, however. To the contrary. Not only had the JRC numerous “foreign” members; but whereas the MPS was dominated by professional economists, the JRC represented a much broader, interdisciplinary and trans-disciplinary spectrum of intellectual interests and endeavors. On the average, foreign language proficiency among JRC-ers ranked well above that encountered in MPS circles. In its habits and ways the MPS was multi-cultural, egalitarian and non-discriminating, all the while it was highly restrictive and intolerant regarding the range of permissible subjects and of intellectual taboos. In

sharp contrast, the JRC was a decidedly bourgeois, anti-egalitarian and discriminating society, but at the same time a society far more open and tolerant intellectually, without any taboo-subjects. In addition, whereas MPS meetings were large and impersonal: they could exceed 500 participants, JRC meetings had rarely more than 150 attendees and were small and intimate.

I liked all of these aspects of the JRC. (I didn't much care for the venues of its meetings: typically some business hotel in the outskirts of a major city. In this regard, MPS meetings had clearly more to offer – although for a stiff price.) But, as indicated, not all was well with the JRC, and my encounter with it also taught me a few lessons on what not to imitate.

The breakup of the JRC shortly after Rothbard's death had partly personal reasons. Tom Fleming, the surviving principal of the Club, is, to put it diplomatically, a “difficult man,” as everyone who has dealt with him can testify. In addition, there were organizational quarrels. The meetings of the JRC were organized annually alternating by the Center for Libertarian Studies, which represented Murray Rothbard and his men, and by the Rockford Institute, which represented Thomas Fleming and his. This arrangement had perhaps unavoidably led to various charges of free-loading. Ultimately, however, the breakup had more fundamental reasons.

The JRC was a coalition of two distinct groups of intellectuals. On the one hand was a group of anarcho-capitalist Austro-libertarians, led by Rothbard, mostly of economists but also philosophers, lawyers, historians and sociologists (mostly of a more analytical-theoretical bend of mind). I was a member of this group. On the other hand was a group of writers associated with the conservative monthly *Chronicles: A Magazine of American Culture* and its editor, Thomas Fleming. Paul Gottfried was a member of that group. The conservative group did not have any economist of note and generally displayed a more empirical bend of mind. Apart from historians and sociologists, it included in particular also men of letters: of philologists, literary writers, and cultural critics.

On the libertarian side, the cooperation with conservatives was motivated by the insight that while libertarianism may be logically compatible with many cultures, socio-logically it requires a conser-

vative, bourgeois core culture. The decision to form an intellectual alliance with conservatives then involved for the libertarians a double break with the “establishment libertarianism” as represented, for instance, by the Washington DC “free market” CATO Institute. This establishment libertarianism was not only theoretically in error with its commitment to the impossible goal of limited government (and centralized government at that), it was also sociologically flawed with its anti-bourgeois—indeed: adolescent—so-called “cosmopolitan” cultural message: of multiculturalism and egalitarianism, of “respect no authority,” of “live-and-let-live,” of hedonism and libertinism. The anti-establishment Austro-libertarians sought to learn more from the conservative side about the cultural requirements of a free and prosperous commonwealth. And by and large they did and learned their lesson. At least I think that I did.

For the conservative side of the alliance, the cooperation with the Austrian anarcho-capitalists signified a complete break with the so-called neo-conservative movement that had come to dominate organized conservatism in the US and which was represented, for instance, by such Washington DC think tanks as the American Enterprise Institute and the Heritage Foundation. The paleo-conservatives, as they came to be known, opposed the neo-conservative goal of a highly and increasingly centralized, “economically efficient” welfare-warfare State as incompatible with the traditional conservative core values of private property, of family and family households, and of local communities and their protection. There were some points of contention between the paleo-cons and the libertarians: on the issues of abortion and immigration and on the definition and necessity of government. But these differences could be accommodated in agreeing that their resolution must not be attempted on the level of the central state or even some supra-national institution such as the UN, but always on the smallest level of social organization: on the level of families and of local communities. For the paleo-cons, secession from a central State was not a taboo, and for the Austro-libertarians secession had the status of a natural human right (while establishment libertarians typically treat it as a taboo subject); hence, cooperation was possible. Moreover, the cooperation with the Austro-libertarians was to afford the conservatives the opportunity of learning sound (Austrian school) economics, which was an acknowledged

gap and weakness in their intellectual armor, especially vis-à-vis their neo-conservative opponents. However, with some notable exceptions the conservative group failed to live up to these expectations.

Culture and Economics

This, then, was the ultimate reason for the breakup of the libertarian-conservative alliance accomplished with the JRC: that while the libertarians were willing to learn their cultural lesson the conservatives did not want to learn their economics.

This verdict, and the consequent lesson, was not immediately clear, of course. It was driven home only in the course of the events. In the case of the JRC, the event had a name. It was Patrick Buchanan, TV personality, commentator, syndicated columnist, best-selling book author, including serious works on revisionist history, a very charismatic man, witty and with great personal charm, but also a man with a deep and lasting involvement in Republican Party politics, first as a Nixon speechwriter and then as White House Director of Communications under Ronald Reagan.

Pat Buchanan did not participate directly in the JRC, but he had personal ties to several of its leading members (on both sides of the Club but especially to the *Chronicles* group, which included some of his closest advisors) and he was considered a prominent part of the counter-cultural movement represented by the JRC. In 1992, Buchanan challenged then sitting president George Bush for the GOP presidential nomination. (He would do so again in 1996, challenging senator Bob Dole for the Republican nomination, and in 2000 he would run as the presidential candidate for the Reform Party.) Buchanan’s challenge was impressive at first, nearly upsetting Bush in the New Hampshire primary, and it initially caused considerable enthusiasm in JRC circles. However, in the course of Buchanan’s campaign and in reaction to it open dissent between the two JRC camps broke out as regards the “correct” strategy.

Buchanan pursued a populist “America First” campaign. He wanted to talk and appeal to the so-called ‘Middle Americans,’ who felt betrayed and dispossessed by the political elites of both parties. After the collapse of communism and the end of

the cold war, Buchanan wanted to bring all American troops back home, dissolve NATO, leave the UN, and conduct a non-interventionist foreign policy (which his neo-conservative enemies smeared as “isolationist”). He wanted to cut all but economic ties to Israel in particular, and he openly criticized the “un-American” influence of the organized Jewish-American lobby, something that takes considerable courage in contemporary America. He wanted to eliminate all “affirmative action,” non-discrimination and quota laws that had pervaded all aspects of American life, and which were essentially anti-white and especially anti-white-male laws. In particular, he promised to end the non-discriminatory immigration policy that had resulted in the mass immigration of low-class third-world people and the attendant forced integration or, euphemistically, “multiculturalism.” Further, he wanted to end the entire “cultural rot” coming out of Washington DC by closing down the federal Department of Education and a multitude of other federal indoctrination agencies.

But instead of emphasizing these widely popular “rightist” cultural concerns, Buchanan, in the course of his campaign, increasingly intoned other, economic matters and concerns, all the while his knowledge of economics was rather skimpy. Concentrating on what he was worst at, then, he increasingly advocated a “leftist” economic program of economic and social nationalism. He advocated tariffs to protect “essential” American industries and save American jobs from “unfair” foreign competition, and he proposed to “protect” Middle Americans by safeguarding and even expanding the already existing welfare-State programs of minimum wage laws, unemployment insurance, Social Security, Medicaid and Medicare.

When I explained, in a speech before the club, that Buchanan’s rightist-cultural and leftist-economic program was theoretically inconsistent and that his strategy must consequently fail to reach its own goal, that you cannot return America to cultural sanity and strengthen its families and communities and at the same time maintain the institutional pillars that are the central cause for the cultural malaise, that protectionist tariffs cannot make Americans more prosperous, but less, and that a program of economic nationalism must alienate the intellectually and culturally indispensable bourgeoisie while attracting the (for us and our purposes) “useless” proletariat, it almost came to an éclat. The conser-

vative group was up in arms about this critique of one of its heroes.

I had hoped that, notwithstanding feelings of friendship or personal loyalty, after some time of reflection reason would prevail, especially after it had become clear by the ensuing events that Buchanan’s strategy had also failed numerically, at the polls. I thought that the JRC conservatives would sooner or later come to realize that my critique of Buchanan was an “immanent” critique; that is, that I had not criticized or distanced myself from the goal of the JRC, and presumably also Buchanan’s, of a conservative cultural counterrevolution, but that, based on elementary economic reasons, I had simply found the means—the strategy—chosen by Buchanan to accomplish this goal unsuitable and ineffective. But nothing happened. There was no attempt to refute my arguments. Nor was there any sign that one was willing to express some intellectual distance to Buchanan and his program.

From this experience I learned a twofold lesson. First, a lesson that I had already come away with from my encounter with the MPS was reinforced: Do not put your trust in politicians and do not get distracted by politics. Buchanan, notwithstanding his many appealing personal qualities, was still at heart a politician who believed in government, above all, as a means of effecting social change. Second and more generally, however, I learned that it is impossible to have a lasting intellectual association with people who are either unwilling or incapable of grasping principles of economics. Economics—the logic of action—is the queen of the social sciences. It is by no means sufficient for an understanding of social reality, but it is necessary and indispensable. Without a solid grasp of economic principles, say on the level of Henry Hazlitt’s *Economics in One Lesson*, one is bound to commit serious blunders of historical explanation and interpretation.

Thus, I concluded that the PFS not only had to exclude all politicians and government agents and propagandists as objects of ridicule and contempt, as emperors without clothes and the butt of all jokes rather than objects of admiration and emulation, but it also had to exclude all economic ignoramuses.

When the JRC broke apart, this did not mean that the ideas that had inspired its formation had died

out or did no longer find an audience. In fact, in the US, a think tank dedicated to the same ideas and ideals had grown up. The Ludwig von Mises Institute, founded in 1982 by Lew Rockwell, with Murray Rothbard as its academic head, had started out as just another limited government think tank—although Rothbard and all other leading Mises Institute associates were anarcho-capitalist Austrians. Yet by the mid-1990s—and I pride myself in having played an important role in this development—Lew Rockwell had transformed the institute, significantly located far away from Washington DC, in provincial Auburn, Alabama, into the very first and only free market think tank that had openly renounced the goal of limited government as impossible and come out instead as an unabashed advocate of anarcho-capitalism, deviating thereby from a narrow, “literal” interpretation of its name sake and yet staying true to his spirit in pursuing the rigorous, Misesian praxeological method to its ultimate conclusion. This move was financially costly at first, but under Rockwell’s brilliant intellectual entrepreneurship it had eventually become an enormous success, easily outcompeting its far richer “limited-government-libertarian” rivals such as the CATO Institute in terms of reach and influence. Moreover, in addition to the Mises Institute, which focused more narrowly on economic matters, and in the wake of the disappointing experience with the JRC and its breakup, Lew Rockwell had set up, in 1999, an anti-state, anti-war, pro-market website—LewRockwell.com—that added an interdisciplinary, cultural dimension to the Austro-libertarian enterprise and proved to be even more popular, laying the intellectual groundwork for the present Ron Paul movement.

A Libertarian Salon

The PFS was not supposed to compete with the Mises Institute or LewRockwell.com. It was not supposed to be a think tank or another publication outlet. Rather, it was to complement their and other efforts by adding yet another important component to the development of an anti-statist intellectual counterculture. What had disappeared with the break-up of the original JRC was an intellectual Society dedicated to the cause. Yet every intellectual movement requires a network of personal acquaintances, of friends and comrades in arms to be successful, and for such a network to be established and grow, a regular meeting place, a

society, is needed. The PFS was supposed to be this society.

I wanted to create a place where likeminded people from around the world could gather regularly in mutual encouragement and in the enjoyment of unrivalled and uncensored intellectual radicalism. The society was supposed to be international and interdisciplinary, bourgeois, by invitation only, exclusive and elitist: for the few “elect,” who can see through the smokescreen put up by our ruling classes of criminals, crooks, charlatans, and clowns.

After our first meeting, 5 years ago, here at the Karia Princess, my plan became more specific still. Inspired by the charm of the place and its beautiful garden, I decided to adopt the model of a salon for the PFS and its meetings. The dictionary defines a salon as “a gathering of intellectual, social, political, and cultural elites under the roof of an inspiring hostess or host, partly to amuse one another and partly to refine their taste and increase their knowledge through conversation.” Take the “political” out of this definition—and there you have it what I have tried to accomplish for the last few years, together with Guelcin, my wife and fellow Misesian, without whose support none of this would be possible: to be hostess and host to a grand and extended annual salon, and to make it, with your help, the most attractive and illustrious salon there is.

I hope—and indeed I am confident—that this, our fifth meeting, will mark another step forward toward this end.

