

## Leithner Letter No. 167-170

### 26 October 2013 - 26 January 2014

... *In what respect are we superior to the brute creation, if intellect is not allowed to be the guide of passion? Brutes hope and fear, love and hate; but, without a capacity to improve, a power of turning these passions to good or evil, they neither acquire virtue nor wisdom. Why? Because the Creator has not given them reason. ... [Hence] it may be confidently asserted that no man chooses evil, because it is evil; he only mistakes it for happiness, the good he seeks. And the desire of rectifying these mistakes, is the noble ambition of an enlightened understanding, the impulse of feelings that Philosophy invigorates.*

Mary Wollstonecraft  
*A Vindication of the Rights of Men* (1790)

*The test of fascism is not one's rage against the Italian and German war lords. The test is: how many of the essential principles of fascism do you accept, and to what extent are you prepared to apply those fascist ideas to American social and economic life? When you can put your finger on the men or the groups that urge for America the debt-supported state, the state bent on the socialisation of investment and the bureaucratic government of industry and society, the establishment of the institution of militarism as the great glamorous public-works project of the nation and the institution of imperialism under which it proposes to regulate and rule the world and, along with this, proposes to alter the forms of our government to approach as closely as possible the unrestrained, absolute government. Then you will know you have located the authentic fascist.*

John T. Flynn  
*As We Go Marching* (1944)

## A Reviewee Reviews a Reviewer – Part I

“Why,” asks [Ciro Scotti](#) in [Robert Shiller Explains Why Economists Won't Help Fix the Economy](#) (*Business Insider*, 9 October 2011), “didn’t economists see the financial crisis of 2008 coming? And why in the face of joblessness and a floundering economy are they, in the words of one top economist, ‘unable to be helpful?’” Scotti continues:

Yale economist Robert Shiller [one of the winners of the 2013 Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel, which is erroneously called the “Nobel Prize in Economics”] has a very simple answer – at least to the financial crisis question: His colleagues in the dismal science are wearing blinders these days, with most examining only narrow strands of data instead of taking a world view that encompasses other disciplines. Economists are no longer the “worldly philosophers” they once were, argues Shiller. ... “The financial crisis that started in 2007 and that continues today is widely taken in the popular press as evidence of a lapse, moral or otherwise, in the wisdom and judgment of the economics profession,” Shiller and his wife, Yale

psychologist Virginia Shiller, write in a paper presented to the 9<sup>th</sup> annual conference of Columbia University's Center on Capitalism and Society.

"These days," Shiller said at the conference, which occurred in September 2011, "economists seem to miss things that are important because they're so busy." The Shiller-Shiller paper added:

Specialisation coupled with strong competitive pressures within academia leads to a situation in which academics often feel that they just do not have time to ponder broad issues and learn even basic simple facts outside their specialty. Their general knowledge may be embarrassingly limited, and so they may retreat into their own specialty and produce research which contributes in small ways to the development of the field, but fails to pay attention to the larger picture.

These blinders of academic specialisation, lapse of wisdom and judgment and embarrassing limitation of general knowledge don't just seem to underlie – they appear to epitomise and permeate – a [review](#) of [The Evil Princes of Martin Place: The Reserve Bank of Australia, the Global Financial Crisis and the Threat to Australians' Liberty and Prosperity](#) (CreateSpace, 2011) which appeared in the inaugural (Summer 2012) issue of [The Journal of Peace, Prosperity and Freedom](#). In the review's first paragraph, Steve Kates states:

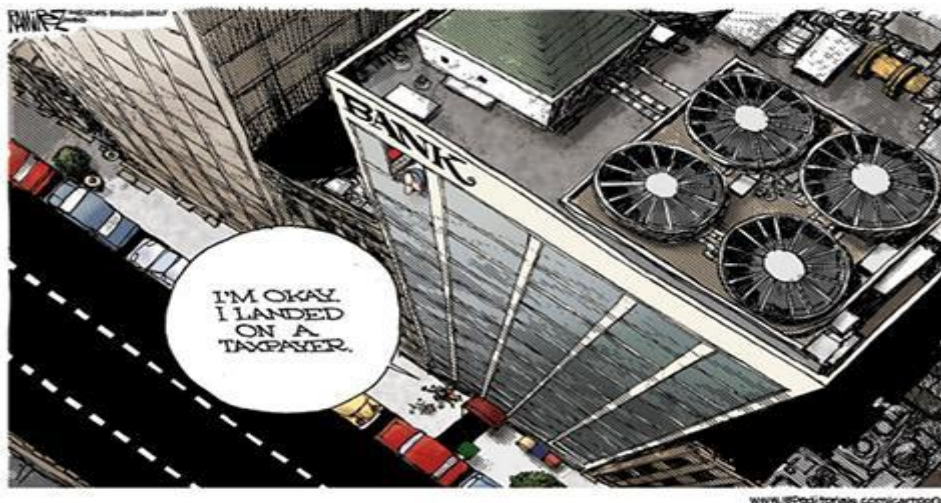
Moral wrong is related to intentionality. You must wish to do harm if the harm you do is to be a matter of blame. Whatever else the people who run our central bank may intend, they are trying to do good as best they can. To describe the Reserve Bank board as "the evil princes of Martin Place" immediately removes the book from being about economic policy to one about morality and blame.

This paragraph raises one fundamental point that I'll disprove at great length, another with which I'll largely agree and three that for my purpose are somewhat peripheral but are nonetheless worth a brief rebuttal. Let's begin with the three lesser points. First, nowhere do I limit the applicability of the phrase "the evil princes of Martin Place" to the RBA's board. I hoped that the book made it clear, and am disappointed that Kates didn't grasp, that the evil princes comprise not just all of the RBA's past and current employees, ranging from the humblest clerk to the haughtiest Governor, but also include its numerous and strident skills in the bureaucracy, universities, mainstream media and elsewhere.

The second tangential point is the Freudian slip "our central bank." Kates refers to "our" RBA in the same way that the Australian Broadcasting Corp. touts its purported relationship to the general public. But it's neither "my" nor "your" ABC: if it were, I'd sell my stake as soon as I could, and would encourage you to sell yours. If I possess valid title to an item of property, I can transfer it; otherwise, it isn't mine. To whom, exactly, do agencies of the state such as the ABC and RBA belong? Chapter 9 of *The Evil Princes* addresses this knotty question. Alas, Kates recoils in concocted horror and refuses even to consider its logic and evidence. If he had, surely he'd understand that, whatever they are, the ABC, RBA, etc., clearly *aren't* "ours."

A third peripheral point: Kates asserts that the RBA's agents "are trying to do good as best they can." How does he know? Where is his evidence? Kates' contention floored me when I first read it. "Surely," I muttered to myself, "he's at least dimly aware of the tenet of public choice – namely that bureaucrats are as self-interested as anybody else?" Does he seriously think that people somehow sprout halos over their heads when they become employees of a central bank? Let's therefore consider Kates' assertion. If it's true, then the relevant question becomes: for whom – that is, for whose benefit – are the RBA's employees trying to do their best? Is Kates declaring that they're acting at the behest of Australians as a whole? Or that they're doing the bidding of a subset of the population? In particular, is he implicitly acknowledging that central bankers act in order to benefit privileged (not least by artificially low rates of interest) debtors, including the Commonwealth Government, and thereby to the detriment (again, as a consequence artificially low rates among other things) of benighted savers?

As Kates must know (I'd be flabbergasted if he didn't), central banks' actions necessarily benefit some people and penalise others. Specifically, their counterfeiting and inflation ("expansionary monetary policy") transfers purchasing power away from those who hold old money to whoever is the first to obtain new money. This, it's important to emphasise, is hardly news: it's a component of what's become known as the Cantillon Effect, after the 18<sup>th</sup>-century economist, Richard Cantillon, who first noticed it more than 200 years ago. *The Evil Princes* derives this effect from first principles and describes it and its consequences – particularly the agents of government and their allies (such as major investment banks) stand among the first in the queue to receive new money. Bluntly, central banks' counterfeiting, like all counterfeiting, redistributes purchasing power (and hence the resources it can buy) to fraudsters and their confederates. Last to receive the new money – which, by the time they receive it, buys less than the old money – are outsiders. Surely this effect has ethical implications, and surely it's reasonable to assess them? Yet Kates slates *The Evil Princes* precisely because it analyses the RBA on ethical as well as empirical grounds. Whether or not it's his intent, Kates in effect defends an institution which makes the privileged even richer and penalises the disadvantaged non-rich.



This conveniently leads me to the main point of Kates' first paragraph – and my rebuttal of his criticism. He asserts that the morality or otherwise of a particular action depends not upon its *consequences*, but upon its perpetrator's *purpose*. As he sees it, a bad motivation

is a necessary condition of an immoral action. Further, and judging by the example he cites, a good intention is a sufficient condition of a moral action – or, at any rate, such an intention will render you blameless if your good intention unexpectedly begets bad consequences.<sup>1</sup> If you're trying to do good, as Kates asserts that the agents of the RBA are, then, regardless of whether you actually achieve this objective, he reckons that you're blameless. He doesn't explicitly say so, but the implication is clear: *any* action allegedly motivated by good intentions *cannot* be regarded as immoral. If you don't intend to do evil, then nobody can condemn your actions as evil.<sup>2</sup>

If this is correct, then an action's ethical status depends upon the context in which it occurs. If that's right, then one of the underpinnings of *The Evil Princes* is wrong. Whereas the book explicitly reasons deductively from the standpoint of moral absolutism – i.e., that our Creator has established immutable standards of good and evil, that these norms apply equally to all people at all times and in all places, and as much to the agents of the state as to private individuals – Kates hints that he's either a moral relativist (i.e., he regards that standards of good and evil are man-made, and vary across time and place according to local customs, etc.) or a moral universalist (i.e., he believes what all humans commonly regard as good and evil determine these man-made standards).

If moral absolutists are wrong and either relativists or universalists are correct, then (assuming that jealousy is a bad motive and emotional attachment to the state and submission to its dictates is a good one), a given action such as killing a human being can be immoral in one context (say, by a wife who strangles her husband in their bedroom) but moral in another (a soldier on the battlefield wearing the costume of Nation X who shoots a soldier wearing the outfit of Nation Y). If morality is a matter of intention and context, then a stiff wind is blowing into the sails of modern (that is, statist) ethics. For example, by this modern standard if you and I do it then it's theft (which most people agree is bad); but if agents of the state do it with the intention to redistribute from X to Y, then it's taxation – which these days an apparent majority, particularly of “progressives,” regards as unquestionably good (and its critics as irredeemably bad).

Further, if you and I do it, then it's counterfeiting (which, again, most people agree is bad), but if the state's central bank does it, then it's monetary policy – which most people, apparently including Kates – insist is good. If you or I must borrow in order to repay the interest that's immediately payable on our vast loans, then it's as plain as day that

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<sup>1</sup> Who knows whether the perpetrator's intention is good or bad? Clearly, given mankind's capacity to err (not to mention delude himself, of which more below) not even the perpetrator can truly know: only his Creator can. Given his objection to the “Christian theology” (actually, Judeo-Christian is closer to the mark) that underlies *The Evil Princes*, Kates presumably discounts, denies or ignores the Creator's knowledge. That leaves the perpetrator – and third-party observers who impute motives to him. Equally clearly, however, this observer's imputation may be mistaken. The observer may falsely attribute good motives to a mal-intentioned actor; he may also erroneously attribute bad motives to a well-intentioned actor. The consequences are therefore ironically amusing. Mainstream economists worship at the altar of empirical verification. But their criterion of ethical behaviour is inherently untestable. Perhaps that's why rigorous assessment of their assumptions simply bores them.

<sup>2</sup> By “evil” we mean profound immorality and wickedness. From a Judeo-Christian point of view, evil describes any attitude, thought or action that contradicts God's character or contravenes his will. What causes evil? Man's desire to regard himself as God.

we're insolvent. If, however, the U.S. Government is unable to borrow in order to finance its vast and growing debt, it's not bankrupt: Americans are being "held hostage" by a small group of "wackos" and "extremists" in the Congress. Finally, if you and I do it, it's mass murder, which everybody denounces as evil; but if the state's agents do it, then it's "foreign policy." Such policy, regrettably, sometimes produces "collateral damage;" but anybody who regards these agents as mass murderers is unpatriotic, perhaps even treasonous, and certainly misguided. Statists' indignation in response to absolutists' criticism is palpable: the state (insiders) *rules* and its subjects (outsiders) must *obey*!

Kates doesn't explicitly say so but his inference is clear: only if I can demonstrate that a perpetrator – including an agent of the state – intends to act immorally can I conclude that his actions' consequences are immoral. But how many politicians and bureaucrats *ever* confess any motive other than the purest benevolence, the best will and – apparently their trump card – "the public interest"? Whether he intends it or not, Kates' standard of "morality" invites the agents of the state to counterfeit, borrow and spend with impunity, thereby robbing the "outsider" Peter to pay the "insider" Paul (allegedly for the good of both), and to wage perpetual war for perpetual peace.

Does the morality of an action depend upon the context in which it occurs? In his 5<sup>th</sup>-century masterpiece, *The City of God* (Book IV, Chapter 4, "How Like Kingdoms Without Justice are to Robberies"), St Augustine of Hippo crushes relativist and universal morality, and affirms absolutist morality. In plain English, there simply aren't two separate moralities (one for the agents of the state and the other for the rest of us):

... What are kingdoms but great robberies? For what are robberies themselves, but little kingdoms? The band itself is made up of men; it is ruled by the authority of a prince, it is knit together by the pact of the confederacy; the booty is divided by the law agreed on. If, by the admittance of abandoned men, this evil increases to such a degree that it holds places, fixes abodes, takes possession of cities, and subdues peoples, it assumes the more plainly the name of a kingdom, because the reality is now manifestly conferred on it, not by the removal of covetousness, but by the addition of impunity. Indeed, that was an apt and true reply which was given to Alexander the Great by a pirate who had been seized. For when that king had asked the man what he meant by keeping hostile possession of the sea, he answered with bold pride, "What you mean by seizing the whole earth; but because I do it with a petty ship, I am called a robber, while you who does it with a great fleet are styled emperor.

Does immoral action necessarily require bad intentions? Let's represent Kates' implicit argument in the form of a simple syllogism:

- Major Premise: Moral wrong is related to intentionality. In particular, only if you intend to do evil can your action's result(s) be regarded as evil.  
Minor Premise: In the past central bankers have not intended to do evil, and today they do not mean to do evil (just ask them!).  
Conclusion: Central bankers' actions have not been, and today are not, evil.

Unless on purely *ad hoc* grounds Kates restricts it to banking and finance, the applicability of this argument's major premise extends well beyond the field of central banking. These consequences are not just breathtaking: they are utterly monstrous. To cite one example: if Kates is correct, then the Holocaust – the intentional murder of more than ten million Jews, Slavs, Gypsies, POWs and disabled people, among others<sup>3</sup> – was not evil. Why not? Simply because Hitler and his henchmen denied that they were doing or intended to do evil. Quite the contrary: they insisted that they were doing great good. As Richard Overy writes in *The Dictators: Hitler's Germany and Stalin's Russia* (Penguin, 2004, pp. 265-266):

There is one question that is seldom asked of the two dictatorships yet is fundamental to understanding how they could behave as they did towards the populations under their power: why did they think they were right? In neither case did those who ran the two regimes regard as criminal or immoral the vicious persecution unleashed against enemies, both real and imagined. It is unlikely that Stalin and Hitler spent sleepless nights tortured by the thought of the millions [murdered] at their behest. In neither case did the dictators display any outward doubts about the justice of their particular cause. The lack of conscience was not merely ... the expression of might as right. In each dictatorship a unique moral universe was constructed in order to justify and explain what appear otherwise to be the most sordid and arbitrary of acts.

Historians have been wary of trying to reconstruct the moral outlook of the dictatorships because their ethical claims are seldom taken to be more than rhetorical or demagogic devices to sweeten the sour taste of state repression. Yet the failure to take the ethical discourses of both dictatorships seriously distorts historical reality ... Both systems were driven by powerful moral imperatives that challenged ... the norms derived from the heritage of Roman antiquity and Christianity ... The moral plane of [these dictatorships] was not an irrelevance, but a battleground between different interpretations of justice and moral certainty.

Both systems shared the conviction that moral norms are not universal or natural or the product of divine revelation. The moral universe of both dictatorships was founded not upon absolute moral values, but on relative values derived from particular historical circumstances. ...

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<sup>3</sup> The Holocaust, also known as Shoah (“catastrophe”), says Wikipedia,

was the mass murder or genocide of approximately six million Jews during World War II, a programme of systematic state-sponsored murder by Nazi Germany, led by Adolf Hitler and the Nazi Party, throughout the German Reich and German-occupied territories. Of the nine million Jews who had resided in Europe before the Holocaust, approximately two-thirds were killed. Over one million Jewish children were killed in the Holocaust, as were approximately two million Jewish women and three million Jewish men. ... Some scholars argue that the mass murder of Romani and people with disabilities should be included in the definition, and some use the common noun “holocaust” to describe other Nazi mass murders, including those of Soviet prisoners of war, Polish and Soviet civilians, and homosexuals. Recent estimates, based on figures obtained since the fall of the Soviet Union in 1989, indicate some ten to eleven million civilians (mostly Slavs) and prisoners of war were intentionally murdered by the Nazi regime.

Moreover (and perhaps even more distressing), most Germans, both between 1933 and 1945 and during the early post-war years, rejected the contentions that Hitler intended to do evil and that he actually did do evil. “No dictatorship has been as ardently desired or so firmly supported by so many people as Hitler’s was in Germany,” said A.J.P Taylor in *From Sarajevo to Potsdam* (Harcourt, Brace & World, 1967, pp. 136-138). “The most evil system of modern times was also the most popular.” As far as his followers concerned, Hitler’s actions – including the murder of millions – intended and did do good.<sup>4</sup>

I don’t imagine for a second that Kates is a National Socialist or a sympathiser or anything remotely of the sort. Nor do I doubt that he would reject utterly and completely his argument’s implications if somebody brought them to his attention. I do, however, suspect that he’s a typical example of the general phenomenon that, according to Robert Shiller, hobbles (I’d say cripples) most mainstream economists. In short, blinders of academic specialisation, the lapse of wisdom and judgment and an embarrassing limitation of general knowledge both impair Kates’ reasoning (and that of most mainstream economists) and blind them to their arguments’ implications. The implications of Kates’ argument are as chilling as they are inescapable:

Major Premise: Moral wrong is related to intentionality. In particular, only if you intend to do evil can your action’s result(s) be regarded as evil.

Minor Premise: Adolf Hitler and his henchmen didn’t *intend* to do evil. Indeed, through the deliberate mistreatment and murder of millions, they insisted that they intended to do, and were doing, good. Moreover, in 1933-1945 and immediately after the war, most Germans denied both that Hitler intended to do evil and that he actually did evil.

Conclusion: The Holocaust was not and today cannot be regarded as evil.

This argument’s weakness is obvious. As St Bernard of Clairvaux wrote in the 12<sup>th</sup> century: “L’enfer est plein de bonnes volontés et désirs” (Hell is full of good wishes and desires). The modern aphorism is “the road to Hell is paved with good intentions” (or, alternatively, “Hell is full of good meanings, but heaven is full of good works”). Translated into econo-speak, we have the “law of unintended consequences.” The actions of people,

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<sup>4</sup> According to Eric Johnson, *The Nazi Terror: Gestapo, Jews and Ordinary Germans* (John Murray, 1999, p. 375), “the masses in Nazi Germany largely celebrated Hitler.” Further (p. 483), “large numbers of ordinary Germans willingly took part in the murder of hundreds of thousands of innocent and defenceless Jewish men, women and children.”

Why? According to Peter Fritzsche, *Life and Death in the Third Reich* (Harvard University Press, 2008, pp. 2-5), “Germans imagined themselves to be the victims of the very crimes they subsequently carried out against Poles, Russians and Jews. ... The peril that Germans both inside and outside the Third Reich imagined they faced was extreme and had a specific historical context. ... For Germany to live, others – especially Jews – had to die. ... The Nazis believed that Germany was mortally threatened by a cluster of ... dangers, by Poland, and by the Treaty of Versailles, which had redrawn Germany’s borders to Poland’s advantage, but also by political and social conflict and racial degeneration that Germany’s unexpected defeat in 1918 had exposed. ... Even as they built up a militarised racial state, which appeared almost unassailable to its opponents, they repeatedly imagined the demise of Germany at the hands of Poles, Bolsheviks, Jews and other enemies. Figures of Germans threatened with sterilisation or exterminated and reduced to ashes littered Nazi propaganda.” See also Daniel Jonah Goldhagen, *Hitler’s Willing Executioners: Ordinary Germans and the Holocaust*, (Abacus, 1999) and Robert Gellately, *Backing Hitler: Consent and Coercion in Nazi Germany*, (Oxford University Press, 2001).

especially of agents of government, *always* have unanticipated or unintended effects. According to Rob Norton's article [Unintended Consequences](#) in *The Concise Encyclopaedia of Economics*, "Economists and other social scientists have heeded [this law's] power for centuries; for just as long, politicians and popular opinion have largely ignored it." Apparently Kates didn't receive the memo. Norton cites a telling example:

The law of unintended consequences illuminates the perverse unanticipated effects of legislation and regulation. In 1692 the English philosopher John Locke, a forerunner of modern economists, urged the defeat of a parliamentary bill designed to cut the maximum permissible rate of interest from 6% to 4%. Locke argued that instead of benefiting borrowers, as intended, it would hurt them. People would find ways to circumvent the law, with the costs of circumvention borne by borrowers. To the extent the law was obeyed, Locke concluded, the chief results would be less available credit and a redistribution of income away from "widows, orphans and all those who have their estates in money."

A bill allegedly intended to help borrowers, Locke rightly contended, actually harmed them. *The bill's consequences were bad: therefore the bill was bad.* An actor's intention, in other words – even if we can accurately ascertain it, which I strongly doubt we can – is irrelevant to a consideration of whether his action is morally good, indifferent or bad. Instead, what's relevant to such a consideration is the action's consequences. An act is evil because it causes evil consequences, and an institution is evil because over time it produces much bad and little or no good. Regardless of whether you do so intentionally or inadvertently, it's wrong to kill, bear false witness, etc. These things are *always* wrong because their consequences are *always* bad.

Kates' major premise – and his principal criticism of *The Evil Princes of Martin Place* – is false: moral wrong is NOT related to intentionality. Even if we grant them good intentions, the consequences of central bankers' actions – such as the destruction of the currency, the redistribution of purchasing power from the disadvantaged to the advantaged, the exacerbation of the cycle of boom and bust, the subsidisation of the welfare-warfare state, etc., as *The Evil Princes* explains from first principles and documents at great length – are evil. Given these evil consequences, central banks' actions are evil.

### **What on Earth Have Evil, Hitler and the Holocaust to Do with Anything?**

If you're a mainstream economist, I'm amazed that you've read this far. Typically, deductive verbal reasoning and the analysis of the moral and ethical aspects of economic and financial matters very quickly bores and exasperates them; instead, they hunger for data (no matter how stylised and unrepresentative) and mathematical models (no matter how unrealistic their assumptions and no preposterous their inferences) whose purpose is to devise costly policies of government intervention which both fail utterly (according to the law of unintended consequences) and succeed brilliantly (in the sense that they "justify" the welfare-warfare state and provide artificial demand for mainstream economists). It's quite amusing: economists rightly attribute self-interest to those whom they study; but



they indignantly reject the very possibility that economists are – like most people – self-interested creatures who strive to feather their own nests.

What possible relevance have Hitler and the Holocaust to the linkage between good intentions and evil consequences? Let's consider this question in an intentionally universalist vein: although the deliberate actions and policies of Joseph Stalin and Mao Tse-Tung resulted in the deaths of more people than those of Adolf Hitler, and indeed [during the 20<sup>th</sup> century alone the deliberate actions of the state's agents begat ca. 170 million deaths](#), since the Second World War Adolf Hitler and the regime he led has commonly – and not least by people eager to distract attention from the appalling crimes of Chairman Mao and Uncle Joe – been regarded as the epitome and personification of evil. It seems to me that the most frightening thing about evil is not, as Hannah Arendt alleged, that it is banal (that is, nondescript and pliable people resort to evil in order to go along and get along). What should startle us even more – but seemingly doesn't – is that the individual routinely attributes self-interested, greedy, harmful, immoral and evil intentions to others. Conversely, he seldom attaches such motives to himself: indeed, he virtually always ascribes to himself altruistic and righteous motives.

*If Kates is correct, then there's no such thing as evil.* Nobody ever intends to perpetrate evil; man is, however, infinitely capable of rationalising his actions. No one awakes in the morning and says to himself: “today I'm going to commit atrocities.” Instead, he swings his legs out of bed and resolves to protect “his” people from its enemies – and thereby to “make a difference” and “change the world for the better,” or at the very least improve his own life.<sup>5</sup> Similarly, no central banker intends to create inflation, destabilise the economy and undermine the currency: quite the contrary, they sincerely but mistakenly believe that they fight inflation, stabilise the economy and defend the currency. As Mary Wollstonecraft sagely observed, “no man [including Hitler] chooses evil, because it is evil; he only mistakes it for happiness, the good he seeks.” *Given man's vast capacity for rationalisation, conceit and self-delusion, you and I are as likely as the next person to think evil thoughts and commit evil acts.* Whether we worship God or ourselves as if we were God, Luke 18:11 reveals something undeniably rotten about man's fallen nature: “The Pharisee stood and prayed thus with himself, ‘God, I thank thee, that I am not as other men are.’”

Scripture tells us that man is, by his nature, evil. America's Founders (among others) recognised that human beings are self-serving and, if not crooked then certainly prone to corruption. Kates disagrees – or, at any rate, for some reason regards the agents of the RBA as an exception to this rule. Yet precisely because they doth protest so much, it's important to ask: are our “leaders” motives really so different from Nazis', and are we much different from the tens of millions of Germans who blindly, willingly and enthusiastically followed their leader to death and destruction?

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<sup>5</sup> Moreover, good intentions *per se* avail nothing. In the words of St Paul (Romans 7:14-18, Contemporary English Version), “I am merely a human, and I have been sold as a slave to sin. In fact, I don't understand why I act the way I do. I don't do what I know is right. I do the things I hate. Although I don't do what I know is right, I agree that the Law is good. So I am not the one doing these evil things. The sin that lives in me is what does them. I know that my selfish desires won't let me do anything that is good. Even when I want to do right, I cannot.”

The answer is discomfiting. “Private ownership of savings,” said Lawrence Dennis in *The Coming American Fascism* (1936), “can be socially controlled.” Dennis continued:

It is a relatively easy matter for the State to preserve the present *de facto* rights and interests of small savers while completely nationalising the financial institutions which now administer their savings. It cannot be repeated too often that what prevents adequate public regulation is liberal norms of law and constitutional guarantees of private rights. There is no need to expropriate private ownership of ... savings ... in order to maintain adequate social control ... The fascist State can easily convert the ... large corporations into State-controlled enterprises, the present owners and creditors of which will receive income bonds ... There is no real difference between being a yes-man official of a bank and being an official of a State bureaucracy.

What aspect of contemporary banking and finance does that passage not accurately describe? Thanks (if that’s the word) to Franklin Roosevelt’s New Deal, which was to a significant extent inspired by and thus borrowed from the policies of Hitler and Mussolini,<sup>6</sup> during the 1930s fascism (for a definition, see John T. Flynn’s quote at the top of the first page) conquered American banking and finance. How did that happen? Not least because Keynes, whose ideas underlie contemporary mainstream economics, was in two respects a buddy of Hitlerism. First, Keynes was a wicked anti-Semite. *The London Morning Post* (3 December 1925) quoted him:

The Jews are worse than my own people. [It’s unclear whom Keynes regards as his “own people.” Insufferable Pommie bastards from privileged backgrounds, perhaps?] Those Jews who still want to be the chosen race (chosen by the late Lord Balfour) can go to Palestine and stew in their own juice. The rest had better stop being Jews and start being human beings. This is the real enemy, the invader from the East, the Druze, the ruffian, the oriental parasite; in a word: the Jew.

On 21 January 2009, in [John Maynard Keynes on “Repulsive,” “Impure,” “Ugly” Jews](#), Damian Thompson, Editor of *Telegraph Blogs* and a columnist in *The Daily Telegraph*, wrote:

Did you know that John Maynard Keynes was a venomous anti-Semite who could have given Richard Wagner a run for his money? Me neither. Yet the evidence has been out there for decades. Here are a couple of extracts from his writings, courtesy of [Chris Dillow](#) via Clive Davis’s Spectator blog:

[Jews] have in them deep-rooted instincts that are antagonistic and therefore repulsive to the European, and their presence among us is a living example of the insurmountable difficulties that exist in merging race

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<sup>6</sup> See, for example, Wolfgang Schivelbusch, *Roosevelt’s America, Mussolini’s Italy, and Hitler’s Germany, 1933-1939* (Picador, 2007), Jonah Goldberg, *Liberal Fascism: The Secret History of the American Left from Mussolini to the Politics of Meaning* (Doubleday, 2007) and Anthony Gregory, [America’s Unique Fascism](#) (Mises Institute Daily Article, 21 October 2011).

characteristics, in making cats love dogs ... It is not agreeable to see civilization so under the ugly thumbs of its impure Jews who have all the money and the power and brains.

If Keynes was an intellectual hero of the Right, rather than the Left, do you think those quotes would be so little known?

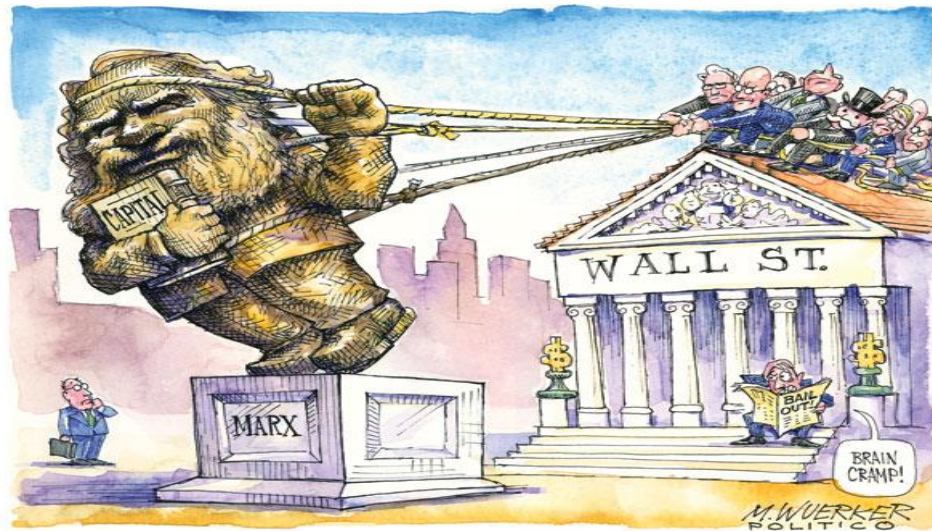
Dollow adds: "It's surely not good enough to defend Keynes by claiming (rightly) that anti-Semitism was common at the time, given that Keynes spent so much of his life rejecting what he regarded as conventional attitudes and beliefs." And I add that Keynes was a "Zionist" in the sense that Abraham Lincoln advocated the assisted migration of American blacks to West Africa: not out of brotherly love of and sympathy for a minority who had suffered at the hands of the majority, but as a means of ridding "his" country of people whom he detested (see also Batya Ungar-Sargon, [On John Maynard Keynes' 130<sup>th</sup> Birthday: A Look at the Economist's Troubling Relationship with the Jews](#), 5 June 2013).

Keynes wasn't just an anti-Semite: during the 1930s he was – as were many Britons of his caste – a Nazi sympathiser. In the immediate wake of Hitler's rise to power, he told *The Sunday Dispatch* (4 June 1933): "the Nazi movement is in many respects one which has my warm sympathy ...". Given his rabid anti-Semitism and vehement anti-liberalism, it's hardly surprising that the German-language edition of *The General Theory of Employment, Interest and Money* (1936) was published in Hitlerland as soon as a translation could be arranged. In its Preface, Keynes let the cat out of the bag: "The theory of aggregate production that is the goal of the following book can be much more easily applied to the conditions of a totalitarian state than [it can] under the conditions of free competition and a considerable degree of laissez-faire." Not surprisingly, Keynesians have striven to subvert and destroy free competition and laissez-faire, and to laud the interventionist state which promotes Keynesian economists into the inner sanctum.

Alas, in this respect Keynesians have succeeded brilliantly. The economic, financial and political mainstream long ago became precisely what today it laughably pretends to oppose. America's approved political spectrum – stretching minutely from Mitt Romney to Barack Obama – in effect if not in name advocates fascism. The same special-interest and predatory élites – including Keynes – who supported Hitler in the 1930s now applaud and vociferously defend and strenuously promote the welfare-warfare state. Today's Europeans, too, worship at the altar of fascism. You think I exaggerate? "The most serious financial problem for the Nazi State," Günter Reimann shrewdly noted in *The Vampire Economy: Doing Business Under Fascism* (1939),

is not the danger of a breakdown of the currency and banking system, but the growing illiquidity of banks, insurance companies, saving institutions, etc. ... Germany's financial organisations are again in a situation where their assets which should be kept liquid have become "frozen" ... But the totalitarian State can tighten its control over the whole financial system and appropriate for itself all private funds ... [and] the institutions which still exist as private enterprises are not allowed to go bankrupt. For an artificial belief in credits and financial obligations has to be maintained in open conflict with realities.

That's an eerily accurate description of the EU's present trials and tribulations – and one which, albeit without the overt references to totalitarianism, mainstream economists support. The Establishment in countries like Australia and Canada, of course, is every bit as bad – but its craven subservience makes it far more comical. As Mises and others have demonstrated, fascism and communism are peas in a pod. In “Bailout Marks Karl Marx’s Comeback” (*The Financial Post*, 20 September 2008), Martin Masse reminded us that the Communist Manifesto demanded the “centralisation of credit in the banks of the state, by means of a national bank with state capital and an exclusive monopoly.” Doesn't Karl Marx's demand now epitomise mainstream monetary policy throughout the West?



### Milton Mayer's Ten Nazi Friends

For more than a year in the early 1950s, Milton Mayer (1908-1986) lived in a German town (to preserve its anonymity, he gave it alias “Kronenberg”). He did so in order better to understand the lives, deeds and thoughts of “ordinary” Germans between 1933 and 1945. He recalled: “as an American, I was repelled by the rise of National Socialism in Germany. As an American of German descent, I was ashamed. As a Jew, I was stricken. As a newspaper-man, I was fascinated.” In *They Thought They Were Free* (University of Chicago Press, 1966) he reports what he learnt from extended conversations with and observations of ten Nazis (in the sense that soon after the National Socialists' rise to power in 1933, at least until 1945 and often immediately after the war, in various ways they supported National Socialism). These ten men, to whom Mayer did not divulge his ancestry, were neither “men of distinction” nor “men of influence;” instead, they were “common men,” roughly representative of German men as a whole. In particular, Mayer sought to understand why none of them resisted – and why several joined – the National Socialist German Workers Party (NSDAP) and associated entities.

When he arrived in Kronenberg, Mayer expected that he was going to loathe the Nazis whom he would study; before long, however, and to his amazement, he discovered not just that they were as human as the rest of us: he began to regard them as friends:

My faith found that of God in my ten Nazi friends. My newspaper training found that of something else in them, too. They were each of them a most

marvellous mixture of good and bad impulses, their lives a marvellous mixture of good and bad acts. I *liked* them. I couldn't help it. Again and again, as I sat or walked with one or another of my ten friends, I was overcome by the same sensation that had got in the way of my newspaper reporting in Chicago years before [in the 1930s]. I liked Al Capone. I liked the way he treated his mother. He treated her better than I treated mine (p. xix).

Mayer is profoundly and acutely aware that all of us are capable of thinking evil thoughts and doing evil things:

I found – and find – it hard to judge my Nazi friends. But I confess I would rather judge them than myself. In my own case I am always aware of the provocations and handicaps that excuse, or at least explain, my own bad acts. I am always aware of my good intentions, my good reasons for doing bad things (p. xix).

Given this insight, through his long conversations with and intensive observations, as well as more general enquiries, Mayer drew some disturbing – for us as well as Germans of that era – conclusions about the rise of Hitlerism and how its adherents willingly and even enthusiastically committed such unspeakable crimes:

Now I see a little better how Nazism overcame Germany ... It was what most Germans wanted – or, under pressure of combined reality and illusion, came to want. They wanted it; they got it; and they liked it (p. xix).

Mayer warned his, our and future generations: Hitlerism was a genuinely popular movement. Further, although Germany possessed a unique culture and history, one which Meyer believed facilitated the rise of Nazism, Mayer concluded that it or another mass movement like it could happen anywhere and overrun any people and at any time:

I came home a little bit afraid for my country, afraid of what it might want, and get, and like, under combined pressure of reality and illusion. I felt – and feel – that it was not German Man that I met, but Man. He happened to be in Germany under certain conditions. He might be here under certain conditions. He might, under certain conditions, be I (p. xix).

### **Gradualism and Opportunism Entrenched the NSDAP**

Why (whether formally, through membership of the NSDAP, or informally, through approval of Hitler's policies and aspirations) did all of Mayer's ten friends join the Nazi movement? He concludes that practical rather than idealistic reasons – including rank opportunism and a simple desire or willingness to conform – were paramount. Many joined because it provided or improved a career path; others did so because in personal and social terms it offered a path of least resistance. Heinrich Hildebrandt, a high school teacher, became a party member primarily because he had to do so in order to keep his job; it also smoothed his day-to-day relations with his colleagues. Hildebrandt, who had been an active member of the Social Democratic Party until 1930, also joined the

NSDAP because his membership of the latter distracted attention from his past political affiliation to the former. Given his problematic (from a Nazi point of view) past, he was in less danger inside the NSDAP than he would have been if he had remained outside. Others became Nazis for pragmatic economic (“bread and butter”) reasons. Most Germans struggled and many suffered during the early 1930s. Johann Kessler, a labour inspector, was one. Kessler joined the NSDAP because he desperately needed a job. Party membership rendered him much more attractive to potential employers – whose status rose when they hired party members – than he otherwise would have been. Similarly, Hans Wedekind, a baker, supported Hitlerism because, he was convinced, it had solved the problem of mass unemployment.

Mayer’s friends’ anti-Semitism, too, was economically-opportunistic. Hildebrandt told Mayer how he and his wife moved into the home of a Jewish family after they had been deported. Although Hildebrandt expressed feelings of shame and embarrassment about the means by which his family acquired these lodgings (as opposed to the fate of Jews in general), he rationalised the Nazis’ and his actions because his wife was pregnant and housing was in very short supply. This and other similar examples prompted Mayer to conclude that “average” Germans did not resist Hitler and his henchmen because the Nazis’ terror did not adversely affect most people – and, at least initially, because the average “little” German often benefitted personally from the terror.

### **Hitler and the “Little People”**

Mayer’s friends routinely used phrases like “wir kleinen Leute” (“we little people,” p. 44) to refer to themselves. As they saw it, National Socialism heeded their concerns, respected their views and greatly lessened the economic and social distinctions that had long disadvantaged them. Under Nazism, “little men” felt for the first time that, as a group, they were significant and even important. They sensed accurately that, in the eyes of Hitler and his henchmen “die kleinen Leute” were not inferior to intellectuals – whom Nazis regarded as untrustworthy and unreliable (p. 112).

“None of my ten friends, even today [in the early 1950s], ascribes moral evil to Hitler,” Mayer observed,

although most of them think (after the fact) that he made fatal strategic mistakes which even they themselves might have made at the time. His worst mistake was his selection of advisers ... Having fixed our fate in a father-figure – or in a father, or a mother or wife – we must keep it fixed until inexcusable fault (and what fault of a father, or mother, a wife, is inexcusable?) crushes it once and completely. The figure represents our own best selves; it is what we ourselves want to be and, through identification, are. To abandon it for anything less than crushing evidence of inexcusable is self-incrimination, and of one’s best, unrealised, self. Thus Hitler was betrayed by his subordinates ...

“The killing of the Jews?” said the “democratic” bill-collector, *der alte Kämpfer* [the returned serviceman from the First World War] Simon. “Yes, that was wrong, unless they committed treason in wartime. And of course they did. If I

had been a Jew, I would have myself. Still, it was wrong, but some say it happened and some say it didn't. You can show me pictures of skulls or shoes, but that doesn't prove it. But I'll tell you this – it was Himmler. Hitler had nothing to do with it." ... Hitler died to save my best friend's self.

Apart from the partially and secretly anti-Nazi teacher, only the bank clerk, Kessler, the natively eloquent little man who became an official Party speaker in the country, seems to have had any shadow of doubt about Hitler's personal or public goodness – and even he may be projecting his own experience: ... "All this [Hitler's downfall], happened to a man who was good and great."

These believers (for believers they certainly were) do not seem to have been worshippers any more than we believe in [Franklin Roosevelt] or [Dwight Eisenhower] are – if anything, less so. Hitler was a man, one like ourselves, a little man, who, by doing what he did, was a testimony to the democracy "you Americans" talk about, the ability of us little men to become great and to rule the world. *A little man, like ourselves* (italics in the original, pp. 64-66).

In short, Mayer's ten friends – as well as millions of Germans – regarded Hitler and National Socialism as a positive force for Germany. None of them saw it in negative terms, and they certainly didn't flock to it in order to perpetrate evil or because they thought other Nazis were doing or would do so. During hard times, they believed, Hitler and his henchmen listened to them and served their needs. The ten recalled gratefully that Hitlerism restored and improved social services. According to Kessler, it addressed everything from domestic and religious matters to employment and housing problems. He recounted: "No organisation had ever done this before in Germany ... such an organization is irresistible to men. No one in Germany was alone in his troubles" (p. 222).<sup>7</sup>

Only one of my ten Nazi friends saw Nazism as we – you and I – saw it *in any respect*. That was Hildebrandt, the teacher. And even he then believed, and still believes, in part of its program and practice, "the democratic part." The other nine, decent, hard-working, ordinarily intelligent and honest men, did not know before 1933 that Nazism was evil. They did not know between 1933 and 1945 that it was evil. And they do not know it now. None of them ever knew,

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<sup>7</sup> Mayer also draws some broad conclusions about the German people, their history and culture that also seemed to encourage "ordinary" German men like his ten friends to cast their lot with the Nazi movement. Mayer believes that, apart from the language they speak, there's something unique about the Germans. Given its geographic location at the centre of the continent, Germany shares boundaries with more countries than any other European nation. Because Germany as a major European state is a relatively recent creation, until the late-19th century its neighbours had relatively little experience of German invasion and occupation. But because Germany as a cultural and linguistic entity – as well as a relatively weak confederation of small states – has a much longer history, it has considerable experience, from Roman times to Napoleon, of invasion and occupation by foreigners. Hence in the early 1950s Germans regarded themselves as victims of foreign aggression and their neighbours in surrounding countries regarded themselves as victims of German aggression. Mayer's Nazi friends emphasised to him the sense of external pressure upon – and the foreign danger to – the German people. "What the rest of the world knows as German aggression the Germans know as their struggle for liberation" (p. 251). Was this danger real or imaginary? To Mayer, the question is moot: his friends sincerely believed that it was real.

or now knows, Nazism as we knew and know it; and they lived under it, served it, and, indeed, made it.

As we know Nazism, it was a naked, total tyranny which degraded its adherents and enslaved its opponents and adherents alike; terrorism and terror in daily life, private and public; brute personal and mob injustice at every level of association; a flank attack upon God and a frontal attack upon the worth of the human person and the rights which that worth implies. These nine ordinary Germans knew it absolutely otherwise, and they still know it otherwise. If our view of National Socialism is a little simple, so is theirs. An autocracy? Yes, of course, an autocracy, as in the fabled days of “the golden time” our parents knew. But a tyranny, as you Americans use the term? Nonsense (p.47).

“Yes,” said Herr Klingelhöfer, the cabinetmaker, “it [the period 1933-1945, particularly the pre-war years 1933-1939] was the best time. After the [First World War], German families began to have only two children. That was bad, bad for the family, the marriage, the home, the nation. There is where Germany was dying, and that was the kind of strength we believed that Hitler was talking about. And he was talking about it. After ’33 we had more children. A man saw a future. The difference between rich and poor grew smaller, one saw it everywhere. A man had a chance. In 1935 I took over and got a two-thousand-dollar government loan. *Ungeheuer!* Unheard of! (p. 61).

Not only, especially before the war, did Mayer’s friends associate National Socialism with the absence of bad: they ascribed to it the presence of good:

The lives of my nine friends – and even of the tenth, the teacher – were lightened and brightened by National Socialism as they knew it. And they look back at it now – nine of them, certainly – as the best time of their lives ... There were jobs and job security, summer camps for the children and the Hitler Jugend to keep them off the streets. What does a mother want to know? She wants to know where her children are, and with whom, and what they are doing. In those days she knew, or thought she did ... So things went better at home, and when things go better at home, and on the job, what more does a husband and father want to know?

The best time of their lives. There were wonderful ten-dollar holiday trips for the family in the “Strength through Joy” program, to Norway in the summer and Spain in the winter, for people who had never dreamed of a real holiday at home or abroad. And in Kronenberg “nobody” (nobody my friends knew) went cold, nobody went hungry, nobody went ill and uncared for. ... All the blessings of the New Order, advertised everywhere, reached “everybody.”

There were horrors, too, but these were advertised “nowhere,” reached “nobody.” ... There was “some sort of trouble” on the streets of Kronenberg as one or another of my friends was passing by on a couple of occasions, but the police dispersed the crowd and there was nothing in the local paper. You and I



leave “some sort of trouble on the street” to the police; so did my friends in Kronenberg (pp. 48-49).

### **The Little Man, the Jews and the Holocaust**

In the American Embassy in Berlin in 1935, Mayer recalled, “an official of the German Press Office told me the story of a North Sea town where there had never been a Jew. When Goebbels announced the boycott of the Jews for the month of April, 1933, the Bürgermeister of the town sent him a telegram: ‘Send us a Jew for our boycott’” (p. 134). Mayer continued:

Not one of my ten friends had changed his attitude toward the Jews since the downfall of National Socialism. The five (or six, if young [Horstmar] Rupprecht [a high school student] is included) who were extreme anti-Semites were, I believe, not a bit more or less so now than before. What surprises me, indeed, was that, with the war lost and their lives ruined, they were not more so. Certainly Nazism’s defeat by force would not make Nazis love the Jews more; if anything, less. Nor would their country’s destruction. Nor would the three-quarters of a billion dollars their conquerors compelled them to pay, as restitutive damages, to the Jews of Israel. ...

They, and, to a degree, even the bank clerk, the cabinet-maker, and the policeman, took the greatest pains to convince me that the Jews were as bad as the Nazis said they were. I sat passively, every so often asking questions which betrayed by simple-mindedness, while my friends pressed their argument. If I diverted them, they came back to it. The one passion they seemed to have left was anti-Semitism, the one fire that warmed them still. I thought ... a little, but didn’t say much. What could I have said?

Nobody has proved to my friends that the Nazis were wrong about the Jews. Nobody can. The truth or falsity of what the Nazis said, and what my ... friends believed, was immaterial, marvellously so. There simply was no way to reach it, no way, at least, that employed the procedures of logic and evidence. The bill-collector told me that Jews were filthy, that the home of a Jewish woman in his boyhood home was a pigsty; and the baker told me that the Jews’ fanaticism about cleanliness was a standing affront to the “Germans,” who were clean enough. What difference did the truth, if there were truth, make? (pp. 141-142)

### **Small Steps and Gradualism: Theirs and Ours**

Mayer sought to understand why none of the ten friends resisted and rejected Hitlerism, and how, not least as a result of the lack of popular resistance, it led to the deaths of millions. One told him:

What happened here was the gradual habituation of the people, little by little, to being governed by surprise; to receiving decisions deliberated in secret; to

believing that the situation was so complicated that the government had to act on information which the people could not understand, or so dangerous that, even if the people could understand it, it could not be released because of national security. ...

To live in this process is absolutely not to be able to notice it – please try to believe me – unless one has a much greater degree of political awareness, acuity, than most of us had ever had occasion to develop. Each step was so small, so inconsequential, so well explained or, on occasion, “regretted,” that, unless one were detached from the whole process from the beginning, unless one understood what the whole thing was in principle, what all these “little measures” that no “patriotic German” could resent must someday lead to, one no more saw it developing from day to day than a farmer in his field sees the corn growing. One day it is over his head (p. 168).

Mayer’s other friends told him, and eventually he realised, that they and people in Kronenberg more generally seldom came into direct contact with agents of the National Socialist state. They minded their day-to-day business, and (as they saw it) the state and their day-to-day lives crossed paths infrequently.<sup>8</sup> Mayer also noted that, well before Hitler’s rise to power, most German towns, as opposed to major cities like Berlin, were segregated into a few small areas in which lived disproportionately many Jews and many large areas in which lived few or no Jews. Accordingly, even before 1933 none of Mayer’s friends had close Jewish friends or colleagues; further, apart from frequenting a shop owned by a Jew, none had socialised with or even encountered Jewish people on a casual basis. Mayer concluded that few people are likely to assist, and fewer still put their jobs (never mind their lives) at risk, for someone whom they don’t know and esteem.

Regarding the Holocaust, several of Mayer’s friends repeatedly told him: “it wasn’t me; don’t blame me.” By a gradual and sometimes imperceptible process, fascism conquered Germany:

“Pastor Niemoller spoke for the thousands and thousands of men like me when he spoke (too modestly of himself) and said that, when the Nazis attacked the Communists, he was a little uneasy, but, after all, he was not a Communist, and so he did nothing; and then they attacked the Socialists, and he was a little uneasier, but, still, he was not a Socialist, and he did nothing; and then the schools, the press, the Jews, and so on, and he was always uneasier, but still he did nothing. And then they attacked the Church, and he was a Churchman, and he did something – but then it was too late.”

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<sup>8</sup> Similarly, Eric Johnson (*The Nazi Terror: Gestapo, Jews and Ordinary Germans*, p. 354) concludes: “Nazi Germany most certainly was a police state ... But, except on very rare occasions, the Gestapo did not dole terror out indiscriminately against the German population. It wisely concentrated its limited but sufficient resources on selected targets like Jews ... For the unfortunate minorities, whom the Gestapo persecuted resolutely, there could be no question that they were victims of a police state. But the majority population had a different experience ... To a large degree, ordinary Germans controlled themselves.”

“Yes,” I said. “You see,” my colleague went on, “one doesn’t see exactly where or how to move. Believe me, this is true. Each act, each occasion, is worse than the last, but only a little worse. You wait for the next and the next. You wait for the one great shocking occasion, thinking that others, when such a shock comes, will join with you in resisting somehow. You don’t want to act, or even to talk, alone; you don’t want to ‘go out of your way to make trouble.’ Why not? - Well, you are not in the habit of doing it. And it is not just fear, fear of standing alone, that restrains you; it is also genuine uncertainty.”

“Uncertainty is a very important factor, and, instead of decreasing as time goes on, it grows. Outside, in the streets, in the general community, everyone is happy. One hears no protest, and certainly sees none. You know, in France or Italy there will be slogans against the government painted on walls and fences; in Germany, outside the great cities, perhaps, there is not even this. In the university community, in your own community, you speak privately to your colleagues, some of whom certainly feel as you do; but what do they say? They say, ‘It’s not so bad’ or ‘You’re seeing things’ or ‘You’re an alarmist.’” “And you *are* an alarmist. You are saying that this must lead to this, and you can’t prove it. These are the beginnings, yes; but how do you know for sure when you don’t know the end, and how do you know, or even surmise, the end? On the one hand, your enemies, the law, the regime, the Party, intimidate you. On the other, your colleagues pooh-pooh you as pessimistic or even neurotic. ...”

“But the one great shocking occasion, when tens or hundreds or thousands will join with you, never comes. That’s the difficulty. If the last and worst act of the whole regime had come immediately after the first and the smallest, thousands, yes, millions would have been sufficiently shocked – if, let us say, the gassing of the Jews in ‘43 had come immediately after the ‘German Firm’ stickers on the windows of non-Jewish shops in ‘33. But of course this isn’t the way it happens. In between come all the hundreds of little steps, some of them imperceptible, each of them preparing you not to be shocked by the next. Step C is not so much worse than Step B, and, if you did not make a stand at Step B, why should you at Step C? And so on to Step D.”

“And one day, too late, your principles, if you were ever sensible of them, all rush in upon you. The burden of self-deception has grown too heavy, and some minor incident, in my case my little boy, hardly more than a baby, saying ‘Jew swine,’ collapses it all at once, and you see that everything, everything, has changed and changed completely under your nose. The world you live in – your nation, your people – is not the world you were in at all. The forms are all there, all untouched, all reassuring, the houses, the shops, the jobs, the mealtimes, the visits, the concerts, the cinema, the holidays. But the spirit, which you never noticed because you made the lifelong mistake of identifying it with the forms, is changed. Now you live in a world of hate and fear, and the people who hate and fear do not even know it themselves; when everyone is transformed, no one is transformed. Now you live in a system which rules without responsibility, even to God” (pp. 170-171).

Why did so few Germans resist Hitler and Nazism? Because their conversion didn't occur overnight; it was gradual. Their transformation was a process rather than an epiphany; it occurred gradually, little by little and day by day. And before they knew it, it was too late. "The safest road to Hell is the gradual one," Screwtape wrote to his nephew, "the gentle slope, soft underfoot, without sudden turnings, without milestones, without signposts." Like Hitlerism in pre-war Germany, Keynesianism in the West has since the 1930s advanced gradually and in small steps. Accordingly, few have resisted it and, when they have criticised its rising financial costs, failure to achieve its allegedly good goals and unintended bad consequences, the collectivist ("inside") majority has rebuked the individualist ("outside") minority. In *Human Action* (1948), Ludwig von Mises observed:

This first stage of the inflationary process may last for many years. While it lasts, the prices of many goods and services are not yet adjusted to the altered money relation. There are still people in the country who have not yet become aware of the fact that they are confronted with a price revolution which will finally result in a considerable rise of all prices, although the extent of this rise will not be the same in the various commodities and services. These people still believe that prices one day will drop. Waiting for this day, they restrict their purchases and concomitantly increase their cash holdings. As long as such ideas are still held by public opinion, it is not yet too late for the government to abandon its inflationary policy.

But then, finally, the masses wake up. They become suddenly aware of the fact that inflation is a deliberate policy and will go on endlessly. A breakdown occurs. The Crack Up Boom appears. Everybody is anxious to swap their money against "real" goods, whether he needs them or not, no matter how much money he has to pay for them. ... The things which were used as money are no longer used as media of exchange. They become scrap paper. Nobody wants to give away anything against them.



According to Percy L. Greaves, Jr. (“Is Further Intervention a Cure for Prior Intervention? In *On Freedom and Free Enterprise: Essays in Honor of Ludwig von Mises*, ed. Mary Sennholz, Van Nostrand, 1956),

The American public, as well as the world public, must be alerted to the dangers that flow from government economic intervention. By a process of gradualism, a politically privileged few have fastened on our economy this Marxian policy of ever-increasing “despotic inroads on the rights of property.” If the New and Fair Deals had been enacted [immediately and] *in toto*, they might well have brought the people to their senses far quicker than our continued middle-of-the-road compromising with moral and economic principles.

“With the exception of the Austrian School of economics,” wrote Lew Rockwell in “Rothbard and Money” (3 January 2013),

to which Rothbard made so many important contributions throughout his career, professional economists have treated money as a good that must be produced by a monopoly – either the government itself or its authorized central bank. Rothbard, on the other hand, teaches that money is a commodity (albeit one with unique attributes) that can be produced without government involvement. Rothbard’s history of money, in fact, is a history of small steps, the importance of which are often appreciated only in hindsight, by which government insinuated its way into money production.

### **What Could the “Average German” Have Done? What Did Americans Do? What Would I Have Done?**

Suppose that you have heard, second-hand or even first-hand, that, in a town not far from yours and without any reason except he was a member of an oppressed minority group, the police have abused and beaten a man. You tell a friend because you are trying to persuade him that the state and the police who enforce its dictates are criminals. Your friend doesn’t believe you: “in this country, if you’ve done nothing wrong you’ve nothing to fear!” He wants first-hand or at least second-hand testimony about the beating. You go to your source of information – who has described this incident to you only because he trusts you. You request that your source forward his information about this incident to your friend – a man the source hasn’t even met, and who you know is on friendly terms with the police. The source refuses. Moreover, he warns you that if you cite his name to anyone as a source about the story, he’ll deny all knowledge of it. Under those circumstances, the police might suspect that you’re spreading false rumours.

Mayer then asks:

As it happens, the police in this hypothetical community *are* rotten, and they’ll “get” you somehow. So, after all, what if one found out in Nazi Germany (which was no hypothetical American community)? What if one came to know? What then?

There was *nichts dagegen zu machen*, “nothing to do about it.” Again and again my discussions with each of my friends reached this point, one way or another, and this very expression; again and again this question, put to me with the wide-eyed innocence that always characterises the guilty when they ask it of the inexperienced: “what would you have done?”

... We in America have not had the German experience, where even private protest was dangerous, where even secret knowledge might be extorted; but what did we expect the good citizen of Minneapolis or Charlotte to do when, in the midst of war, he was told, openly and officially, that 112,000 of his fellow-Americans, those of Japanese ancestry on the American West Coast, had been seized without warrant and sent without due process of law to relocation centres?<sup>9</sup> There was *nichts dagegen zu machen* – not even by the United States Supreme Court – and, anyway, the good citizen of Minneapolis or Charlotte had his own troubles. It was this, I think – they had their own troubles – that in the end explained my friends’ failure to “do something” or even to know something. A man can carry only so much responsibility. If he tries to carry more, he collapses; so, to save himself from collapse, he rejects the responsibility that exceeds his capacity. ...

None of my ten Nazi friends ever knew – I say *knew* – ... of [Nazi] crimes against humanity. None of them except possibly (quite probably, I believe) Tailor Schwenke, the SA Stormführer, ever did anything that we should call wrong by the measure we apply to ourselves. These men were, after all, respectable men, like us. The former bank clerk, [Johann] Kessler, told his Jewish friend, former bank director Rosenthal, the day before the synagogue arson in 1938, that “with men like me in the Party,” men of moral and religious feeling, “things will be better, you’ll see.” And [Heinrich] Hildebrandt, the teacher, thought that it had to be expected, under the conditions that obtained in Germany just before Nazism, that the movement would be proletarian and radical, with fools and villains in positions of leadership, “but as more and more decent citizens joined it, it would certainly change for the better and become a *bürgerlich*, bourgeois development. After all, the French Revolution had its Robespierres, *nicht wahr?*”

... The “democratic,” that is, argumentative, bill-collector, Herr Simon, was greatly interested in the mass deportation of Americans of Japanese ancestry from our West Coast in 1942. He had not heard of it before, and, when I told

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<sup>9</sup> In 1942, shortly after Japan’s attack on Pearl Harbor, the U.S. Government (Executive Order 9066) ordered that more than 110,000 people of Japanese ancestry be interned in “War Relocation Camps” in states west of the Mississippi River. The internment was applied unequally: all who lived on the West Coast were interned, while in Hawaii, where 150,000-plus Japanese-Americans (comprising over one-third of the population) resided, only 1,200-1,800 were interned. Almost two-thirds of the internees were American citizens. In 1944, the U.S. Supreme Court upheld the constitutionality of the exclusion orders. In 1988, Congress passed and President Ronald Reagan signed legislation that apologised for the internment. The legislation said that the U.S. Government’s actions were based on “race prejudice, war hysteria, and a failure of political leadership.” The government eventually disbursed more than \$US1.6 billion in reparations to Japanese Americans who had been interned and their heirs.

him of the West Coast Army Commander's statement that "a Jap is a Jap," he hit the table with his fist and said, "Right you are. A Jap is a Jap, a Jew is a Jew." "A German a German," I said. "Of course," said the German, proudly. "It's a matter of blood."

He asked me whether I had known anybody connected with the West Coast deportation. When I said "No," he asked me what I had done about it. When I said "Nothing," he said, triumphantly, "There. You learned about all these things openly, through your government and your press. We did not learn through ours. As in your case, nothing was required of us – in our case, not even knowledge. You *knew* about things you thought were wrong – you did think it was wrong, didn't you, Herr Professor?" "Yes." "So. You did nothing. We *heard*, or *guessed*, and we did nothing. So it is everywhere." When I protested that the Japanese-descended Americans had not been treated like the Jews, he said, "And if they had been – what then? Do you not see that the idea of doing something or doing nothing is in either case the same?" (pp. 75-81)<sup>10</sup>

### **Even in Retrospect, the Little Man Felt No Guilt**

At some point during their conversations, almost all of Mayer's Nazi friends used the phrase, "so war die Sache" ("that's the way it was"). This phrase exemplifies their rather blasé attitude about Nazism, the near-destruction of the Jews and the destruction of the Hitler regime:

... What I found, among my ten friends, was [not shame but] something like regret, regret that things, which they had not done, had been done or had had to be done. All ten of them, I think, felt bad, about the torture and slaughter of innocent people – not, however, about the deportation, "resettlement, relocation," or even about the expropriation. (My friends had all lost their own possessions, hadn't they, and who but themselves felt sorry for them?) The six extremists all said of the extermination of Jews, "That was wrong" or "That was going too far," as if to say, "The gas oven was somewhat too great a punishment for people who, after all, deserved very great punishment" (p. 183).

None of Mayer's Nazi friends, then, felt shame or guilt about their support of Nazism; still less did they feel sorry for Jews, Poles and Russians. Why not?

Losers are hard to convince of their guilt. The suffering they have undergone in losing, constitutes, as they see it, expiation and more for their own offences, real or alleged. Boys fighting in alleys are that way. The battered and bloody

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<sup>10</sup> Mayer also notes (p. xv):

It was [in 1945] that the United States Air Force (in its own words) "produced more casualties than in any other military action in the history of the world" in its great fire raid on Tokyo, and Secretary of War Henry L. Stimson, appalled by the absence of public protest in America, thought 'there was something wrong with a country where no one questioned' such acts committed in its name (L. Giovannitti and F. Freed, *The Decision to Drop the Bomb* (Coward-McCann, 1965)."

vanquished is seldom magnanimous enough to admit that he got what was coming to him – about all he can be got to say is “uncle” – and more seldom still to admit that he ought to get more. Men should not be that way, but they sometimes are. My friends were.

It is a principle of animal training that, for the punishment to be effective, the offender must associate it with the crime. You must catch him in the act, on the scene, or he will have forgotten what he did and the punishment will appear abusive to him. Men, too, have a way of dating their guilt and innocence from the injuries they suffer, not from those they inflict. No matter how far back in history I went with my National Socialist friends, they would want to begin its writing with their own or their country’s agonies. When I spoke of 1939, they spoke of 1945;<sup>11</sup> when I spoke of 1914, they spoke of 1918; when I spoke of 1871, they spoke of 1809 [when Napoleon Bonaparte overran and occupied many German-speaking lands]. As a university-educated American, I knew that there had been a Dawes Plan for the payment of German reparations after the First World War, and a Young Plan which had liberalised the payments. But seven of my ten friends – five of whom had not gone beyond six years of folk school – knew that the Young Plan payments were to have been continued until 1988, “when,” said Policeman Hofmeister, “my son will be eighty years old.”

My fellow-Americans in Germany were sick of the Germans’ ... self-pity. “I’ll tell you about them,” said one of the Occupation officials. “In a nutshell, they’re like dogs. If you don’t kick them, they bite you; and, when you kick them, they whine.” An American Occupation judge was trying to get transferred. “It’s got so,” he said, “that the minute a German starts whining, I know I’m going to find him guilty. And they all whine. They all have a hard-luck story. Well, they *have* had hard luck. But they gave other people lots harder luck first. Of course, they’ve forgotten that.”

The judge was equating inequivalents. The hard luck the Germans have had *they* have had, while the hard luck they gave, somebody else had, somebody they don’t know; and they don’t even believe that it was they who gave it. Herr Damm, after losing his career and his home and possessions, was now earning \$47 a month as a “black,” that is, unauthorised worker; he did not see the equivalence between his boycott of Jews in the past and his own children’s

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<sup>11</sup> According to Peter Fritzsche (*Life and Death in the Third Reich*, Harvard University Press, 2008, p. 301),

After 1945, ... [Germans] increasingly saw themselves as victims of a brutal war imposed on them by a politically fanatical minority that had misled and betrayed a patriotic majority and misused the tribulations that most Germans felt had been inflicted on them after World War I. They were appalled at how the war ended rather than how it had been started; they focussed on Stalingrad and German prisoners of war in the Soviet Union, Dresden and the air war against civilians [sic], and the expulsion of Germans from Eastern Europe in 1945. This perspective was obviously politically expeditious, since it not only downplayed the active roles that Germans had played in the crimes of the Nazis but turned Germans into victims first. It conceded that Germans might have been complicit, but complicit because they were morally weak, not because they were criminally motivated.



undernourishment now. He hadn't seen the Jews who ... were slain; and, besides, like everyone else except Hitler, who had a mandate from the German people, Herr Damm had a mandate from Hitler, the head of the government, to boycott Jews (pp. 147-148).

### **For National Socialists – and for the Rest of Us, Too – Sorry Seems To Be the Hardest Word**

“The juridical effort at Nuremberg, to punish the evildoers without injuring the losers,” noted Mayer, “was unlikely enough to succeed.” He continued:

The effort to convince my ten friends that they were evildoers was even unlikely. In retrospect, there was one extremely remote possibility of its having been done more successfully in Germany than it had ever been done anywhere else: It might have been possible to exploit the Germans' attachment to “the German spirit” and to have convinced them that this spirit, instead of being good, is evil. How to have gone about doing this I do not know. Certainly not by treating them hard; the Nazis used this technique on the Jews without convincing them of anything (p. 151).

As he thought about his ten Nazi friends and Germans during the Hitler years, it occurred to Mayer that the concept of collective guilt is a non-sequitur: individuals can be guilty, but – above and beyond the individuals who comprise them – groups cannot. Moreover, when a war criminal says he's sorry, what exactly does he mean? Is he truly repenting for his actions? Or, like the delinquent schoolboy, is he sorry not so much for what he did but for the fact that he got caught? Finally, Mayer acknowledges that, guilt and shame must be voluntary from within; it cannot be compelled from outside:

... Even Herr Schwenke, the tailor, proud of his having refused a Jew of old acquaintance a light for his cigarette, frankly glad that the synagogue had been burned, said of then gas ovens, “If it happened, it was wrong. But I don't believe it happened. ... What I don't like is the hypocrisy of these people. *I want to bear them confess*. That they, or some of their countrymen and their country's government, violated the precepts of Christian, civilised, lawful life was bad enough; that they won't see it, or say it, is what really rowels. I want them ... to say, “I knew and I know that it was un-Christian, uncivilised, unlawful, and in my love of evil I pretended it wasn't. ... I am rotten.”

I don't like the dolorous mask my friend Klingelhöfer wears when he says, “I always said no good would come of it, and no good did come of it.” His freiwillige Feuerwehr [volunteer fire brigade] ebullience is suddenly gone, and he now emerges from the wings, like a one-man troupe playing Molière, in judicious melancholy, I want to say to him, “You Schweinehund, what you said, and you said it to yourself, was that no good would come of it *if it lost*. And it did lose. If it had won, you'd be drinking blood with the rest of them.” But what's the use?

I want my friends not just to feel bad and confess it, but to have been bad and to be bad now and confess it. I want them to constitute themselves an inferior race, self-abased, so that I, in the magnanimity becoming to the superior, having sat in calumnious judgement on them, may choose to let them live on in public shame and in private torment. I want to be God, not alone in power but in righteousness and mercy; and Nazism crushed is my chance.

But I am not God. I myself am a national, myself guilty of many national hypocrisies whose only justification is that the Germans' were so much worse. My being less bestial, in my laws and practices, than they were does not make me more Godly than they, for difference in degree is not difference in kind. My own country's racist legislation and practices, against both foreigners and citizens, is a whole web of hypocrisies. And, if I plea that racism has been wonderfully reduced in America in the past century, that the forces of good have been growing ever more powerful, how shall I answer my friends Hildebrandt and Kessler, who believed, or affected to people, that the infiltration of National Socialism by decent men like themselves would, in time, reduce and even eliminate the evils?

The trouble is that these national hypocrisies, which I myself am not called upon to practice in person ... are all acts of the State or its culture. I feel bad about them, to be sure; very bad. But I do not in the least feel like a bad man, and I do not want to be punished for them. And, if I beat my breast, like my Nazi friend, young Rupprecht, and say, "It is I, I, I, who did it," I am afraid that I shall sound just as pretentious as he sounded to me. The confession that I want to hear or that I ought to make does not ring real (pp. 181-186).

### **Conclusion: Is Morality Really Optional?**

Steve Kates, in his review of *The Evil Princes of Martin Place*, found that "moral arguments" obscured or confused the book's "main message." If so, then my intention – namely that when it comes to money and banking, the immorality of fractional reserve and central banking *is* the main message – has failed abysmally. What has all this talk of good intentions and bad consequences, and of Hitler and the Holocaust, to do with matters economic? If you indignantly and self-righteously deny that you're as likely as the next fellow to think or do evil things, if you ignore or dismiss any consideration of the moral implications of economic institutions and policies, and if you reject moral absolutism, then – regardless of your intentions and despite your *ex post* protestations – you open the door to fascism (see, for example, [Americans Sign Petition to Support "Nazi-Style Orwellian Police State,"](#) 21 October 2013).

As a result, Western economies – and Western countries and people – are today much more fascist than classically liberal. Hitler and Mussolini lost the war but won the peace. Militarily, the Allies crushed Hitlerland; emotionally, fascism has conquered the West. If in the early 1950s Milton Mayer's National Socialist mates refused to confess the evil of their ways, then today there's not a snowball's chance in Hell that fractional reserve and central bankers and their numerous mascots will confess their many sins.

If you think that the morality or otherwise of a particular action depends not upon its consequences, but upon its perpetrator's purpose, that a bad motivation is a necessary condition of an immoral action and that a good intention is a sufficient condition of a moral action – or, at any rate, that a good intention will render you blameless if it unexpectedly begets bad consequences – then you hand an overwhelming victory to welfare-warfare statist. How so? Because the warning of C.S. Lewis (who was also a moral absolutist) will fall upon your deaf ears: “of all tyrannies,” he sagely noted,

a tyranny exercised for the good of its victims may be the most oppressive. It may be better to live under robber barons than under omnipotent moral busy-bodies. The robber baron's cruelty may sometimes sleep, his cupidity may at some point be satiated; but those who torment us for our own good will torment us without end, for they do so with the approval of their own conscience.

“The urge to save humanity” added H.L. Mencken (and, I add further, the urge to save the German nation and people, the poor, the environment, etc.), “is almost always a false front for the urge to rule.” Precisely because morality isn't their message, today's very narrowly (and hence inadequately) educated economists, the ones that Robert Shiller describes, routinely ask: “how best to manage the economy?” The obvious answer – don't! – utterly escapes most of them. Accordingly, the grave risk is that, step by small step, they'll eventually ask: “what's the most efficient way to run a concentration camp?”

What, then, to do? Spurn modernists like Kates and heed traditionalists like Edmund Burke. “There is no safety for men,” said Burke in *A Letter to the Member of the National Assembly, in Answer to Some Objections to His Book on French Affairs* (1791), “but by believing all possible evil of [all] men, and by acting with promptitude, decision, and steadiness on that belief.” Ironically, one of Mayer's Nazi friends grasped Burke's point far better than most people (especially mainstream economists)<sup>12</sup> do today. After the war, this Nazi – the only one of the ten whom Mayer studied – pondered seriously the “terrible situation” faced by “average Germans” between 1933 and 1945:

“How is this to be avoided, among ordinary men, even highly educated ordinary men?” [he] asked rhetorically. ... “Frankly, I do not know.” ... “I do not see, even now, [how we could have stopped it]. Many, many times since it all happened I have pondered that pair of great maxims, *Principiis obsta* and *Finem respice* – ‘Resist the beginnings’ and ‘consider the end.’ But one must foresee the end in order to resist, or even see, the beginnings. One must foresee the end clearly ... [But] how is this to be done, by ordinary men or even by extraordinary men?”

Chris Leithner

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<sup>12</sup> This is hugely ironic: in [Economics in One Lesson](#), Henry Hazlitt famously wrote: “The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups.”