INTRODUCTION

The idea of federalism goes back to ancient times, and has attracted considerable attention from political philosophers focusing on constitutional and institutional questions. In current liberal international relations (IR) theory the roots of thinking about federation are most often situated in a particular reading of Kant’s famous essay *Perpetual Peace. A Philosophical Sketch*, published in 1795 (Kant 1991). Many modern liberals use Kantian ideas for their claim that war can be eliminated and peace can be achieved in world politics. Kant argued “republican” forms of government, leading to “pacific federation,” could foster such a process. These liberals in IR expect that a global “harmony of interests” is possible, based on a positive interpretation of human reason, faith in human progress, and the perfectibility of the human condition (Burchill 2013; Doyle 1996).

Additionally, liberals in IR focus on decreasing the influence of states in world politics, and their allegedly warmongering domestic elites, especially diplomats and the military. They firmly believe in the link between domestic regime and the probability of war. This is most clearly seen in a variant called republican liberalism, which focuses on democratic peace and the idea that democracies do not fight each other (Jørgensen 2018, pp. 66-87). Other liberal solutions to minimise or abolish international violence are the proliferation of international law, international organisations, free trade, supranational cooperation, and integration. For some liberals this has to lead to regional federation, or even a world state (Jørgensen 2021, pp. 223-236; Höffe 2007; Zacher and Matthew 1995).

A superficial reading of the classical liberal greats, Ludwig von Mises (hereafter Mises) and Friedrich Hayek (for more on their relation see Ebeling 2014), might lead to the conclusion that they largely agreed with liberal IR theorists, especially since plans and support for federation take a significant place in their writings on international relations. However, it will be argued here that this is an erroneous interpretation. Both Mises and Hayek did not regard federation as an ideal, but as a solution to very specific situations when states were unable to provide international order and individual liberty was in severe danger. Compared to liberals in IR, Mises and Hayek were, for example, far more suspicious of international law and organisation because these institutions in international affairs could easily turn into a threat to individual liberty (Van de Haar, 2009, 2015).

As with their ideas on international relations generally, federation is an under-analysed aspect in the writings of Mises and Hayek. This is a knowledge gap to be filled, from...
the perspective of the history of ideas and for scholars of Mises and Hayek, the Austrian School, and classical liberalism in general. Yet it is also topical. Currently, there is a group of academics who attempt to portray Mises and Hayek as the originators of what they call ‘neoliberalism’, which they analyse very critically. Ideas on federation figure prominently in these writings (especially Slobodian 2018; also Plehwe et al. 2020). Additionally, there are IR theorists who pick and choose from Hayek’s writings on federation, which leads to a misrepresentation of his ideas and intentions (see for example Hall 2012; Rosenboim 2014; Rosenboim 2017; Bosco 1995, p. 271; Easley 2004, p. 136).

This article seeks to address these issues. It aims to present a comprehensive overview of Mises’ and Hayek’s writings about federation in relation to their ideas about states and nations. This will make clear when, how, and why Mises and Hayek embraced federalism, while the analysis will also shed light on the differences between them. It shall be argued that both scholars approached federalism from a specific classical liberal angle, fully compatible with their overall philosophy. Also, the editor of this special issue’s question, concerning the relation between federation and the state system in classical liberal thought, will be answered.

Before turning to these ideas, it is important to clarify the meaning of a number of terms used in this article. Following Hedley Bull, states or countries (the terms will be used interchangeably) are defined as “independent political communities each of which possess a government and asserts sovereignty in relation to a particular portion of the earth’s surface and particular segment of the human population” (Bull 1995, p. 8). State sovereignty is a way to organise political power; it is “an idea of authority embodied in these bordered territorial organisations we call nations or states, and is expressed in their various domestic and foreign relations” (Jackson 2007, p. ix). A nation is a more elusive and difficult notion. Following Gellner, nations are defined as ‘people sharing the same culture, where culture means a system of ideas and signs and ways of behaving and communicating’. Yet Gellner also notes that “men need to recognize each other as belonging to the same nation, nations are the artefacts of men’s convictions, loyalties and solidarities” (Gellner 1983, pp. 6-7). Both elements will return in this article. Nationalism is the support or movement for a stronger political position of the nation, eventually leading to demands for its independence. States and nations may coincide, but often they don’t. States can comprise one or more nations, while nations can live in a number of states. It has to be noted that Hayek and Mises were less strict in their terminology, they mingled the use of nation, state, and country, as was common in their day. For reasons of clarity this practise will not be followed here.

Our world is still predominantly a world of sovereign states. Federation is about pooling and sharing political power, either within a state (for example the USA or Switzerland) or between states (see McKay 1999; Burgess 2000). The focus of this article is on the latter. Some clarification need to be given in this context. If all power is located in a sovereign state it is called a unitary state, or Einheitstaat (the German terms are provided because they were used by Hayek and other writers, as we shall see below). When several sovereign states collaborate, and the precise nature of their collaboration is written down in a shared treaty, it is called a confederation or Staatenbund. When constituent states form a federation, or Bundesstaat, they are no longer sovereign. Federations (often) have a constitution or other basic legal document, with a precise description of the division of tasks between the federal level and the decentral level(s). Often a mechanism to settle disputes about this division is included, for example in the form of a Court that trumps the legislation of member states. In the 1930s and 1940s federations were also often called unions, although Mises used this term differently. Federalism will be defined in this paper as “the desire to create federations in order to avoid political conflict.” For the federalists in this article the central political question was: how to create a federation out of an existing order of sovereign states?
PLANS FOR FEDERATION

Plans for federation played a particularly important role in the 1930s and 1940s, especially in interwar Europe, as it became increasingly clear that another war was looming. There were numerous plans in circulation, with different focus and geographical reach, from writers of all sides of the political spectrum. Some of the best-known plans for a federation of the (Western) world also figure in the writings of Mises and Hayek, especially those for a Pan-Europe, Lionel Robbins’ ideas for a classical liberal federation, the ideas of Ivor Jennings, and two proposals by Clarence Streit.

The plan for a Pan-Europa (1923) by Count Richard Coudenhove-Kalergi aimed to constitute a federation of all continental European countries and their colonies, the British Empire and Russia excluded. In this way Europe would become a world power, which would also prevent attack or conquest by the Russians. The European federation would be created in stages, through conferences and “easier” steps such as a customs union, ultimately leading to a Pan-European constitution (Coudenhove-Kalergi 2019). Lionel Robbins, in Economic Planning and International Order (1937), focused on the impossibilities of national and international planning. International liberalism was his alternative. This was a neglected topic in liberalism, he alleged, yet “without peace, no welfare.” The international economy needed an international polity and in Robbins’ mind that had to be a federation. He coined the phrase “neither Statenbund, nor Einheitstaat, but Bundesstaat,” which would often be used by Hayek. This federation would neutralize causes of international conflict, such as nationalism. The limited number of state tasks would be designated at the right level: the central level for the most important tasks, such as the protection of property, a common monetary unit, free exchange, and the movement of capital and labour. Other public tasks could be provided at the lower levels (Robbins 1937, pp. 221-305). Ivor Jennings, a constitutional scholar, focussed on a democratic federation of Western Europe, which included Britain, France, a democratic Germany, and ten smaller European democracies. He attempted to show the feasibility of federation as a working system, and also proposed a draft constitution. One of his main aims was to abolish war between European countries (and their colonies). In contrast to many other thinkers at the time, he did not believe in federal schemes that included countries outside Western Europe (Jennings 1940).

In 1939, just before the war broke out, Clarence Streit, an American correspondent at the League of Nations, published the immensely popular book Union Now. He proposed a union between the fifteen democracies (and their colonies) in the North Atlantic region, aiming to secure individual freedom in those countries. This could be the nucleus of a future world federation. Streit’s union comprised of common citizenship, common defence, a customs Free economy, common money, and a common postal and communications system. Other public tasks had to be conducted at the national level. Streit took the USA as an example, while most of his book was a geopolitical analysis of the strength of his Union compared to the authoritarian countries of the Triangular Pact: Germany, Italy, and Japan (Streit 1939). Two years later, Streit published a sequel, entitled Union Now With Britain. With a large number of his original member democracies occupied, he concentrated on the English-speaking world, urging America to invite the UK, Ireland, Canada, Australia, New Zealand, and South Africa to unite in what he called ‘A Union of the Free’. This federation would have comparable rights as the US government, while a Bill of Rights was also needed. Streit’s federation would gradually grow into a government of all mankind, and its defence capability could be reduced to the level of a world police force (Streit 1941).

NATIONS

The writings on federation by Mises and Hayek should be seen in the context of those rare circumstances when states are unable to provide international order due to war. Incidental wars were of course also threats to international order, harming liberty and international commerce, yet their occasional occurrence did not warrant calls for such far-reaching overturn of the state system. In line with Adam Smith and David Hume, whose writings were influential on them, Mises and Hayek preferred a state-based international politics.
They never wanted to abolish the state, but wanted to limit its influence on the life of individuals. Foreign policy and defence of the territory against external attack remained important state tasks. Mises and Hayek recognised the emotional ties between the individual and his or her nation or country. This was a balance: feelings such as national pride and patriotism were normal, but nationalism was a destructive force (Van de Haar, 2008, 2009, 2013).

In Mises’ ideal, classical liberal world states would have a limited role, needed only for the protection of property and liberty, while fostering peace. Yet the contemporary international world was still dominated by states (von Mises 1996b [1927], p. 37), and to attempt to change this was dangerous: “liberalism did not and does not build its hope upon abolition of the sovereignty of various national governments, a venture which would result in endless wars” (von Mises 1996a [1949], pp. 685-686). Mises added in 1943, a time when he wrote a lot about federation, that “the principle of national sovereignty does not stand in the way of international division of labour and peaceful collaboration of all nations […] provided every nation unswervingly clings to the policies of democracy and capitalism” (von Mises 1990, pp. 151-152). Hayek also regarded states as the principal actors in world politics (for example Hayek 1997a [1944], pp. 163-176, 1980a [1948], pp. 255-272) and emphasized there was no contradiction between individual freedom and the desire to unite in a national state (Hayek 1993 [1960], pp. 14-15). Mises added: “the feeling of nationality existed long before any political attempt was made to base it upon the idea of [for example] a German state, a German policy and German chauvinism” (von Mises 1996b, p. 146).

Mises was a prolific writer on questions of nations, nationalism, and states. In 1919 he published Nation, State and Economy and the topic returned regularly throughout his career, not least in Omnipotent Government (1944). He argued that nations are linguistic groups, not racial groups as his contemporaries sometimes erroneously asserted. Common language binds, while different language separates. Nations could not be defined by geography or religion either, although Mises did not deny the importance of these characteristics (von Mises 1985 [1944], pp. 82-92). Nations differ from states in that “the nation as an organic entity, can be neither increased or decreased by changes in states” (von Mises 1983 [1919], pp. 39-40). He emphasised that in a multi-national state, different nations will attempt to force rules on another, and often use the state apparatus to accomplish this. Therefore, multinational or multilingual states are inherently unstable, because there are always issues between majorities and minorities (von Mises 1983, pp. 9-56). He saw three solutions for the administration of multilingual countries. Federation was one (see below). The best solution was a limited state, which would give less reasons to fight over its resources, or use it to oppress others. Another solution was “feet voting”: groups of people should be allowed to secede and start a new state (Hülsmann 2007, pp. 316-324; von Mises 1996b, pp. 108-110).

Hayek wrote less about nationalism, but held comparable views, and he detected a strong relation between collectivism and nationalism. He thought that humans did not tolerate any long-standing domination of a group of a different nationality (Hayek 1993, p. 84), but at the same time called nationalism “a poison” (Hayek 1967, p. 143). In his famous Finlay lecture, entitled Individualism: True and False (1945), Hayek called nationalism “intellectually a twin brother to socialism,” and saw a relation between nationalism and the “false” rationalistic liberalism of the Continent, which favoured centralization, nationalism, and socialism, as opposed to the true English form of liberalism (Hayek 1980a, p. 28). In 1941, in Nature, he remarked that “most planners are militant nationalists” (Hayek 1997b, p. 218).

Sometimes states were imperfect and arbitrary units (Hayek 1993, p. 105), which was often the case in larger states. In those cases attachment to abstract rules prevailed and guided people’s actions, for example tradition, but also something more visible such as the landscape of a country (“the mountains of Austria”). Concrete symbols, such as shrines, the national flag, or the monarch also fostered feelings of unity (Hayek 2021 [1976], p. 191-192). Again, this patriotism should not be mistaken for nationalism. There was nothing wrong with a deep attachment to national traditions and it need not be a cause of hostility to anything foreign either (Hayek 1993, p. 405-406).
Mises wrote about federation for a good twenty years of his career, from roughly the mid-1920s to the mid-1940s. It is a strange neglect that not one of his biographers pay much, if any, attention to this part of his writings (Butler 1988; Ebeling 2010; Hülsmann 2007). Yet Mises responded extensively to the plans for federation introduced above, and added his own proposals, most notably a plan for a Union of Eastern Europe. This was clearly an important topic for Mises, which can be explained by his concerns for his region of origin (Lemberg, now Lviv, in Ukraine) and the future of Austria generally. It was also a response to events that personally touched him, most notably his emigration to New York City.

Generally, Mises started his articles and lectures on federation by emphasising that economic nationalism, government intervention, and discrimination against minorities were the main evils to address. He did not disregard the political aspects yet his analysis was largely economic. Common ingredients were a plea for free trade, arguments against government intervention, and calls in favour of free immigration. Fundamentally, Mises acknowledged that only a change of mind could be the basis of real change, including the end of conflict and war (also see Ebeling 2000). It can be doubted whether this analysis is sufficient, and the idea that free trade fosters peace is wrong (Van de Haar 2009, 2010, 2020), but that is not the main concern here.

Mises focused on federation of the Western democracies, and on federation of the Eastern part of Europe. This latter focus was a loose geographical indication, and he sometimes referred to it as the Danube basin (which also includes Germany, but the latter country was never part of his plans for federation). It should roughly be seen as the area covered by the former European communist bloc countries during the Cold War, excluding Russia. Some people refer to this area as Central Europe, but here the term Eastern Europe is used, to avoid additional confusion about borders.

In his judgement of the several federal plans in circulation, Mises supported the overall goal of peace (see below), which was the *sine qua non* for all reconstruction plans in Europe. However, he was critical about the details. Besides practical issues, his support was always contingent on the issue of (economic) nationalism. Without the eradication of economic nationalism, a more peaceful and just society could never (re)-emerge. For example, in a 1943 op-ed for the *New York Times*, Mises criticised the Pan-Europe plan, the Streit initiative, and another plan for federation in Danube-region, because they all lacked sufficient amounts of attention for the prevention of economic nationalism, protectionism, and centralisation. They also did not address the need for a change in the collectivist mentality of the people (von Mises 1943b).

In *Liberalism* (1927) Mises first wrote about “the United States of Europe,” or the idea of Pan-Europa by Count Coudenhove-Kalergi. He objected to it because it only proposed to make Europe (without the British Empire) as rich and powerful as the Americans. This would just exchange national chauvinism for chauvinism at a European supranational level. The supporters of Pan-Europe, Mises wrote, wanted to reconstitute the old imperialistic and militaristic states of Europe onto a larger scale. Instead, Mises argued that peaceful cooperation had to be the goal of a European federation. While a military and political Pan-European union would be more powerful, and it could also contribute to less intra-European protective economic policies, Europeans would still lack a feeling of community or solidarity because of their long and different histories. International boundaries would only lose their meaning if the number of state activities were limited. For Mises, any plan for European federation would fail if the people lacked emotional attachment to it and refused to support its economic policies (von Mises 1996b, p. 142-147).

SUPPORT FOR PAN-EUROPE

Perhaps surprisingly, given this initial disapproval (which was characteristically strongly-worded), Mises got involved in the Pan-European Movement once he migrated to America in 1940. Yet times had changed dramatically since his initial analysis in 1927, and Mises had been drafting ideas for an Eastern European federation since 1938 (see below). Also relevant is that Mises, according to his wife, spent some time with
Count Coudenhove-Kalergi while waiting for a boat from Lisbon to New York, when both fled Europe in 1940 (von Mises 1984, p. 54).

In New York, he became active in the Count’s Pan-European Conference. Mises attended meetings and discussions, was a member of the Economic Committee, and also attended the meeting that accepted the aims and principles of a Draft Constitution of the United States of Europe (Coudenhove-Kalergi 1944). Mises objected to being mentioned as a member of the governing Council of the Pan-European Conference (von Mises 1944). In 1943, Mises gave a lecture entitled *The Fundamental Principle of a Pan-European Union*. He indicated that his ideas were supported by the Pan-Europe movement, which was enough reason for him to support them. It included pleas for free trade and free migration, while it emphasised the prohibition of discrimination against any citizen within a federal Europe. Mises claimed—and repeated in other writings—that in case of equal citizenship rights, individuals would no longer be interested in questions of political frontier, size of country, and war (as they all got their due, economically). Based on his own experiences in the League of Nations, Mises also remarked that international bureaucracies, international courts, or an international police force would not bring peace. A European Bill of Rights could be able to help prevent World War III, but only if it contained his fundamental principles (von Mises 2000, pp. 43-49).

Mises repeated the core of his ideas over and over again, but was flexible enough to add new elements when circumstances or topical questions demanded it. In 1943 Mises wrote *Recommendations for an Economic Union of the United Nations*, probably written for the economic committee of the Pan European Conference, although there is no archival certainty about that. His concern was the “peace-loving democracies,” as he had previously called them in the *New York Times*, who fought together to beat Germany and Japan. So, it had nothing to do with the international organisation we now know under the name United Nations. The twelve articles proposed to establish a permanent economic Union governed by a Board. A Court was needed to settle disputes (von Mises 1943a), so despite his earlier dislike, Mises did occasionally recognise a need for international institutions.

In his analysis of the Streit plan, in a lecture at the Yale Economic Club in 1941 (von Mises 2000, pp. 1-19), Mises supported the federation of democracies, but indicated that the weakness of Streit’s ideas was the exclusion of Eastern Europe. Like the Pan-Europe plan, it would not lead to peace, because nothing fundamental was changed. The only big positive was that Streit’s federal union would lead to a better defence in case of a Third World War. This was not just some pessimistic statement for rhetorical purposes. Mises explicitly embraced the idea of collective defence: “if Hitler had faced a collective, his chances in war would have been nil.” And he continued: “I do not see any other reasonable solution for the post-war problem than a closer political and military union between the menaced countries” (von Mises 2000, p. 16). However, without a universally shared laissez-faire ideology, free trade, and free migration, there could never be economic unity. Yet this economic unity came with a loss of sovereignty that would reduce member states to mere provinces. Mises doubted if that would be acceptable to (the leaders of) those countries. Nevertheless he contended: “the union as proposed by Mr Streit, supplemented by an Eastern European Union, is the only reasonable program for the defence of civilization and for a reconstruction of Europe and the whole world” (von Mises 2000, p. 19). This goes against the claim that Mises never endorsed a federation spanning several continents (Slobodian 2018, p. 106).

Mises would never have embraced such brazen endeavours in more tranquil political circumstances. He also never did so again after the end of World War II. In 1944, the war had shifted in favour of the Allied countries, but Mises was not very optimistic about the post-war future. In *Omnipotent Government* war preparedness was seen as the only way to avoid war. Free trade and free migration were the only way to peace, but Mises acknowledged it would be hard to eliminate the roots of war. The main need was “a lasting cooperation among the states today united in their efforts to smash the totalitarian aggression,” through a permanent and lasting union (von Mises 1985, p. 276). In another lecture given in 1943 he had already pointed out that military and political union could not succeed if the same states fought each other in the economic sphere. Therefore, national sovereignty needed to make way for effective solidarity in a full union. This was obvious for the smaller European countries, but it also applied to England and France. The USA
and Canada, while protected by the oceans, also needed to cooperate with the other democratic countries (von Mises 1990, pp. 162-163).

**RETURN TO THE STATE**

In 1938, 1941, and 1944 Mises put forward ideas for the post-war reconstruction of Eastern Europe (von Mises 1985, pp. 282-289; 2000, pp. 169-201; 2002, pp. 315-320). He argued that in that region political relations were “intolerable” because all states saw their neighbours as “mortal enemies” (von Mises 2002, p. 317). Every country had large minorities, so it was impossible to create states with homogenous populations. This led to constant attempts by all states in the region to enlarge their areas in order to include some of the minorities closest to them. Mises’ solution was radical: there had to be one government for the whole area, without any legislative or administrative tasks for the constituting parts of the new entity (von Mises 2000, pp. 169-197), and security policy should also be collective (von Mises 2002, p. 320). This was no longer a federation, because the member states would have hardly any influence. Instead, it was a Union, with full characteristics of a unitary state. Mises actually went beyond the option of federation to solve issues of international instability in the Danube region and returned to the state as the most feasible option to foster domestic and international order. It also underlines the central place of the state in Mises’ ideas on international relations.

Initially, in 1938, Mises drafted a plan for the federalization of the Danube region, which was partly written in opposition to Austrian leaders who were in favour of national self-determination (Hülsmann 2007, pp. 723-725). In his more detailed 1941 plan, the **Eastern Democratic Union (EDU)**, he went further. It covered the whole of Eastern Europe: from the Eastern borders of Germany to the Western borders of Russia, and from the Baltic Sea to the Black, Aegean, and Adriatic seas. In 1938 (von Mises 2002, p. 318) he was still in favour of a federation, albeit under English or French administration (and French and English had to be spoken exclusively at the federal level). Yet in 1941, he proposed a Union where the member states continued to exist for cultural and historical reasons, including their national symbols, but lacked all legislative and administrative power (von Mises 2000, pp. 17, 182-188). Most likely, he had seen the impossibility of his 1938 plan, certainly in the midst of the Second World War.

His argument for the remarkable EDU was as follows. In non-homogenous states, differences in power lead to unequal treatment of minorities, through the (ab)use of the administrative apparatus. It was futile to expect that a federation in Eastern Europe could deal with this. A federation would still lead to conflict, while a Union would make that impossible. Mises warned—with some foresight—that Eastern Europe, by lack of any real interest of the Western powers, would come under the spell of the big adjacent powers, namely Germany, Russia, and Italy. The leaders of the Eastern European countries could not count on continued support and defence from the West. Therefore, to be able to live in peace, they had to establish a political order among themselves. The choice was between unitary government or a system of **laissez faire**, but Mises did not expect them to choose the latter (von Mises 1985, pp. 283-285). He thought it would be a good idea if the EDU would complement a Western Union, for example the one proposed by Streit. The formation of political blocs would be more promising to foster international order than a League of Nations approach, which had been nothing more than the establishment “of a bureau and a bureaucracy” (Hülsmann 2007, pp. 804-805).

A reviewer of *Omnipotent Government* remarked: “his proposal for a unitary (not federal) state for the many small nations of Eastern Europe strikes one as both ingenuous and illiberal” (Simons 1944). It may indeed appear illiberal to use central powers to assure individual economic freedom, as Ebeling writes (2010, p. 182). However, that is exactly why federation and unionization are a last resort. In Mises’ mind there was really no other option to preserve peace, to minimize conflict, and to maximize the conditions for individual liberty. That is not inconsistent with classical liberal ideas because chaos and anarchy are some of the biggest threats to liberty. This said, Mises’ EDU covered a very large area, a very large number of inhabitants, and also limited individual liberty, so doubts were clearly justified. Despite all his writings on the issue,
Mises never returned to the topic after World War II, most likely because of the great divide that characterised Cold War Europe.

HAYEK: LIFE-LONG FEDERALIST

While Mises did not return to the topic of federation after 1945, Hayek was a federalist throughout his life (Ebenstein 2001, p. 393; Spieker 2014). Hayek mainly focused on three things: whether a federation promoted peace (or ended conflict); the classical liberal credentials of a federation, including the prevention of economic planning; and the institutional framework of the federation, especially the capacity to foster cooperation between the member states. The origins of Hayek’s concerns, like those of Mises, went back to his youth in the Austro-Hungarian Empire, characterized by its conflicts between nationalities (Slobodian 2018, p. 105), and the related multilingual issues which Hayek experienced personally during his duty as a soldier in the First World War. Kukathas (2006, pp. 192-194) adds that Hayek always was an internationalist thinker. In the 1930s and 1940s, he feared for the future of Europe and of modern civilization in general and was convinced that it was crucial to protect classical liberal social and political philosophy from the influence of totalitarianism and collectivism.

Hayek drafted federal plans in the 1930s and 1940s, referred to federation in his writings afterwards, and also put forward proposals for federation in the 1970s and 1980s. Some authors claim that this life-long preference are due to the influence of Mises and Austrian economist Gottfried Haberler, and their involvement with the Pan-European movement (Hennecke 2000, p. 141). However, Mises was not involved in the Pan-Europe Movement before 1940, after Hayek had first published on federation. It is far more likely that Hayek was influenced by topical events, such as the looming war in the 1930s, and personal relations, in particular with his LSE colleague and friend Lionel Robbins, who was rather active in the federation-debate and in Federal Union (see below).

The debate on federalism was prolific in Britain in the 1930s, but it was not a new topic of public debate. Since the mid-1800s there had been discussions about a future constitutional design of the British Empire, addressing concerns about the loss of relative power at the world stage, and the fear that democratization would threaten the empire. Many proposals floated around, also for federation, for example between Britain and the settler colonies in Canada, Australia, New Zealand, and—more ambivalently—South Africa (Bell 2016, pp. 182-207, 2020).

For Hayek, federation restricted national governments and helped to foster internal peace between the members. It could also help to limit state intervention in the economy and ensure free trade. However, as emphasized by Violi (2015), for Hayek this could only succeed when the power balance between the federal centre, the member states, and individual citizens was such that it protected the latter against the two others. Compared to Mises, Hayek had a more traditional view on the benefits of federation: it was a constitutional means which aimed to achieve peace among the member states, but like his mentor he strictly endorsed a federation on classical liberal principles, although Hayek focused more on economic planning than on economic nationalism. He never endorsed the Union-like proposals of Mises. Yet on other points he shared Mises’s analysis, for example when referring to the post 1918-situation in Eastern Europe: “I express some doubts as to whether the splitting up into nine independent states was altogether a fortunate solution” (Hayek 1945, p. 49).

In 1939 Hayek published his first major article on federation in the New Commonwealth Quarterly. The main goal of federation was to achieve peace. His analysis was largely economic, not least because he believed that a political union, including common defence and common foreign policy, could not be formed without economic union. Federation was certainly not a scheme to “break the link between political citizenship and economic ownership” as Slobodian (2018, p. 102) erroneously argues. Hayek stressed, for example, the importance of free trade, free movement, and a monetary system, either with a central bank or a federal reserve system. Only in this way could the internal coherence of the federation could be preserved, because economic seclusion of some, or all, parts would lead to conflicts. There should also be no planning...
at the member state levels, nor regional protection of industries, etc. The federal government should be restricted in scope and mainly have negative powers to prevent member states from interfering in the economy. Hayek saw this as the ultimate test: people would be ready for a federation when they were willing to have less government. Federation could prevent war in two ways: internally, because friction between the parts of the federation would be eliminated. Externally, because of deterrence. Federations were not inherently peaceful, but other countries would be less likely to attack such a strong entity. A common defence was required, as this was the best utilization of resources of the member states. Hayek supported Streit, and particularly Robbins: “neither Staatenbund, nor Einheitstaat, but Bundesstaat” should be the goal (Hayek 1980a, pp. 255-272).

Like Mises, Hayek did not only promote his own plan for federation, other plans also received his support. In the late autumn of 1939, a few months after the war broke out, Hayek wrote in support of the plan to create an Anglo-French federation. This plan had been presented by Nobel Prize-winning IR theorist Norman Angell, and received the support of Winston Churchill and other politicians. Hayek saw in it evidence that the two countries were sincerely striving for a better and peaceful world, and ready to shed old animosities. The plan was revolutionary, to say the least: it called for the French and British Empires to be united. This would be the start of a permanent reconstruction of Europe and the world. Hayek, with an eye to the war effort and its economic consequences, underlined that, as a first step, cooperation in trade would be needed (Hayek 1997b, pp. 161-162).

In other plans Hayek also embraced the Anglo-French Union, while showing a concern for the European balance of power. In The Spectator of December 1939, he explicitly supported Robbins’s plan for the federation of Eastern Europe, because he recognized the issues with minorities and the abuse of economic policies for nationalist purposes. The existence of many sovereign states in this region was a perpetual danger to peace. Federation was therefore the ideal solution. Given its geography, such federation would also have to deal with German influence. Yet that influence would be intolerable for France, as would a larger continental federation of France, Germany, Eastern Europe, and the North European countries. France would never feel comfortable and secure unless the British stood by her. Therefore Hayek recommended an Anglo-French federation, which in due course could be supplemented by the other countries. Hayek called upon the British people to support this plan and accept a decrease of national sovereignty (Hayek 1997b, pp. 162-164). The embrace of these ideas also certainly reflect the dire circumstances of the day, with the next war on the doorstep.

FEDERAL UNION

These powerful and far-reaching ideas also fit well with the lesser known fact (certainly among Hayek scholars) that Hayek was a member and contributor to the multi-partisan British Federal Union (FU) from 1938 to about 1941 (Rosenboim 2017, pp. 157-167). He was a member of the Economist Committee of the Federal Union Research Institute led by William Beveridge. As late as April 1940, Hayek, Robbins, Beveridge, intellectual Barbara Wootton, and FU founder Patrick Ransome travelled to Paris for an Anglo-French economist’s meeting to discuss Anglo-French and European federalism after the war. On the French side, the future Mont Pèlerin Society members Jacques Rueff and Louis Rougier were present. However, no agreement could be reached (Ransome 1991, p. 98). This lack of agreement, both on principles and outcomes, was characteristic of the FU economic committee in general, which was chaired by Robbins and had other members such as James Meade and the afore-mentioned Jenkins (hence the reference to his plan for federation in Hayek’s The Road to Serfdom). There was a clear divide between the classical liberal and socialist approaches to federation, which centred on the question of economic planning (see Ransome 1991, pp. 1-115). Hayek soon found himself isolated, and future British Prime Minister Harold Wilson even remarked that Hayek’s position implied a denial of the right to practice collectivism. Wootton proposed federal powers to eradicate hunger and poverty, which led Hayek to write in the movement’s bulletin, Federal Union News, warning against the federation’s extensive powers to regulate its citizens’ economic life, which would lead either
The last chapter of *The Road to Serfdom*, on the prospects for international order, also deals with federalism, although Hayek sometimes used the term “authority” when referring to the federal level of decision-making. His main target remained international economic planning, which “could only lead to a naked rule of force” (Hayek 2007, p. 225), but he also proposed an institutional set-up of a federation. International economic relations should not be about countries, but about individuals. Plans to equalize life standards would end in failure. A federation in Eastern Europe might be helpful, but only if it was able to protect order and provide basic services. Hayek said “federalism is of course nothing but the application to international affairs of democracy, the only method of peaceful change man has yet invented. But it is a democracy with definitely limited powers” (Hayek 2007, p. 232). The new federal level of decision-making had to possess mainly negative powers: to restrain nations from harmful behaviour against their neighbours; a set of rules that would define what the states were allowed to do; and the power to enforce these rules. In short: the federation should be a political power that could also hold economic interests in check, with “essentially the powers of an ultra-liberal laissez-faire state” (Hayek 2007, pp. 223-236). Again Slobodian misrepresents Hayek’s views. Hayek wanted to maximize freedom, which has nothing to do with achieving alleged goals of “militant globalism” and “militant democracy” (Slobodian 2018, pp. 104-105). For Hayek, federation was “the only form of association of different peoples which will create an international order without putting an undue strain on their legitimate desire for independence” (Hayek 2007, p. 232).

His 1945 *Plan for the Future of Germany*, published in *The Saturday Review of Literature* (!), was a very creative attempt to create “bottom-up federations.” As he argued before, Hayek thought that federation was part of the solution to bring Germany back into Western civilization, and also because Europe could not afford a permanently totalitarian Germany in the heart of the continent. His proposal, which Hayek admitted was a bit utopian, was to slowly start developing democratic institutions in the different parts of Germany, while the central government remained under allied control. This would gradually develop into a (quasi-)federal system. Hayek thought it was best if the different German parts, one by one, depending on the speed and depth of their internal democratization process, transferred into a wider European federation, instead of becoming independent states themselves. He gave the example of a number of them joining a federation consisting of the Benelux countries and the Nordic countries in the northwest of Europe. In the southeast, a federation with Czechoslovakia, Austria, and Switzerland could be possible. After a while, the small federations would need to merge into a wider European federation, which would have to include Italy and France (Hayek 1992, pp. 223-236). Hayek said this was a process focused on “finding a flag under which men who agree, could unite” (cited in Gillingham 2003, pp. 10-11). It was certainly another example of the flexibility of Hayek’s embrace of plans for federation: it was the overall goal that mattered, far less than the details.

Hayek even looked beyond Europe and was once led to a rare phantasy of world government, when he wrote that a world of different federations would be preferable. To prevent conflict between those federal blocks, a global organization was needed, although this would not abolish war at one stroke. A reduction of the risk of friction leading to war was probably all that could be achieved (Hayek 2007, pp. 235-236). He failed to provide more details about this global organization and never returned to the issue. It is known Hayek was a consistent critic of the inter-governmental League of Nations, and later also the United Nations. Not for their lack of cosmopolitanism, but as dangerous examples of international planning and state interference (Van de Haar 2009, 2011). He certainly did not believe in global political organisations, neither federations or any other type.
His search for a European federation continued for a few more years, although he was realistic about its prospects. When the Mont Pèlerin Society met for the first time in 1947, federation was still on the agenda. On the third day of the meeting there were two sessions devoted to the issue (Raybould 1998, p. 60). In his opening address, Hayek underlined that possibilities and prospects of a European federation (related to the future of Germany) were of “such immediate urgency that no international group of students of politics should meet without considering them even if we cannot hope to do more than clear our minds a little by an exchange of views” (Hayek 1992, p. 244). The state of public opinion was a great hindrance to any reasonable discussion, but Hayek felt it was a special duty not to shirk away. He noted it was also the hardest topic to persuade members to give a presentation on (Hayek 1992, p. 245). According to Caldwell, these sessions were the least successful of the week, as prospects for federation were significantly reduced, making it only a purely theoretical issue. Hayek’s contribution to the two sessions was limited, although he now underlined that federation was only practical in liberal societies, or societies moving towards liberalism, which he did not see happening at that time (Caldwell 2022, pp. 28-29, 127-148). After 1947, the international situation deteriorated rapidly into the Cold War. It marked the end of most optimistic plans for federation, although some people would continue to call for a European federation in the context of western European integration.

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Hayek was not one of these optimists, and he increasingly became a Cold War hawk (Van de Haar 2009 pp.101-125), but continued to see federation as a solution for situations where (leaders of) states were unable to live together. He proposed plans for international federation, mostly in letters to world leaders. His main concern was the situation in Israel and the dangers to its existence. He sent two letters to Prime Minister Menachem Begin (Hayek 1978, 1980b), although he said he only received a courteous acknowledgement in return. Hayek’s idea was to federalize Jerusalem, which he claimed would also secure the “unswerving support of the whole Christian world” for Israel. Jerusalem had to become “a sort of District of Columbia of a Palestine federation” which had to include Israel, the West Bank, Lebanon, and Gaza. In the 1980 letter to Begin he also proposed to add Jordan and make King Hussein the ceremonial king of the federation. This federation would be “administered as the common spiritual home of the three great monotheistic religions.” It was the only arrangement to promise a permanent peaceful order and in this way the city would forever belong to the Jews, if not only to the Jews. The power of the federal government should largely be limited to external affairs. Hayek advised that Israel should take the lead with this proposal, because then it would get it done within acceptable terms. He predicted that if Israel waited it would simply be forced upon it, with less favourable conditions (Hayek 1981). The Dayan letter reached the minister a few days before his death, so in the next year Hayek sent a letter to Jerusalem Mayor Teddy Kolek. The main message remained the same, although the federation was now called “The Levantine Federation,” and should “possibly include East Jordan.” Hayek wrote that “originally I had remarked it would be wise to make it a Royal federation under an Arab king and an Israeli prime minister, but that would probably be expecting too much of Israeli pride” (Hayek 1982). The response of Kolek was polite, yet he did not fail to point out that Hayek’s ideas would entail “introducing into the city’s delicate fabric alien elements belonging to states which exist but have no objective link to Jerusalem” (Kolek 1982). Hayek first kept his ideas private, as to leave opportunity to the Israelis to use and introduce it. But in a letter to The Times in April 1985, in the context of the situation in Lebanon, he publicly proposed to federalize Jerusalem and to make it the common capital of a Palestine federation, with the powers of common defence and free trade for self-governing communities to learn to peacefully collaborate (Hayek 1985).

What emerges is that Hayek saw international federation as a way to foster order in extraordinary times and circumstances, and as a means to solve some seemingly endless international conflicts. Kukathas (2006, p. 199) is wrong to assume that Hayek saw federation as a regular way to deal with states existing in the context of other states. Federation was a last resort solution only.
CONCLUSION

Returning to the main aims of this article, it is clear that in the 1930s and 1940s the overriding concern of both Mises and Hayek was peace and international order, and that they saw the creation of federations as a way to foster both goals. They were prolific writers on this topic, both supported many plans for federation by others, and designed plans for federation themselves, concentrating on areas and circumstances when the regular state system failed to protect individual liberties: in Europe before and during the Second World War, and Hayek also in the Middle East in the 1970s and 1980s. In their analysis the state-system was lacking: in Eastern Europe the state-system had been an outright failure, while it did not succeed in preventing the third major war in seventy years in the West. Obviously, war and the protection of liberty do not go together, so at some point Mises and Hayek were even willing to support schemes that federated North America and the European democracies, although they never made this a focal point in their own writings. It was an example of their remarkable flexibility on this point, as was Hayek’s support for an Anglo-French federation. Mises and Hayek were critical about the particulars of the plans in circulation, especially from a classical liberal angle, but were willing to openly align themselves with non-classical liberal plans for federation, as long as they expected these plans to be able to prevent war.

Mises and Hayek also differed. One of the divides revolved around the alleged pacifying effect of federations. Mises made the point that joining a federation was not just about pooling some powers at the federal level, while the application of the subsidiarity principle would ensure that sufficient sovereign power remained at the level of the constituent states. In an interventionist world, Mises argued, the number of policies that are dealt with from the federal centre continually increase, because of the call for intervention from all corners of the federation, all the time. This would lead to a larger number of policies and regulations administered from the federal centre. Consequently, the member states would lose more sovereignty than originally agreed upon. This would be a new cause of division, especially when the member states of the new federation used to be powerful countries on their own. Hence, a federation divides, not unites, Mises concluded, at least in a world not (yet) guided by classical liberalism. Therefore, he proposed a much more radical solution in his own plan for Eastern Europe: no federation but a strict central union, or unitary state, where member states had no say at all over important legislation. So, paradoxically, he returned to the state system to solve the initial problems of the state system, albeit in a rather different way.

In contrast, and more in line with general thought on federation, Hayek expected a federation to be a force of unity. The most difficult and divisive policies should be dealt with at the centre (for example defence, foreign policy, and foreign trade), while leaving all other policies to the constituent parts. This application of the subsidiarity principle allowed room for different policies in the member states, while taking away their instruments to start violent conflict. This loss of sovereignty would mean less trouble and more freedom. Hayek would favour this idea the rest of his life.

As classical liberals, Mises and Hayek wanted to secure a maximum amount of individual liberty. This did not contrast with the idea of states as the central actors in world politics, nor with their acknowledgement of the importance of nations for many individuals. They would give support to general plans for federation aiming to foster peace, but once they started to look into the details their support was always conditional upon the way it dealt with issues of economic nationalism, planning, equal individual rights including those of minorities, the application of the classical liberal principles of free trade, free exchange, and free migration, and a small central government with enough power to prevent lower political levels to jeopardise these principles.

Both contributed actively to the federation debate in the period 1927-1945, but Mises never returned to the issue after the Second World War. Hayek supported federation throughout his life, but would no longer support a European federation once the process of European integration got started in the 1950s. Most European federalists aimed at a federation with many powers and tasks, which was horrendous to Hayek.

Mises and Hayek spent a lot of time and energy on plans that were never even close to implementation. Somewhat uncharacteristically, they went along with the times. It shows their idealism and strong desire to
change dreadful political circumstances, not least in their country and region of origin. They also had the clear intention to steer the federation debate into classical liberal direction. All in vain, of course, writing with the benefit of hindsight. Perhaps this is one of the reasons they never wrote so extensively again on a topic of international relations.

The editor’s question about classical liberalism, federation, and the system of states known since at least the Peace of Westphalia in 1648, can be answered straightforwardly. Despite its merits, federation as a classical liberal solution for international disorder is not easily put into practice. A “bottom up” approach is extremely difficult. States fiercely protect their sovereignty, as is shown for example in the several processes of regional cooperation around the globe. Even the most advanced example, the European Union, remains mostly characterised by national decision-making powers. A “top-down” approach to create federations (not unlike Mises’ idea) is most likely the only option, for example after the end of a conflict, as part of conflict resolution or a peace plan. Even then it will difficult, but not impossible. Still, this serves to underline that creating federations will remain an exception. Following Mises and Hayek, classical liberals therefore should support a “Westphalian” world of states, who cooperate internationally, but also guard their sovereignty and security. Federation remains a last resort solution in classical liberal thought.

NOTES

1 A prominent example of this is the issue of subsidiarity, which deals with the distribution of political autonomy among the different levels within the federation (Höffe 2007, pp. 94-97).

2 Interestingly, in the 1970s he would argue for the denationalization of money and competition between currencies.

3 The international association Hayek would found after the war.

4 The Franco-Prussian War of 1870, World War I, and World War II.

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