

Interstate Federalism and its Rival Traditions: Toward A New Framework for Austrian International Order

Abstract: This article identifies four traditions in the area of international relations that have arisen through studies of Austrian Economics and Austrian economists. Unlike other areas of study, such as free banking, state capacity, or emergent social orders, Austrian arguments on international relations are underdeveloped, and as a result mostly ignored in the academy and in public policy debates. This article argues, after conducting surveys on its rival traditions, that the Interstate Federalist tradition represents the best path forward for the development and refinement of an Austrian international order and, by logical extension, a global society based on the tenets of classical liberalism.

Keywords: international relations, world order, interstate federalism, Friedrich Hayek, federation, constitutionalism, Austrian Economics, libertarianism, classical liberalism

JEL codes: F01, F02, F52, F55, B13, B25, B53, K33

Foreign policy today is largely a question of which political philosophy is to triumph over another; and our very survival may depend on our ability to rally a sufficiently strong part of the world behind a common ideal.

-F.A. Hayek¹

... it is in the direction of the external interests of society that democratic governments appear to me decidedly inferior to others.

-Alexis de Tocqueville²

Interwar and postwar Austrian Economists spilled considerable ink on the topic of international relations. However, these writings have received scant attention relative to Austrian scholarship on other topics, such as interest rates or coordination problems.³ Despite the dearth of scholarship on Austrian international orders, four traditions have begun to emerge whose adherents can easily be classified:

1. The Anti-Imperialists,
2. the Westphalians,
3. the Neoliberal Threat Collective, and
4. the Interstate Federalists.

The stakes in the upcoming debates between these traditions are high, for this is not merely a dialogue to be sorted out among specialists in international relations. At stake in these debates will be nothing less than a consensus on what constitutes the best political order for a classical liberal society. This debate must, by definition, be settled within a framework of international relations rather than domestic institutional contexts⁴ or philosophical sketches⁵ (which often end up using domestic institutional contexts as a canvas) because international relations is just the

¹ Hayek 1978 (1960): 2

² Tocqueville 2000 (1835): 219

³ There are notable exceptions; see Van de Haar 2009, Sally 1998, Ebeling 1995, and, more recently, Van Staden 2022, Kosec 2022, Van de Haar 2022, Masini 2022, and Nientiedt 2022

⁴ Hayek 1978 (1960)

⁵ Rothbard 1982

extension of domestic relations to international affairs,⁶ and because the entire world, rather than nation-states, encompasses the division of labor.⁷

A foundation for an Austrian international order began to be laid 100 years ago by Ludwig von Mises, and he was joined in this work by Hayek, but with the advent of the Cold War both scholars ceased explicitly writing on world order. However, given the failure of the nation-state in the postwar 20th and postsocialist 21st centuries – from poverty to despotism to the violence associated with experiments in anti-Westphalian alternatives - now is the time to pick up where these two scholars left off and rejoin the debate over world governance.

The arguments of the four burgeoning traditions listed above can be traced mostly to Hayek and Mises, who were at the forefront of debates on federation throughout the interwar and early postwar years (1920s through 1950s), with the exception of the Anti-Imperialists, who mostly ignore this older line of Austrian thought in favor of an American version of Austrian international order put forth during the height of the Cold War.

The Anti-Imperialists

The Anti-Imperialists enjoy the most prominence today, and are well-represented in think tanks and academia. This tradition focuses more on mainstream liberal arguments in IR and employs a cost-benefit model (supplemented with a moral angle) to make most of its arguments. It is almost exclusively focused on the United States. The Anti-Imperialists argue that the United States is not a benevolent hegemon, and that its military's role in the world contributes to misery and illiberalism wherever it goes. This tradition argues against the idea that democracy can be exported, especially behind the barrel of a gun, and that the American role of military

⁶ Hayek 2007 (1944): 232, Mises 2002 (1927): 105

⁷ “...the division of labor is international and not merely national (2002 [1927]: 148).”

intervention that has been adopted by Washington since the Cold War⁸ is bad for liberty abroad and bad for liberty at home.

This tradition begins with Murray Rothbard, an American economist who was concerned with the American Federal government's overreach, at home and abroad, during the Cold War. His concerns were not unfounded. The list of American misdeeds during the Cold War, and in the name of liberty, is long. Rothbard traced this illiberal element back to war itself⁹ and, more conspiratorially, to unseen financial interests.¹⁰ According to Rothbard, whose introduction to Austrian Economics as a graduate student at Columbia University coincided with his introduction to political libertarianism,¹¹ the United States was an imperial aggressor, and its presence abroad was an affront to liberty, so much so that the United States needed to adopt an isolationist foreign policy.¹² This isolationist impulse, however, was nowhere to be found in the writings of Hayek and Mises, or in the writings of those who influenced Hayek and Mises. Rothbard's libertarian interpretation of international orders was essentially anti-Austrian, as the "political isolationism"¹³ he advocated for implies that libertarians everywhere must focus on "the invasions and aggressions of their *own* State."¹⁴

Rothbard's writings on international relations were almost exclusively American-centric and firmly ensconced in the Cold War-era logic of bipolar Great Power rivalry. What stands out most in Rothbard's writings on international relations, and betrays his lack of familiarity with Austrian writings on this topic, is that his vision for international affairs relies upon state sovereignty, the

⁸ Some scholars argue that this military interventionist impulse goes back much further in time than the Cold War, see Burns 2022 for one such example

⁹ Rothbard 1994 (1973): 277-282

¹⁰ Rothbard 2011 (1984)

¹¹ Rothbard 2007: 65-84

¹² Rothbard 1994 (1973); 270-274

¹³ Rothbard 1994 (1973): 265

¹⁴ Rothbard 1994 (1973): 270; emphasis in the original

very problem Mises and Hayek sought to confront and eliminate with federations, even though he sought to eliminate the state. This incoherence has never been satisfactorily addressed by Rothbard¹⁵ or his acolytes.¹⁶

The Anti-Imperialist literature today is ubiquitous, but by far the most prominent scholar is Christopher Coyne, who has done excellent research pointing out the missteps and dangers associated with America's role in the world today. A second literature in the Anti-Imperialist vein can be found in the idea of "polycentric public choice," which will also be summarized and critiqued below.

A glance at Coyne's prodigious body of work on international relations suggests where his interests and concerns are focused: intervention by the United States in the affairs of other sovereign states. Coyne's work does feature some work that is critical of imperialism in general,¹⁷ but the vast majority of his oeuvre uses the United States of America as a model of what *not* to do: the state-building efforts of the United States abroad that occur after American-initiated wars and coups,¹⁸ the economic development efforts of the United States and its aid programs,¹⁹ and the effects that American foreign interventions have on domestic policies at home²⁰ all feature prominently in his work on international relations.

This scholarship is important, indeed it's essential, but it's not necessarily Austrian and it certainly doesn't stem from the line of thought on international orders found in the works of Hayek and Mises. The works of the Anti-Imperialists fall squarely in line with Rothbard's views

¹⁵ He tried, see his interesting article "Nations by Consent: Decomposing the Nation-State (1994)," and he recognized that his foreign policy prescriptions could only be applied to "the State-ridden world" (1994 (1973): 264) in which he lived

¹⁶ They tried, see Murphy 2017, Newhard 2017, Hoppe 1989, 1996, Hummel 1990, and Crovelli 2007

¹⁷ See, for example, Coyne & Hall 2014

¹⁸ Coyne 2008, 2013, 2006

¹⁹ Coyne & Leeson 2004; and a more general criticism of foreign aid can be found in Coyne & Boettke 2006

²⁰ Coyne & Hall 2016a, 2016b, 2018, 2022

on international order, one where “the libertarian goal is to keep [territorial] States from extending their violence to other countries,”²¹ “the rigorous abstention from any foreign aid”²² is practiced, and there is a broad recognition throughout society that “domestic tyranny ... is the inevitable accompaniment of war.”²³ Rothbard’s influence on the Anti-Imperialists is not limited to their US-centric approach,²⁴ either, as this tradition has trouble putting forth alternatives that are able to abrogate nation-state sovereignty. For example, in his policy prescriptions for ending the state-building efforts of the U.S. in the developing world, which he criticizes most thoroughly in *After War*, Coyne argues that a foreign policy of non-intervention and free trade are the best options for a more liberal world,²⁵ which suggests that not only is the nation-state the ultimate arbiter of decision-making at the international level but that Rothbard was right: “political nonintervention in the affairs of other countries, coupled with economic and cultural internationalism in the sense of peaceful freedom of trade ... is the essence of the libertarian position”.²⁶ This stands in stark contrast to the writings of Mises and Hayek, who sought to find a way out of the cycle of wars that balance-of-power politics produces by ending the decision-making process for nation-states when it comes to trade and security.

The Anti-Imperialist tradition also ignores several other questions that matter to international relations. Take some real world scenarios, for instance: what if a sizable faction within a nation-state asks for American help? What if this faction *begs* for US help? What if this faction offers to trade something that would be of value to the US in exchange for its help? Is there

²¹ Rothbard 1994 (1973): 265

²² Rothbard 2000 (1974): 128, see also Rothbard 1994 (1973): 291

²³ Rothbard 2000 (1974): 131

²⁴ “...libertarians in the United States must center their critical attention on the imperial and warlike activities of their own government.” Rothbard 1994 (1973): 270

²⁵ Coyne 2008: 181-193; interestingly, and frustratingly, Coyne doesn’t mention interstate federalism as an alternative to his preference for free trade non-interventionism. Instead, he contrasts “brute force” (2008: 173-178) and “peacekeeping” (2008: 178-181) with free trade non-interventionism, which illustrates nicely just how dominant the idea of state sovereignty is in the Anti-Imperialist tradition.

²⁶ Rothbard 1994 (1973): 264

anything in the Austrian canon to suggest that help would be unwarranted in each of these scenarios? In light of these questions, all reasonable in the realm of international affairs, the focus on American imperialism seems overzealous and outdated.

Polycentric Public Choice and the Anti-Imperialists

Works on polycentric orders, especially of the legal variety, have been around in libertarian circles for quite some time now,²⁷ but the application of polycentric public choice to international affairs has only recently begun to capture the attention of libertarians (here, too, Coyne has been a leading figure²⁸). Upon first glance, the polycentric strain of the Anti-Imperialist tradition does not appear to fit, since it is emphatically not focused on nation-states in general nor on the United States in particular, but the influence of Rothbard, and especially his advances in anarcho-capitalist thought, can easily be spotted. Here, for example, is Rothbard: “Libertarians favor the abolition of all States everywhere ... In a purely libertarian world, therefore, there would *be no* ‘foreign policy’ because there would be no States, no governments with a monopoly of coercion over particular territorial areas.”²⁹ A careful reading of the polycentric public choice literature suggests that, while it is not explicitly focused on international relations, the strain still regards states with suspicion. The scholarship on “polycentric sovereignties,” for example, is put forth as a reminder to “state capacity” theorists that the much-vaunted strong state of their models would not have been strong were it not for the property rights regimes that unfolded across medieval and non-Ottoman Europe without the help of states.³⁰ The scholars operating within this sub-tradition take great pains to minimize the state from their work but, unlike Rothbard, to do so they’ve taken a far more subtle and sophisticated approach to international

²⁷ Bell 1991, Barnett 1998, Casey 2010, Wisniewski 2014

²⁸ See Goodman & Coyne 2020

²⁹ Rothbard 1994 (1973): 264

³⁰ Salter & Young 2019

relations: constitutional bargains in a stateless context. Thus there are examples of decoupling the nation from assumptions about national defense as a public good.³¹ There are arguments about elite bargaining over political rights not needing “third party enforcement”³² (i.e. a state). There is an exceptional argument suggesting that stateless elites, capable of protecting and enforcing their property rights, and the institutions they created are the building blocks of the West’s freedom and wealth.³³ Finally, there is recent philosophical work showing “that statelessness is among the institutional options that can instantiate a civil condition.”³⁴ Together, these examples paint a picture of a world with no foreign policy, no states, and no monopolies of coercion over territorial areas.

A summary of the Anti-Imperial tradition, which follows Rothbard to the law (polycentric public choice) and the letter (Coyneian non-intervention), suggests that its adherents are not concerned with collective security³⁵ at all, which was a central concern to Austrian economists³⁶ (if we are to take Hayek and Mises as the Austrian examples) and that the only polities worth studying are the United States and the Holy Roman Empire.

The Westphalians

The Westphalian tradition runs parallel to the Anti-Imperialist one in that both take state sovereignty as a sacrosanctful given,³⁷ but the primacy of Westphalian sovereignty is the point where these traditions part. The Westphalians rely heavily upon Hayek for guidance, rather than

³¹ Goodman & Coyne 2020

³² Salter 2015: 81

³³ Salter & Young 2019

³⁴ Christmas 2021: 1728

³⁵ “...the pernicious *twentieth-century* theory of ‘collective security’” (Rothbard 1994 (1973): 267). Emphasis mine, to drive home the point that Rothbard’s prescriptions for international order were a state-specific product of the Cold War rather a timeless theory on interpolity relations

³⁶ Hayek 2007 (1944): 234-236, Mises 2010 (1944): 265-271

³⁷ There is a polycentric strain in the Westphalian tradition, too (see Van Zeven and Nikolaidis 2019), and it, too, is has no qualms about the sanctity of the nation-state

Rothbard, and in their research the United States is largely absent, which is the inverse of the Anti-Imperialist tradition, focused as it is on American Empire. The fact that the United States, which guarantees Europe's security through outright military alliances and a "complex of constitutional and federal states ... transnational relations, and international regimes" that are "like the domestic spheres of earlier republics"³⁸ highlights well three significant gaps in the tradition's body of work: on Hayek (and Mises), on America, and on the world.

In fact, were it not for the scholarship of tradition's *primus inter pares*, Edwin van de Haar,³⁹ it could be argued that the Westphalians are merely a regional strain of the Interstate Federalist tradition, focused exclusively as it is on Europe and composed as it is of almost entirely continental Europeans and anti-Brexit British citizens, rather than a tradition outright.

This regionalism is not a criticism of the Westphalians, as the best research on political economy in the world – on secession, sovereignty, identity, constitutionalism, fiscal policy, and political union/federalism - is being done using the European Union as a template. As one scholar puts it, "the most interesting developments in federalism are happening in Europe, not the United States."⁴⁰

The Westphalians have thus been able to blend in with the cutting edge research that's currently focused on the European Union and add Hayekian substance to the growing bodies of research on secession, constitutionalism, federalism, etc.. The Westphalians generally look for ways to further integrate Europe economically while still attempting to maintain the sovereignty of states. Since Hayek (and Mises) called for the abrogation of national sovereignties, and the Westphalians want to maintain the sovereignty of nation-states, their scholarship tends to be done

³⁸ Deudney 2007: 271

³⁹ Van de Haar 2009, 2015: 39-42, 86-91, & 2022

⁴⁰ Young 2017: 1109

in a Hayekian spirit rather than what Hayek (and Mises) actually advocated. This is done by applying the “internationalist – and anti-nationalist – character of [Hayek’s] liberal thought”⁴¹ to their work and “by building a coalition – or an overlapping consensus – of ideas”⁴² around the liberal tradition. Thus there are proposals to adopt “ordoliberal reasoning” and “swerve toward a ‘Large Switzerland’” model, where “a politically decentralized entity which is economically integrated internally as well as non-protectionist externally”⁴³ can flourish in Europe. There is work on left-wing economists from small states who sympathized with Austrian liberals but argued that international orders needed to be internationalist, and that decolonization and integration of new states into the international order needed to take precedence over European integration.⁴⁴ There are suggestions on how to reduce the democratic deficit of the European Union.⁴⁵ There is scholarship pointing out EU success while acknowledging that the “security and economic integration” Hayek yearned for has not yet been realized.⁴⁶ Lastly, there are arguments stating that attempts, by the EU, to enforce fundamental rights would be “politically disastrous” and that these attempts to do so should be “prudent,” at best.⁴⁷

Unfortunately, and also like Hayek, the Westphalians don’t consult the *Federalist Papers* or the lines of research on American federalism that place the Philadelphian union in an internationalist context and therefore as an alternative interstate order to the Westphalian one found in Europe.⁴⁸

This does three harmful things at once: 1) it gives non-Austrian scholars an excuse to relegate Austrian thoughts on international orders to the footnotes, 2) it stunts the theoretical growth on

⁴¹ Kukathas 2006: 195

⁴² Kukathas 2006: 202

⁴³ Kolev 2021: 61

⁴⁴ Dekker 2021: 127-135

⁴⁵ Rohac 2016: 124-132, 168-172

⁴⁶ Mingardi & Rohac 2021

⁴⁷ Reho 2019: 9

⁴⁸ Deudney 1996, 2004, 2007, Hendrickson 2003, Halden 2006, Cutterham 2014, Edling 2018, Totten 2020

Hayekian interstate federalism within the Austrian Economics research paradigm, and 3) it allows liberals “to be dragged along a path not of [their] own choosing.”⁴⁹

The Westphalian gaps: Hayek (and Mises), America, the world

While the gap on Austrian international orders can in part be blamed on the scarcity of such work,⁵⁰ the Westphalians deserve much of the blame for this gap in their research. This is mostly due to the fact that Westphalians explicitly avoid Hayek’s admonition to abrogate national sovereignties, and if this idea is even addressed at all it is usually “put into context” and finagled out of the argument. By far the worst offender in this regard is the tradition’s standard-bearer, Edwin van de Haar. For example, in his 2015 book on liberalism, which sets itself apart due to its focus on international relations, Van de Haar dedicates precious little space to federation, calling it a “political *ultimum remedium*” for Hayek⁵¹ and stating that Mises was part of a pan-European movement at one point in time. Indeed, the exploration of Mises as a member of an interideological pan-European movement gets exactly one sentence in the 155-page book: “Mises was, for a time, an active member of the Pan-European movement.”⁵²

Van de Haar continues with his assertion that federation was only a last resort for interwar and postwar Austrians when he writes, in 2022, that “Hayek supported federation throughout his life [which goes to show that he and Mises], [s]omewhat uncharacteristically ... went along with the times”⁵³ in regards to the idea of federation. While it is certainly possible that one could spend his or her entire life going along with the times, Mises and Hayek lived through the collapse of four imperial regimes, the two bloodiest wars in human history, the worst genocides and

⁴⁹ Hayek 1978 (1960): 398

⁵⁰ and, in Mises’ case, inconsistency; see Van de Haar 2009: 81-91

⁵¹ Van de Haar 2015: 41; “a last resort” (Van de Haar 2022: 124)

⁵² Van de Haar 2015: 41

⁵³ Van de Haar 2022: 129

totalitarian regimes in world history, and, for Hayek at least, the emergence of a(n ostensibly) democratic Russia and the collapse of socialism as a social order. They fought as young men in an army that boasted mounted cavalry units and, when they died of old age, lived under the shadow of a potential nuclear holocaust via missiles fired by rockets or via flying airships. The fact that both men stuck with federation as a viable and liberal alternative to the status quo of Westphalian nation-states, throughout such a drastic historical epoch, suggests that both men were anything but susceptible to the times in which they lived; rather, it suggests that both scholars viewed interstate federalism as the liberal answer to the world's ills in regards to nationalism, protectionism, and predation of smaller states by larger ones.

Mises, too, writes Van de Haar, “argued strongly in favor of a union of Western (European) democracies to prevent Europe from slipping back into the interwar modus. The Europeans had to choose effective solidarity and abandon national sovereignty in favor of a new supranational authority.”⁵⁴ Van de Haar sneaks the qualifier “(European)” into this passage, but the title of this section in Mises’ 1944 chapter on foreign policy is “The Union of Western Democracies,” and Van de Haar cannot escape Mises’ transoceanic worldview in regards to federation. Here’s Van de Haar: “Yet[, according to Mises,] the European Union should also comprise Great Britain and France, while the United States, Canada, Australia, and New Zealand had to closely cooperate with all other democratic people.”⁵⁵ The issue here is that Mises did not call for close cooperation between democracies. He called for the democracies in the anti-Axis military alliance to “transform their present alliance into a permanent and lasting union.”⁵⁶ This is worth

⁵⁴ Van de Haar 2009: 89

⁵⁵ Van de Haar 2009: 89

⁵⁶ Mises 2010 (1944): 265

repeating. Mises did not call for closer cooperation among Western democracies, as Van de Haar and the Westphalians assert, but “permanent and lasting union.”

Van de Haar’s finagling can better be understood once his logic is placed within the context of the Westphalian tradition. To the Westphalians, the sovereignty of the nation-state is sacrosanct, and the tried-and-true mechanism for interaction between polities has, in the European state system and elsewhere, always been the balance of power in regional orders.⁵⁷ Thus Van de Haar explains: “[Mises] thought that the need for closer integration was obvious for small countries like the Netherlands, Denmark, and Norway, as they could no longer rely on the balance of power to maintain their independence. This confirms [Mises’] understanding and positive opinion of the balance’s ordering effects.”⁵⁸ While Mises did indeed see that the balance of power was no longer a viable option for small European states, it’s not quite true that he had a “positive opinion of the balance’s ordering effects.” In fact, based on Mises’ polemics about international affairs, he had the exact opposite opinion of the balance of power, which is why he forcefully pointed out that the national sovereignties of the West were nothing more than “intransigent pretensions”⁵⁹ that needed to be subsumed by a supranational government. For Mises, the liberal answer to collective security problems was a political union that would confront nation-statism directly and eliminate it.

By 1944, Mises was dismissing federation as a viable alternative for collective security and prosperity,⁶⁰ but this represents a gap in his thinking, rather than a disavowal of world government as the liberal ideal. Mises never considered, as a viable federal outline, what the 18th

⁵⁷ Van de Haar gives a succinct definition of the balance of power (2009: 9); his arguments on how Mises (2009: 85-86) and Hayek (2009: 121; but especially 2011: 101-118) viewed the balance of power are foundational to the Westphalian tradition

⁵⁸ Van de Haar 2009: 89

⁵⁹ Mises 2010 (1944): 265-266

⁶⁰ Mises 2010 (1944): 267-268

century American federalists called the compound republic, and how it is able to neutralize the problems associated with the balance of power in a condition of anarchy by internalizing those problems.⁶¹ Instead of the eloquence of *Federalist No. 37*, Mises, searching for an end to the balance of power in anarchy, settled for “If a country ... renounces protectionism in its relations with the other member nations of the new union to be formed, it must vest all power in the authority ruling this union and *completely* surrender its own sovereignty to the supernational [sic] authority.”⁶²

Human nature and collective security

That the Westphalians finagle the scholarship of Mises and Hayek to bolster their arguments is understandable, but Van de Haar takes things too far when he writes:

“In 1939, [Hayek] argued that ‘the abrogation of national sovereignties and the creation of an effective international order of law were a necessary complement and the logical consummation of the liberal program.’ This was a flawed remark considering his view of human nature.”⁶³

A counterargument to this assertion is, of course, that Hayek might advocate for interstate federation as a blueprint for world order *because* of his understanding of human nature.

Van de Haar himself never gets around to defining human nature in any of his works on Hayekian international relations, but he can be forgiven since Hayek’s views about human nature are not exactly straightforward, either, with one historian recently pointing out that Hayek “was not so much interested in human nature as he was interested in knowledge,”⁶⁴ while another scholar suggests that Hayek, rather than having an actual theory of his own about human nature,

⁶¹ See Deudney 2007: 49-55, 180

⁶² Mises 2010 (1944): 267; emphasis is in the original

⁶³ Van de Haar 2009: 108

⁶⁴ Innset 2017: 693

had more of a “philosophy of mind” that was similar to liberal theories on the topic.⁶⁵ John Gray still sums up Hayek’s thoughts on human nature best when he writes:

“Hayek's belief that the human mind must forever remain partly unknown to itself, and his conviction that man can never know what are the unalterable aspects of his own nature, seem to express an uncertainty which is epistemological rather than metaphysical. It is not denied that man (like other things) has a nature or essence, but rather that it can ever be known what this is.”⁶⁶

This stands in stark contrast to Van de Haar’s characterization of Hayek’s understanding of human nature, which seems sure of itself and has enough of a definitive character to be able to sort flawed thinking from sound.

While Van de Haar simply got Hayek’s understanding of human nature wrong, and in the name of bolstering his argument no less, he still touched upon a fundamental issue within international relations that needs to be addressed by contemporary Austrians who are searching for an international order: what is human nature and why is it relevant to world order? The base assumption in Hayek’s understanding of human nature, or at least of the human mind, is that human beings are, at their core, “instinctive,”⁶⁷ which fits in quite well with the traditional notion of collective security: “[t]he primary assumption about human nature is conceptually foundational and pervasively articulated: *security from violence is a basic human interest*. Protection from violence is a fundamental human need because without it all other human goods or ends cannot be enjoyed.”⁶⁸ Hayek’s ideal international order, far from being a world where nation-state sovereignty is sacrosanct and power is balanced out among larger polities, is rooted in line with traditional arguments about collective security; in an idea where humanity’s instinct

⁶⁵ Marciano 2007: 54

⁶⁶ Gray 1980: 122

⁶⁷ Marciano 2007: 55

⁶⁸ emphasis in the original; Deudney 2007: 31; “managing violence,” North, Wallis, & Weingast observe, “is the most fundamental problem societies face” (North, Wallis, & Weingast: 2013 (2009): 258)

for survival is paramount, and this is why he advocated for a collective security arrangement that would abrogate national sovereignties “through the absorption of the separate states in large federated groups and ultimately perhaps in one single federation.”⁶⁹

Hayek’s ideal federal world order, then, is one that “confines international planning to the fields where true agreement can be reached [... and t]he desirable forms of planning which can be effected locally ... are left free and in the hands of those best qualified to undertake it.”⁷⁰ That is to say, in Hayek’s ideal federation, the “decision-making capabilities are assigned among the diverse decision structures of a government so that each decision structure can exercise essential prerogatives with independence of other decision structures.”⁷¹ Does Hayek’s ideal federal world order line up with his thoughts on human knowledge and nature? Does Hayek’s “conviction that man can never know what .. the unalterable aspects of his own nature [are],”⁷² his belief that “the abstract schemata that compose the human mind depend on ... experience previously accumulated,”⁷³ and his famous argument that “the unavoidable imperfection of man’s knowledge and the consequent need for a process by which knowledge is constantly communicated and acquired,”⁷⁴ line up with his ideal federal world order?

America, and the world

Westphalians are, in line with Hayek and Mises, more sensitive to collective security relative to the Anti-Imperialists, but very few arguments account for the American military presence in Europe. This is not because the Westphalians are anti-American, or because they are ungrateful

⁶⁹ Hayek 2007 (1944): 233

⁷⁰ Hayek 2007 (1944): 233

⁷¹ Ostrom 1999: 64

⁷² Gray 1980: 122

⁷³ Marciano 2007: 54

⁷⁴ Hayek 1945: 530

for the American security umbrella. Rather, the Westphalians assume the American security guarantee into their arguments with the aim of preparing for the day when the United States leaves Europe. Far from being unable to imagine a world without an American security guarantee, the Westphalians are actively looking forward to the day when this will be the case, which is why they support a confederation of European states that is, in the words of Hayek, “an international economic authority [where] the states can at the same time retain their unrestricted political sovereignty.”⁷⁵ Thus Westphalian defenses for an international order under the Hayekian rubric go like this: “To keep the European project alive, it has to be turned into a visible ... engine of economic prosperity.”⁷⁶ The problem with arguments such as this one is that Hayek was arguing *against* this form of order, that “almost exactly the opposite is true.” He pointed out that what is needed is a supranational political authority that could keep national economic interests in check.⁷⁷ Mises made the same point throughout his career as well: economic integration without political integration will not solve the root problem of economic nationalism, of nation-statism.⁷⁸

It doesn't occur to the Westphalians that the European Union's organizational structure – economically integrated but politically separated - has only been feasible because of the presence of the American military.⁷⁹ A scenario without the U.S. involved in Europe may be a salivating one to both Anti-Imperialists looking to shrink the American state and Westphalians looking to

⁷⁵ Hayek 2007 (1944): 231

⁷⁶ Rohac 2016: 167

⁷⁷ Hayek 2007 (1944): 231-233

⁷⁸ Mises 2010 (1927): “the whole of the earth's surface forms a single economic territory (113)...Every interference on the part of the government in economic life can become a means of persecuting the members of nationalities speaking a language different from that of the ruling group. For this reason, in the interest of preserving peace, the activity of the government must be limited to the sphere in which it is, in the strictest sense of the word, indispensable (116)...Even in areas inhabited by people of various nationalities, there is need for a unified administration (117).” See also Mises: 2010 (1944): 240-288

⁷⁹ Indeed, as Deudney notes: “without American power, there would probably not be any democracies at the end of the twentieth century” (2007: 185)

assert European sovereignties, but what if this day never comes? What if the U.S. is a permanent presence in Europe? What if the “complex global subsystem composed of the United States of America and its democratic allies”⁸⁰ is here to stay? What if the question is not how to find a way to get Europe to be independent of American military protection, but rather how to get Europe to accept the fact that it’s been sufficiently Americanized – militarily, economically, culturally, and politically⁸¹ - to the point where transoceanic federation is now viable, even preferable? The difficult, but liberal, answer to these questions requires a fundamental rethink of nation-statism as beyond reproach.

The third, and last, major gap in the Westphalians’ tradition is that it is far more likely to avoid discussions about not only the United States but the rest of the non-European world as well. This is an especially damning indictment of the tradition’s usefulness as a theory, given that the nation-states in the rest of the world, which have mostly failed, are products of the Westphalian state system and the imperial experience that such a system produced throughout the rest of the world.⁸²

The Neoliberal Threat Collective

A hodgepodge of scholarship that focuses on Austrian ideas about world orders, the Neoliberal Threat Collective has produced an important body of research dedicated to Austrian international

⁸⁰ Deudney 2007: 271

⁸¹ Kuisel 2020; Tyszka-Drozdowski 2022

⁸² Badie 2000 (1992), Spruyt 2000, and Osterhammel 2014: 399-412; Mises and Hayek were both critics of colonialism (Mises 2002 [1927]: 124-130, Hayek 2007 [1944]: 226 ft 4), although Mises had some warmer thoughts about the imperial order of the British Empire, arguing that it opened up trade (1981 [1922]: 207-208), and Mises suggested that European empires helped to end indigenous despotism (1944: 278-279), which was a popular argument in favor of European imperial orders from the 1820s through the 1950s (see Bell 2011 for more on the popularity of the idea that European imperialism was a net good for subjugated peoples). It bears mentioning that this argument has yet to be thoroughly debunked (Abernethy 2000: 254-273, Lal 2004), though of course it is unpopular in the academy.

orders. There are two strains that can be found in the Collective: an internationalist strain and a nation-statist strain, and both strains view Austrian interstate federation as a threat.

The nation-statists argue that because Austrians are liberals and therefore globalists, their ideology is anathema to conservatism and especially the Westphalian state system that conservatism defines and now defends on a daily basis.⁸³ The criticisms of the nation-statist wing of the NTC has so far gone unanswered by the Austrian School, except for a few off-target rebuttals,⁸⁴ but given that the Westphalian nation-state system is paramount in today's world, more needs to be done to rebut the nation-statist wing of the NTC.⁸⁵

The internationalist NTCs tend to view an Austrian international order as “an ideological obstacle on the road to the kind of world integration that would be beneficial to humanity in aggregate and for enhancing the conditions for life on this planet,”⁸⁶ although most scholarship in this wing of the tradition is less blatant in its criticism of Austrian interstate federalism. Instead, criticism is subtle and carefully couched in terms of facts and historical context. The internationalist wing hones in on three points to make its case that Austrian world orders are indeed a threat to be neutralized: the Austrian School's skepticism of democracy, its nostalgia for the imperial, and its unwillingness to embrace positive rights and the redistribution of wealth on a global scale.

A world order for everyone

The charge of Austrians being unwilling to embrace positive rights in a global democratic order is wrapped deep within the debates regarding the basic outline of a postwar international order

⁸³ Hazony 2018

⁸⁴ Gordon 2019, Mingardi 2018

⁸⁵ I found but a single working paper, by Christensen, dedicated to replying to the criticisms of the nation-statist wing of the Neoliberal Threat Collective

⁸⁶ Pederson 2015

that Hayek and Mises had with their interwar interlocutors.⁸⁷ The internationalist NTCs have discovered that the interwar sparring partners of Mises and Hayek yearned for the same global democratic order that they do.⁸⁸ The fact that there is a direct line between welfare state globalists of yesterday and welfare state globalists of today, but that there exists no such direct line between federal globalists (of which the Austrians were a part of) of yesterday and federal globalists of today, has emboldened the internationalist NTCs to treat the interstate federation of the Austrians as a historical fad, thus consigning it to dustbin of history. Since the Anti-Imperialists and Westphalians have essentially ceded this narrative to the internationalist NTCs by assuming that state sovereignty is indeed sacrosanct, the internationalist NTCs might succeed in becoming the default ideal for global governance, which would both strengthen nation-statism as reaction to global governance and weaken enthusiasm for global governance among liberty-minded factions.⁸⁹ Of the three charges leveled against Austrian international orders by the Neoliberal Threat Collective, this one, of interstate federalism being a fad among Austrian Economists and their epistemic communities, has the potential to do the most damage to Austrian Economics, not because Austrians do not care about the merits of a global positive rights regime, but because Austrians have not cared about putting forth a comprehensive alternative to such a regime since the 1940s.

⁸⁷ For details of those debates, see Rosenboim 2017: 157-165

⁸⁸ Moyn 2018: 89-118, Slobodian 2018: 273-286

⁸⁹ Mises explained how this dynamic works in 1919. According to Mises, the expansion of the division of labor beyond national boundaries requires world law, and a tension arises between “liberal doctrinaires” like Mises and “political realists” who view national unity as an avenue not for self-government but for freedom from oppression by foreigners. The tension between nation-statists and internationalists boiled down to economics: both sides want unity for the economy’s sake, but nation-statists want national unity whereas internationalists are split into two camps: liberals and others. Liberals want to persuade Westphalian states to “pursue greatest possible unification of laws” by separating the economy from the state. Non-liberal internationalists, Mises probably had socialists in mind but this could very well include cosmopolitan imperialists, “want forcibly to create a Great State for the sake of the economy.” This forcible Great State is, to the nation-statist, an oppressor and, presumably, it is difficult for nation-statists to differentiate between the two internationalist camps (1919:30-31). The internationalist NTCs are the contemporary heirs of the cosmopolitan great statist.

Imperial nostalgia

Also arising out of this tradition is the argument that Hayek and Mises were nostalgic for Habsburg imperialism and the world that Austria-Hungary represented. Again, the internationalist NTCs are subtle in their criticisms of interstate federation because it's a potent rival to their own prescription for world governance. Both men fought for the dual monarchy in World War I and both men openly praised Vienna's intellectual culture,⁹⁰ but both men were also liberal, public critics of the Habsburg monarchy. This last fact is not so well-known today, and the Neoliberal Threat Collective has done its best to take advantage of this ignorance by summoning some especially underwhelming evidence to bolster arguments about the supposed imperial nostalgia of Hayek and Mises.⁹¹

While Hayek and Mises certainly missed home during the interwar and actual war years, and especially the intellectual climate of Vienna,⁹² it cannot be denied that both men held liberal nation-states and the American republic in much higher regard than they did Austria-Hungary, Italy, Germany, and the illiberal nation-states in Eastern Europe.⁹³ The internationalist NTCs argue that the dual sovereignty found in federal systems⁹⁴ looks a lot like the "double government"⁹⁵ found in the Habsburg realm, and therefore the interstate federalists were nostalgic for Habsburg governance. This is weak on several grounds. The first problem with this

⁹⁰ see generally Dekker 2014, 2016

⁹¹ See, for example, Slobodian 2018: 105-122, Slobodian 2019, Moyn 2018: 175-176

⁹² Wasserman 2019: 199-223

⁹³ Much of both scholars' work on international orders was centered on answering the question "what went wrong in central and eastern Europe, and why?" Hayek made it clear that he was an Anglophile by voting with his feet, and he stated that James Madison was the closest to his political views than any other person (Hayek 1960). Mises made it clear throughout his works on political economy that the liberal nation-states of western Europe were models to be emulated (Mises 1919, 1927, 1944)

⁹⁴ Bailyn 1992 (1967): 331-379, *Federalist Papers Nos. 10, 20, & 51*; see also Elazar 1987: 40-41 and Ostrom 1991: 69-97

⁹⁵ Slobodian (2018: 113) continues: "Mises' Habsburg Empire reborn for the twentieth century was an invisible government of the economy first, and a visible government of neutered nations second."

argument is that federations and empires are two very different orders (as you will see in the next section). This is forgivable as an intellectual error rather than a smear because classical liberals and libertarians make the same mistake, as evidenced by the traditions summarized above.

A second problem with this argument is that the interwar Austrians wanted to solve the problem of polyglot lands in a liberal manner and both Hayek and Mises recognized that the imperial order of the Habsburgs could not solve this problem. Both men praised Habsburg cosmopolitanism even as they cursed Habsburg despotism; the praise and condemnation are not mutually exclusive and to treat them as such suggests bad faith. The federal orders (and the unitary state that Mises later proposed⁹⁶) were anti-imperial proposals that Hayek and Mises put forth. They were also anti-nationalist proposals. Just because both men sought to extinguish the nascent nation-statism of eastern and central Europe with alternative orders, and just because the Habsburg realm spent its dying days resisting nation-statism, does not mean that Hayek and Mises were pro-Habsburg or nostalgic for its order. Indeed, the fact that the Habsburg dynasty and its equally despotic neighbors – the Russians, the Prussians (successors of the “wretched Holy Roman Empire”⁹⁷), and the Ottomans - in central and eastern Europe were all “loose, informal regime[s] with few institutions”⁹⁸ helps to explain why Mises and Hayek, as liberal critics of the Habsburgs, looked to the democracies of the West for answers.

Lastly, the Habsburg Empire did not have a double government. Austria-Hungary had a dual monarchy, in which Hungary and Austria were joined in union but were otherwise separate polities, but the Habsburg realm was composed of many more lands than just Austria and

⁹⁶ There is not enough space to summarize Mises’ proposals for a non-federal “Eastern Democratic Union,” but see his actual proposal (2000 [1941]: 169-201, 2010 [1944]: 271-278) and also Van de Haar’s concise summary (2022: 122-125)

⁹⁷ Mises 2006 (1919): 85

⁹⁸ Osiander 2001: 279

Hungary, and these lands did not have a symmetrical relationship with Vienna the way Budapest did. The problems that arose from this asymmetry between the imperial capital and its numerous provinces are the problems that Mises and Hayek sought to eliminate with their federalist proposals.

Elitist and anti-democratic

The charge of elitism or anti-democratic sentiments comes from both wings of the NTC, with the nation-statists claiming that under an “international body [nations will] have no choice as to who will decide [a given] matter or when ... Nor do they have any choice as to whether to abide by the decision that is made ... for it will be imposed upon them,”⁹⁹ and the internationalists suggesting that “Austrians brought an elitist sensibility to [their] activism”¹⁰⁰ and that they favored “a restrictive liberalism, shading into authoritarianism.”¹⁰¹ The charge that Austrians were anti-democracy is not true, as Mises and Hayek took pains to point out over¹⁰² and over¹⁰³ (and over¹⁰⁴) again, but they did want to limit the scope of democratic governance so as to not to do two things: 1) hinder international markets, which, to them, would mean a return to protectionism which would then mean a return to war¹⁰⁵ and, 2) run roughshod over the rights of minorities.¹⁰⁶ The interwar Austrians wanted to avoid a political order where the majority could force its will upon the minority, such as what was found in the nation-states of the post-Habsburg realm. Both men were democrats but, like most thinkers throughout the ages, they wanted limits on what democracies could decide and on what those decisions would mean for society at large.

⁹⁹ Hazony 2018: 143-144

¹⁰⁰ Wasserman 2019: 198

¹⁰¹ Wasserman 2019: 208

¹⁰² Mises 2002 (1927): 42

¹⁰³ Hayek 2007 (1944): 77

¹⁰⁴ Hayek 1978 (1960): 403

¹⁰⁵ Hayek 2007 (1944): 223-234 and Mises 1944: 240

¹⁰⁶ see Mises 2006 (1919): 80-109 for an excellent analysis on why democracy was not embraced by the Germans, Russians, Hungarians, and Poles after the 1848 Springtime of the Peoples.

In many ways, the Austrian view on democratic governance was like that of the 18th century American view on democratic governance, where limits on the legislative efforts of the 13 states that seceded from the UK were sought.¹⁰⁷ It is all the more rueful, then, that neither Hayek nor Mises ever got around to incorporating the federalist thought of the Americans into their ideas on global governance.

The Interstate Federalists

By far the least known of the four camps, the interstate federalists draw exclusively from Hayek and Mises to argue that interstate federalism means exactly what it purports to mean: the abrogation of national sovereignties¹⁰⁸ and the “culmination of a world state,”¹⁰⁹ preferably in federal form. Austro-liberal and Austro-libertarian scholarship attempting to tease out the implications of actual calls by Hayek and Mises for world governance is almost non-existent today.¹¹⁰ As mentioned above, the only other tradition that does not ignore this explicit call for world governance is the Neoliberal Threat Collective, but whereas the NTC leverages its near-monopoly on discussions about Austrian interstate federalism to insinuate that it was nothing more than imperial nostalgia, the Interstate Federalists embrace the tradition’s radicalism.

While contemporary libertarians and classical liberals are hesitant to explore the interstate federalism of Hayek and Mises, in part because of Rothbard’s influence and in part because of the Westphalian tradition’s obduracy, a more comprehensive answer to the rejection of interstate federalism is likely the confusion that Austrians and their epistemic communities have in regards

¹⁰⁷ Tocqueville described governance of the post-secession but pre-federal American states as having “a violent and hasty character” in regards “to the formation of [their] laws” (2000 [1835]: 145)

¹⁰⁸ Hayek 1976 (1939): 269

¹⁰⁹ Mises 2002 (1927): 148

¹¹⁰ but see Christensen 2021

to the distinction between federation and imperialism, a confusion that, as we have seen, the Neoliberal Threat Collective mercilessly exploits.¹¹¹ The easiest way to confront this confusion is by recognizing that federalism is best understood as an international order rather than as a national one. This seems like an especially difficult task at first, as most of the foundational works in 20th century social science are national in scope, but there is a long line of political thought that can help us to rethink the meaning of federalism and apply it to the idea of a Hayekian international order.

*A framework for instinctual survival*¹¹²

All polities must deal with instinctual survival, and from this necessity stems an internal (domestic) set of choices and an external (foreign) set of choices. Internally, there are two types of orders: republican and hierarchical. Republics spread decision-making processes around in order to disperse power, and this power flows upward, from a sovereign public, so that the governed are also the governors.¹¹³ Hierarchies centralize power, and this power flows downward, from a sovereign individual, so that the governed know that they are being governed.¹¹⁴ Both of these organizational patterns are the result of choices that are made in order to avoid internal threats to survival - revolutions, civil wars, and despotism - as well as the external threat of conquest.¹¹⁵

Republics and hierarchies are conceptual frameworks built around the necessity of survival, rather than typologies of different types of governance. Thus there is no need to compare and

¹¹¹ see especially Spieker 2011

¹¹² My entire instinctual survival framework relies heavily and shamelessly upon Deudney's pathbreaking work on republican security theory (Deudney 2007: 27-60 and also 1996: 190-239).

¹¹³ On republican governance more generally, see Ostrom 2008 (1971): 73-85 and Deudney 1995: 192

¹¹⁴ Deudney 1995: 192

¹¹⁵ Deudney 2007: 46-53

contrast typologies of government, such as monarchies versus democracies, since a monarchy with a strong parliament could be republican in structure, and a democracy with a parliament that is tasked with legislative and executive functions is structurally a hierarchy.

To survive externally, international relations theorists have identified four options for polities to choose from: hiding, balancing, dominating, or co-binding. *Hiding*, or isolationism, has traditionally been the first choice for republican polities, since the internal restraints on power that republics create are less likely to be altered or destroyed by the necessities of complex foreign policy decisions. Hiding has always been difficult to do without some sort of geographic barrier in place, and this continues to be the case in today's world, too.¹¹⁶

Balancing is the external policy of maintaining survival in a world of anarchy. This is the first choice of hierarchies.¹¹⁷ Balancing is traditionally applied to the anarchic state system of Europe from 1648-1945, but it has been a regular aspect of interpolity relations throughout the world and its historical epochs. Balancing today is, like hiding, difficult to do but it is practiced, especially by small states in violent regions where no hegemon or interstate federation exists. Qatar, for example, balances Saudi Arabia and Iran.

Co-binding is the joining of two or more sovereignties for a stated purpose. Co-binding is standard practice today, due to the ascendancy of the United States as a global power after World War II,¹¹⁸ and in the past co-binding could be found in the leagues of city-states, anti-imperial confederations, military alliances, and federal unions.¹¹⁹ Co-binding was notoriously difficult to

¹¹⁶ Deudney 2007: 57-58

¹¹⁷ Deudney 1996: 214-215

¹¹⁸ Deudney 2007: 185-189, Deudney & Ikenberry 1999

¹¹⁹ *Federalist Papers Nos.* 18-20, Deudney 1996: 191

achieve prior to the end of World War II, mostly because it was done primarily between republican orders which, in turn, were rare to begin with.¹²⁰

Dominating seeks to conquer polities and incorporate the conquered into an imperial order. Of the four external choices, dominating is the one that appears most consistently throughout the world's historical epochs, and elicits the most ire, provokes the most debate, and produces the most fear and misconception.

<u>Foreign Policy</u>	<u>Internal Order</u>	<u>Preferred External Order</u>
Hiding	Republican	Isolationism
Balancing	Hierarchical	Anarchism
Dominating	Hierarchical	Imperialism
Co-binding	Republican	Federalism

Table 1.1 Avoiding extinction

Particular internal orders align with particular preferred external orders because of the internal balancing that takes place in polities when pursuing a foreign policy. Republics try to avoid balancing and dominating because these two policies necessarily entail more power to the center at the expense of other restraint mechanisms, while hierarchies try to avoid co-binding and hiding because hiding reveals too easily that the few control the many and co-binding weakens the center of a hierarchy by adding more centers and restraining what these centers can and cannot do.¹²¹ In today's world, problems associated with violence and governance have become transcontinental and transoceanic in scale, and as a result, balancing and hiding have continued to be utilized as regional-scale policies where survival is not at stake, but co-binding has now become the clear peer competitor to imperialism for global order. As the need to quell violence

¹²⁰ Deudney 2007: 57-58

¹²¹ Deudney 2007: 55-60, 1996: 212-220, 2000: 91-97

and prevent despotism or conquest scales up, the external choices of co-binding and dominating have come to the forefront of instinctual survival frameworks. It is under this framework that federalism can be understood as an international order and not merely a national one.

Imperialism versus Federation

Despite this distinction between choices regarding instinctual survival, and despite the early 20th century debates on imperial federation found throughout the British Empire¹²² or the postwar debates on federation and empire found in Paris, Dakar, and Brazzaville,¹²³ contemporary Hayekians and Misesians cannot discern a difference between an empire, which is ordered from on high by appointment, and a federation, which is ordered from below by representation. Madison understood this distinction well, and the compound republic that the Americans cobbled together out of the ashes of their war with the British Empire was meant to show the world that republican polities could not only survive but *thrive* on a continental-wide, and even world-wide, scale without succumbing to the need to dominate, which would alter the internal order of a republican polity and cause it to form hierarchical institutions.¹²⁴ To achieve this, the compound republic needed to prevent despotism at home and anarchy abroad, and to protect the thirteen states from predation via balkanization.¹²⁵ The architects¹²⁶ of the American federal union turned to sovereignty and representation to explain their theory of a compound republic.

To prevent internal despotism, the American federalists placed the sovereignty of their federal order in the people. They did this by incorporating the sovereignty of the states into a senate, and

¹²² Rosenboim 2017: 100-129, Bell 2012: 33-55, Deudney 2007: 227-232

¹²³ Cooper 2008, 2014

¹²⁴ Hendrickson 2003: 36-39, Bailyn 1992 (1967): 351-369, *Federalist Papers Nos. 10, 14*, Ostrom 1991: 73-82, Ostrom 2008 (1971): 74-80

¹²⁵ Dietze 1999 (1960): 295-296, Hendrickson 2003: 8-10, *Federalist Papers Nos. 6-8, 13*, Parent 2011: 73-74

¹²⁶ The Philadelphian interstate order was, and is, very much a constitutional bargain rather than the result of particular genius; see Malcolm (2002: 47-56) on Madison's many disappointments and defeats in Philadelphia and Hendrickson (2003) more generally

by placing a constitution above the federal government. The constitution, which outlined specific rules that the federal government had to abide by, in turn, can only be altered by the people via representation.¹²⁷

This “legal fiction”¹²⁸ created a continent-spanning compound republican polity that solved the problem of internal despotism, especially the “violent and hasty”¹²⁹ formation of state laws, by the subsumption of the states’ sovereignty in exchange for an equal allotment of seats in a senate. As an interstate order, in the compound republic, constitutional restraints were placed on the states in exchange for senate seats. The federal government was given power to police the states in some clearly-defined capacities, notably by being given the power to prosecute individuals, but not states, for crimes.¹³⁰ These restraints were aimed at keeping the states republican in structure by stamping out democratic despotism. The fact (legal fiction) that the people were sovereigns over the constitution, which restrains the federal government in the areas in which it can restrain the states, gives the interstate order its republican structure. The interstate order of the Americans also placed clear restraints on the roles of federal officials in regards to external affairs. States no longer had sovereignty, but the senate, which was the body of the federal government where state sovereignty could be expressed most fully, was given a powerful role in determining the external policy of the interstate order.¹³¹ The extinguishment of state sovereignty ended the threat of balkanization and European interference in the secessionist part of British North America.¹³²

¹²⁷ *Federalist Paper* No. 39, Ostrom 1991: 83-86, 103-107, Ostrom 2008 (1971): 121-126, Dietze 1999 (1967): 131-140, 162-175, Hendrickson 2003: 242-256

¹²⁸ Tocqueville 2000: 155

¹²⁹ Tocqueville 2000: 145

¹³⁰ Deudney 2007: 166, *Federalist Papers Nos.* 15, 78, Ostrom 2008 (1971): 106-107

¹³¹ Dietze 1999 (1960): 246-254, Hendrickson 2003: 259, Ostrom 2008 (1971): 87-99

¹³² The balkanization of the secessionist American states was a primary concern for American federalists. The democratic despotism of the states and the imperial intrigue of European powers (and their Native allies) were both problems that exacerbated the tendency toward balkanization. At the time of the Philadelphia Convention, the general prediction among European observers, and the main fear of American federalists, was that three or four of

This stands in stark contrast to imperial orders such as late-Habsburg Europe, where German princes and their “farcical rule”¹³³ ran roughshod over the liberty of individuals throughout eastern and central Europe, where “lands and peoples are, in the eyes of princes, nothing but objects of princely ownership,”¹³⁴ and where princes had their own foreign policies, their own armies, and no qualms about receiving foreign aid from imperial enemies in France, Russia, or even the Ottoman Empire.¹³⁵ The imperial orders of Habsburgs and Hohenzollerns alike bear a remarkable resemblance to contemporary Russia, where warlords in provinces such as Chechnya are appointed by Moscow, rubber-stamped by a provincial legislature, and then given free reign over a province in exchange for military support in other parts of the Russian realm.

It bears mentioning here that empires are not necessarily more centralized than federations politically and economically, and this was especially true in eastern and central Europe.¹³⁶ The lawlessness that was produced by the sovereignties of the princely states within the Habsburg and Hohenzollern empires is why Mises simply assumed their despotism into his arguments about liberalism and political economy more generally,¹³⁷ and why he had no qualms about insulting the princes of the German principalities.¹³⁸ It could also be argued that Hayek’s admonition to abrogate national sovereignties suggests that he viewed the nation-state as an equivalent to the German principalities on the global scale. Both men sought a political order where every individual was beholden to the same set of laws,¹³⁹ and that this rule of law must

the larger states would swallow up their smaller neighbors and then seek to establish their security with the help of a European patron-state; see Parent 2011: 3-75, Dietze 1999 (1960): 193-218, *Federalist Papers Nos. 1-5, 7-8*, Hendrickson 2003

¹³³ Mises 2006 (1919): 54

¹³⁴ Mises 2006 (1919): 26

¹³⁵ Wilson 2020 (2016): 443-445, 454-462

¹³⁶ Wilson 2020 (2016): 406-421, Osiander 2001, Deudney 2007: 170, Bailyn 1992 (1967): 203-204

¹³⁷ This assumption is especially prevalent in *Nation, State, & Economy* (1919) and *Liberalism* (1927), both published in the interwar years, but it can also be found in his later works, too (see 2010 [1944]: 2)

¹³⁸ Mises 2006 (1919): 54, 83

¹³⁹ Hayek 1978 (1960): 205-21, Mises (1927): 27-30)

logically extend to interstate relations and entail some centralization of power at the global level.¹⁴⁰ The thoughts of the interwar Austrians line up quite nicely with a famous 18th century federalist critique of central Europe as well:

“The history of [the Germanic Body] is a history of wars between the emperor and the princes and states; of wars among the princes and states themselves; of the licentiousness of the strong, and the oppression of the weak; of foreign intrusions, and foreign intrigues; of requisitions of men and money disregarded, or partially complied with; of attempts to enforce them, altogether abortive, or attended with slaughter and desolation, involving the innocent with the guilty; of general inbecility, confusion, and misery.”¹⁴¹

Anarchy abroad and the Philadelphian interstate order: Hiding, or Co-binding?

While the internal threat of despotism was neutralized (and, again, the American federalists were more concerned with democratic despotism than “monarchical” despotism), and the problem of anarchy between the states was solved, the problem of confronting anarchy outside of the compound republic’s territory has spurred several centuries’ worth of fascinating debate on foreign policy, a paean to the interstate order’s usefulness as a tool of self-government.

In contemporary debates on the compound republic’s external policy, the Anti-Imperialists call for the United States to follow a policy of hiding, and in their view this hiding coincides with the history of the republic as a non-interventionist actor in foreign affairs. However, hiding is virtually impossible today, which is why even Sweden joined NATO and Switzerland is tightly bound to the American-led postwar world order (as evidenced most clearly by Switzerland’s financial cooperation with Washington), and the historical narrative employed by the Anti-Imperialists relies on an incomplete record.

¹⁴⁰ “... there must be a power which can restrain the different nations from action harmful to their neighbors, a set of rules which defines what a state may do, and an authority capable of enforcing these rules. The powers which such an authority would need are mainly of the negative kind.” (Hayek 2007 (1944): 231)

¹⁴¹ *Federalist Papers No. 19* 1982 (1787): 91

For instance, while the US did indeed hide from Europe from 1789 to 1917, it oscillated between co-binding and dominating its massive western frontier. On the one hand, it bound minor polities such as Vermont, Texas, Deseret, and California to its federal order, while on the other hand it chose to dominate Native polities. This foreign policy of dominating Native polities instead of co-binding them suggests not a flaw in the framework of instinctual survival, but rather the reflections of a public that was still racist at the time of continental expansion.¹⁴² The compound republic of the Americans extended itself across the North American continent via co-binding, even as it hid from more powerful polities on the other side of the Atlantic. As soon as the compound republic grew strong enough, it began to bind polities across the oceans to its constitutional (i.e. rules-based) order. Today, the United States continues to co-bind (albeit mildly) with polities around the world, not because it seeks to dominate them, but because it seeks to protect itself from conquest abroad and despotism or revolution at home.¹⁴³

A counterintuitive example of this process is the Mexican-American War of 1846-1848. Most classical liberals and libertarians view the war as a historical case study where it is assumed “imperialism [was] at its most ruthless,”¹⁴⁴ “knocking down a third-rate power and stealing a big chunk of its land,”¹⁴⁵ but the war helps to both illuminate the logic of co-binding and explain the difference between imperialism and federalism. The land that the compound republic took was Mexican in name, but anarchical in practice, and the instinctual survival framework suggests that a continental republic would either seek to stamp out anarchy by co-binding (in order to avoid an

¹⁴² The racism of the public also explains why the U.S. chose not to bind with polities after the Spanish-American War, too; see Maass 2020. There is nothing to suggest that Native polities today cannot bind with the United States, either. Indeed, given the poor results stemming from domination (Crepelle & Murtazashvili 2022; see also Levy 2002: 121-133), I encourage more scholarship and advocacy on the subject of co-binding Native polities to the Philadelphian interstate order. One such example of the U.S. co-binding a non-European polity to its order can be found in Kelly & Kaplan 2001: 15-22, 64-81

¹⁴³ Deudney 2007: 185-189

¹⁴⁴ Bandow 2021

¹⁴⁵ Higgs 2011: 147

internal balance shift that would favor hierarchical norms over republican ones) or, for the same reason as co-binding, seek to hide. Since the western United States border blended into the northern Mexican border, hiding was not an option.

Most observers today would not characterize northern Mexico as anarchic, arguing instead that the civil war between conservative and liberal factions in Mexico is what drove the emergence of polities up north. However, the fact that several polities – including California, Deseret, Comancheria, Texas, and Rio Grande - appeared *at all*, and in a space claimed by a diplomatically-recognized and continent-spanning republic, illustrates that northern Mexico was indeed an anarchy. Violence was certainly a problem, especially as these polities attempted to assert their sovereignty over territory, but it was the product of anarchism – a foreign policy of balancing - that spurred a war with Mexico. Due to the anarchic conditions in northern Mexico, the compound republic faced two different balancing options and had two additional foreign policy options (aside from balancing) to choose from: domination or co-binding. The two different balancing scenarios follow as thus: 1) the emerging polities take root in the anarchic space and grow strong enough to balance the U.S. and Mexico (and any other emerging polities) off of each other, or 2) the emerging polities seek the protection of European powers or a rival regional polity as they strive to build a polity in the anarchic space of northern Mexico. Of these two balancing scenarios, the second proved to be an instinctual threat, as Texas built ties with the United Kingdom and France, and California sought ties with the U.K., Russia, and Spain. Deseret, a theocracy centered in Salt Lake City, and Comancheria, an Indigenous polity centered in what is now the American state of New Mexico, pursued the first scenario.¹⁴⁶ Both of these scenarios are unpalatable for compound republics.

¹⁴⁶ Rio Grande pursued scenario two, with Texas as a client-protector, but Mexico reincorporated the short-lived republic less than one year after it seceded

The interstate order also had the option of dominating Mexico, especially once its armies occupied the capital city of Mexico, but domination would lead to an internal restructuring that favored a single center of power rather than many centers of clearly-defined powers. The compound republic instead pursued an external policy of co-binding by annexing the anarchical space of northern Mexico, subsuming Texas, California, and, eventually in rump-state form, Deseret, destroying Comancheria (in accordance with a racist public sovereign), and providing the security umbrella necessary for self-governing republican institutions to take root and flower in a federal interstate order.¹⁴⁷

The compound republic did not appoint people to act in its stead in exchange for military support. No equivalent of a German prince or a Chechen warlord was appointed by Washington. Co-binding into a federal interstate order is the applied lesson of the Mexican-American War, and this was done to quell violence and avoid the balancing policies demanded by an anarchical state system.

How can Interstate Federalism be a foreign policy?

That interwar Austrians never registered the fact that “the United States is not an organization but an *order*”¹⁴⁸ is understandable, given that the intellectual climate in Europe at the time treated the United States as a Westphalian equal among European powers. It is, however, entirely irresponsible to suggest, in hindsight, that there were no examples for Hayek and Mises to build upon, as Van de Haar does when he uses passages from Hayek’s 1960 book to argue that “... people [in 1960] had not yet discovered rules to effectively limit governmental powers [at the

¹⁴⁷ See Tocqueville 2000 (1835): 33-41 and Maseland & Spruk 2020: 22-26 for details on how institutions, imported from new England, took root and flowered

¹⁴⁸ Salter 2015: 86; emphasis in the original

international level], nor how to divide these powers between the several levels of authority.”¹⁴⁹

But the American federalists had! The whole point of the Philadelphian interstate order was to prevent North America from becoming an anarchic state system populated by hierarchies like the one found in Europe.¹⁵⁰

Co-binding polities together in a federal order is a tall task, but “those who care most about liberty in our world today should be not only for the minimal state, but for the biggest state of all.”¹⁵¹ To this end, contemporary Austrians and those in similar epistemic communities need to embrace a federal-republican world order in their scholarship and public policy advocacy. Thus, a foreign policy of interstate federation must seek out ways for sovereign states, semi-sovereign polities, and provinces chafing under despotic regimes to be able to federate with an already-existing interstate order¹⁵² that has succeeded in abrogating national sovereignties; it must seek ways for polities to federate under the transcontinental, transoceanic constitutional order of the United States. Interstate federalism as a foreign policy must also eschew the mild co-binding of the postwar era and instead pursue a co-binding that is much more robust; one that “permanently”¹⁵³ incorporates polities into the actually existing Philadelphian interstate order.

A thought experiment on robust co-binding can be illustrated by another counterintuitive example: the Iraq War of 2003-2011. The Middle East of 2003 was in a state of anarchy, much like the situation in northern Mexico 157 years prior. Unlike northern Mexico, however, the polities that emerged from an imperial order were able to take root and practice balancing, which

¹⁴⁹ Van de Haar 2009: 111

¹⁵⁰ Deudney 2007: 161-169, Hendrickson 2003: 7-64, Matson & Onuf 1990: 83-86, 124-146, and *Federalist Papers* Nos. 5, 6, & 8

¹⁵¹ Tomasi 2002: 226

¹⁵² On the interwar Austrian preference for building upon existing institutions rather than attempting to create new ones from a blackboard, see Kukathas 2006: 192-193; on the postrevolutionary American preference for building upon institutions rather than attempting to create new ones, see Dietze 1999 (1960): 261, 306-307

¹⁵³ Mises 2010 (1944): 265

produced an anarchic state system in the region that was populated by hierarchical states, not unlike the one Mises confronted in central and eastern Europe during the first half of the twentieth century. After the terrorist attack of September 11, the U.S. treated the region as an anarchy that threatened its survival. The compound republic then sought to remake the region more federal *in character*, in line with its internal republican institutions. This would end anarchy and balancing, and contribute to the flowering and growth of republican polities in the region. To achieve this mild co-binding, the U.S. and some of its allies attacked and occupied Iraq, one of the states in the region and one of the more vocal opponents of American foreign policy. In the Anti-Imperialist tradition, the invasion and occupation of Iraq is treated as an imperial aggression.¹⁵⁴ However, the U.S. never sought to dominate Iraq. There was never any plan to incorporate Iraq into the U.S. as a colony, or protectorate, or territory. There was never any plan to appoint a leader and give that leader free reign over Iraq in exchange for military services. Instead, the compound republic was co-binding, but it was mild co-binding rather than robust, as the U.S. merely engaged in “exporting liberal democracy”¹⁵⁵ without co-binding to Iraq. What the more sophisticated Anti-Imperialists are criticizing is not an imperial foreign policy, but a much-too-mild co-binding in foreign policy.

A robust co-binding, in this situation, would have included explicit military support, federal oversight of elected officials (to clamp down on democratic despotism), and a ratification proposal put forth by the United States to the people of Iraq on whether or not they would prefer to join the United States or maintain their independence. A vote for independence would not be cause for isolation, as the U.S. would merely cease federal oversight of elected officials while tying down Iraq to several different multilateral institutions.

¹⁵⁴ See, for example, Carpenter 2006 and Eland 2004

¹⁵⁵ Coyne 2008: 114-117

That the mild co-binding failed in Iraq from 2003-2011 is not an attestation of central planning's futility, nor is it an excuse to pursue a policy of isolation. Rather, it is further proof that Hayek was correct when he stated that the creation of an effective international order logically entails the abrogation of national sovereignties.¹⁵⁶ A foreign policy of interstate federalism, then, would require the Philadelphian interstate order to not only open itself up to entrance via a rules-bound process, but that it actively encourage membership in the union by frequently sponsoring referendums on whether or not to join the compound republic in the democracies of Europe and East Asia, and by actively promoting membership in the compound republic to sovereign states and semi-sovereign polities outside of the order's influence, as well as to provinces chafing under despotism in the large postcolonial nation-states of Asia and Africa.

Anti-imperialism versus federation

That the public choice polycentrists continue to favor an anti-imperial outlook, however subtle, instead of an interstate federalist outlook, is cause for concern. The polycentrists have a theoretically robust tradition, but they have not yet made the connections, in regards to international orders, between the works of at least one of their founding scholars, Vincent Ostrom, and Hayek and Mises,¹⁵⁷ probably because of the influence of the Anti-Imperialists on the relevant literature. For instance, one recent polycentrist argument, after surveying a myriad of ways that medieval Europe helped establish political representation and protect property rights without a state, suggests that *de jure* constitutions are just as important as *de facto* ones.¹⁵⁸ This is an unusual divulgence in the Anti-Imperialist literature, as scholarship in this tradition is mostly

¹⁵⁶ Hayek 1976 (1939): 269; a foreign policy of federation would help to *avoid* wars such as the one in Iraq from 2003-2011, which, again, was doomed to fail not because of any central planning on the part of an imperial hegemon, but because the anarchist state system of the Middle East and the nation-state sovereignty that anarchism requires to balance were respected too much by the U.S. and its allies

¹⁵⁷ But this changing; see, for example, Oyebade 2022

¹⁵⁸ Young 2021: 135-140

concerned with limiting or eliminating the state, however subtly. Unfortunately, the argument stopped there. The polycentric public choice literature would be enhanced were it to embrace the Interstate Federalist tradition and entirely abandon the Anti-Imperialist tradition, not only because of the theoretical insights that the Interstate Federalists employ, but also because the foundational works of polycentric public choice are, at their core, federalist rather than anarchist. Here, for example, is Ostrom on world order:

“World government assumes absurd proportions, *unless* we begin with Madison’s perspective that our capacity for self-government can only be realized with a proper structure of limited and concurrent governments where principles of self-government can be applied to each community of interest.”¹⁵⁹

The emphasis is mine. Under the instinctual survival framework, the Anti-Imperialist tradition, with “its ... lack of imagination,”¹⁶⁰ is incoherent, and must utilize case studies and cost-benefit analyses to try and stamp out American military involvement in world affairs one intervention at a time. A framework for interpolity relations that places an ethical system, an ethic of liberty, above instinctual survival is bound to be fruitless.

The compound republic cannot hide. Stepping away from the world of mild co-binding restraints that it has created in order to counter anarchy abroad would mean pivoting into a world of anarchy, and a world of anarchy means balancing, which means a domestic situation where interior republican institutions are altered in favor of a center of power that can be better able to tend to the complex situations that arise in anarchic state systems. What’s worse, because of the sheer power that the U.S. holds in regards to military capability, it is unlikely that Washington would seek to balance. Instead, if co-binding is not an option, Washington would seek to dominate.

¹⁵⁹ Ostrom 2008 (1971): 223

¹⁶⁰ Hayek 1978 (1960): 404

Federation as a last resort

By far the strongest challenge to the Interstate Federalist tradition is that federalist peace schemes are undertaken only as a last resort,¹⁶¹ and Van de Haar's argument that Mises and Hayek were only urging interstate federalism because Europe was going through an especially violent time period¹⁶² suggests that interstate federation is not a viable candidate for *the* foreign policy of choice among classical liberals and libertarians.

This is a strong challenge, but both Russia and China are continental hierarchies that seek to dominate in order to ensure their survival, and the Westphalian nation-states that are on the periphery of Moscow's and Beijing's territorial empires are unlikely to be able to balance them off against a transcontinental compound republic located in the Americas. Westphalian nation-states in eastern Europe and East Asia may bristle at the subsumption of their sovereignty under the U.S. constitution, but at least they would be free to bristle. The despotisms of nation-states in Africa and Asia will continue to prosper under the Anti-Imperial and Westphalian traditions (as well as the nation-statist wing of the Neoliberal Threat Collective). The logic of federation as foreign policy does not seek to bring democracy to people, but it does seek to neutralize violence by establishing and maintaining republican institutions internally via checks and balances and externally via a co-binding mechanism, and violence is exactly what the nation-state despotisms of Africa and Asia produce.

Those liberals who reside on the peripheries of China and Russia must drop the "intransigent pretensions"¹⁶³ of their respective states and pursue a foreign policy of federalism. Those who safely reside within the comfortable confines of the Philadelphian interstate order's internal

¹⁶¹ Parent 2011: 151-157

¹⁶² Van de Haar 2022: 124, 128, 130

¹⁶³ Mises 2010 (1944): 265-266

territory, whether in western Europe, Japan, South Korea, or North America, must also drop the intransigent pretensions of their respective countries. Violence, conquest, and despotism are still serious threats to liberty throughout the *world* today.

Implications and conclusions

The Interstate Federalist tradition best settles the Austrian debate on world orders because it stays true to the intentions of Austrian economists and builds off of those intentions by incorporating their logic and their missed opportunities into broader scholarship on federalism and international relations.

It's no coincidence that scholars working within the Neoliberal Threat Collective tradition, especially its internationalist wing and the competing prescriptions of world order that they advocate, have gone to great lengths to downplay the relevance and insights of Austrian interstate federalism. If contemporary Austrians and other classical liberals want to distinguish themselves in the realms of international relations and diplomacy, they could finally find their niche by embracing the Interstate Federalist tradition.

The implications of an Austrian world order for studies in Austrian Economics are huge, as such an order would be beneficial for better understanding not only contemporary scholarship and research on interpolity orders but also more traditional topics in the field, including economic development,¹⁶⁴ state capacity,¹⁶⁵ free banking,¹⁶⁶ and emergent social orders.¹⁶⁷

The field for this line of inquiry is fertile. The time for rehashing the debate on the best political order for society is now. Based upon the traditions found in this review of Austrian Economics,

¹⁶⁴ Easterly 2021, Murtazashvili & Murtazashvili 2019

¹⁶⁵ Geloso & Salter 2020, Koyama, *et al* 2018

¹⁶⁶ Allen, *et al* 2021, Paniagua 2016

¹⁶⁷ Maltsev 2022, Rouanet & Geloso 2020, Studebaker 2022, Novak 2021

an Austrian international order should not assume that a large territory implies an imperial ordering of society, nor should it favor the status quo,¹⁶⁸ but rather an Austrian international order should focus on finding an order that protects liberty by abrogating national sovereignties, which will in turn limit democracy without extinguishing it. The Philadelphian interstate order does just this, and it's a shame that Mises and Hayek never considered the implications of the compound republic of the Americans for international relations. Let this oversight not be our shame, too.

¹⁶⁸ Hayek 1978 (1960): 398-399

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