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## **Book Review**

**by Richard M. Ebeling**

*The Mind and the Market: Capitalism in Modern European Thought*  
by Jerry Z. Muller (New York: Alfred A. Knopf, 2002); 487 pages; \$30.

In the 1920s and 1930s, the well-known Italian classical-liberal historian Guglielmo Ferrero attempted to explain the reasons for the social disruptions and civil wars that European society had gone through from the time of the French Revolution in 1789. His general conclusion was that the revolutions and civil wars of the 19th century and then the “Great War” of 1914–1918 were in one way or another concerned with the problem of political “legitimacy.”

For ages, political legitimacy had been based on hereditary monarchy. And with monarchy had come the structure of hierarchically ordered society. All in the social order knew their place. They were born into it, they lived out their lives as members of one of the social classes and castes, and their positions in this inherited vertical arrangement of the social world gave each person a sense of meaning, continuity, security, safety, and stability.

But with the American and French Revolutions, the claim was made that political legitimacy was derived from the consent of the governed, with each individual possessing certain inherent “rights of man.” The guiding concept became the equality of men under an impartial rule of law.

The inherited and age-old social structures crumbled under the weight of this new (classical) liberal ideal, under which contract and voluntary consent replaced inherited class and caste. Each man found his own place in the social order of things in the new world of commercial capitalism.

The political and social battles of the 19th century, Ferrero argued, were, in their essentials, conflicts between monarchy and representative government, and between inherited social hierarchy and fluid contractual market relationships. Ferrero believed that the First World War developed partly out of this crisis of legitimacy and social order.

And out of the Great War there had come a third alternative to compete for political legitimacy: the political usurper, the “leader” claiming the right to rule in the name of the people but without the consent of the people.

Lenin and Stalin and Mussolini and Hitler represented this leader type. They offered people a new sense of meaning and identity, safety and security by virtue of their belonging to the totalitarian collectivist state.

Ferrero died in 1942, during the Second World War, having written a variety of books developing this theme and uncertain about the war’s outcome.

The same idea, though from a different angle, is the theme of Jerry Z. Muller’s recent book, *The Mind and the Market: Capitalism in Modern European Thought*. Muller traces the beliefs and attitudes and the hopes and fears of a variety of leading European intellectuals over the last 250 years about the meaning and significance of the market economy in terms of the “good society,” and its impact on the character and quality of man.

On the one hand are those thinkers who in general and in various ways saw the market-based society as an avenue for social peace, material prosperity, cultural growth, and human development. They included, among others, Voltaire, Adam Smith, Edmund Burke, Friedrich Hegel, Georg Simmel, Joseph Schumpeter, and Friedrich A. Hayek.

### **The anti-market mentality**

On the other hand, there were those who hated and feared the market order as undermining ordered society, traditional community, culture, and social stability and security. These thinkers included Justus Moser, Karl Marx, Matthew Arnold, Werner Sombart, Georg Lukacs, and Herbert Marcuse.

Muller devotes chapters to each of these as well as other European intellectuals to trace and tease out what it was that each of them admired or disliked about the emerging and increasingly dominant capitalist society.

An opponent of the market economy, such as Justus Moser, considered that it undermined historical continuity and stability of local community life. The market introduced people to non-traditional wants that made them dissatisfied with the existing order of things, and then merchants attempted to satisfy the new wants by importing goods that threatened the local crafts

and light industries through which community members inherited their customary ways of earning a living.

Matthew Arnold disliked the apparent reduction of human life to economic calculation and pursuit of material wealth in market society. Men lost their sense and understanding for beauty and a higher noncalculating culture of art and literature. It was Arnold who popularized the term “philistine” to characterize the person who lacked this wider and higher appreciation of human life. He wanted government to fund and direct public education to foster the higher quality of cultural life in the younger generations.

Werner Sombart harkened back to pre-industrial life with its hierarchical order of meaning and security. He contrasted the English trader and merchant whose vision rose no higher than his material profits with the German “hero” who practiced the higher virtues of courage, obedience, and self-sacrifice for the higher good of the nation.

An extreme form of this thinking was found in Hans Freyer, another German intellectual whom Muller discusses. Disliking the liberal market society, Freyer became an articulate defender of National Socialism under Hitler.

Others, such as Lukacs and Marcuse, were influenced by Marx’s critique of capitalist society. They disliked the seeming “alienation” of man from himself and society under conditions of division of labor and money-making. They wanted the reestablishment of community and human meaning through the establishment of socialism and collectivist planning.

### **The pro-market mentality**

On the other side, Voltaire viewed the market as a great force for social peace by depoliticizing the differences among men by separating the state from religion and social position and status.

Adam Smith saw in the market a means for improving material conditions of all strata of society through its spontaneous workings and its institutions of voluntary exchange under division of labor.

Hegel considered the market as the central element of “civil society” — that network of voluntary institutions that spontaneously emerged between the state and the individual man and offered a protective cushion to men from political power and abuse.

Simmel argued that the market society, by allowing men to participate in a variety of social relationships all at the same time through the institutions of civil society, enabled people to develop far more intellectual and cultural sides of themselves than was possible or permitted in traditional society.

A leading insight and contribution made by Hayek, Muller emphasizes, is the understanding that in capitalist society it is possible for a multitude of men to associate, collaborate, and assist one other in the pursuit of their respective and various ends without their having to have any prior or comprehensive agreement about a given hierarchy of such ends.

In the market, men trade, and exchange, and cooperate with respect to the alternative and competing uses of means to their ends. But each man is left free to decide upon the important issue of which ends, goals, and purposes are worth pursuing. Each man, in other words, is at liberty to decide what would give his life meaning, value, and purpose.

### **A battle of ideas**

Indeed, the essence of what the critics of capitalism have hated about the market economy, as clearly emerges from Muller's detailed and very insightful exposition of their ideas, is their desire and longing for all men to have a commonly agreed-upon and shared definition of meaning, human purpose, and social value. It is the existence of diversity and plurality in the social order under capitalism that arouses their dislike and fear of the liberal market order.

As a result, a common denominator among all of them, whether they are proponents of traditionalism and conservatism, moderate state paternalism, revolutionary socialism, or Nazism, is their determination to use political power to recreate or design anew the idyllic community they all long for and are frightened of not living in. Other men will be educated — indoctrinated — into appreciating the “true” good society that they clearly lack the ability to fully appreciate and comprehend on their own.

And, thus, we come back to Ferrero's point that the great contest among men for more than 200 years has been the battle for an imposed order and a given set of values through the power of the state versus the liberal society of free individuals who are at liberty to find their own purposes for living but must learn to let others have the same freedom if they are in turn to be left unmolested in their own pursuit of these things.

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