Excerpts of The Mind and the Market: Capitalism in Western Thought, by Jerry Z. Muller

The following exegesis from The Mind and the Market: Capitalism in Western Thought by Jerry Z. Muller consists of non-continuous selections from the book that are illustrative of the work, without being comprehensive. They were selected and edited by me to bring out the ideas in his work relevant to our workshop. I have not added quotation marks. Bracketed material and ellipses were inserted by me.

-- Bernard Winograd, 11/24/2012

It was only in the eighteenth century that one can begin to speak of an economy in which production for trade became more significant than production for subsistence, and in which the market became central to the production and distribution of goods. Before that, in feudal Europe, the major means of production was land, and control of it was based on political power, which itself was largely a function of military force. Under those circumstances, where land and the people on it were the prize and guarantee of political power, it was unthinkable that land or labor could be sold to just anyone with the means to pay for them, regardless of their origins. The erosion of this feudal organization of society had of course been going on for some time by 1700, and in the economically most advanced parts of Europe it was already becoming outmoded or extinct. Most historical “beginnings” have an element of arbitrariness, but one has to begin somewhere…

There was no room—or little room—for commerce and the pursuit of gain in the portrait of the good society conveyed by the traditions of classical Greece and of Christianity, traditions that continued to influence intellectual life through the eighteenth century and beyond. Yet when discussion turned from outlining an ideal society to regulating real men and women through law, accommodating commerce and the pursuit of gain inevitably played a larger role.

Most people simply could not imagine that production might be increased by the decision to invest resources in one place rather than another, with one person rather than another, in one commodity rather than another. The economic value of gathering and analyzing information was beyond the mental horizon of most of those who lived off the land or worked with their hands. The notion of trade—and, even more, the notion of moneymaking—as unproductive was often expressed in images of parasitism.

The great historical fact that served as the moral backdrop for thinking about capitalism was not the factory or the mill, but war—not war with the foreign invader, but internal war, civil war, between men with rival views of ultimate salvation, men who were so sure of their view of salvation that they were prepared to shed the blood of their fellow man in order to save his soul. It was in this setting that intellectuals set themselves the task of developing a political and social theory that would allow those of radically different visions of the good and holy life to live together. Such a theory would also protect intellectual humanists steeped in multiple religious and national cultures from the depredations of religious fanatics.
Voltaire’s defense of the market in the *Letters* and later in his *Philosophical Dictionary* was political rather than economic. Market activity was valued not because it made society wealthier, but because the pursuit of economic self-interest was less dangerous than the pursuit of other goals, above all religious zealotry.

According to Voltaire, religious enthusiasm made men fierce and dangerous. In contrast to the Christian and civic traditions, Voltaire affirmed self-interest as more likely to promote social peace than ideological commitment. The quest for economic gain, he showed in his description of the stock exchange, made men more gentle.

The emergence of a stable, public market for state debt was the most politically significant economic innovation of the age. It allowed the British government to borrow funds at a far lower rate than had been the case when it depended on moneylenders and tax farmers—the system that remained in force in France. While the role of the profits of overseas trade in British economic development has been exaggerated, the role of men and institutions involved in the buying, selling, transport, and lending of money was long overlooked by historians of capitalism, or treated as an unproductive, parasitic growth on the body of the “real” economy of production and distribution. But the increasing circulation of capital in London led to a rapid fall in interest rates, providing a further stimulus to commerce.

The advantages to English power and English commerce brought by this “financial revolution” are now widely acknowledged by historians. But at the time, the public reacted to the new institutions of finance with suspicion and even hostility.

The speculative activity that reached its height in the South Sea Bubble was the froth on the wave of the financial revolution. But it was the froth that caught the attention of moralists. Spokesmen for those whose wealth rested upon landed property interpreted events through the filter of civic republicanism to decry the new “monied interests,” whose wealth was held to rest upon “fantasy” rather than the solid basis of land.34

…his preference for the merchant over the aristocrat provided the backdrop against which Voltaire championed one of the central themes of the enlightenment: the need for equality before the law.

The notion of luxury was intricately connected with the existence of a recognized social hierarchy: what was necessary for those of high status was regarded as excessive for those of low status. Luxury meant the enjoyment of material goods not appropriate to one’s station in life.

Like Mandeville and Melon, Voltaire defended luxury against its moralist detractors by trying to relativize the notion and to show that much of what his contemporaries considered basic necessities had once been quite extraordinary.
Voltaire also suggested several economic arguments for luxury that had been developed at length by Mandeville and Melon. Material consumption by the rich—traditionally denounced as a vice—gave rise to the demand for the labor of the poor, who in time profited from the creation of greater wealth. The spending of the rich thus allowed the poor to accumulate, and the taste for luxury goods was already growing among the lower echelons of society in England and in France. It was the desire for luxuries that had led to transoceanic commerce, and which increasingly tied together the inhabitants of the earth.

Though The Wealth of Nations is in good part about commerce, it was not written for businessmen or merchants. A book focused on the analysis of market processes motivated by self-interest, it was written by one of the most admired philosophers of the Enlightenment, a former professor of logic, rhetoric, jurisprudence, and moral philosophy, in order to influence politicians and rouse them to pursue the common good.

The book built on the Enlightenment assumption that worldly happiness was a good thing, and sought to show that material well-being need not be confined to “luxuries” available only to a thin stratum at the top. On the contrary, Smith made the purchasing power of consumers the measure of “the wealth of the nation.” The book also argued that under the right institutional conditions, the spread of “commercial society” would lead to greater individual liberty and more peaceful relations.

The old system of economic regulation of domestic trade—in which the price of goods was set by guilds, and the rate of wages set by justices of the peace—was being increasingly abandoned by the middle of the eighteenth century. But the regulation of foreign trade was actually increasing. Much of Smith’s book was an argument for expanding the freer market regime already dominant in internal trade to the realm of international commerce.

The most frequent response of elite writers to the visible rise in the standard of living of the laboring classes was consternation. To the traditional moralistic denunciation of “luxury” as promoting sin and undermining civic virtue, new economic arguments were added. Rising wages, it was said, would undermine the will to work, since workers would only labor long enough to meet their traditional requirements, after which they would prefer more leisure to more income.

Smith’s basic model of the links between human propensities and the wealth of nations is…complete: self-interest leads to market exchange, leading to the greater division of labor, leading in turn to specialization, expertise, dexterity, and invention, and, as a result, to greater wealth.

If we recall the stigmatization of the merchant so frequent in the traditions of classical republicanism and of Christian thought, we can appreciate the reevaluation of values that Smith proclaimed.

…allowing capital to flow to where the greatest profits were to be made, the market channeled resources toward those commodities for which there was more demand than
existing supply. The market, therefore, was the most efficient institutional mechanism by which to channel self-interest toward the wealth of the nation, and to promote the well-being of the bulk of its citizens.

[The] market would produce the best possible outcome for consumers under conditions of what Smith called “free competition” or “perfect liberty.” For the market to function most effectively, everyone had to be able to sell labor, invest capital, or rent land with minimal restriction. But as The Wealth of Nations showed, much of European society and government was structured to impede the free movement of labor, capital, land, and goods.

Wherever and whenever individuals or groups could promote their own interests at the expense of the public by bypassing the free market, they would.

Most of book 4 of The Wealth of Nations is devoted to an attack on the policies of international trade then dominant in Europe. Smith dubbed this policy “the mercantile system.” The term was polemical, meant to encapsulate Smith’s critique of the existing policies in international trade and international relations. Those policies were based on a view of international economic relations as a “zero-sum game” in which one nation’s gain must be another’s loss. International trade was perceived as a tacit war against rival nations, a view congenial to the civic republican conception of relations between polities. This tacit struggle often led to actual military confrontation in an attempt to secure trade privileges, trade routes, or colonies. Its logic led to violence and war. Smith provided a more cosmopolitan and pacific model of international economic and power relations. The growing prosperity and proficiency of other nations, he proclaimed, “are all proper objects of national emulation, not of national prejudice or envy. . . . Mankind are benefited, human nature is ennobled by them. In such improvements each nation ought, not only to endeavour itself to excel, but from the love of mankind, to promote, instead of obstructing the excellence of its neighbours.”

Smith coined the term “the mercantile system” to describe the dominant economic doctrine because he believed that it reflected both the interests and the mentality of merchants and manufacturers, whose quest for monopoly had been expanded into a view of international commerce that taught that each nation’s interest “consisted in beggaring all their neighbours.”

Smith made the same point in regard to colonies. They were good for the nation insofar as they extended the market, making a more productive division of labor possible. But to grant British merchants a monopoly on trade with the colonies benefited merchants at the expense of the nation, an expense that was aggravated by the military costs of maintaining such monopolies.

…perhaps no other thinker devoted so much attention to describing how the market and commercial society could be structured to develop that constellation of qualities of self-control, industry, and gentleness that previous moralists, from the humanists through David Hume, had valued. A good deal of virtuous behavior, Smith wrote, was actually
prompted by self-interest, such as the worthy habits of “economy, industry, discretion, attention, and application of thought,” and related “inferior virtues” such as “prudence, vigilance, circumspection, temperance, constancy, firmness.” These virtues commercial society was best suited to promote. In commercial society based upon exchange, every man “becomes in some measure a merchant.” (Notice the qualification: Smith never imagined that man becomes a *homo economicus.* ) The pursuit of self-interest in the market, with its division of labor and his resulting dependence on others, leads him to adapt his behavior to the expectations of others. The market itself is therefore a disciplining institution.

For Smith, the state was the most important institution on which commercial society depended; the authority and security of civil government, he wrote, is a necessary condition for the flourishing of “liberty, reason, and the happiness of mankind . . .” It was to the security of property provided and enforced by law that Smith attributed much of his nation’s increasing wealth, since that security made it worthwhile for every individual to make “the natural effort . . . to better his own condition.”

The need for national defense grew more urgent with the progress of economic development. History showed that as a society grew richer, it became a more attractive object of attack for its poorer neighbors.

By providing for defense, justice, and infrastructure, government created the preconditions for a market economy and for “that universal opulence which extends itself to the lowest ranks of the people.” Yet the very process that brought about an increase in national wealth was fraught with negative cultural consequences, which it was up to the intellectual to anticipate and the legislator to mitigate. Foremost among these was the debilitating cultural effect of the division of labor upon manual workers.

Justus Möser saw the international market as pernicious for destroying the particular culture of Osnabrück. It did so, first, by creating new needs that could not be fulfilled by the traditional economy of the region. Second, competition from commodities that could be produced more cheaply abroad was destroying the traditional guild-based modes of production, and the social and political structures with which they were intertwined. The market was thus destroying cultural particularity and hence pluralism. In the subsequent development of capitalism, the fear (often well-grounded) that local cultures and social structures faced destruction by more wide-ranging markets would often be repeated: towns by province-wide markets, provinces by national markets, nations by international markets.

Möser emphasized the benefits of knowing one’s place, the importance of belonging to an existing collectivity, and hence the need to cultivate loyalty to the real, existing institutions that provided the individual with a firm sense of place. In contrast to the Enlightenment’s emphasis on individual opportunity and autonomy, Möser valued those institutions that circumscribed the individual, if in doing so they provided a firm sense of identity.
Möser thus condemned capitalism on the grounds that it created new needs, which disrupted customary expectations and unbalanced society—a judgment common in the eighteenth century, and one revived periodically by moralists thereafter.

But the fear that commerce would undermine the institutional order was not confined to conservative critics of the market in economic backwaters like Osnabrück. It was soon to be echoed by Edmund Burke, an advocate of the market in London, the center of the late-eighteenth-century economy. Anxiety about the cultural effects of the market was to become perhaps the most consistent tension within conservative social and political thought.

Societies are complex entities, he stressed, answering, however imperfectly, a multiplicity of needs, and their institutions are interconnected in ways not always apparent. Most important, perhaps, innovation must be slow because a good deal of the effectiveness of institutions comes from the reverence that develops for them over time. It is this reverence that creates voluntary submission to laws and mores, in the absence of which submission must depend either on rational reflection (an undependable source, as Burke had noted in his Vindication of Natural Society) or on the threat of force. To destroy inherited institutions is therefore irresponsible, he argued, especially since new institutions, no matter how well conceived, cannot command the same degree of loyalty and commitment as old institutions rooted in experience.

For Hegel, the question of what our social and political institutions ought to be is linked to the philosophical issue of what sort of person it is good to become. And the question of what sort of person it is good to become is based, in part, on the potential for human development created by historical institutions. That is why for Hegel, ethical theory is social and political theory, and all three are tightly linked to historical developments.

The existence of individuals with a strong sense of their own interests, their own inner subjective life, and their own particularity may have been a symptom of corruption in the ancient polis, Hegel suggests. But it gives the modern state its tensile strength, by means of institutions that allow for the reconciliation of particularity and the common interest.

Hegel mentions the disinclination of individuals to pay taxes to the state as evidence of this lack of recognition of the realities that make civil society possible. His purpose was to make his fellow citizens conscious of those realities, so that they would regard the state not as something alien and external, but as an institution…

The market, Hegel took pains to point out, was a social institution that made men more social. Because the individual’s needs can only be met through the production of others, he must orient himself to other people, and take an interest in what they think. He must bend his own will to the requirements of others.

Another problem that Hegel thought intrinsic to civil society was a new form of poverty. By that he did not mean only the existence of people who lacked means of material support. They had been around before market society. But there were two novel aspects
of poverty: the systematic creation of groups in the population whose skills left them jobless, and the sense of grievance and resentment that those without work harbored against society as a whole.

…a sense of self-worth in civil society was linked to having work, which gave one a place in society. Those who were without work were nevertheless a part of the same society, and felt entitled to its benefits, including a right to subsistence.

By and large, the roles that Hegel assigned to government were what Smith also specified: maintaining the rule of law and the preservation of property; the provision of physical infrastructure and public goods such as bridges, roads, and public health; and the education of children. But Hegel favored a government that went beyond these to carry out functions that would help to alleviate what he had identified as the intrinsic problems created by the market. Government authorities, he indicated, should intervene to counter the effects of the disruption of international trade and to moderate and, if possible, shorten the ups and downs of the market. They should inspect foodstuffs and medicines…

Hegel’s writings had tremendous resonance among the upcoming generation of German intellectuals, not least because his works tried to reconcile so many of the characteristic tensions of the age: between Christianity and a rational comprehension of the world, between tradition and revolution, and between the individual, the market, and the state.

Marx expressed the discontent of those who, though not materially impoverished by capitalism, felt anguish at the need to fit themselves into the vocational grooves of the market economy, to bend themselves to fit into a particular professional niche.

To a degree rarely appreciated, he merely recast the traditional Christian stigmatization of moneymaking into a new vocabulary and reiterated the ancient suspicion against those who used money to make money. In his concept of capitalism as “exploitation” Marx returned to the very old idea that money is fundamentally unproductive, that only those who live by the sweat of their brow truly produce, and that therefore not only interest, but profit itself, is always ill-gotten.

The essence of Engels’ critique of political economy was simple. The work of Adam Smith and his disciples obscured what Engels found morally scandalous: capitalism was built on avarice and on selfishness. If the key maneuver of Enlightenment thinkers such as Smith was to call attention to the potential social benefits of what had been previously stigmatized as “greed” and “pride,” the first countermaneuver of socialist critics such as Engels was to restigmatize self-interest as greed.

If Engels’ first step was to go back to pre-Enlightenment understandings of self-interest, his second was to go back further yet, to pre-Renaissance condemnations of the interest on loans. Profits from trade, he reasoned, were little different from “interest” and could only be distinguished from it by overly subtle logic chopping. And interest was immoral…
Marx adopted most of Engels’ analysis. In combination with the works he was reading by French socialists, Marx was led by Engels’ piece to focus on the plight of the industrial working class, and toward a critique of political economy, filtered through the lens of his own philosophical assumptions and concerns.

If Marx had one big idea, it was that capitalism was the rule of money—which was itself the expression of greed. The rule of capital was fundamentally immoral because it deprived the vast majority in a capitalist society of their humanity, requiring labor that enriched a few capitalists while impoverishing the workers physically and spiritually. Men were thus at the mercy of inimical forces that they felt they could not control. Yet in “bourgeois ideology” these forces were treated as natural and inexorable. This set of ideas was not the conclusion of his years of inquiry into the capitalist economy: it was the never-abandoned premise of that inquiry.

By the first decades of the twentieth century, Marxist intellectuals faced a dilemma. Should they accept the incipient reformism of the labor unions and their political representatives and abandon the hope of superseding capitalism? Or should they insist, like Lenin and Lukács, upon the primacy of the intellectuals, and build a party in which those whose superior insight into the desirable direction of history would channel the working class…

For most of the nineteenth century, liberals followed Adam Smith in arguing that one of the moral advantages of international trade was that it diminished international conflict and promoted cosmopolitan affinities. By the late nineteenth century, that was changing. Like most of his contemporaries in Germany and abroad in the age of imperialism, Weber viewed the relationship between nations through the lenses of social Darwinism. His position was that nations competed with one another for power. Under modern conditions, the prerequisite of power was economic modernization, which was promoted, by and large, by participation in the world economy. But in order to compete successfully in the world economy, governments needed to encourage the development of a dynamic capitalism, and had to refrain from protecting less efficient producers who were harmed by foreign competition.

During the 1890s, the exchanges in general—and commodity and currency exchanges in particular—came under massive public pressure across the globe, in Australia, the United States, Russia, and much of western Europe. The reason, paradoxically, was that the international trade in agricultural commodities was bringing down the price of food to consumers.

To outsiders, it seemed that speculators on the exchanges made enormous gains without adding anything of value: their gains seemed to come purely at the expense of others.

In The Protestant Ethic and the Spirit of Capitalism, which he published in midcareer, Weber took issue with those who identified capitalism with unscrupulous greed.
Weber insisted that capitalism was characterized by a higher level of rationality than any previous economic system had offered or than socialism could provide. According to Weber, this instrumental rationality of capitalism was shared by other major institutions of the modern world. The modern state was characterized by bureaucratic administration of the rule of the law: laws were to be administered impersonally, so that their effects would be consistent, regardless of the particular bureaucrat administering the law or the particular characteristics of those to whom the law applied. The modern business corporation made use of the same bureaucratic means.

The theme of capitalism as the triumph of means over ends was elaborated by Weber’s contemporary, Georg Simmel, who in 1900 published one of the most fertile works of reflection on capitalism and its cultural ramifications, *The Philosophy of Money*. In this and other works, Simmel explained how the development of the market economy made for new possibilities of individuality.

Simmel drew attention to the psychological effects of living in an economy in which more and more areas of life could be measured in money. Such an economy created a mind-set that was more abstract, because the means of exchange themselves were becoming ever more abstract.

Through constant exposure to an abstract means of exchange, individuals under capitalism are habituated to thinking about the world in a more abstract manner. They also become more calculating and more used to weighing factors in making decisions.

Minds ever more oriented to the weighing of means, Simmel tells us, become more tolerant, more conciliatory, because, being focused on their own means, they are less concerned about the ultimate ends of others. Spending less time thinking about ultimate salvation

Thomas Carlyle—and, after him, Marx and Engels—might have scorned the “cash nexus,” but Simmel explained that money tied modern society together in more positive ways.

In contrast to earlier forms of association, modern groups allow for participation without absorption. They make it possible for the individual to develop a variety of interests and to become involved in a wider range of activities than would otherwise be possible, yet to do so without surrendering the totality of his time, income, or identity to any particular association, from the family to the state.

To Simmel, money was an example, perhaps the quintessential example, of a larger pattern in the relationship between men and the objects they created. To meet its own needs, the human mind creates a variety of products. Over time, those products take on an existence independent of their original creators. From transient creations for immediate purposes, they become cultural objects, taking on a fixed and ongoing form. The creations that express man’s sense of transcendence become religion; those created to
control nature become technology. In time, efforts are made to develop and perfect these cultural creations: each becomes more and more ramified, forming a separate cultural “world,” the understanding and mastery of which requires a human lifetime and more.

On the positive side, he pointed out, the availability of a variety of cultural worlds allows us to enrich our individuality, through, for example, the availability of novels, the various genres of music, the many branches of science, philosophy, or religious culture.

But the cost of this was what Simmel called “the tragedy of culture”: the frustrating recognition that there is so much we would like to know but cannot, that we will never have time or mental energy to master, the recognition that commitment to any one branch of culture comes at the expense of the possibility of using our time and energy in other ways.

It is a moralistic commonplace that there are things that money can’t buy, including satisfaction. It is one of Simmel’s most striking insights, however, that owning money can actually be more satisfying than owning the things that money can buy.

Schumpeter argued that the laws of supply and demand, which had been the focus of economics since the time of Smith, missed what was most essential about capitalism: its dynamic transformation. Its source lay in the entrepreneur, a figure who had been rather neglected in nineteenth-century economic thought.

The second Nietzschean theme that runs through Schumpeter’s work is that of Ressentiment: the psychological antipathy of the inferior many to the superior few, and the attempt of the resentful majority to devalue the achievements of the creative and successful.

For Schumpeter, as for others from his milieu, the collapse of the empire in 1918 was a shock; it meant the end of the world from which they drew their cultural breath. The class of educated, German-speaking Austrians to which he belonged were secular, committed to economic liberalism and the rule of law. Their cosmopolitanism took the form of attachment to a monarchy that served to integrate a polyglot empire.

The destruction of the empire was followed by the near victory of what seemed to Schumpeter another bad idea: socialism.

The Keynesian analysis of the Depression held that contemporary capitalism suffered from a shrinking of opportunities for investment. Schumpeter concurred, but not for the reasons offered by the Keynesians. The problem, in his view, was that popular and governmental hostility to economic elites had led to a situation in which those who ought to have made the most significant innovative investments were discouraged from doing so.

Probably because Schumpeter recognized that the Depression had made Marxism more attractive than ever, especially to intellectuals, he began his book with an inquiry into
what made Marxism so appealing, and went on to anatomize Marx’s achievements and failures. Though Marxism condemns religion as the opium of the masses, it is best understood as a religion itself, Schumpeter insisted, since it provides a plan of salvation and a vision of earthly paradise.

But why should intellectuals be critical of capitalism? One reason, according to Schumpeter, was that criticism served the intellectual’s self-interest, in that “his main chance of asserting himself lies in his actual or potential nuisance value,” so that “the intellectual group . . . lives on criticism and its whole position depends on criticism that stings.” Antipathy to capitalism was also encouraged by the cyclical overproduction of educated men and women.

By and large, Schumpeter judged, the bourgeoisie will rally to defend the intellectuals because it believes that “the freedom it disapproves cannot be crushed without also crushing the freedom it approves.” Thus despite flurries of short-run resistance, the long-term trend was toward the removal of all restraints on criticism. The favorite pastime of the intellectuals was bourgeois bashing, a delegitimation of capitalist ideals that would, over time, take its toll, sapping the confidence of the capitalist class in the rightness of its way of life.

Though he thought a good deal about the issue, Keynes did not write systematically about the moral, social, and cultural consequences of capitalism.

If Keynes’ head was in the mathematics and economics of Cambridge, his heart was in the London neighborhood of Bloomsbury, where his cultural sensibilities were shaped by his participation in its famed and flamboyant circle of artists, musicians, and writers.

The problem for Keynes, as for the young Marx, was deferred gratification, what he called “purposiveness,” which boiled down to being “more concerned with the remote future results of our actions than with their own quality or their immediate effects on our own environment.” He disparaged this elevation of the future over the present as an attempt “to secure a spurious and delusive immortality.” In a rhetorical flourish worthy of Marx or Sombart, Keynes identified deferred gratification with the quest for immortality, with usury, and with the Jews.

Under the political, military, and economic conditions created after the war largely by the United States…capitalism demonstrated an unanticipated resilience. It provided more things for more people, including profit for those with capital, even while much was being siphoned off in the form of taxes to pay for the expanding welfare state. Soon observers of the political scene began to notice a remarkable convergence between the major parties of the left and right in many western democracies. That was in part because the old radical right was discredited by the experience of fascism, while the radical left—the Communists—were either outlawed (as in West Germany and the United States), were kept at arm’s length by the dominant democratic coalitions (as in France and Italy), or failed to arouse much support under conditions of rising prosperity.
As early as 1955, observers of intellectual life in Europe and the United States took note of what seemed to be an “end of ideology.”

While Marcuse and the New Leftists who echoed him repeated the traditional socialist charge that capitalism created inequality, the core of their complaint was that capitalism compartmentalized the self, constrained it within rigid corporate hierarchies, and above all separated work from creativity, labor from play.

But if Marcuse served to articulate the vague discontents that were increasingly felt by those who had prospered economically under welfare-state capitalist democracy, his work, unlike Keynes’, was less than useless in providing tangible institutional solutions. For Marcuse was fundamentally uninterested in institutions, whether economic or political.

Hayek’s was a conservative brand of liberalism, focused on individual liberty and the restriction of government, not, as with Keynes or most American liberals, on increasing equality.

Hayek defended a culture of individual achievement against an enemy he called “collectivism,” which came in both left- and right-wing versions. On the left it took the form of social democracy, socialism, or, most radically, Communism; on the right it took the form of ethnic or nationalist particularism and, most radically, fascism and Nazism. In the eighteenth century, Adam Smith laid out a vision of international free trade as a deliberate alternative to the national chauvinism of his day. Hayek, too, would link the market to overcoming particularism and group self-interest, whether of the left or of the right. His work was an unremitting attack on attempts to use government power to protect some particular identity, whether based on race, class, religion, or ethnicity.

Hayek’s origins were in the educated civil service class of the Austro-Hungarian Empire. They stood for a political order characterized by the rule of law, the protection of property, market exchange, and promotion by merit and achievement rather than by origin.

No wonder the Viennese liberals were suspicious of democracy. Their loyalty was focused on the emperor, who served to unify a culturally diverse empire.

If liberals had been embattled in the late Habsburg empire, in the new postwar republic they were vanquished, at least as a political force. The political culture of the Austrian Republic was fragmented into three political camps: the Catholic Christian Socials, the Marxist Social Democrats, and the völkisch German nationalists. The only common denominator among them was antipathy to liberalism.