

## Book Reviews

### ***Mind vs. Money: The War between Intellectuals and Capitalism***

BY ALAN S. KAHAN

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REVIEWED BY RICHARD M. SALSMAN

If, like most candid students of history, you recognize that capitalism (to the extent it has been instituted) has brought liberty, peace, and prosperity, but you wonder why the system has been so despised, this is the book for you.

In *Mind vs. Money: The War between Intellectuals and Capitalism*, Alan S. Kahan points out that in only one century out of the past twenty-five—the Enlightenment (1730–1830)—did leading intellectuals speak well of money, lending, profit making, and commerce (i.e., capitalism). The vast majority of intellectuals, over the vast majority of time, have detested capitalism and all it stands for. The worst hostility dates from the mid-19th century: “For over 150 years, Western intellectuals have been at war with capitalism,” writes Kahan, and “the consequences have often been disastrous for all concerned” (p. 3)—the consequences including tyrannies and policies that sap economic vitality.

In documenting his theme, Kahan proceeds chronologically, covering the ancients, medievalists, and moderns. Yet,

he also organizes the material thematically, according to how he interprets each era’s distinctive attitude toward “money,” a catchall concept he uses to capture all private, profit-seeking economic activity. Kahan’s style is not polemical but largely expository; he is sympathetic to capitalism and opposes irrational assaults on it, but his main aim in the book is simply to present the facts of how dominant intellectuals have treated it. The ancients, he finds, advised: “Don’t make money; just have it.” The medievalists amended that only slightly, to say: “Don’t have or make money; just give it to the poor.” Finally, the moderns (egalitarians) insist: “Don’t have (or make) more money than others” (pp. 31–32).

For Kahan, these three attitudes are distinctive only in a narrow sense; viewed broadly, they are variants of a deep-seated, persistent hostility to commercial activity. Kahan demonstrates that leading intellectuals, with rare exceptions, have lambasted moneymaking as low, base, crude, crass, “materialistic,” grasping, mindless, corrupting, filthy, ignoble, and selfish. Kahan performs best when describing *how* intellectuals have exhibited their bias; he’s less acute when explaining *why* they’ve done so.

Intellectuals, Kahan acknowledges, include not only philosophers and economists, but also novelists, playwrights,

poets, and artists. Regardless of the medium of expression under study, he finds that

numerous Western intellectuals have trumpeted their contempt for capitalism and capitalists. They have written novels, plays and manifestos to demonstrate the evils of the economic system in which they live. Dislike and contempt for the “bourgeoisie,” for the middle classes, for industry and commerce have been prominent among leading Western writers and artists. (p. 3)

The hatred for capitalism takes many forms, he says, but the ultimate target is the same: Anticapitalists might be anti-banking, anti-usury, anti-Semitic, anti-Wall Street, anti-American—but always because these are manifestations or symbols of capitalism. Further, “intellectuals have expressed their rejection of capitalism through participation in many different movements, including nationalism, socialism, fascism, communism and the counterculture,” as well as in “anti-globalization, environmentalist, communitarian, and New Age movements” (pp. 3–4).

According to Kahan, prejudice against capitalism has become so ingrained in intellectuals that it seems to be the very essence of what it means to be an intellectual. A pro-capitalist intellectual is dismissed as oxymoronic. “What unites the radical intellectuals of the nineteenth century, the communist and fascist sympathizers of the twentieth, and the anti-globalization protesters of the twenty-first, along with many other intellectuals, is their rejection of capitalism,” Kahan writes. “The more thoroughly one is an intellectual, the more likely one is to be thoroughly opposed to capitalism” (p. 4).

Kahan also reveals modern intellectuals’ efforts to clothe their bigotry and subjective hatreds of capitalism in what appears to be calm and unemotional rhetoric, deploying what he calls “careful critical discourse (CCD)” (p. 7). The idea, he says, is that “if you say something, you must be prepared to prove it by giving reasons, not by appeals to higher authority. For an intellectual, nothing can be justified simply by an appeal to authority or tradition” (pp. 7–8). Here, Kahan is insufficiently critical of the intellectuals’ pretense at objectivity. Yes, intellectuals should reject and avoid appeals to authority or tradition; they should instead support their views with reasons—by carefully applying the laws of logic to the facts of reality. If they did, they would come to see capitalism as the social ideal. But they don’t. Why not? What is it about CCD, or something deeper in intellectuals’ basic premises, that makes most intellectuals detest capitalism? Kahan cannot quite say. He prefers to attribute their attitudes to a latent desire for “autonomy” from commerce, but this reverses causality. In truth, they wish to be free of commerce because they think it is despicable.

Although ancient Greece and Rome were vibrant centers of trade and finance, many of their top thinkers were suspicious of commerce and lending, Kahan shows. Plato, Aristotle, Cicero, and others were by no means favorable to economic activity. Plato’s ideal is to ban private property ownership among elites. Aristotle declares money to be “barren” (unproductive) and insists that to make money from money itself (lending) is parasitical. True excellence, he holds, is the life of the mind, of contemplation and teaching, which requires wealth, but wealth created by others (slaves) unfit to be thinkers. Aristotle, Kahan explains, also deems unnatural any work aimed at an accumulation

of nonperishable (monetary) wealth (p. 36). Such “chrematistic” activity is wrong because it permits the individual to live apart from community, whereas only in community can the individual find true fulfillment. As Kahan puts it, most ancient intellectuals believed in this adage: “don’t make money, just have it.” One needs some wealth to be an intellectual, but the worthy, moral citizen does not waste his time working or sully himself in the marketplace.

For “most Greek intellectuals” in ancient times, Kahan relates, “wanting money too much, wanting too much money, and earning money by labor, are all things that harm the community as well as the individual,” and “certain ways of earning money are inherently objectionable, others merely because they take too much time and deprive one of the leisure necessary for education and politics” (p. 38). The Greeks held that “agriculture is morally better than trade and industry,” a prejudice that would persist well into the late 18th century among French physiocrats and Jeffersonian democrats. Cicero’s attitude was “as radical as Plato’s,” Kahan reveals; in Cicero’s own words: “We can disregard wealth, which I do not include in the category of good things because anyone, however unworthy, can get hold of it, and that could never be true of things that are really good” (p. 39). In Kahan’s summary of the ancient era, he contends that “the attitudes of Greek and Roman intellectuals contributed much to the hostility towards capitalism shown by modern Western intellectuals,” for although the latter reject slavery, the inferiority of women, and claims that farmers alone do valid work, “they nevertheless condemn with equal fervor a life devoted to acquiring wealth,” especially in banking, finance, or the stock market (p. 42).

According to Kahan, the medieval era was replete with anticommercial sentiment,

even amid devastatingly depressed rates of economic activity, consecutive centuries of abject poverty, and woefully brief life spans. Top medieval intellectuals believed in this adage: “Don’t have or make money; give it to the poor.” Scripture, which was taken seriously and imposed politically in this era, insists that “love of money is the root of evil” and “it shall be easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of heaven.” Such teachings, Kahan writes, are “emblematic of a strand of Christian thinking that sees the wealthy man as exceptionally sinful, and promises that on the day of judgment, ‘many who are first shall be last and the last first,’ in other words that the social order will be turned upside down” (p. 43). Such Christian doctrine anticipates the views of Karl Marx, who in the mid-19th century predicted that, hopefully, the propertyless proletariat would “expropriate the expropriators.”

The New Testament, Kahan observes, requires those with possessions to sell them and give the proceeds to the poor. Wealth is not virtuous when created but only when surrendered dutifully, and then only to those in great need. To be needy is itself a ticket to an afterlife of eternal bliss. “How blessed are you who are in need,” scripture intones, for it means that “the kingdom of God is yours” (p. 43). Meanwhile, those “who have great possessions” are cowed and warned: “[W]EEP and wail over the miserable fate descending on you. Your riches have rotted; your fine clothes are moth-eaten; your gold and silver have rotted away, and their very rust will be evidence against you and consume your flesh like fire” (p. 43). Medievalist writers also relied on scripture to treat profit as theft, to rationalize taxation, to warrant

laws restricting or banning usury (interest income from lending), to justify controls on prices and wages, and to impose notions such as the “just price” (which was rarely equal to the market price).

Even as late as the 13th century, Kahan finds, “intellectuals generally mistrusted the economic sphere, and merchants were not well regarded. Theologians regularly condemned them” (p. 46). Saint Thomas Aquinas, who tried vainly to synthesize Christianity and Aristotle, “saw wealth positively” but only if “used as an instrument for attaining the right goals,” meaning charitable goals (p. 47). “Aquinas was certainly no proponent of a life devoted to commerce,” and at his best, only subtly reclassified certain economic acts, which Aristotle had said were wrong, as morally neutral. As for the Reformation, Kahan rejects the traditional view (initiated by Max Weber a century ago) that modern capitalism received an indispensable moral boost from the Protestant ethic; at most, says Kahan, the Protestant Reformation merely converted work and material success into “religious duties and a sign of divine favor.” At root, “the Protestant critique of capitalism is not a criticism of producing wealth,” Kahan says, but a view that “capitalist society does not devote enough of its profits to charity.” Indeed, “in the Calvinist view the successful businessman is a ‘steward of the gifts of God, whose duty is to increase his capital and utilize it for the good of society’” (p. 49). Such views animated the “social gospel” movement of the early 20th century and convinced capitalists such as Andrew Carnegie, John D. Rockefeller, and Andrew Mellon to bequeath most of their estates to the public.

Kahan accurately portrays the late Renaissance (16th and 17th centuries) and

brief Enlightenment era (1730–1830) as dominated by substantially pro-capitalist intellectuals, even while he unfortunately omits the ideas of America’s Founding Fathers. Kahan devotes an entire chapter (one-tenth of the book) to the exceptional phenomenon of intellectual support of commerce and capitalism (“The Unexpected Honeymoon of Mind and Money”). He accurately presents the views of pro-capitalists such as Adam Smith, David Hume, Benjamin Constant, and Baron Montesquieu. “Commerce was sometimes justified on amoral, pragmatic grounds that ignored or even embraced its immorality,” but this was “the least common means of justifying commerce.” “Much more often commerce was found, despite appearances, to promote morality,” while “the political and social benefits of capitalism were emphasized” (pp. 67–68). Kahan is careful not to claim that such thinkers advocate ethical egoism per se or even pure, laissez-faire capitalism. Certainly they are not hostile to self-interest, the commercial spirit, or profit seeking—traits they regard as ingrained in human nature. This chapter would have been strengthened had Kahan included some influential American thinkers, especially those most consistently pro-commerce, pro-manufacturing, and pro-finance (e.g., Alexander Hamilton and the Federalists), and, if only as a foil, the virulently anticapitalist writings of Jean-Jacques Rousseau.

Kahan’s treatment of philosopher Immanuel Kant (1724–1804), a transitional figure between the 18th-century Enlightenment and 19th-century counter-Enlightenment, is significant. Most of today’s intellectuals, he says, prefer to couch their arguments in secular, not faith-based terms, even though most intellectuals are personally religious. Few wish to be seen

as Protestant, Lutheran, or Calvinist, but a root premise remains, according to Kahan. “The Protestant critique of capitalism rejects capitalism because it is not based on good intentions,” defined as non-egoistic, preferably self-sacrificial intentions (p. 50), and intent was central to Kant’s anti-egoist, duty-based ethics.

Dispensing with overt appeals to religion, modern intellectuals instead rely heavily on Kant, Kahan argues:

Many modern intellectuals far removed, or so they think, from Calvinism, take this point of view. It is easier for modern intellectuals to adopt this attitude because Immanuel Kant secularized the Protestant idea of salvation by faith alone. . . . At the end of the 18th century Kant replaced “faith” with “good intentions” . . . [and] argued that the only thing that is absolutely morally good is a good intention. (p. 51)

Crucially, for Kant, the only good intention is a selfless one. “This vision of morality has far-reaching implications for how one evaluates capitalism,” Kahan contends. “From the Protestant/Kantian point of view there is no moral benefit to be derived from self-interest,” and

the Kantian morality . . . will find little to praise in a capitalist society with selfish motives. If businessmen don’t have good intentions, they are not morally good, regardless of how much they produce. This is true even if commercial practice leads to apparently good behavior, e.g., honesty and fair dealing. (p. 51)

Thus, Kant was not, as is so often claimed, the *last* of the pro-reason, pro-egoism, pro-capitalist philosophers, but the *first* of those who opposed all three.

In the wake of Kant, Kahan shows, the modern intellectuals of the past 150 years ever more-intensely opposed self-interest, commerce, and capitalism, demanding instead a pure equality of results. The moderns embrace the adage, “Don’t have (or make) more money than others.” Although the ancients and medievalists had been suspicious and frequently hostile toward money and capitalism, and even decried wealth inequality, they did not explicitly advocate egalitarianism, with perfectly equal economic results imposed politically. Oddly, Kahan neglects to discuss John Rawls, the late Harvard political philosopher whose writings in the 1970s were so influential in pushing the case for egalitarianism. Another material omission is the lack of any discussion of Islam, not only of its wholesale assault on capitalism, but also on advanced Western civilization as such. Islamic “intellectuals” may be too few in number to analyze, but surely the widely followed Quran deserves some Western exposure. It is also perplexing that Kahan sees the main anticapitalists of the 21st century as the anti-trade, antiglobalists who oppose free trade and the IMF. These are mostly anarchists, and seem innocuous relative to Islam.

Some critics on the right complain that Kahan fails to include the likes of Joseph Schumpeter, Ludwig Von Mises, Ayn Rand, Robert Nozick, or Milton Friedman, who were pro-capitalist intellectuals and who advanced plausible explanations about why most intellectuals detest capitalism. It is said his account paints too dark a picture; capitalism has some friends, too. But Kahan’s selectivity seems defensible. His focus, named in the book’s subtitle, is on the warriors against capitalism, not its allies. Besides, it is indisputable that the warriors have been in the majority and dominant.

Some wonder how any degree of capitalism can have survived, if the warriors really so dominated; but Kahan does not neglect the all-important Enlightenment, or its power to provide capitalism with an essential foundation and thus a certain resilience. A weightier objection can be made to Kahan's "war" metaphor, in which he suggests a sort of evenly matched fight based on conflicting premises. Instead, we've seen a rather lopsided fight, with intellectuals railing against money and business, while businessmen apologize about their success and profits and provide massive funding to anticapitalist universities, foundations, and media organizations.

The book, however, contains flaws of much greater significance. The worst is that Kahan repeatedly conflates morality and altruism (as do most anticapitalist intellectuals). "Capitalism does not have a moral purpose," he writes (p. 282), and "moral culture can supplement, not replace self interest" (p. 288). In some passages he denies that even *enlightened* (rational) self-interest can be a valid moral code, or part of a "moral culture" (pp. 275, 281). Kahan (like most intellectuals) regards capitalism as either amoral or immoral because it is *not* based on altruism, today's widely accepted code. Self-sacrifice is considered noble and good; self-interest, ignoble and bad. And, when altruism is *equated* with morality, egoism becomes logically ineligible. The half-truth in this is that capitalism, indeed, is not based on altruism but on egoism. The missing half is that egoism is, in fact, an alternative (and valid) moral code.

Kahan sincerely seeks a reconciliation between intellectuals and capitalism, but he doesn't know how it can be done, because he cannot possibly hope to tell intellectuals to defend egoism. "Intellectuals will never devote themselves to simply justifying

capitalists' profits," he writes. "Some mutual dissatisfaction is inevitable and salutary" (p. 291). "The struggle between mind and money is inevitable" (p. 272), he insists, not fully realizing that it only seems so because intellectuals stubbornly insist on lambasting self-interest. Intellectuals should be friendlier to capitalism, he says, because it brings the life of abundance and leisure that intellectuals require; but he somehow does not realize that intellectuals who are hostile to capitalism get capitalist funds despite their hostility. Kahan can only ask for a "truce," which means not a mutually productive partnership, but a suspension of (one-way) hostilities.

Kahan does not advise intellectuals to defend capitalism, because he believes (rightly) that they cannot bring themselves to defend what *they view* (wrongly) as the "evil" of its moral code, egoism. But Kahan defends a middle ground, between an outright rejection and a blind endorsement of capitalism, and asks intellectuals if they are to oppose capitalism, they should do so quietly, reservedly, respectfully, playing the role of the "loyal opposition" (p. 272). He does not allow for a third possibility—a rational endorsement of capitalism and egoism—and, naively, he hopes anticapitalists might pledge their loyalty to a system they despise.

Kahan's advice:

Marx must be turned upside down. He got it backwards when he said that "up to now philosophers have only interpreted the world; the point is to change it." The proper role of intellectuals in a democratic society is not to revolutionize the world, but to interpret it. Their political role is to provide capitalism with a better moral culture. This is a spiritual and social vocation not to be despised. It is one that has the potential to change the

meaning of everything, even the means of production. It is time for intellectuals to leave behind their self-imposed immaturity, and assume their proper roles in a capitalist society that needs them. We need to make the world safe for intellectuals at the same time as we make it safe from intellectuals. (pp. 25–26)

To his credit, Kahan appreciates capitalism, but, like the anticapitalist intellectuals he scolds, he believes capitalism needs a “better moral culture,” which means, by his own premise, a less self-interested, less materialistic culture. In effect, he is saying, *capitalism needs a less-capitalist culture*. But that’s what anticapitalist critics have been saying for decades, and the result has been a less-capitalist culture.

With Kahan’s book in hand, we can say this: More than ridding themselves of “immaturity,” intellectuals should be ridding themselves of vile prejudice against egoism, money making, profits, business, the material world—that is, against capitalism. Yes, let’s make the world safe for intellectuals—and safe also for capitalists.

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### ***The Great Deformation: The Corruption of Capitalism in America***

BY DAVID STOCKMAN

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REVIEWED BY ROBERT GARMONG

When the U.S. economy collapsed in 2008, most economists, policy analysts, and government advisers were caught

flat-footed. For more than a decade, the experts had assured Americans that such a catastrophic economic event had become impossible.

In 2004, Ben Bernanke (now chairman of the Federal Reserve), declared a “Great Moderation,” beginning in the mid-1980s, during which “improvements in monetary policy” at the Federal Reserve had led to “a substantial decline in macroeconomic volatility” (Fed-speak for a taming of the business cycle).<sup>1</sup> Robert Lucas gave a presidential address to the American Economic Association in 2003, declaring that the “central problem . . . of macroeconomics”—maintaining recession-free growth without runaway price inflation—“has been solved, for all practical purposes.”<sup>2</sup>

Yet the seeds of the so-called Great Recession, David Stockman argues, were already there for anyone to see.

*The Great Deformation* is Stockman’s attempt to explain and diagnose the economic crash, connect it to historical trends, and warn against policies that will bring worse economic disasters in the future. Stockman presents a compelling case, based on economic theory and exhaustive research. His warnings for the economic future are chilling but powerfully argued.

The “Great Deformation” named in Stockman’s title is the distortion of the economy brought about by the Federal Reserve’s credit expansion since 1971, when Richard Nixon ended the last vestiges of the gold standard.

Stockman reviews several major financial developments of the 20th century. Prior to Nixon’s move, he recounts, the developed world was governed by the Bretton Woods Agreement, signed in 1944. Although not a full-fledged gold standard,