



Bad-Faith Economic History

Seeking to debunk free-market ideas, a new book instead demonstrates its author's prejudice in favor of government control.

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***Free Market: The History of an Idea*, by Jacob Soll (Basic Books, 312 pp., \$32)**

Books arguing that “free market thought fails to account for periodic and devastating market failure,” or claiming that Milton Friedman stood for “libertarian corporate social-Darwinism” and rebuking him for his supposed affinity for Augusto Pinochet’s Chile, are not in short supply. That modern free-market economists were “crusading Cold War warriors with little patience for nuance or for contradictions in their own thought” is a *ritornello* of many scholars. The supposed lack of nuance indicates reluctance to see that Western attempts at central planning are intrinsically different from those practiced beyond the Iron Curtain. Crying “socialism” is a simplistic charge—particularly according to those who cry *for* socialism.

Yet Jacob Soll is smarter than his many competitors. His *Free Market: The History of an Idea* starts with Cicero and doesn’t get to Friedman until page 250. Soll enlists the wisdom of the ancients and 2,000 years of history in his battle—the enemy being, in this case, the idea of a deregulated economy, in which the government is severely limited. Soll refrains from using pejoratives like “neo-liberalism” and refers instead to the “free market.” Such chivalry—calling his adversaries what they would like to be called—is commendable. Still, a clearer definition of “free-market thought” and an explanation for his use of this expression would have been helpful in a broadside against individualism or capitalism.

The scope of Soll’s analysis could not be wider. He is certainly erudite, but he leads his reader through this labyrinthine literature gently. He is at his best in his discussion of the life and times of seventeenth-century French statesman Jean-Baptiste Colbert, on whom he is a specialist. Readers can learn much from Soll’s examples and from the many anecdotes he uses to spice up his narrative.

The problem with the book lies with its logic. Soll’s views are neither fully developed nor precise, being deployed merely to confirm his prejudice in favor of government action. He defines “free market ideology” as a belief that “producers of wealth, whether they were eighteenth-century farmers or twentieth-century builders, entrepreneurs, or wealthy shareholders,

should not be taxed,” an alleged connecting thread between François Quesnay and Friedman. He treats history as a repository of examples showing that the price system cannot be left to operate on its own because, in essence, it never has been left to do so. He bases his perspective on a kind of naïve Hegelianism, in the sense that whatever is real must always be rational.

Soll seems to understand free-market ideas as an ideology that provided “miraculous solutions”: leave things alone, and they’ll take care of themselves—but to the benefit of some special interests. Nor does he show much sympathy for political realism of the sort that Machiavelli and Hobbes practiced, which he believes is predicated on a “cynical” vision of humanity. Hence, his favorite figures are pragmatists who attend to economic life without being hobbled by principles.

Soll tends to equate free-market ideas with general equilibrium theory. He maintains that modern libertarians are too harsh with the government and too gentle with the private sector. He accuses them of forgetting Adam Smith’s warning against merchant entrepreneurs, which counsels wariness of business meddling with politics. Yet he defends government interventions by assuming that they are necessary responses to problems that cannot be addressed by any other means.

Soll defends his hero, Jean-Baptiste Colbert, from Smith, who “erroneously thought” that Colbert passed so many government regulations because he was influenced by the merchant class. Let’s concede, for argument’s sake, that Soll is right, and that Colbert was untainted by these vested interests. Can we assume that the same is true for his successors? And if so, why not presume that officials are acting equally purely when they call for less regulation?

When Soll moves outside of his French area of expertise, one gets the impression that he has a cursory knowledge of the authors he mentions. Take the comments he offers on Hayek’s *The Road to Serfdom*. According to Soll, “with hindsight and a knowledge of the role of government in economic growth since the end of World War II, the book stands out for its total lack of engagement with the realities of the postwar growth period and with a fanatical vision of the state as a force of evil.” Soll comments that “Hayek must have known something about the leading role that German private industry played in supporting Hitler. . . . The economics of Nazism fit into the anti-corporate suspicions of Smith.” This is an almost comical statement, as Hayek wrote *The Road to Serfdom* to clarify what he considered common misconceptions among the British intelligentsia, including the idea that Nazism represented the last attempt of a failing bourgeoisie to resist socialism. In *The Road to Serfdom*, Hayek writes at length about the Prussian system of “economic administration” and how the rejection of liberalism ran through the German Left and Right. He was hardly oblivious to the matter.

Equally ludicrous is Soll’s claim that Hayek didn’t “explain how private monopolies worked,” or that it was eccentric on his part to associate monopoly with “union ‘syndicalism’ and the state.” In fact, Hayek takes seriously the idea that monopoly is the “inevitable” outcome of technological innovation; he debunks it, and he later explains that in Germany “the growth of cartels and syndicates has since 1878 been systematically fostered by deliberate policy.” You can disagree with Hayek, but you cannot deny that he addressed the problem. Also, one wonders how it is that the author of a book on the “free market” seems never to have heard that the sovereign awards monopolies and considers it bizarre that someone would underline the point that trade unions—in order to combat the monopsony power of employers—tend to act like monopolists of labor. After all, that’s the very *theory* of it.

In many similar instances, Soll seems either to be writing in bad faith or to be relying on bad-faith secondary sources. He pays lip service to some discoveries in economic thought, like marginal utility, but then minimizes them, sometimes by providing an inaccurate characterization of those who subscribe to these views.

For Soll, Ludwig von Mises is the “ennobled economist.” (Despite the “von,” Mises was hardly living like an aristocrat; he was more of an economic refugee for most of his life.) Of Carl Menger, the founder of the Austrian school, Soll writes that he was a lawyer and a journalist (an attempt to dismiss him intellectually) and suggests that his theory was “a simplified version of Smith’s and Bentham’s ideas about human progress materializing through the realization of market-driven human wants.” Anyone who has read a single paragraph of Menger’s would know that, though he had many talents, he was no simplifier.

But Soll’s treatment of Richard Cobden best captures the problems with *Free Market*. Soll recognizes that Cobden was “a passionate pacifist, abolitionist, and believer in women’s rights, as well as a critic of the cost of imperialism.” He praises his efforts in fostering friendship between England and France, which, at the time, was an almost utopian project. But then he comments that, after a short phase, the world turned protectionist and militaristic again, with no sign of markets breeding peace, as Cobden hoped. Sadly, this is true, but Soll suggests that this happened because popular enthusiasm for free trade morphed into “imperial free trade,” and because free marketers weren’t smart enough to recognize, as did the economic historian William Cunningham, that you had to award “temporary monopolies to spur industry and development” and have “developmental protectionism.” But free traders can’t be saddled with responsibility for the collapse of a world that did not adhere to their principles.

Soll’s arguments run into similar problems when he covers more recent events, like the bailouts that followed the 2007–2009 financial crisis. He acknowledges that the free market was far less rooted in society and politics than some believed and chronicles the attacks it suffered. Yet he still blames free-market theorists. *For what?* one wonders. No, Milton Friedman was not Jean-Baptiste Colbert. That didn’t bother Friedman in the slightest. Nor should it bother us.

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