

## **Mises on the Determinants of Public Policy: The Ideology of the Common Man**

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Only a tiny minority of economists have worked out the theorems required to show logically that practically everyone can best achieve her material aims if a government establishes and enforces the conditions of capitalism. None has done so as meticulously as Mises. The next step for one who is motivated by a desire to help the vast majority achieve their material aims is to try to influence the choice of economic policy.

With this in mind, Mises turned his attention to putting economics into practice.<sup>1</sup> The question he posed was how to help cause the adoption and maintenance of the conditions of capitalism. Conversely, how could he help prevent interventions that were demonstrably harmful to ordinary people? He proceeded to outline a plan of action. The aim of this essay is to present the logic of his thinking and to describe his plan.

His answer involved persuasion. It consisted of several parts. The first is the assumption that a strong government is necessary to deter threats to capitalism. In the world as we know it, these threats include the threats to international peace and national order. To deter threats from external powers, a government must be strong or it must have reliable alliances with other governments that are strong.

The second part is to focus on democracy. The need for deterrence of threats to capitalism is no less for a democratic government than it is for a dictatorship. Mises defined democracy as a system of majority voting in the selection of leaders to make and enforce government policy. What differs between the two systems of government is that a change in the leadership of a more autocratic government is more likely to entail civil strife, rebellion, and revolutions. Such actions disrupt and may destroy the conditions of capitalism. To maintain a peaceful change in leadership, a democracy is required. Because the majority elects new leaders, there is a greater tendency for those leaders to act in the interests of the majority than there would be in the absence of the democracy.

No matter what kind of government is in place, its agents have incentives to use their monopoly over coercion to benefit themselves either by confiscating property directly or by collecting fees for employing their coercive power to benefit particular individuals. Actions of this sort tend to reduce the amounts of material consumer goods by reducing the incentives for individuals to perform the entrepreneur function. Such actions also raise the incentives for individuals to invest in swaying the agents to act more in their favor than otherwise.

To best promote capitalism, government leaders must control such actions by agents. A dictator seemingly has the edge in this activity. He can govern such agents with a single command and an iron hand. A majority of voters cannot. Nevertheless, dictatorship is likely to be accompanied by periodic rebellion, revolutions and civil strife; which reduce the sphere of capitalism.

The third part of Mises's reasoning begins with the question of whether a majority of voters would use the democratic institutions to protect the conditions of capitalism and indeed the continuation of the democracy itself. Would the voters use their voting power to elect leaders who would adopt sound economic policies and protect the democratic institutions for future generations? Or would they elect leaders who follow unsound policies or who undermine the democratic institutions?

These questions lead to the last part of Mises's reasoning, which focused on the "common man," who comprises the bulk of the majority. He wrote that the ordinary voter is incapable of the kind of reasoning needed to comprehend the economic theorems pertaining to intervention arguments. In light of this, he outlined a plan – or at least described a means – through which ordinary voters could be persuaded to vote for leaders who would act to preserve capitalism. Using the concept of ideology

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<sup>1</sup>This explains his remark in the treatise that the "main objective of praxeology and economics is to substitute consistent correct ideologies for the contradictory tenets of popular eclecticism" (Mises 1966: 185).

about government to refer to the determinant of how a person votes, he introduced the concept of the “ideology of the common man” to refer broadly to the determinant of how the majority votes. A synonym for the ideology of the common man that he often used was “public opinion.” To put economics into practice, Mises wrote, the economist had to influence the ideology of the common man, or public opinion.

The theory underlying his plan of action can be stated in the “if-then” format of a theorem. Suppose that a person who knows Mises’s economics wants to help the vast majority of people gain access to greater amounts of material consumer goods. What actions can she take? In other words, what actions would have the best chance of establishing and maintaining the conditions of capitalism? Mises answered by saying that in a democracy, the economist should try to influence public opinion. He went on to show how this could be done.

The best chance for a Misesian economist to promote capitalism is to influence public opinion about the importance of establishing and maintaining both the institutions of democracy and the conditions of capitalism.

Mises did not write a book or even a chapter of a book on the subject of putting economics into practice. The material used to support my interpretation is drawn from several different sources most of which are not his scholarly books. Since these are not widely known, I will support my interpretation with extensive quotations and argumentation.

The basis of Mises’s scientific economics is the special knowledge of the division of labor law. This law explains why individuals who are aware of their best interests would prefer to live under capitalism. Part One of this essay reviews the division of labor law. Part Two elaborates on Mises’s definition of democracy and his reasoning about how, in a democracy, the actions of government agents may threaten capitalism. Part Three presents the idea of the ideology of the voting majority. Part Four organizes and describes Mises’s theory about how a Misesian economist can influence the voting of the majority. Part Five presents a brief conclusion.

## 1. DIVISION OF LABOR LAW

Mises did not use the term “division of labor law” in the treatise. He preferred principle of the division of labor (e.g., HA: 145 ).<sup>2</sup> It is nevertheless the most succinct descriptor, in my view, of the first determinant of public policy. The starting point for understanding this law is the proposition that a higher physical productivity can be achieved through the division of labor. Mises writes:

The fundamental social phenomenon is the division of labor and its counterpart human cooperation.

Experience teaches man that cooperative action is more efficient and productive than isolated action of self-sufficient individuals. The natural conditions determining man's life and effort are such that the division of labor increases output per unit of labor expended (Mises 1966: 157-8).

If everyone could recognize her rightly understood interest, she would express her desire to live under conditions that facilitate the higher physical productivity of the division of labor. However, the vast majority may not recognize this.

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<sup>2</sup>He did, however, use the phrase “law of the division of labor” in his 1933 book (Mises 2003: 120, 122-4).

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Mises regarded this proposition as so important that he called it a principle “of cosmic becoming and evolutionary change” (*ibid.*: 145). All of his interpretations of history were influenced by it.

#### **The Division of Labor Law and the Free Market**

A division of labor has occurred when individuals decide to cooperate instead of being rivals:

The fundamental facts that brought about cooperation, society, and civilization and transformed the animal man into a human being are the facts that work performed under the division of labor is more productive than isolated work and that man's reason is capable of recognizing this truth. But for these facts men would have forever remained deadly foes of one another, irreconcilable rivals in their endeavors to secure a portion of the scarce supply of means of sustenance provided by nature (*ibid.*: 144).

When such cooperation occurs step-by-step, in a private property system, through exchange and specialization, the result is *capitalism*, or the *free market*.

The recurrence of individual acts of exchange generates the market step by step with the evolution of the division of labor within a society based on private property. As it becomes a rule to produce for other people's consumption, the members of society must sell and buy (*ibid.*: 328).

#### *The Cause of the Division of Labor Law Is Ricardo's Principle of Comparative Advantage*

The cause of the division of labor law is the Ricardian principle of comparative advantage, or comparative costs. Mises called this the *law of association*:

The law of association makes us comprehend the tendencies which resulted in the progressive intensification of human cooperation. We conceive what incentive induced people not to consider themselves simply as rivals in a struggle for the appropriation of the limited supply of means of subsistence made available by nature. We realize what has impelled them and permanently impels them to consort with one another for the sake of cooperation. Every step forward on the way to a more developed mode of the division of labor serves the interests of all participants (*ibid.*: 160).

#### *Harmony of Rightly Understood Interests*

Mises describes what I call the division of labor law by referring to the “theorem of the harmony of rightly understood interests.” This theorem contains a hint of what he called the *liberal ideology*. This is the ideology that it is in everyone's rightly understood interest to establish and maintain *conditions* in which the division of labor law can operate. It is an *ideology about government* held by the classical economists of the 18th and 19th centuries.

When the classical economists [expressed the theorem of the harmony of rightly understood interests], they were trying to stress two points: First, that everybody is interested in the preservation of the social division of labor, the system that multiplies the productivity of human efforts. Second, that in the market society consumers' demand ultimately directs all production activities (*ibid.*: 674).

He describes this ideology more extensively in his book *Liberalism* (1927). Also see my essay on [Pre-Mises economics](#).

## 2. CAPITALISM, GOVERNMENT AND DEMOCRACY

The conditions required for the division of labor law to operate include a government – the monopoly over coercion and compulsion. A government is required to establish and enforce laws relating to property rights, free enterprise, and contracts. In Mises’s terms, it is necessary in order to assure the “smooth operation of the market economy” (HA: 257). Mises writes that

peaceful social cooperation is impossible if no provision is made for violent prevention and suppression of antisocial action on the part of refractory individuals and groups of individuals. One must take exception to the often-repeated phrase that government is an evil, although a necessary and indispensable evil. What is required for the attainment of an end is a means, the cost to be expended for its successful realization. It is an arbitrary value judgment to describe it as an evil in the moral connotation of the term (HA: 719).

A government is also essential for national defense. Mises writes that “defense of the social system” must be provided against both internal and external threats (HA: 282). These threats are discussed in greater detail in my essay on “[Competing Defense Agencies in Anarchy](#).” The alternative to government is anarchy, or a war of all against all.

### **Dictatorship and Democracy**

The government consists of agents who possess a monopoly over coercion and compulsion. As consumers of material goods, the agents of a government have incentives to expand their power and, in doing so, to interfere with the conditions of capitalism. To the extent that they can avoid being controlled by the people, they can confiscate the property of individuals and order them to provide services under penalty of violence.

The state, the social apparatus of coercion and compulsion, is by necessity a hegemonic bond. If government were in a position to expand its power ad libitum, it could abolish the market economy and substitute for it all-round totalitarian socialism (HA: 283).

How can people control the government agents so that (1) they continue to protect against the internal and external threats to capitalism and (2) they do not themselves become a threat to the private property rights, freedom of enterprise and enforcement of contracts that capitalism requires? Mises answered this question in two parts. The first was to distinguish between majority opinion in an autocracy and majority opinion in a democracy. The second was to explore more fully the prospect, in a democracy, that the majority would vote for leaders who exercise effective control.

Dictators and oligarchies have occasionally imposed the conditions of capitalism and sound economic policies. The endurance of such conditions, however, depends on the actions taken by the leaders of successor governments. If the autocratic leaders who succeed them have different aims, capitalism may end. A dictator cannot assure a peaceful change of leadership. In examining the historical facts, Mises concluded that an enduring capitalist dictatorship is unlikely. Eventually some successor would implement unsound policies. A change in government leaders would be required before sound economic policies could re-emerge. In the interim, there would be a period of uncertainty about private property rights, free enterprise and the status of previously negotiated contracts. Mises writes:

In the long run even the most despotic governments with all their brutality and cruelty are no match for ideas. Eventually *the ideology that has won the support of the majority* will prevail and cut the ground from under the

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tyrant's feet. Then the oppressed many will rise in rebellion and overthrow their masters. However, this may be slow to come about, and in the meantime irreparable damage may have been inflicted upon the *common weal*. In addition a revolution necessarily means a violent disturbance of social cooperation, produces irreconcilable rifts and hatreds among the citizens, and may engender bitterness that even centuries cannot entirely wipe out (TH:372, italics added).

In this passage, Mises writes that if a despot fails to act in accord with the majority's ideologies, the majority will want new leadership. If the majority lacks a peaceful means of achieving this, the people tend to rebel, leading to the destruction of factors of production and consumer goods (damage to the common weal). A despot can kill those who oppose his leadership or policies. He can also create a propaganda bureau. Propaganda alone, however, cannot succeed in a capitalist system where individuals are free to make offers to buy and sell. To maintain each of the separate conditions of capitalism, government agents must enforce equality under the law. Slavery and status requirements to own and exchange property and to do business or work must be eliminated. In addition, prospective entrepreneurs must be free to describe their products and announce their prices. In an environment of freedom to advertise a product, it would be difficult to prohibit classes of individuals from spreading ideologies that support any political position, including a change in leaders. The ideologies about government promoted by propaganda bureaus would face stiff competition. Thus Mises writes:

In the end the philosophy of the majority prevails...In the long run...[t]he difference between democracy and despotism...refers only to the method by which the adjustment of the system of government to the ideology held by public opinion is brought about. Unpopular autocrats can only be dethroned by revolutionary upheavals, while unpopular democratic rulers are peacefully ousted in the next election (HA: 863).<sup>3</sup>

### **Democratic Institutions to Control Government Agents**

In 1927, Mises defined democracy as “that form of political constitution which makes possible the adaptation of the government to the wishes of the governed without violent struggles” (Mises 1927: 42). On the one hand, democracy means rule by the majority. It enables people to avoid “civil wars, revolutions, or insurrections” (*ibid.*: 39).

Democracy...provides a method for the peaceful adjustment of government to the will of the majority. When the men in office and their policies no longer please the majority of the nation, they will – in the next election – be eliminated and replaced by other men espousing different policies (HA: 150).<sup>4</sup>

Thus it enables a peaceful transition of the control over the government.

On the other hand, democracy means the presence of democratic institutions. For peaceful capitalism to exist in the long run, he wrote, a set of “modern political and judicial institutions” must exist (HA: 283). Regarding the nature of such institutions, he wrote:

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<sup>3</sup>Mises's theory of majorities seems to be a direct descendant of the theory expressed by David Hume, John Stuart Mill and Alexis de Tocqueville (TH: 66-7).

<sup>4</sup>He repeated this in his 1962 book, except that there he attributed the ideas to the classical liberals of the 19th century (UF: 92).

In order to prevent [the expansion of government], it is necessary to curb the power of government. This is the task of all constitutions, bills of rights, and laws. This is the meaning of all struggles which men have fought for liberty (HA: 283).

And

The main excellence and worth of what is called constitutional institutions, democracy and government by the people is to be seen in the fact that they make possible peaceful change in the methods and personnel of government. Where there is representative government, no revolutions and civil wars are required to remove an unpopular ruler and his system. If the men in office and their methods of conducting public affairs no longer please the majority of the nation, they are replaced in the next election by other men and another system (TH: 372-3).

In 1950, he enumerated these institutions.

Representative government and the rule of law, the independence of courts and tribunals from interference on the part of administrative agencies, habeas corpus, judicial examination and redress of acts of the administration, freedom of speech and the press, separation of state and church, and many other institutions aimed at one end only: to restrain the discretion of the officeholders and to render the individuals free from their arbitrariness (Mises 1950: 304).<sup>5</sup>

The function of these institutions “is to safeguard the individuals’ freedom against encroachments on the part of the government” (*ibid.*).

### **The “Age of Capitalism”**

Democracy, as it exists today, is new. The ideology of liberalism in both economics and government administration came into being in conjunction with capitalism. In his 1950 article “The Idea of Liberty is Western,” Mises writes:

The age of capitalism has abolished all vestiges of slavery and serfdom. It has put an end to cruel punishments and has reduced the penalty for crimes to the minimum indispensable for discouraging offenders. It has done away with torture and other objectionable methods of dealing with suspects and lawbreakers. It has repealed all privileges and promulgated equality of all men under the law. It has transformed the subjects of tyranny into free citizens.

The material improvements were the fruit of these reforms and innovations in the conduct of government affairs (Mises 1950: 304).

One presumes that “the age of capitalism” refers to a specific historical period during which the conditions represented in the imaginary construction of pure capitalism were emerging and being strengthened, at least partly by the teachings of the classical “reformers.” The sphere of capitalism was expanding and the classical economists were helping this to occur. During this period, slavery, serfdom, cruel punishments, and inequality under the law and other anti-capitalist and anti-democratic acts and institutions tended to weaken.

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<sup>5</sup>The same passage is repeated in his 1956 book *The Anti-Capitalist Mentality* (Mises 1956: 72).

For capitalism and democracy to endure, its citizens must elect leaders who succeed in protecting them (1) from internal threats and external powers and (2) from the leaders themselves and other agents of government. The key in both cases is the ideology of the voting majority. The economist must influence the common man's ideology. To show how this could be done, Mises developed a theory about the determinants of this ideology. In this theory, one class of determinants consists of the actions of what he called "molders" of the ideology of the common man. He reasoned that the proponents of the new economic science, who he called the "enlightened few," may influence public opinion by first transmitting their science to "intellectuals." Then the intellectuals express it to the opinion leaders, who mold public opinion into a form that is more persuasive to the common man than the ideologies that previously guided his votes. In this part, I present Mises's theory of how the enlightened few may influence public opinion.

### The Concept of an Ideology

Mises describes public opinion by referring to individuals' *ideologies*. He wrote that in "acting man is directed by ideologies. He chooses ends and means under the influence of ideologies" (HA: 648). Mises defines an ideology as "the totality of our doctrines concerning individual conduct and social relations" (HA: 178). The doctrines he has in mind are about how to achieve given ends and about the ends that an individual should have. They consist not only of an individual's views about how to do something but also of her views about what she ought to do.

#### *Personal Ideologies and Ideologies about Government*

To Mises, "(i)deology is the totality of our doctrines concerning individual conduct and social relations" (HA: 178). Ideology is important for two reasons. First, it guides an individual's action. It is personal. "In acting man is directed by ideologies. He chooses ends and means under the influence of ideologies" (*ibid.*:

**Personal ideology:** the set of ends and means that motivates her action.

**Ideology about government:** a viewpoint on how government agents should act.

648). A person may work as an academic in order to make money to help her and her family buy consumer goods. Her dominant end may be to buy and consume goods in the near and more distant future. Her dominant means is to earn money which she expects to be able to use to buy the goods that she wants. Her ends and means make up her *personal ideology*. A personal ideology is the set of ends and means that motivates her action. If one wants to understand why a person acts as she does, he must know her personal ideology.

Second, and most important to the discussion here, one can say that each individual possesses an *ideology about government*.<sup>6</sup> This is a viewpoint about how the agents of government should act. The government is a set of individuals who control a society's monopoly over compulsion and

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<sup>6</sup>The distinction between a personal ideology and an ideology about government was not made by Mises. This fact can be a source of confusion, since he uses the term in both senses. The idea of a "personal ideology" for economics and praxeology is equivalent to the concept of action – ends and means. It is redundant. Its use for history, however, is essential in both senses. The historian describes the effects of particular actions and interaction by referring to personal ideologies. And he describes government policies in the long run by referring to ideologies about government.

coercion. Without a government to enforce private property rights and free enterprise, capitalism could not exist.

### *Multiple Ideologies*

It is difficult to imagine a person whose ends and perceived means are influenced entirely by a single ideology. For the most part, individuals act according to multiple, possibly conflicting, ideologies (HA: 184). Thus Mises writes that

The ideologies accepted by public opinion are mostly an eclectic juxtaposition of ideas utterly incompatible with one another. They cannot stand a logical examination of their content. Their inconsistencies are irreparable and defy any attempt to combine their various parts into a system of ideas compatible with one another (HA: 46).

It would be better if Mises had written here about the ideologies accepted by each individual who is counted as a contributor to what he calls “public opinion.”

### *Capacity to Change One’s Ideology*

People have the capacity to develop their own ideologies and to change their ideologies in light of new knowledge. Man

acquires habits, he develops automatic reactions. But he indulges in these habits only because he welcomes their effects. As soon as he discovers that the pursuit of the habitual way may hinder the attainment of ends considered as more desirable, he changes his attitude. A man brought up in an area in which the water is clean acquires the habit of heedlessly drinking, washing, and bathing. When he moves to a place in which the water is polluted by morbidic germs, he will devote the most careful attention to procedures about which he never bothered before. He will watch himself permanently in order not to hurt himself by indulging unthinkingly in his traditional routine and his automatic reactions. The fact that an action is in the regular course of affairs performed spontaneously, as it were, does not mean that it is not due to a conscious volition and to a deliberate choice. Indulgence in a routine which possibly could be changed is action (HA: 46-7).

In this example, the man is capable of learning that choices made according to his ideology are detrimental to his interests. Suppose that a person learns a new ideology and, as a result, changes her actions. If she learns that her new ideology is detrimental, she may quickly discard it. For this to occur, however, she must be capable of learning about the effects of her ideology-driven actions. This is not always possible. Consider a person whose change in ideology leads her to vote for a liberal instead of a conservative in an election. Unless she is capable of reasoning like a Misesian economist, she may never discover whether the change led to desirable results. By definition, actors choose. However, they are not equally capable of identifying the best means of attaining a given end.

### *Knowingly Acting in Accord with the Ideologies of Others*

A person may choose actions in accord with an ideology expressed by others but with which she disagrees. On the one hand, she may react to mores that she rejects because doing so helps her in her interactions with her peers. For example, she may vote in an election only because she expects to lose business or respect from others if she does not. If she cannot conceal her vote, she may even vote for a less-preferred candidate. On the other hand, she may vote only because the law commands

her to do so. In these cases, she does not adopt the ideology according to which she acts. On the contrary, she rejects it. But she acts according to it nevertheless.<sup>7</sup>

### *Identifying a Person's Ideology*

Individuals do not ordinarily think about their personal ideologies. They act. If asked to explain her actions, a person may voice some ideology in order to provide an answer. Whether she acted according to her voiced ideology, however, must remain a speculation. A [thymologist](#) may try to judge whether the answer provides evidence that a particular ideology was followed. But given the current state of natural scientific knowledge about the relationship between the mind and behavior, he could never be certain about the exact ideologies that were at play or how they conflicted or cooperated in the making of decisions (HA: 18). If an actor wanted to identify the personal ideologies that lie behind her actions, she would have to engage in deep reflection both about herself and about others with whom she can make comparisons.

### **The Common Man's Ideology**

The ideology of the voting majority is, for the most part, what Mises calls the ideology of the common man. The majority of voters are common men, in Mises's terminology. Their ideologies also, for the most part, make up public opinion. The common man differs from other men. The "immense majority of common men are both too dull and too indolent to follow and to absorb long chains of reasoning" (Mises 1969: 16).<sup>8</sup> The common man, he writes:

does not speculate about the great problems. With regard to them he relies upon other people's authority, he behaves as "every decent fellow must behave," he is like a sheep in the herd. It is precisely this intellectual inertia that characterizes a man as a common man...[The common man] chooses to adopt traditional patterns or patterns adopted by other people because he is convinced that this procedure is best fitted to achieve his own welfare. And he is ready to change his ideology and consequently his mode of action whenever he becomes convinced that this would better serve his own interests (HA: 46).

### *Susceptibility of the Common Man to Persuasion*

One might think that the common man could easily be convinced of the benefits to him from living under capitalism as opposed to socialism. After all, the increasing material consumer goods under capitalism due to the division of labor law provide first-hand visual evidence of the superiority of capitalism over socialism. With little effort and a free media, everyone can discover the historical

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<sup>7</sup>To describe this phenomenon, Mises introduces a distinction between ideology as a person's set of doctrines about how to act and ideology as a set of doctrines held by others about how a person should act. The latter do not change the former. Yet the actor, choosing expedience over personal conviction, may act according to the others' ideology. Thus he writes that the

might of an ideology is either direct or indirect. It is direct when the actor is convinced that the content of the ideology is correct and that he serves his own interests directly in complying with it. It is indirect when the actor rejects the content of the ideology as false, but is under the necessity of adjusting his actions to the fact that this ideology is endorsed by other people (HA: 648).

<sup>8</sup>Also see Mises 1990: 301-302; Mises 1944: 141-2, 280.

failures of central planning in the Soviet Union, Communist China, North Korea, and Cuba.<sup>9</sup> It is different with market intervention. The ability of the common man to acquire historical knowledge is not enough to prevent what might be called the “creep of intervention.”

In real capitalist economies, the conditions of capitalism are not fully present, as pointed out in the introduction to my essay “[How to Build Economic Theory](#).” As a result, there is scope for interventions that serve the rightly understood interests. Each proposed intervention must be considered on its merits. It must be scrutinized carefully according to the criteria of (1) whether it can attain the ends of its proponents and (2) whether, even so, it inhibits increases in the standards of living (HA: 882-885).

It is in these grey areas of intervention where economists must build long chains of reasoning to evaluate arguments favoring intervention. It is also in these grey areas where the common man – the typical voter in a democracy – is most susceptible to influence. Recognizing this, Mises proceeded to study the relationship between the special knowledge of the economist and public opinion.

#### 4. HOW TO INFLUENCE THE MAJORITY

Mises presents a definite theory about how the Misesian economist can influence the voting majority – i.e., the common man’s ideology about government. He conceives of interaction among functional types. He does not present this theory in the same rigorous fashion that he presents his economic theory. My presentation of it is based on my interpretation of his remarks on the subject, which are scattered in various writings.

The theory contains four functional types. These are the enlightened few; intellectuals; molders of public opinion; and the common man, who makes up the voting majority.

##### **The Enlightened Few and the Common Man**

Mises defined the enlightened few as a “small minority of enlightened citizens who are able to conceive sound principles of political management” (UF: 93). He defined the common man as the functional type whose ideologies determine the “course of events,” including the identity and policies of the leaders who are elected in a democracy. A synonym is “the masses.” In his treatise, he had written:

The masses, the hosts of common men, do not conceive any ideas, sound or unsound. They only choose between the ideologies developed by the intellectual leaders of mankind. But their choice is final and determines the course of events (HA: 864).

In UF he writes that “in the long run the ideas of the majority, however detrimental they may be, will carry on” (UF: 93). He has in mind both a dictatorship and a democracy (see below)

To preserve prosperity, the elite must perform the function of causing the masses, or common men, to endorse the political candidates and policies that are logically defensible as means of achieving that end. Thus he writes:

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<sup>9</sup>Mises wrote that the “Soviet system would collapse if its victims were to get reliable information about the normal life of the common man in Western Europe and in this country” (Mises 1959).

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If the small minority of enlightened citizens who are able to conceive sound principles of political management do not succeed in winning the support of their fellow citizens and converting them to the endorsement of policies that bring and preserve prosperity, the cause of mankind and civilization is hopeless (UF: 93).

To elucidate the relationship between the enlightened few and the common man, Mises referred to the beliefs of the classical liberal economists. These economists advocated democracy. In his 1962 book, he writes that they

knew that all men are liable to error and that it could happen that the majority, deluded by faulty doctrines propagated by irresponsible demagogues, could embark upon policies that would result in disaster, even in the entire destruction of civilization (UF: 93).

But they did not give due recognition to the role of the majority. They did not realize the importance of persuading the majority to support government leaders who would adopt sound policies. They failed to see that there is no other means to safeguard a propitious development of human affairs than to make the masses of inferior people adopt the ideas of the elite.” (UF: 93).

[T]he classical economists and the utilitarian thinkers...blithely assumed that what is reasonable will carry on merely on account of its reasonableness. They never gave a thought to the possibility that public opinion could favor spurious ideologies whose realization would harm welfare and well-being and disintegrate social cooperation (HA: 864).

The writings also contain a third functional type, which is implied by his statement that “irresponsible demagogues” could delude the majority into adopting faulty doctrines (UF 93, as quoted above). I call proponents of ideologies among the masses “molders of public opinion” (see below). Demagogues are one type of molder.

### **The Intellectuals**

The enlightened few can do little to directly influence the common man’s ideology. Their energies are best directed toward the intellectuals. In a 1948 memorandum, Mises writes about the means of providing economic education to would be intellectuals.

What matters is not to change the ideology of the masses, but to change first the ideology of the intellectual strata, the “highbrows,” whose mentality determines the content of the simplifications which are held by the “lowbrows” (Mises 1948: 157).

The problem at present, Mises argues, is that intellectuals today (in 1948) are mostly Marxists and progressives. The common man cannot grasp the complex chains of reasoning that the highbrow intellectual Marxist philosophers and promoters of progressivism present. To reach the common man, economic education should be aimed at all intellectuals and would-be intellectuals. He uses the term “highbrow” as a synonym for such intellectuals. The intellectual is another functional type.

Who are the “highbrows” in reality? In the Europe of Mises’s youth, they consisted mostly of intellectuals with frustrated ambition (Mises 1956: 9-14, 46). The class includes “many lawyers and teachers, artists and actors, writers and journalists, architects and scientific research workers, engineers and chemists” (*ibid.*: 14). He also lists the “professors, ‘labor’ leaders, and politicians” (*ibid.*: 33). These people spread their ideas in the cafes and coffee houses and through pamphlets,

books and newspapers. For the enlightened few, the first order of business is to change the ideology of these intellectuals. Their mentality determines the simplified ideologies about government that are held by the low-browed common man.

### The Molders of Public Opinion

Mises introduces the functional type of the molders of public opinion in his 1956 book by giving an example of the *litterati*, who are service-supplying entrepreneurs. He writes:

Capitalism...has made accessible to millions of people enjoyments which a few generations ago were only within the reach of a small elite.

The outstanding example is provided by the evolution of a broad market for all kinds of literature. Literature – in the widest sense of the term – is today a commodity asked for by millions. They read newspapers, magazines and books; they listen to the broadcasts and they fill the theatres. Authors, producers and actors who gratify the public’s wishes earn considerable revenues. Within the frame of the social division of labor a new subdivision evolved, the species of the *litterati*, i.e., people making a living from writing (Mises 1956: 38-9, italics added).

He goes on to write that the “emergence of a numerous class of such frivolous intellectuals is one of the least welcome phenomena of the age of modern capitalism” (*ibid.*: 85). However,

it is not the frivolous doctrines of the Bohemians that generate disaster, but the fact that the public is ready to accept them favorably. The response to these pseudo-philosophies on the part of the *molders of public opinion* and later on the part of the misguided masses is the evil. People are anxious to endorse the tenets they consider as fashionable lest they appear boorish and backward (*ibid.*: 86).

The molders of public opinion are distinguished by their function of persuading the masses. A person may be a molder even if she is not capable of grasping long chains of reasoning.

The modern equivalent of the *litterati* are the users of the modern media – TV programmers, internet bloggers and their social media equivalents, movie makers, journalists, political pundits, magazine article writers, and book authors. The news producers, interviewers and pundits choose which intellectuals to interview and report and they add their own spin for the typical “lowbrow” viewer. The writers of books, magazine articles, movies, and TV shows tell stories about the people of “good character” who battle the evil big businesses and the government agents who align with businesses to do harm to ordinary people (*ibid.*: 42-3). The social media bloggers may be paid by pressure groups or special interests, they may enjoy catering to

**Four functional types in Mises’s theory of the determination of the ideology of the voting majority:**

1. The enlightened few – a small minority who can create and conceive of sound principles of economics and political management.
2. The intellectuals – the creators and proponents of ideologies who are capable of producing long chains of reasoning.
3. The molders of public opinion – the producers of media who shape the masses’ ideologies about government.
4. The common man – the masses whose ideologies determine the political leaders and the policies they adopt.

naive public perceptions for its own sake, or they may be experts in identifying individuals who are willing to pay for their writings.

In reality, there may be several strata of public opinion molders. Some molders may also be intellectuals and even ideology producers. They may be capable of grasping the economics presented by the enlightened few. Others may be lesser thinkers who possess powers of persuasion that are effective in influencing the common man and who regularly exercise these powers. But lacking the capacity or willingness to develop longer chains of reasoning, they borrow the ideologies they promote from the intellectuals.

### **The Ideologies about Government that Threaten Capitalism and How to Combat Them**

A survey of Mises's writings shows that they contain numerous ideologies about government. The identifying mark is the suffix "ism." Referring only to the table of contents of his major books, one finds inflationism, restrictionism, etatism, liberal or pacifistic nationalism, militant or imperialistic nationalism, imperialism, various kinds of socialism, collectivism, solidarism, syndicalism, Chiasm, Darwinism, eudemonism, asceticism, destructionism, fascism, Naziism, antiliberalism, parliamentarianism, militarism, protectionism, pan-Germanism, racism, anti-semitism, traditionalism, meliorism, deflationism, corporativism, determinism, materialism, fatalism, Marxism, environmentalism, secularism, antiseccularism, egalitarianism, and totalitarianism.<sup>10</sup> Today, the vast majority of teachers of elementary, secondary, and tertiary education teach all pertinent subjects from the viewpoint of the ideology of progressivism. The term "progressivism" today covers a panoply of beliefs about actions that a government should take in addition to providing law and order and national defense. The common thread in these beliefs is that each requires an enlargement of the scope of government and a corresponding retraction of the sphere of capitalism. I discuss progressivism at greater length in my essay "[How the Mises Institute Promotes Progressivism](#)."

Mises writes that "the men most distinguished in business, the professions, and politics" believe "that no serious harm can be done by a fallacious philosophy, an 'ism,' however vitriolic and insidious." They do not realize that these "isms" are, by and large, built on a foundation of Marxian polylogism – the notion that a person's "ideas necessarily reflect his class position." So they regard them as harmless (Mises 1948: 156).

As long as a considerable part of the nation is imbued – many of them unwittingly – with the polylogistic doctrine, it is useless to argue with them about special theories of various branches of science or about the interpretation of concrete facts. These men are immune to thought, ideas, and factual information that stem from the sordid source of the bourgeois mind. Hence it is obvious that the attempts to free the people, especially the *intellectual youth*, from the fetters of "unorthodox" indoctrination must begin on the philosophical and epistemological level (*ibid.*: 157, italics added).

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<sup>10</sup>He also uses the "ism" suffix to refer to various ideologies and methods of study used by scientists and pseudo-scientists. Thus, I have omitted the ideologies of panphysicalism, polylogism and historicism.

Thus, Mises argues that to combat these “isms,” an educational program should begin with philosophy and epistemology. Students must learn about the logical structure of the minds of all distinctly human actors.<sup>11</sup>

**Public Opinion and the Survival of Capitalism**

In a democracy, as Mises defined this term, the leaders who decide economic policy are determined periodically by majority voting. A person’s vote, in turn, reflects her ideology about what a government should do. Because public opinion plays an important role in the choice of leaders and, indirectly, in the choice of government policy, democracy offers the promise of a peaceful transition of government leaders. But it does not ensure the continuity of capitalism. Mises writes that there “is...no guarantee that the voters will entrust office to the most competent candidate...(HA: 150).  
Democracy

cannot prevent majorities from falling victim to erroneous ideas and from adopting inappropriate policies which not only fail to realize the ends aimed at but result in disaster. Majorities too may err and destroy our civilization. The good cause will not triumph merely on account of its reasonableness and expediency (HA: 193).

However, no other system could offer such a guarantee either (HA: 150). Nevertheless, there is hope. If the majority plans to vote on the basis of errant ideologies, the Misesian economist, intellectuals and molders of public opinion can try to “change their mind by expounding more reasonable principles and recommending better men” (*ibid.*) The last best hope is that the common man will possess ideologies about what a government should do that lead them to elect such leaders.

**Mises on reasons why people may fail to take advantage of the special knowledge of economics:**

1. A voting majority may fail to establish and maintain the democratic institutions that are necessary to guard against the expansion of government power.
2. A voting majority may adopt ideologies about government that promote market intervention or socialism.

Only if men are such that they will finally espouse policies reasonable and likely to attain the ultimate ends aimed at, will civilization improve and society and state render men more satisfied, although not happy in a metaphysical sense. Whether or not this condition is given, only the unknown future can reveal (HA: 539).<sup>12</sup>

The implication of Mises’s references to democracy and public opinion in this context is that humankind may fail to take advantage of the special knowledge produced by the economist if (1) a voting majority fails to establish and maintain the democratic institutions required to guard against

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<sup>11</sup>Today there are psychological theories of cognitive development that might fit Mises’s prescription. An example is Piaget and Inhelder (1958).

<sup>12</sup>It is possible that the common man’s ideologies about what a government should do will remain divided. The result, Mises writes, is a tendency toward anarchy (HA: 191).

the expansion of government power or (2) if a voting majority adopts ideologies about government that promote market intervention or socialism.

### **The Ultimate Function of Democracy**

In light of Mises's view that the success of capitalism ultimately depends on the ideology of the common man about government, one can see the reason that he includes freedom of speech as an institution of democracy. The democracy he envisioned is one that provides a peaceful environment within which the producers of the rival ideologies and the rival molders of public opinion can compete for approval by the common man. Freedom of speech and the press incentivize the development of an "arena" within which economic policies can be debated among elites and intellectuals. Out of such debates the molders of public opinion proceed to articulate ideologies that they try to make acceptable to the common man. Mises hopes that the logic of Misesian economics will win the competition among intellectuals against Marxism and progressivism and then that the molders of public opinion will identify ways to convert the winning ideas into ideologies about government that are preferred by the voting majority.

## 5. CONCLUSION

Once a government establishes and maintains a *sphere* of capitalism within the geographical region it controls, the division of labor can expand. Practically everyone can benefit from the increasing amounts of material consumer goods. But government agents have a propensity to take actions that reduce the sphere of capitalism. The prospect for an enduring capitalism is not large under a dictatorship. The periodic change in leaders makes civil strife, rebellion, revolutions and a severe disruption of capitalism likely. An enduring capitalism has its best chance if there are majority rule and democratic institutions. Yet democratic institutions introduce new problems. Under democracy, everyone is free to propose an economic policy. Everyone can appeal to public opinion. If the majority favors unsound policies, the elected leaders are likely to adopt policies and actions that reduce the sphere of capitalism. It is possible even that interventionist and socialist policies will replace the policies that enabled capitalism to emerge in the first place.

Public policy is determined by public opinion – the ideologies of the common man. To explain these ideologies, Mises proposed a causal relationship between four functional types of individuals: the intellectuals, the molders of public opinion, the common man and a small minority of individuals who have the capacity to produce new ideologies about government that take account of the higher physical productivity of the division of labor and the law of consumer sovereignty – the enlightened few. Regarding himself as a member of the enlightened few, he surmised that the best way to put a new ideology into practice is to first influence the intellectuals. He did this indirectly by producing economic theory and defending it against critics. He showed that the higher physical productivity of the division of labor can best be achieved by enlarging the sphere of capitalism, not by reducing it.

Capitalism, by itself, is not sufficient, however. The leaders must be deterred from expanding their power beyond what is required in order to establish and maintain the conditions of capitalism in the least costly way. This is possible if the people of a nation establish and maintain democratic institutions. One of these institutions is freedom of the communication of ideas. When such freedom exists, the members of the enlightened few are permitted to persuade intellectuals to adopt policies that promote both capitalism and democracy. Accordingly the enlightened few must also promote democracy.

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\*In chronological order according to the time at which the the original version was written.