

The Paradox of Democratic Capitalism: Politics and Economics in American Thought. By David Prindle. Baltimore: Johns Hopkins University Press, 2006. xv + 368 pp. Index, notes, bibliography. Cloth, \$49.95. ISBN: 0-801-88411-X.

Reviewed by Mary Furner

David Prindle's aim, in *The Paradox of Democratic Capitalism*, is to amend the Hartzian story of the U.S. political tradition. Louis Hartz's *Liberal Tradition in America* (1955) was half right, Prindle avers, when it claimed that the U.S. story has been almost entirely contained within liberalism. But Hartz was also half wrong, for he ignored the persistent tension that Prindle detects *within* liberalism, between capitalism and democracy. So Prindle repeats the American story and, like Hartz, oscillates between political narrative and the history of social thought, directing his attention mainly to theoretical developments in economics, law, and political theory that reveal this tension.

Prindle populates the early republic with democratic, antistatist Jeffersonians and statist, antidemocratic Hamiltonians, but his hero in this era is Albert Gallatin, the first democratic capitalist, a Jeffersonian who saw potential in state action for democratizing American society. The parade of familiar figures continues, from the Jacksonians through the New Deal, and the account becomes fresher after the 1950s, beyond the conclusion of Hartz's American tragedy. Prindle's focus is on key events in the realm of ideas that constructed public philosophy, providing legitimacy for social and economic policies that were tested mainly, in his view, by whether they sustained prosperity and whether they restrained or promoted democracy. Thus, not surprisingly, Adam Smith and David Ricardo dominate his laissez-faire era, 1819–1862, wherein Democrats hacked back earlier statist methods (protective tariffs, a national bank) and abandoned all pretense to a national fiscal policy. In the industrial era, 1862–1932, as capitalism delivered concentration of ownership and uneven prosperity for an immigrant working class, farmer troubles, and a colonial South, unrest among anticapitalist democrats frightened the propertied classes into defensive action. Following a dated account of Progressivism, Prindle turns to the New Deal Era, 1932–1974, in which destabilizing

factors challenged a consensus achieved by the 1940s that he labels “New Deal progressivism.” The failure of the U.S.-led postwar world system for international trade and finance in the 1970s produced a crisis of legitimacy for Keynesianism and big-government liberalism. The political story ends by tracing the rise of the Right in the Reagan Era.

With only an occasional nod to the prodigious yield of recent decades in social and cultural history, this book’s claim to serious attention rests on the account it provides of how developments in political theory, law, and economics “in the long run” illustrate the tension between capitalism and democracy. The law story comes largely from an intelligent reading of distinguished secondary work, such as Morton Horwitz’s account of the activist role of judges in shielding property behind formalistic doctrines, such as freedom of contract and substantive due process. Legal realism and commerce-clause revisionism opposed this trend through the New Deal Era, but attacks on relativism and a resurgence of natural-law reasoning have narrowed the scope of economic regulation. Prindle’s judicious accounts of the influence of Richard Posner, Richard Epstein, and Martin Feldstein are frustratingly brief, and countercurrents expressed in critical legal studies get short shrift.

In economic theory, Prindle credits neoclassical theory with utter dominance by the 1890s, a gross oversimplification that ignores huge segments of U.S. “new liberalism.” The Great Depression challenged the reigning paradigm, but Paul Samuelson’s neoclassical synthesis easily absorbed Keynesianism, Prindle argues. In political theory, as the story moves from New Deal antibusiness statism through the return of the market, the main revisionist moments were the rise of pluralism, followed by challenges from the Left (there are nice accounts of John Kenneth Galbraith and C. Wright Mills) and from the Right (and less satisfying ones of Kenneth Arrow and Anthony Downs), as rational-choice theory migrated from economics to political science). Unlike economics, where individual maximization drove out all opposition, political science ended the last century without a dominant paradigm.

Numerous points in this narrative, including eccentric terminology, introduce conceptual confusion or elide key aspects of the lived reality. Thus, Prindle’s insistence on calling antistatist democrats like Jefferson “progressives,” in order to reserve the

designation “liberal” for proponents of laissez-faire through his entire story, obfuscates his analysis of New Dealers and even of Lincoln-era Whigs. Prindle unwisely dismisses republicanism as an unimportant influence on U.S. thinking about *res publica*. From his account of the democratic side of the tension in liberalism, which he finds pretty tame, significant actors—among them urban artisans in the early republic, the Knights of Labor, Gilded Age third parties other than the Populists (whose policies are reduced here to the money question), socialism and socialist parties, the entire story of postbellum female reform, challenges to whites-only democracy prior to the Civil Rights movement, and challenges to Keynesian economics *during* the New Deal itself—are entirely absent.

In the account of economic theory, the hegemony of neoclassical economics before the 1950s is vastly overrated. By making John Bates Clark the overwhelming voice in economic theory during the late nineteenth century, Prindle ignores divisions in the early American Economics Association, flattens the interesting intellectual history of U.S. historicism, ignores Richard T. Ely’s huge influence on the profession and the public, and fails to mention Henry Carter Adams’s influential defense of government activism in regulating natural monopolies and labor standards. For dissenters within the fold of neoclassicism, he turns to the English economist Arthur Pigou, who could countenance “market failure,” while ignoring the pioneering work in the 1920s of Clark’s own son, John Maurice Clark, on social costs. The role of institutional economics is vastly underestimated. Corporate liberalism is never mentioned, and, in general, the possibility of reform of capitalism from above is not entertained. Alan Brinkley’s analysis of the redirection of Keynesianism from reform to stabilization in his widely read *End of Reform* (1995) is totally ignored. An example of numerous outrageous generalizations is this one: “With few exceptions, most American intellectuals and journalists of the [industrial] era failed to detect the obvious problems with social Darwinism, or, more correctly, Spencerism, as a world-encompassing philosophy” (p. 110). Despite these reservations, and with the caveat that the reader should proceed with caution, I recommend the sections of Prindle’s book on law and politics, which have value for general readers needing a high-level synthesis.

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