

Dear HBS Reader: For the Business History Seminar, Harvard Business School, 3:30-5:00, Monday, October 26, Deirdre McCloskey, **The Dignity of Entrepreneurs: The True, Original, and Persisting Cause of Economic Growth**. You have here the front matter of my book forthcoming in January, *deo volente*. I think it gives an idea of the argument, though of course the detailed evidence remains in the main (very long!) text(s).

Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World

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Exordium: The Three Volumes Show That We Are Rich Because of an Ethical and Rhetorical Change

Why are we so rich? Who are “we”? Have our riches corrupted us?

“The Bourgeois Era,” the series of three long books here completed – thank God – answers

- first, in *The Bourgeois Virtues: Ethics for an Age of Commerce* (2006), that the commercial bourgeoisie – the middle class of traders, inventors, and managers – is on the whole, contrary to the conviction of the “clerisy” of artists and intellectuals after 1848, pretty good, and pretty much always has been so in human history;
- second, in *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (2010), that the modern world was made not by the usual material causes, such as coal or thrift or capital or exports or imperialism or good property rights or even good science, all of which have been widespread in other cultures and other times, but by very many technical and some few institutional ideas among a uniquely revalued bourgeoisie, on a large scale at first peculiar to northwestern Europe;
- and third, in this volume, *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World*, that a novel way of looking at the virtues and at bettering ideas arose in northwestern Europe from a novel liberty and dignity enjoyed by all commoners, among them the bourgeoisie, and from a startling revaluation by the society as a whole of the trading and betterment in which the bourgeoisie specialized. The revaluation, called “liberalism,” in turn derived not from some ancient superiority of the Europeans but from egalitarian accidents in their politics 1517–1789. That is, what mattered were two levels of ideas – the ideas in the heads of entrepreneurs for the betterments themselves (the electric motor, the airplane, the stock market); and the ideas in the society at large *about* the businesspeople and their betterments (in a word, that liberalism). What were *not* causal were the conventional factors of accumulated capital and institutional change – which happened, to be sure, but were largely dependent on betterment and liberalism.

The upshot since 1800 has been a gigantic improvement for the poor, such as many of your ancestors and mine, and a promise now being fulfilled of the same result worldwide – a Great Enrichment for even the poorest among us.

These are controversial claims. They are, you see, optimistic. For reasons I do not entirely understand, the clerisy after 1848 turned toward nationalism and socialism, and against liberalism, and came also to delight in an ever-expanding list of pessimisms about the way we live now in our approximately liberal societies, from the lack of temperance among the poor to an excess of carbon dioxide in the atmosphere. Anti-

liberal utopias believed to respond to the pessimisms have been popular among the clerisy. Its pessimistic and utopian books have sold millions. But the twentieth-century experiments of nationalism and socialism, of syndicalism in factories and central planning for investment, of proliferating regulation for imagined but not factually documented imperfections in the market, did not work. And most of the pessimisms about how we live now have proven to be mistaken. It is a puzzle. Perhaps you yourself still believe in nationalism or socialism or proliferating regulation. And perhaps you are in the grip of pessimism about growth or consumerism or the environment or inequality.

Please, for the good of the wretched of the earth, reconsider.

§

Let me tell you what the trilogy argues and how each of the three books answers the others. The project is one long, complicated argument. It is complicated not because I am hiding the ball but because the argument covers a lot of history and economics and politics, and depends on many sorts of evidence, historical and literary and quantitative. I'm an economist, and the question of why we grew rich and what we should think about the enrichment turns in part on economic facts and concepts. Therefore I offer from time to time little explanations directed at non-economists of why so many economists admire markets and profit and productivity. But I'm also an historian, and the scientific question here is historical. Therefore throughout I offer, too, some recent and internationally comparative perspectives on historical research, offerings directed at non-historians, and even at some of my beloved colleagues in history. Yet I have also been a professor of English and of communication, and I've been paid to teach philosophy a bit, too. Therefore I do not neglect to report the evidence from the humanities – what the Germans call *die Geisteswissenschaften* and the French *les sciences humaines* – about economies and their histories, reports directed at whomever will listen. No wonder the books are so long.

Within each book you can see the argument in fair detail by consulting the table of contents. In the first book a brief summary – no more than four lines – appeared under each entry in the table of contents. In the second book I hit on the idea of outlining the argument in declarative sentences that serve as chapter titles and are repeated in the running heads. If you get confused – I have myself, often – take a look. Keep your eye on the ball.

The trilogy chronicles, explains, and defends what made us rich – the system we have had since 1848, usually but misleadingly called modern “capitalism.” The system should rather be called “technological and institutional betterment at a frenetic pace, tested by unforced exchange among all the parties involved.” Or “fantastically successful liberalism, in the old European sense, applied to trade and politics, as it was applied also to science and music and painting and literature.” The simplest version is “trade-tested progress.”¹ Many humans, in short, are now stunningly better off than their ancestors were in 1800. And the rest of humanity shows every sign of joining the

1 I owe the phrase to Alberto Mingardi of the Istituto Bruno Leone.

enrichment.

A crucial point is that the greatly enriched world cannot be explained in any deep way by the accumulation of capital, as economists from Adam Smith through Karl Marx to Thomas Piketty have on the contrary believed, and as the very word “capitalism” seems to imply. The word embodies a scientific mistake. Our riches did *not* come from piling brick on brick, or bachelor’s degree on bachelor’s degree, or bank balance on bank balance, but from piling idea on idea. The bricks, BAs, and bank balances – the capital accumulations – were of course necessary. But so were a labor force and liquid water and the arrow of time. Oxygen is necessary for a fire. But it would be at least unhelpful to explain the Chicago Fire of October 8–10, 1871, by the presence of oxygen in the earth’s atmosphere. Better: a long dry spell, the city’s wooden buildings, a strong wind from the southwest, and, if you disdain Irish immigrants, Mrs. O’Leary’s cow. The modern world cannot be explained, I show in the second volume, *Bourgeois Dignity: Why Economics Can’t Explain the Modern World*, by routine brick-piling, such as the Indian Ocean trade, English banking, canals, the British savings rate, the Atlantic slave trade, natural resources, the enclosure movement, the exploitation of workers in satanic mills, or the accumulation in European cities of capital, whether physical or human. Such routines are too common in world history and too feeble in quantitative oomph to explain the thirty- or hundredfold enrichment per person unique to the past two centuries.

Hear again that last, astonishing fact, discovered by economic historians over the past few decades. It is: in the two centuries after 1800 the trade-tested goods and services available to the average person in Sweden or Taiwan rose by a *factor* of 30 or 100. Not 100 percent, understand – a mere doubling – but in its highest estimate a factor of 100, nearly *10,000 percent*, and at least a factor of 30, or 2,900 percent. The Great Enrichment of the past two centuries has dwarfed any of the previous and temporary enrichments. Explaining it is the central scientific task of economics and economic history, and it matters for any other sort of social science or recent history.

In this third volume I try to show that the massively better ideas in much of technology, such as textiles and food preparation, and in some institutions, such as universities and forward markets, not capital accumulation or government policies or union organizing, provide the explanation. As a wise man put it, humans recently have “invented the method of invention.” How so? The ideas for the inventions, I claim here, were released for the first time by a new liberty and dignity for commoners, expressed as the “equality” of the book’s title – that is, by the ideology of European liberalism. Ideas of equality accomplished a most surprising thing.

The great oomph of liberty and dignity can be shown by contraries. The linguist Kyoko Inoue explains how a Western notion of “individual dignity” gained a certain following in Japanese society during the early twentieth century, especially among the few Japanese Christians.² Yet when the Japanese word for character or dignity (*jinkaku*)

2 Inoue 1991, 2001. For additional reflections on Inoue’s work, see McCloskey 2006, pp. 296–297.

was used in the MacArthur-imposed constitution after World War II, most Japanese still viewed it as expressing rank, as in the older English plural, “dignities” – something like the opposite of the recent Western idea of dignity to be accorded to everyone, equally. Thus the constitution’s assertion of “dignity” for women was misunderstood (usually innocently) as merely reaffirming the *low* rank of women in the Japanese hierarchy. The persistent denial of full dignity to half the population has not been good for the Japanese economy – at a time when the old heartland of liberalism in northwestern Europe has inched closer to realizing its radical nineteenth-century ideal that all men *and women* are created equal.

The modern world was not caused by “capitalism,” which is ancient and ubiquitous, as for example in Japan itself during the seventeenth century. The modern world was caused by egalitarian liberalism, which was in 1776 revolutionary, being at the time most prevalent in places like the Netherlands and Switzerland and Britain and British North America – though even in such islands of liberalism a minority view. Then it spread. The Great Enrichment, 1800 to the present, the most surprising secular event in history, is explained by a proliferation of bettering ideas springing from a new liberalism, against the *jinkaku* of rank.

The enrichment, I repeat, is recent. Some centuries before 1800 a few technological ideas had started to be borrowed by Europe from China and other economies to the east and south – paper, for example, and gunpowder, and the silk worm, and the blast furnace. But from the seventeenth century onward, and especially after 1800, the political and social ideas of liberalism shockingly extended the technology, through equality of liberty and dignity in Holland and Britain and Belgium and above all in the United States, and then beyond. The economic historian Joel Mokyr in a new book chronicles the improvements in communication and the welcoming of novelties that made for a freewheeling and largely egalitarian Republic of Letters after 1500, and especially after 1600.³ The outcome of such rhetorical developments was a technological explosion, especially after 1800, that radically improved on Europe’s old overseas borrowings. The Great Enrichment is not to be explained, that is, by material matters of race, class, gender, power, climate, culture, religion, genetics, geography, institutions, or nationality. On the contrary, what led to our automobiles and our voting rights, our plumbing and our primary schools, were the fresh ideas that flowed from liberalism, that is, a new system of encouraging betterment and a partial erosion of hierarchy.

Since capital readily accumulates in response to a genuinely bettering idea, and is not therefore the initiating cause, the fraught C-word, “capitalism,” does not make many appearances here. The dishonored B-word, “bourgeois,” though, appears all over the place, most prominently in the titles of all three volumes. “Bourgeois” (“boor-ZHWAH”) was taken self-consciously into English from French. As an adjective applying to the precisely urban middling sort I am talking about it has been employed

3 Mokyr Forthcoming (2016). Mokyr’s name, which will come up frequently, is pronounced “moh-KEER.”

in English from the early eighteenth century, along with the vaguer phrase that eventually came to dominate, “middle class.”

One task of the trilogy here, starting with the first volume, *The Bourgeois Virtues*, is to revalue the people of this middle class, or bourgeoisie (“boor-zhwah-ZEE”) – the entrepreneur and the merchant, the inventor of carbon-fiber materials and the contractor remodeling your bathroom, the improver of automobiles in Toyota City and the supplier of spices in New Delhi. The second volume then turns to economic history, and the third now to social and intellectual history, to show in detail that the ideas imagined by the bourgeoisie had arisen in the eighteenth century out of a new liberty and a new dignity accorded to ordinary people. Democracy of rights in voluntary trade and in polling booths, a democracy giving commoners a voice in the church and in the economy and in politics, made people bold, liberating them to have a go in business.⁴ In the historical lottery the idea of an equalizing liberty and dignity was the winning ticket, and the bourgeoisie held it.

Yet after the failed revolutions in Europe during the hectic year of 1848 – compare 1968 – a new and virulent detestation of the bourgeoisie infected the artists, intellectuals, journalists, professionals, and bureaucrats – the “clerisy” I’ve mentioned, as it was called by Coleridge, on a German pattern. The Germans word was *Clerisei*, or later *Bildungsbürgertum*, meaning the cultivated and reading enthusiasts for *Kultur* as against the commercial and bettering bourgeoisie.⁵ The clerisy of Germany, Britain, and especially France came to hate merchants and manufacturers and indeed anyone who did not admire the clerisy’s books and paintings. Flaubert declared, “I call bourgeois whoever thinks basely.” He wrote to George Sand in 1867, “*Axiome: la haine du bourgeois est le commencement de la vertu,*” which is to say, it is an axiom that hatred of the bourgeois is the beginning of virtue.⁶

In 1935 the liberal Dutch historian Johan Huizinga noted that the hatred had become general among the clerisy:

in the nineteenth century, “bourgeois” became the most pejorative term of all, particularly in the mouths of socialists and artists, and later even of fascists. . . . How useful it would be from time to time to set up all the most common political and cultural terms in a row for reappraisal and disinfection. . . . For instance, *liberal* would be restored to its original significance and freed of all the emotional overtones that a century of party conflict has attached to it, to stand once again for “worthy of a free man.” And if *bourgeois* could be rid of all the negative associations with which envy and pride, for that is what they were, have endowed it, could it not once more

4 “Having a go” is a British idiom, used in this application in the 1970s by the economic historian Peter Mathias (1972 [1979], p. 66). I remember Peter using the expression at a dinner discussion I attended at Oxford then, and I remember with embarrassment my callow scorn at its lack of (irrelevant) mathematics. Now I agree with him.

5 Conze and Kocka, eds. 1985.

6 Flaubert (May 10, 1867), in *Oeuvres complètes et Annexes. Correspondance*, p. 5883.

refer to all the attributes of urban life?⁷

Such automatic sneering at the bourgeoisie needs to stop. It is an unattractive brand of self-hatred, since most of us, as owners and sellers of at least human capital, and in our pension funds or house equity or financial and physical capital, are bourgeois. True, if one insists on using the word “bourgeois” as, say, Jean-Paul Sartre and Simone de Beauvoir used it, to mean the worst and most inauthentic types of town life in France circa 1950, then it is not going to be much of an intellectual feat to conclude that bourgeois life leads straight to . . . well . . . the worst and most inauthentic types of town life in France circa 1950. But I urge you to stop using the word as a term of contempt, and to start using it scientifically and colorlessly to mean “owners and managers in town, risk takers or word workers, big or small in their capital, disproportionately literate and numerate, earning a living by conversation and calculation.” Then we can find out by actual inquiry whether or not it is virtuous to hate them.

Like the mandarins of old China or *les honnêtes hommes* of early modern France, the members of the modern clerisy view themselves as uniquely ethical on account of their book learning, including book learning about ethics – or at least their daily reading of *Le Monde* or the *New York Times*. The notion that a person who truly grasps the meaning of “ethics” will in fact *be* ethical was Socrates’s claim by way of Plato. In view of the numerous highly learned and book-reading but unethical people one meets, one rather doubts it. Yet the clerisy embraces the Platonic notion. It flourishes, for example, in the attitude of Dutch bureaucrats in the city halls, who view themselves as well qualified by arts degrees and ethical superiority and subscriptions to *NRC Handelsblad* for the job of protecting the sadly ignorant inferior classes from the ravenous capitalists down in *de markt*.

In the eighteenth century certain members of the clerisy, such as Voltaire and Tom Paine, courageously advocated our liberties in trade. And in truth our main protection against the ravenous has been just such competition in trade – not City Hall or Whitehall, which have had their own ravenous habits, backed by violence. During the 1830s and 1840s, however, a much enlarged clerisy, mostly the sons of bourgeois fathers, commenced sneering at the economic liberties their fathers were exercising so vigorously, and commenced advocating the vigorous use instead of the state’s monopoly of violence to achieve one or another utopia, soon.

On the political right the clerisy, influenced by the Romantic movement, looked back with nostalgia to an imagined Middle Ages free from the vulgarity of trade, a nonmarket golden age in which rents and stasis and hierarchy ruled. Such a conservative and Romantic vision of olden times fit well with the right’s perch in the ruling class, governing the mere in-dwellers. Later, under the influence of a version of science, the right seized upon social Darwinism and eugenics to devalue the liberty and dignity of ordinary people, and to elevate the nation’s mission above the mere

7 Huizinga 1935 (1968), p. 112.

individual person, recommending, for example, colonialism and compulsory sterilization and the cleansing power of war.

On the left, meanwhile, the cadres of another version of the clerisy – also influenced by Romance and then by their own scientific enthusiasm for historical materialism – developed the illiberal idea that ideas do not matter. What matters to progress, the left declared, is the unstoppable tide of history, aided (it declared further, contradicting the unstoppable) by protest or strike or revolution directed at the ravenous bourgeoisie – such thrilling actions to be led by the clerisy. Later, in European socialism and American Progressivism, the left proposed to defeat bourgeois monopolies in meat and sugar and steel by gathering under regulation or syndicalism or central planning or collectivization all the monopolies into one supreme monopoly called the state. In 1965 the Italian liberal Bruno Leone (1913–1967) observed that “The creation of gigantic and generalized monopolies is [said by the left to be] precisely a type of ‘remedy’ against so-called private ‘monopolies.’”⁸

While all this deep thinking was roiling the clerisy of Europe, the commercial bourgeoisie – despised by the right and the left, and by many in the middle, too, all of them thrilled by the Romantic radicalism of books like *Mein Kampf* or *What Is to Be Done* – created the Great Enrichment and the modern world. The Enrichment gigantically improved our lives. In doing so it proved scientifically that both social Darwinism and economic Marxism were mistaken. The genetically inferior races and classes and ethnicities proved not to be so. They proved to be creative. The exploited proletariat was not immiserized. It was enriched. In the enthusiasm for the materialist but deeply erroneous pseudo-discoveries of the nineteenth century – nationalism, socialism, Benthamite utilitarianism, hopeless Malthusianism, Comtean positivism, neo-positivism, legal positivism, elitist Romanticism, inverted Hegelianism, Freudianism, phrenology, homophobia, historical materialism, hopeful communism, left anarchism, communitarianism, social Darwinism, scientific racism, racial history, theorized imperialism, apartheid, eugenics, tests of statistical significance, geographic determinism, institutionalism, intelligence quotients, social engineering, slum clearance, Progressive regulation, cameralist civil service, the rule of experts, and a cynicism about the force of ethical ideas – much of the clerisy mislaid its earlier commitment to a free and dignified common people. It forgot the main, and the one scientifically proven, social discovery of the nineteenth century – which was itself also in accord with a Romanticism so mischievous in other ways – that ordinary men and women do not need to be directed from above, and when honored and left alone become immensely creative. “I contain multitudes,” sang the democratic, American poet. And he did.

New ideas from the bourgeoisie, and behind them new and encouraging ideas *about* the bourgeoisie and then about all of the commoners together, made the Great Enrichment. The trilogy here defends such an ideational hypothesis against a materialism long dominant.

The first volume, whose subtitle, *Ethics for an Age of Commerce*, gives away its

8 Leone 1965 (2009), p. 83.

theme, asks, Can a life in business be ethical? Can it be governed by virtues that include a businesslike prudence but are not limited to it? The answer, in executive summary, is Yes. Prudence is the virtue of profit, planning, know-how, *savoir faire*, common sense, efficiency. It's good to have. We teach it to our dogs and children. "Look both ways when you cross the street." "Study the balance sheet." "Provide, provide." But ethics in business goes beyond the virtue of prudence, and should. Actual businesspeople, being people, exhibit on their best days also love and justice and courage and hope and faith and temperance, and not only for instrumental reasons. The bourgeoisie is not composed entirely of the idiotically prudence-driven characters in a *Dilbert* comic strip.

The Bourgeois Virtues, in other words, repudiates the economist's obsession with prudence only, isolated from the other virtues. Philosophers and theologians observe that if a virtue is narrowed down and isolated it becomes a vice. Since the 1930s an army of "Samuelsonian" economists, the ones you hear most about, and most of my teachers, has undertaken to narrow down and isolate our economic lives to what it is pleased to call rationality. Samuelsonian thought describes modern economists of the so-called mainstream – modeling exclusively with "constrained maximization," in which the only virtue acknowledged is prudence.⁹

Not every worthy economist is Samuelsonian. An embattled countersquad of economic thinkers, with quite varied politics, has in the twentieth century included Joseph Schumpeter, Ludwig von Mises, Friedrich Hayek, Thorstein Veblen, John R. Commons, John Maynard Keynes, John H. Clapham, Frank Knight, Eli Heckscher, Gunnar Myrdal, Antonio Gramsci, Luigi Einaudi, Joan Robinson, Kenneth Boulding, Ronald Coase, Paul Sweezy, Alexander Gerschenkron, John Kenneth Galbraith, George Shackle, Robert Heilbroner, Theodore Schultz, Albert Hirschman, Bert Hoselitz, Bruno Levi, Noel Butlin, James Buchanan, Thomas Schelling, Robert Fogel, Amartya Sen, Elinor Ostrom, Israel Kirzner, and Vernon Smith. They practice what could be called (Adam) Smithian economics, or what has lately been called "humanomics." It posits merely a mild tendency to enter on a new project when there might be a net benefit to be earned, leaving plenty of space for the practice also of love, justice, courage, hope, faith, and temperance. Genuine rationality among humans, as noted recently by social psychologists such as Jonathan Haidt and Nicholas Epley, and by the rest of us since the

9 "Samuelsonian" is historically more accurate than the more usual word, "neoclassical," which includes for example Austrian and Marshallian economists who do not think much of modeling exclusively with constrained maximization and are more concerned with entry and evolution. It is a term of affection, not of dismissal. During the 1960s I myself was trained at Harvard in Samuelsonian economics, and during the 1970s I taught at the University of Chicago, which was at the time turning away from Marshall and Knight and toward Samuelson and Arrow. Samuelsonian economics was invented in the 1940s and 1950s by the brilliant and amiable Paul Anthony Samuelson (1915–2009) – long my mother's mixed-doubles tennis partner – together with his equally brilliant and equally amiable brother in law, Kenneth Arrow (1921–) – long a distantly friendly colleague of mine. Startlingly, they are joint uncles of the crown prince of Samuelsonian economics, Lawrence Summers.

Epic of Gilgamesh, is *not* prudence only.¹⁰

A few economists are beginning to explore systematically such an economics, inviting back into the story a complete human being, with her ethics and language and upbringing.¹¹ For example, I am. The trilogy here exhibits a killer app of such an integration of quantity and quality, the sciences and the humanities, economic experiments and literary analyses, yielding – I hope you will come to believe – a plausible explanation of how we became rich in body and spirit.¹²

Yet I have to admit right off that “my” explanation is embarrassingly, pathetically unoriginal. It is merely the economic and historical realization in actual economies and economic histories of eighteenth-century liberal thought. But that, after all, is just what the clerisy after 1848 so sadly mislaid, and what the subsequent history proved to be profoundly correct. Liberty and dignity for ordinary people made us rich, in every meaning of the word.

The first, ethical volume repudiates also the *anti*-economist’s obsession with the *vice* of prudence, narrowed down and isolated from the other virtues, the vice we call “greed.” Greed is not good. But neither does it especially characterize the bettering world of the modern bourgeoisie, whether in a small business or in a corporate giant. Greed is ancient and human – greed for gold, glory, power, position, sex. When Karsten Bernick in Ibsen’s first bourgeois drama, *Pillars of Society* (1877), comes to his ethical senses in act 4, he declares, “Even if I haven’t always gone after profit [contradicting the simplest version of greed in the Samuelsonian theory], nonetheless I’m aware now that a hunger and craving after power, status, and influence has been the driving force behind most of my actions.”¹³ Yes, all that, and sex too, since the caves, the hunger and craving that is exactly, in the absence of balancing justice and love and temperance, the vice of greed.

Trade-tested betterment since 1800 came in part, of course, from prudence and profit, which would indeed, without other virtues in attendance, constitute the Marxian or Samuelsonian economist’s “rationality” and the anti-economist’s “greed.” The success of the experiment in honoring prudence raised the prestige of the executive virtue. But the betterment came also from the other virtues – hope, justice, courage, love, faith, and temperance – and raised the prestige of commercial versions of these, too. Corporations such as Merck, UPS, Walt Disney, and Lockheed-Martin had by early 2014, out of a sense of commercial justice and not merely out of instrumental calculation, stopped giving money to the then-homophobic Boy Scouts of America. Likewise, Shell Oil and Campbell Soup allowed in their health-care plans for gender-reassignment surgery. Some few others of the Fortune 500 have not been slow to provide opportunities for women and minorities (hmm, well: in 2014 fewer than 5 percent of the CEOs of S & P 500 companies were women, with more men with the first

10 Haidt 2006; Epley 2014.

11 For example, Wilson 2010, which is the only substantive use in economics of Wittgenstein’s *Philosophical Investigations*. Wilson coined the word “humanomics.”

12 Herb Gintis, listen up.

13 Ibsen 1877 (1965), p. 112.

name “John” than all the women combined). And in the way that business has sometimes been ahead of government in ethical seriousness, so have small businesses sometimes been ahead of the large ones. In other words, a businessperson in the modern world, contrary to the materialist views of the Marxian or Samuelsonian economists and of their antigreed enemies, is not ordinarily a Mr. Max U – *Maximizing his Utility* – a sociopathic manipulator of the vending machines called “other people.”¹⁴ On the contrary, the businessperson walks with others, talks with them, entangled for good or ill in their stories and their metaphors. What news on the Rialto?

§

The trilogy’s second volume, *Bourgeois Dignity*, which again gives away its punch-line in the subtitle, *Why Economics Can’t Explain the Modern World*, examines in detail the capital-accumulation and worker-exploitation and other proffered causes in the materialist tales of the British Industrial Revolution, and shows their lack of quantitative oomph. Materialism can’t explain the Industrial Revolution of the eighteenth century. Especially it can’t explain the Great Enrichment that followed in the nineteenth. The book shows by the method of residues that bettering ideas, and especially ideas *about* betterment – the “bourgeois dignity” of the title – not mainly material interests, drove the modern world. Material interests and most of the institutions expressing them were ancient, and unchanging, and weak in force. What changed was ideology.

The British Industrial Revolution was a glorious start. All credit is due. Yet such novelty-rich revolutions had happened occasionally before, in fifth-century Athens or twelfth-century Song China or fifteenth-century Italy.¹⁵ What differed this last time was the follow-on, the explosive Great Enrichment of ordinary people, arising from the loosening a Great Chain of Being that had trammled most humans since the invention of agriculture, keeping men in hand-and-back work and women in arranged marriages. After the loosening and the consequent Enrichment, the son of a freight conductor could become a professor of government at Harvard, the son of a tailor a professor of law at Yale, the daughter of a conservative Southern lawyer a liberal professor of law, philosophy, and classics at the University of Chicago.

Why? The causes were not (to pick from the apparently inexhaustible list of materialist factors promoted by this or that economist or economic historian) coal, thrift, transport, high male wages, low female and child wages, surplus value, human capital, geography, railways, institutions, infrastructure, nationalism, the quickening of commerce, the late medieval run-up, Renaissance individualism, the First Divergence,

14 I am using the word “Marxian” for “influenced by Marx,” as against “Marxist,” that is, following the Master in more orthodox and often violent fashion. A Marxian such as Donna Haraway, for example, might argue in her books that social class is a crucial element in history. A Marxist such as Antonio Negri might assist in the kidnapping and murder of businesspeople.

15 Edwards (2013, 2014) makes a brave attempt, though one can criticize his methods. More grounded is Deng 2013.

the Black Death, American silver, the original accumulation of capital, piracy, empire,, eugenic improvement, the mathematization of celestial mechanics, technical education, or a perfection of property rights. Such conditions had been routine in a dozen of the leading organized societies of Eurasia, from ancient Egypt and China down to Tokugawa Japan and the Ottoman Empire, and not unknown in Meso-America and the Andes. No: routines cannot account for the strangest secular event in human history, which began with bourgeois dignity in Holland after 1600, gathered up its tools for betterment in England after 1700, and burst on northwestern Europe and then the world after 1800.

Take the routine of property rights, emphasized, for example, by the economist Daron Acemoglu and the political scientist James Robinson in *Why Nations Fail* (2012). The trouble with their emphasis is that most societies have always enforced property rights. It is what we mean by a “society.” In Mesopotamia two millennia before the common era the cities enforced property rights, as did the societies of ancient Israel, the Viking lands, T’ang China. For that matter the hunter-gatherers and animal herders – First-Nation beaver hunters and Aboriginal plant gatherers and Sami reindeer followers – also enforced this or that institution of property, when it mattered, and when the enforcement did not grossly violate their other ethical convictions. When societies failed to enforce the property rights suited to their ethics, they dissolved into wars of all against all.¹⁶

What then, one naturally asks, was the special ingredient that made routine enforcement of property rights or routine building of canals or routine access to the sea or routine mining of coal so non-routinely fruitful in the Great Enrichment? The second volume answered, as *The Bourgeois Virtues* had shown in applied ethics, and as *Bourgeois Equality* shows now in social and intellectual history, that the special ingredient was a change in ethics concerned with other people’s behavior. Note the definition of ethics involved – not individual-on-herself ethics alone, but “social” or “conjective” or “I-and-Thou” ethics, that is, articulated judgments about others. Humans as individuals didn’t get better, or worse; not much. But they did radically change in the conversation of humankind the attitudes toward other humans. What began to characterize northwestern Europe in the seventeenth and eighteenth centuries was not so much new ethics at the level of individual responsibility, though perhaps that improved a little, encouraging and benefiting from arm’s-length trading. Much more important was a change at the social and rhetorical level: “You made a fortune trading with the East. Good.” Or: “That fellow invented a new plastic cooling fan for automobiles. Good.” In other words, the new liberty and dignity for commoners was a sociological event, not a psychological one, and originated in a changing conversation in the society, not at first in psychological self-monitoring by the individual. People in Holland and then England didn’t suddenly start alertly attending to profit. They suddenly started

16 Berndt and Berndt 1964, pp. 302–305. On forming property rights in beaver, see Demsetz 1967. But see Carlos and Lewis 1999, pp. 709, 726. Colin Turnbull’s *The Mountain People* (1972) is the classic, if vigorously disputed, picture of a war of all against all, among the Ik of Uganda.

admiring such alertness, and stopped calling it sinful greed.¹⁷

In any case, an institution such as Acemoglu and Robinson think crucial – or a canal or school or coal mine that others think crucial – works well not merely because of good official rules of the game, what Samuelsonian economists call the “incentives” or the “budget lines.” An institution works, if it does, mainly because of the good ethics of its participants, intrinsic motivations powerfully reinforced by the ethical opinion people have about each other.¹⁸ The typical human, it has been shown by careful experiments on our own species and on other great apes, is much inclined to indignation and punishment (though other animals punish too) in order to shame and scorn defectors. A woman is willing to punish defectors in ways that entail even the sacrifice (from the Latin, “make holy”) of her own profits.¹⁹ Humans have a sense of justice (as the primatologist Frans de Waal argues, so also do some other animals, if less elaborately), a sense of appropriate behavior toward other people and especially *in* other people. They will go to lengths to praise and reward manifestations of the virtues – prudence, temperance, courage, justice, faith, hope, and love – and to blame and punish the corresponding vices. The Blessed Adam Smith called such matters of internalized ethics the “impartial spectator” – though a spectator who then gets up on stage to act, for the moral sentiments and the wealth of nations.

A society can craft an official rule against cheating in business. Such a rule would be a “good institution.” It’s even necessary, to discourage the simplest game-theoretic defections and to generate “Schelling points” around which business can gather. True, Hasidic diamond dealers on 47th Street between 5th and 6th Avenues in New York get along without official rules. But the rest of us find the rules helpful institutions. Yet if the rules are enforced with a nudge and a wink among people who ignore simple honesty or who sneer at the very language of ethics, and who are not effectively condemned by the rest of society for doing so, as in a corrupt Chicago during the 1890s or a corrupt Shanghai during the 1990s, the economy won’t work as well as it could. The society won’t be, say, Iowa or Sweden, which do about as well as humans can in gently shaming and disciplining corruption. Friends help friends unfairly in Iowa and Sweden, admittedly. But in Italy and Ecuador people take such corruption a good deal further.²⁰ The extreme absence of a good impartial spectator in the breast, as in the Soviet Union and now in Russia again, makes the written constitution a dead letter.

The crux, that is, is not black-letter constitutions, the written-down constraints, the budget lines, but how the constitutions came about ethically and how they are

17 In speaking of “alertness” I refer to Israel Kirzner’s Austrian economics of the entrepreneur, as in Kirzner 1979, 1989.

18 A discussion of the matter by Donald Boudreaux, John Nye, Joel Mokyr, and me, in which I concede some ground to the neo-institutionalists, is Hart and Richman, eds. 2014. See also McCloskey 2014.

19 Kurzban, DeScioli, and O’Brien 2007.

20 Jacob D. Rendtorff of Roskilde University of Copenhagen pointed out to me the friend-to-friend “corruption” in Scandinavia. But its order of magnitude is not the same as it is in more normal parts of the world.

sustained in social ethics – a continually renegotiated dance. It is located out in the language games in which people play as much as in their solipsistic “utility functions.”²¹ When a society or its elite earnestly wants the rules of the game to work, and talks *about* them a lot, and scolds violators from an early age, the constitutions usually do work – pretty much regardless of imperfections in the written-down rules and incentives, especially if the imperfections fall within the usual range of human folly. The political scientists Elinor and Vincent Ostrom at Indiana University showed repeatedly that a situation that would in Samuelsonian economics always be assumed to be a hopeless case of free riding and the tragedy of the commons, such as the overexploitation of the Los Angeles aquifer, can often be solved by sustained talk among serious-minded, ethically disciplined people.²² It was true as well in medieval English villages, which in 1968 the ecologist Garrett Hardin supposed were instances of the hopeless case. Ethics undergirds water rights, grazing rights, civil and criminal laws, marriages, friendships, children’s games, adults’ games, clubs, traffic, science, business deals, constitutions – a point that political theorists from Machiavelli and Hobbes through James Buchanan and Martha Nussbaum, in their eagerness to devise a theory mainly out of prudence only, have tended to overlook.²³

The working of the U.S. constitution, for example, has always rested on such ethical grounding. Its crises have arisen from deep disputes about ethics, such as that between the ethics of the dignity of all people regardless of condition of servitude and the ethics of honoring private property in slaves, or that between the ethics of the right of a woman to control her body and the ethics of the right of a fetus to be born. In January 2001, following the long-contested vote for the presidency, the Democratic candidate, Al Gore, who had won the popular vote in November but not the electoral college, hung by a hair in Florida, conceded defeat, when the conservative majority on the Supreme Court spoke. So far the institutions reached. A rule of the game is that a majority of the Court gets the last word. But suppose Gore had not conceded. It was not automatic that he would do so, or written down somewhere in a self-interpreting text. Nor was his decision to concede the election wholly explicable in terms of the incentives facing him, at any rate not the sort of incentives that a Samuelsonian or Marxian economist would admire. Gore’s wanting the good of his country came out of his personal and social ethics, learned at his mother’s knee. So did the acceptance by other Democrats of his defeat, with more or less good grace. The rest of us heartily commend them, and congratulate the mothers who taught them so well. That too was a social part of the ethical dance. We do not view good people like Gore as mere suckers, missing a chance. We honor them, sociologically. The Roman Republic fell because ethics no longer supported its constitution, and a Cicero who did not make the first move in a game of prudence-only was accounted a fool and was put to the sword. Athenian democracy was doomed when early in its long war with Sparta, as

21 The point comes from Bart Wilson.

22 Ostrom 1990, 2010; Ostrom, Walker, and Gardner 1994.

23 Once again, McCloskey 2011a. On children’s games, see Piaget 1932 (1965), pp. 13, 25; Tomasello 2014.

Thucydides put it, “words [such as ‘justice’] lost their meaning.”²⁴

The working of any institution depends on such socially supported ethics beyond incentives. To be sure, rules and incentives and opportunity costs are helpfully explicit. Yet they can be corrupted at any level, from board room to shop floor. For serious results the people of any institution, whether a hotel or a university, need to be to some degree seriously ethical from top to bottom, which is why economic development at a high level, or for that matter running a hotel or a university at a high level, is difficult. The participants in an institution or a society needn't be saints. Quite corrupt economies, such as Britain's in 1716 or Greece's in 2016, can nonetheless perform reasonably well by the standard of their times. But to achieve their full promise they need to be sufficiently attentive to the impartial spectator, a sufficiency that can be quantified. All participants, from the CEO to the hotel maid, need to be a little proud of their work and willing to try to do it pretty well, and to be ashamed when a customer or a boss points out an evident failure. You can measure it. And when you find it egregiously bad you can fire the malefactor, or jail him, unless he is protected by force or fraud and a misused monopoly of violence.

Even so, if a substantial minority of the people available for hiring do not have the right kind of impartial spectator in their breasts, and are put beyond instruction by bad child-raising or bad labor laws or bad courts or bad privileges protected by the state, you are stuck with a badly functioning economy, such as Russia's early and late. In an almost vacant coffee shop in Moscow in 2013 a customer asked politely that the loud rock music, pleasant to the young staff but irritating to old folk, be turned down. The waitress was shocked that a customer would have an opinion. She indignantly refused. Thus was made evident the seventy years of changing the nature of man under socialism. Ethical persuasions, especially about other people, arousing a hardwired indignation about ethics, are foundational, and can work in good or bad ways.

The trilogy, in other words, argues against the prudence-only obsessions of the economists and of their enemies. Within economics it argues against the factually dubious assertion from the political right that technological betterment comes automatically from private property.²⁵ And it argues against the logically dubious assertion from the political left that the betterment comes automatically from artificially high wages.²⁶ Both are what the economists Friedrich Hayek and Vernon Smith, among others practicing a humanomics, call “constructivist,” as against “ecological.”²⁷ There was little that was constructivist, automatic, material, Samuelsonian, Marxian,

24 White 1984, citing Thucydides, bk. 3, 3.82-[4].

25 North 1990; Acemoglu and Robinson 2012.

26 Allen 2009. Against his skewed logic and evidence, see Humphries 2011; Hudson 2010; Kelly, Ó Gradá, and Mokyr 2013; McCloskey 2010a, pp. 188–189.

27 Smith 2007. The Chinese economist Ning Wang has observed to me that constructivist economics fails because it relies on theorems subject to a fundamental arbitrariness, which I have called the A-Prime-C-Prime Theorem (McCloskey 1994). Evolution, such as that experienced in China after 1978, on the other hand, explores without prejudice and judges by results.

institutional, or predictable about the releasing of human creativity from ancient trammels in the eighteenth and, especially, the nineteenth centuries. All praise, then, to a betterment tested in voluntary trade of electricity supply for bread, or labor for doctoring services, permitted by new social and political ideas.

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We're back, you see, to the first volume and the bourgeois virtues, and especially to the new praise in the eighteenth century for the commercial virtues as perceived in other people. The modern world was made by a slow-motion revolution in ethical convictions about virtues and vices, in particular by a much higher level than in earlier times of toleration for trade-tested progress – letting people make mutually advantageous deals, and even admiring them for doing so, and especially admiring them when Steve-Jobs-like they imagine betterments. Note again: the crux was sociology, not psychology. Trade-and-betterment toleration was advocated first by the bourgeoisie itself, then more consequentially by the clerisy, which for a century before 1848, I have noted, admired economic liberty and bourgeois dignity, and in aid of the project was willing to pledge its lives, fortunes, and sacred honor. After 1848 in places like the United States and France and Japan, the bulk of ordinary people came slowly to agree. By then, however, as I also noted, much of the avant garde of the clerisy worldwide had turned decisively against the bourgeoisie, on the road to twentieth-century fascism and communism. Yet in the luckier countries, such as Norway or Australia, the bourgeoisie was for the first time judged by many people to be acceptably honest, and was in fact acceptably honest, under new social and familial pressures. By 1900, and more so by 2000, the Bourgeois Revaluation had made most people in quite a few places, from Syracuse to Singapore, very rich and pretty good.

One could argue, as Joel Mokyr does, that what mattered for betterment was the change in outlook among a technical elite. An essay he wrote recently with the economic historians Cormac Ó Gráda and Morgan Kelly puts it this way: “What counted above all was [Britain’s] highly skilled mechanics and engineers, who may not have been a large proportion of the labor force.”²⁸ If one is speaking of the proximate cause, surely he’s right. Mokyr’s heroes are “the top 3–5 percent of the labor force in terms of skills: engineers, mechanics, millwrights, chemists, clock- and instrument makers, skilled carpenters and metal workers, wheelwrights, and similar workmen.”²⁹ One could hardly have such revolutionary machines for the manufacturing in bulk of the wood screw and the nut-and-bolt without men like Henry Maudslay (1771–1831), already educated in making machines. A twenty-two-year old male student of economic history, one “Donald” McCloskey, found hilarious the remark by a historian of the lathe, a Dr. Holtzappel: “Mr. Maudslay effected nearly the entire change from the old imperfect and accidental practice of screw making . . . to the modern exact and scientific mode now generally followed by engineers; and he pursued the subject of the

28 Kelly, Ó Gráda, and Mokyr 2013, p. 1.

29 Meisenzahl and Mokyr 2012, p. 447.

screw with more or less ardor and at an enormous expense until his death in 1835.”³⁰ But Holtzappel was right, and supports Mokyr’s argument that a tiny elite mattered and that profit making was not its entire motive.

Yet where did such a technical elite come from, with its education and ardor and expense? In Holland and Britain and the United States it came from ordinary people freed from ancient suppressions of their hopes. Such freeing is the sole way of achieving a sufficient mass of technically literate folk, oriented not toward rare luxuries or military victories but toward the ordinary goods of peacetime for the bulk of ordinary people – iron bridges, chemical bleaching, weaving of wool cloth by machines powered by falling water. The problem in, say, France in the eighteenth century was that the engineers came from the younger sons of its large nobility, such as Napoleon, educated for military careers.³¹ In Britain, by contrast, a promising lad from the working class could become a bourgeois master of new machines and of new institutions, as an engineer or an entrepreneur. Or at least he could do pretty well as a clockmaker or spinning-machine mechanic. In Britain and its offshoots the career of the enterprising bourgeois or the skilled worker, in the fashion of Napoleon’s army or Nelson’s navy, was open to talent. John Harrison (1693–1776), the inventor of the marine chronometer, which solved by machine the problem of finding longitude in the wideness of the sea, against the arrogantly enforced demand by the elite that it be solved in the heavens by elite astronomy, was a rural Lincolnshire carpenter. His first clock was made of wood.³² Similarly, Maudslay of the screw-making machine, two year younger than Napoleon and thirteen years younger than Nelson, began work at twelve filling cartridges at the Royal Arsenal, becoming then a blacksmith, and by age eighteen a locksmith, and more. The British working man carried the baton of a field marshal of industry in his rucksack.

Mokyr is taking as given a structure that in fact had a vibrant modern history, a history driven by the new and bizarre ethic of human equality of liberty in law and of dignity in esteem. The economic historian Karine van der Beek believes she is supporting Mokyr when she concludes with persuasive evidence that “the innovations and technological changes that were taking place in eighteenth century England increased the demand for these high quality mechanical workmen.”³³ her case is the opposite of Mokyr’s, which is that what caused the betterment was the supply. The entirely new ethical context, I am claiming, made the demand for the engineers and entrepreneurs grow its own supply, when ardor and opportunity made the supply seem worth having. The opportunities themselves arose from a new equality in law and in society, encouraging new ideas for Dutch wholesale trade or new ideas for English coal mining. The new and liberal, if partial, equality in Holland and Britain and especially in the United States – for all the lingering sins of pride and snobbery and

30 Bowden, Karpovich, and Usher 1937, p. 311. It was Usher who wrote the technological history in the book.

31 Jacob 2014, p. 148.

32 Sobel 1995.

33 Van der Beek 2013, p. 1.

slavery – allowed many of the ordinary, and extraordinary, to have a go. The economic historian Peter Mathias’s “having a go” then produced in the Great Enrichment a veritable idea-explosion: for example, about nitroglycerine, dynamite, gelignite, TNT, and C-4.

One could argue, again, as the French economist Thomas Piketty and most economists do, that growth depends on capital accumulation – not on a new ideology and the bettering ideas that such an ideology encouraged, and certainly not on ethics supporting the ideology. Piketty, like many American High Liberals, European Marxians, and traditional conservatives, is irritated precisely by the *ethical* pretensions of modern CEOs. The bosses, he writes, justify their economic gains by placing “primary emphasis on their personal merit and moral qualities, which they described [in surveys] using terms such as rigor, patience, work, effort, and so on (but also tolerance, kindness, etc).”³⁴ As the economist Donald Boudreaux puts it, “Piketty prefers what he takes to be the more honest justifications for super-wealth offered by the elites of the novels of [the conservatives] Austen and Balzac, namely, that such wealth is required to live a comfortable lifestyle, period. No self-praise and psychologically comforting rationalizations by those early nineteenth-century squires and their ladies!”³⁵ Piketty therefore is gratified to note, from a conservative-progressive height, that “the heroes and heroines in the novels of Austen and Balzac would never have seen the need to compare their personal qualities to those of their servants.” To which Boudreaux replies, “Yes, well, bourgeois virtues were not in the early nineteenth century as widely celebrated and admired as they later came to be celebrated and admired. We should be pleased that today’s [very] high-salaried workers brag about their bourgeois habits and virtues, and that workers – finally! – understand that having such virtues and acting on them is dignified.”

The theory of great wealth espoused by the peasantry and proletariat and their *soi-disant* champions among the leftish clerisy is non-desert by luck or theft. Likewise, the theory of great wealth espoused by the aristocracy and their own *soi-disant* champions among the rightish clerisy is desert by inheritance, itself justified by ancient luck or theft, an inheritance we bloodline *aristoi* should receive without psychologically comforting rationalizations. By contrast, the theory of great wealth espoused by the bourgeoisie and its friends, the liberal economists such as Smith and Mill and Friedman and Boudreaux, is desert by a skill in supplying ethically, without force or fraud, what people are willing to buy.

The bourgeois virtues are doubtless exaggerated, especially by the bourgeoisie and sometimes even by its friends. But for the rest of us the results of virtue-bragging have not been so bad. Think again of the later plays of Ibsen, the pioneering dramatist of the bourgeois life. The bank manager, Helmer, in *A Doll House* (1879) describes his clerk caught in forgery as “morally lost,” having a “moral breakdown.”³⁶ Helmer’s locutions throughout the play are saturated with the ethical rhetoric we have come to

34 Piketty 2014, p. 418.

35 Boudreaux 2014, personal correspondence.

36 Ibsen 1879 (1965), pp. 132.

call “Victorian.” It is also “bourgeois.” Helmer’s wife Nora, whose rhetoric is saturated with the same ethics but is not so businesslike, commits the very same crime. Yet she commits it in order to save her husband’s life, not as the clerk does for what she views as amoral profit. By the end of the play Nora leaves Helmer, a shocking move among the Norwegian bourgeoisie of 1879, because she realizes that he instinctively would not have exercised the loving ethics of protecting her from the consequences of a forgery committed for love, not profit. No satisfaction in the doll house, in the end. An ethical bourgeoisie – which is what almost all of Ibsen’s plays after 1876 examine, as later did the plays of Arthur Miller and the novels of Philip Roth – has complicated duties. But anyway the bourgeoisie talks about virtue all day long, admires it, and sometimes achieves it.

The original and sustaining causes of the modern world, in other words, were ethical, not material. They were the widening adoption of two mere ideas, the new and liberal economic idea of liberty for ordinary people and the new and democratic social idea of dignity for them. The two linked and preposterous ethical ideas – the single word for them is “equality,” of respect and before the law, their theory being liberalism – led to a paroxysm of betterment.

Such equality, understand, is not to be taken in the style which some in the French Enlightenment did, as equality of material outcome. The French definition is what the left and the right unreflectively use nowadays in their disputes: “You didn’t build that without social help, so there’s no justification for unequal incomes.” “You poor folk aren’t virtuous enough, so there’s no justification for your claim of equalizing subsidies.” But the more fundamental definition of equality – praised especially in eighteenth-century Scotland after the place awoke from its dogmatic slumbers – is the egalitarian opinion people have of each other, whether street porter or moral philosopher.³⁷ Adam Smith, a pioneering egalitarian in this sense, described the Scottish idea as “allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice.”³⁸

It would be a good thing, *bien sûr*, if a society following the Scottish and liberal plan produced a French and Pikettyan equality of material outcome. And in fact – old news, this, though surprising to some – it largely has. By the only relevant ethical standard, most people in liberal countries have basic human rights and basic comforts in antibiotics and housing and running water, compliments of the astonishing betterment coming from liberty and dignity for ordinary people. Forcing now by state

37 Peart and Levy 2005, Levy 2001, Peart and Levy, eds. 2008. Kim Priemel of Humboldt University of Berlin suggests to me that “equity” would be a better word for the Scottish concept. But I do not want to surrender so easily an essentially contested concept such as French *égalité*, which indeed in its original bourgeois-revolutionary meaning was more Scottish than what I am here calling “French.”

38 Smith 1776, 4.9, p. 664. Following, for example, the editors of the Oxford Shakespeare, when quoting earlier English, even so recent as Smith (by which time English spelling had pretty much settled down), I regularly modernize the spelling and punctuation. The past is a foreign country, but the foreignness should be exhibited in its strange behavior and strange ideas, not in its conventions of printing.

violence an equality of outcome, in an illiberal, “French” style—cutting down the tall poppies, envying the silly baubles of the rich, imagining that sharing income is as efficacious for helping the poor as sharing a pizza is for a nice party among friends, treating poor people as sad children to be nudged or compelled by the mandarins of the clerisy—often has had, we have found, a high cost in damaging liberty and dignity and slowing betterment. Not always, but often.

Anthony Waterman, the historian of economic thought, notes that as soon as the advocates for French-style equality stray from their sailing plan that inequality is simply evil, they founder on a consequentialist rock (on which John Rawls had in 1971 placed a lighthouse): “From the standpoint of economic efficiency, *is inequality* [by a French definition] *always a bad thing*? May it not sometimes confer social benefits against which the evils they report must be set as an offset? [Thus Rawls.] If so we should have what rejoices the heart of every [Samuelsonian] economist: an optimization problem.”³⁹ Waterman points out that competition for “positional goods,” such as a top standing at Harvard, a competition necessarily inegalitarian in its result, can, as Smith and other eighteenth-century liberals claimed, benefit the whole society. To quote Smith, it “rouses and keeps in continual motion the industry of mankind.”⁴⁰ In historical fact the introduction of the Scottish plan of equality of liberty and dignity, beginning with the economic liberty of the bourgeoisie, has regularly led, as in the histories of Hong Kong and Sweden and France itself, to an astounding betterment and to an equality of genuine comfort. The poor have acquired automobiles and hot and cold water at the tap and color TVs denied in earlier times even to the rich, and have acquired political rights and social dignities denied in earlier times to all but a small portion of the rich.

The ideas of equality led to other social and political movements not uniformly adorable. Hannah Arendt remarked in 1951 that “equality of condition . . . [is] among the greatest and most uncertain ventures of modern mankind.”⁴¹ Alexis de Tocqueville had said much the same a century earlier. And Scottish equality has a harsh, even tragic, side. It entails equal reward for equal merit *in a marketplace in which others, by freedom of contract, can also compete*. As John Stuart Mill put it in *On Liberty*, “Society admits no right, either legal or moral, in the disappointed competitors to immunity from this kind of suffering; and feels called on to interfere only when means of success have been employed which it is contrary to the general interest to permit—namely, fraud or treachery, and force.”⁴² Yet in the real world, unhappily, if the poor are to be raised up, there is no magic alternative to such competition. An ill-advised and undercapitalized pet store, into which the owner pours his soul, goes under. In the

39 Waterman 2014b, pt. 1.

40 Waterman 2014b, pt. 2; Smith 1759 (1790), IV.I.10. Waterman also notes the dissipation of such rents causing waste. It is a balance.

41 Arendt 1951 (1985), p. 54. It is unclear in the passage whether Arendt means “equality in the opinion of others,” as I do, or “equality of material outcome,” as conventional socialists do. Probably the latter.

42 Mill 1859 (2001), pp. 86–87.

same neighborhood a little independent office for immediate health care opens half a block from a branch of the largest hospital chain in Chicago, and seems doomed to fail the test of voluntary trade. Although the testing of business ideas in voluntary trade is obviously necessary for betterment in the economy (as it is too by nonmonetary tests for betterment in art and sport and science and scholarship), such failures are deeply sad if you have the slightest sympathy for human projects, or for humans. But at least the pet store, the clinic, the Edsel, Woolworth's, Polaroid, and Pan American Airlines face the same democratic test by trade: Do customers keep coming forward voluntarily? Does real income rise?

We could all by state compulsion backed by the monopoly of violence remain in the same jobs as our ancestors, perpetually "protected," though at \$3 a day. Or, with taxes taken by additional state compulsion, we could subsidize new activities without regard to a test by voluntary trade, "creating jobs" as the anti-economic rhetoric has it. Aside even from their immediate effect of making national income lower than it could have been, perpetually, such ever-popular plans – never mind the objectionable character of the violent compulsion they require – seldom work in the long run for the welfare of the poor, or the rest of us. In view of the way a government of imperfect people actually behaves in practice, job "protection" and job "creation" often fail to achieve their gentle, generous purposes. The protections and the creations get diverted to favorites. Laws requiring minority of or female businesses to be hired, for example, tend to yield phony businesses run in fact by male whites. In a society run by male whites or inherited lords or clan members or Communist Party officials, or even by voters not restricted by inconvenient voting times and picture IDs, the unequal and involuntary rewards generated by sidestepping the test of trade are seized by the privileged. The privileged are good at that.

The double ideas of liberty and dignity, summarized as Scottish equality – being political liberalism in a mid-nineteenth-century definition – mattered as causes of the Great Enrichment more than any fresh material incentives, real or fancied. The new ideas mattered more than wars or trade or empire or financial markets or accumulation or high wages or high science. The Bourgeois Revaluation ushered in a Bourgeois Deal: "Let me creatively destroy the old and bad ways of doing things, the scythes, ox carts, oil lamps, propeller planes, film cameras, and factories lacking high-tech robots, and I will make *you-all* rich."

The Bourgeois Deal became, unevenly, the ruling ideology. The Deal crowded out earlier ideologies, such as ancient royalty or medieval aristocracy or early modern mercantilism or modern populism. The bettering society of liberalism, when true to itself, was not led by the great king or the barons or the bureaucrats or the mob, all of whom took their profits from zero-sum and the monopoly of violence. It was led by the consumers, and served by betterers tested by peaceful trade, who came in bulk from low-status parts of the society – barbers, laborers, carpenters, linen weavers. They took their profits from a big positive sum, produced by water-powered sawmills and hand-puddled wrought iron. A bettering bourgeoisie, if not protected by the clerisy's theories of regulation or planning, could not seize for itself the old monopoly of

violence. There were too many entrants, too many fresh bourgeois ready to drive down the price. Producers and consumers invented and improved the steamship and the widespread secondary school, the telephone and the Internet. It enriched us all.

§

This final volume, then, *Bourgeois Equality*, asks why such ideas about bourgeois betterment shifted so dramatically in northwestern Europe, and for a while only there. After all, “betterment” and “improvement” and especially “innovation” were long seen in Europe as violations of God’s will or as unsettling heresies (the medieval sin was *curiositas*, which nowadays we honor extravagantly), such as Galileo peering at the moons of Jupiter and arguing therefore by analogy, in readable Italian rather than learned Latin, that the earth circles the sun. Surprisingly, in northwestern Europe and later elsewhere, betterment tested by success in domestic and foreign trade – and, as I’ve said, in scientific, artistic, sporting, journalistic, and political “markets” as well – came to be seen as splendid heroism, such as Henry Ford’s assembly line or Steve Jobs’s iPad. Why did Leonardo da Vinci in 1519 conceal many of his (not entirely original) engineering dreams in secret writing, whereas James Watt, of steam-engine fame (famous too for his fiercely defended anti-betterment patents), would in 1825, six years after his death, be honored with a planned statue in Westminster Abbey?⁴³ Why did bourgeois Shakespeare in 1610 sneer loftily at the bourgeoisie, yet gentrified Jane Austen in 1810 smiled amiably at it?

The answer to why England or why Europe, I argue here, does not lie in some thousand-year-old superiority, such as English common law, or in the deep genetic ancestry of Europeans. It lies rather in the surprising, black-swan luck of northwestern Europe’s reaction to the turmoil of the early modern – the coincidence in northwestern Europe of successful Reading, Reformation, Revolt, and Revolution: “the Four Rs,” if you please.⁴⁴ The dice were rolled by Gutenberg, Luther, Willem van Oranje, and Oliver Cromwell. By a lucky chance for England their payoffs were deposited in that formerly inconsequential nation in a pile late in the seventeenth century. None of the Four Rs had deep English or European causes. All could have rolled the other way. They were bizarre and unpredictable. In 1400 or even in 1600 a canny observer would have bet on an industrial revolution and a great enrichment – if she could have imagined such freakish events – in technologically advanced China, or in the vigorous Ottoman Empire. Not in backward, quarrelsome Europe.

The Renaissance, by the way, much to be admired for other reasons, was not one of the democratically and economically relevant Rs. It yielded innovations, all right. But the test it applied for valuing them was aristocratic, not bourgeois. Grand though its innovations were – human dissection, perspective drawing, Palladian architecture,

43 MacLeod 1998, 2007. The statue ended up in St. Paul’s.

44 Kelly and Ó Gráda (2014) seem to have put paid to one of the older claims about the sources of the turmoil, China to Europe: the Little Ice Age. “Black swan” refers to Nassim Nicholas Taleb’s notion of a highly improbable, and unpredictable, event (Taleb 2007).

and the printing of edited Greek classics, among my favorites – they were not democratic betterments and did not improve the lives of ordinary people, at any rate not for a long time.⁴⁵ They had little to do with the remarkable Industrial Revolution or its astonishing follow-on, the Great Enrichment.

A result of the Four Rs of Reading, Reformation, Revolt, and Revolution was a fifth R, a crucial Revaluation of the bourgeoisie, first in Holland and then in Britain. The Revaluation was part of an R-caused, egalitarian reappraisal of ordinary people. (Such egalitarianism was not, you see, the central teaching of an Italian Renaissance which elevated the ideal, such as da Vinci's Vetruvian Man, and which disdained the average, such as Garrison Keillor's Norwegian Bachelor Farmer.) I retail here the evidence that hierarchy – as, for instance, in St. Paul's and Martin Luther's conviction that the political authorities that exist have been instituted by God – began slowly and partially to break down.

The cause of the bourgeois betterments, that is, was an economic liberation and a sociological dignifying of, say, a barber and wig-maker of Bolton, son of a tailor, messing about with spinning machines, who died in 1792 as Sir Richard Arkwright, possessed of one of the largest bourgeois fortunes in England. The Industrial Revolution and especially the Great Enrichment came from liberating commoners from compelled service to a hereditary elite, such as the noble lord, or compelled obedience to a state functionary, such as the economic planner. And it came from according honor to the formerly despised of Bolton – or of Ōsaka, or of Lake Wobegon – commoners exercising their liberty to relocate a factory or invent airbrakes.

Over the past few centuries the legal liberation and social honoring, together, did the trick, as figure 1 illustrates, in Holland and England, then in Austria and Japan. Now they are doing the trick with astonishing force in Taiwan and South Korea, China and India.

45 On perspective, see the astonishing book by Lepenies 2013.

Figure 1: The Four Rs Caused Liberal Equality, which Caused the Bourgeois Revaluation, which Caused the Great Enrichment



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