

Bourgeois Dignity: Why Economics Can't Explain the Modern World

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[Chapters 1, 2, and 3 of Vol. 2 of six of The Bourgeois Era]

Dear Mont Pelerin Society Participants:

What would be most useful for me, and I hope for our common purpose in exploring the role of ideas and individuals in how liberty fares in the welfare state, is for you to bite into my latest book, just drafted, and under review at the University of Chicago Press. I offer the Table of Contents and the first three chapters (the full version is available at deirdremccloskey.org). The book is *meant* for the Common Reader, but you will judge whether it succeeds in that!

The book examines in detail, and rejects, the merely Samuelsonian and allocative theories of how the modern world came to pass—such theories as those focused on expanding foreign trade, thrift, commercialization, investment, imperialism, slavery, new property rights (they weren't new in the 17th century, I claim). The reshuffling of property rights by such re-allocation isn't it. Mere efficiency, moving to a production possibility curve, is neither necessary nor sufficient. What does explain the Most Surprising Event in Economic History is an Austrian matter of discovery, Kirznerian alertness unleashed by what I call the Bourgeois Revaluation. A change in ideology—or “rhetoric”—about markets and innovation created the mad scramble, and our riches, and our freedoms. In other words, I am proposing an idealistic as against a materialist account of the modern world. Many of us, left or right, were marxoid materialists 1890-1980. Time to move on! The conclusion is that dignity and liberty (not liberty alone, note) for ordinary people made modernity. It was a sociological and political change, not in the first instance psychological (Max Weber) or economic (Karl Marx) or legal (Douglass North).

The conclusion that I therefore draw for our deliberations about liberty in the welfare state is bound to be unpopular at this meeting—that since creativity operating through language is what matters most, the admitted (and often disgracefully unjust) inefficiencies of a welfare state are not what we should be focusing on. We should make sure—as on the whole the Western European welfare states have—that innovation is honored. We should celebrate the bourgeois virtues. The production possibility curve will then continue its outward march, and if we can avoid turning down the road to serfdom, all will be well. Even in the welfare state.

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Chapter 1: The Industrial Revolution was a Great Tide

Two centuries ago the world's economy stood at the present level of Chad or Bangladesh. In those good old days of 1800, moreover, the average person in Norway or Japan would have had less rational hope on past form than a Chadian or Bangladeshi does nowadays of seeing the end of her poverty in a couple of generations. In 1800 the average human consumed and expected her grandchildren to go on consuming a mere \$3 a day, give or take a dollar or two.¹ That's expressed in modern-day prices, fully corrected for cost of living. Imagine getting along on \$1 to \$5 a day in present money.

¹ Strictly speaking, "1990 international Geary-Khamis dollars" —so I've inflated a bit (using the consumer price index in the USA since 1991) to bring the figures in a rough and ready way up to 2008 prices in the United States. That is, the \$3 is to be understood as what you would live on in Chicago, say, in 2008 if you had the misfortune of the world's average real income in 1800. The figures were estimated by Angus Maddison in his amazing palace of numbers, *The World Economy* (2006), these particular numbers on p. 642. For "two centuries ago" I used the average of Maddison's world figures for 1700 and 1820. Economic historians agree on a factor of ten or so since the eighteenth century: for example, Easterlin 1995 (2004), p. 84.

The only people much better off than \$3 were lords or bishops or some few of the merchants. It had been this way for all of history, and for that matter all of pre-history. With her \$3 the average denizen of the earth could have a few pound of potatoes, a little milk, occasionally a scrap of meat. A wool shawl. A year or two of elementary education, if lucky. At birth she had a 50-50 chance of dying before she was 30 years old. Perhaps she was a cheerful sort, and was “happy” with illiteracy, disease, superstition, periodic starvation, and lack of prospects. After all, she had her family and faith and community, which interfered with every choice she made. But anyway she was desperately poor, and narrowly limited in human scope.

Two centuries later the world supports more than six-and-half times more people. Yet contrary to a pessimistic Malthusian belief that population growth would be the big problem, the average person today earns and consumes almost ten times more goods and services than in 1800. And the real income per person in the world has recently been doubling every generation. Further, with occasional pauses for business cycles, it is doubling faster and faster. Starvation worldwide therefore is at an all-time low, and falling. Literacy and life expectancy are at all-time highs, and rising. Liberty is spreading. Slavery is retreating, as is a patriarchy enslaving of women. In the richer countries, such as Norway, the average person earns fully 45 times more than in 1800, a startling \$137 a day, or in the United States \$120, or in Japan \$90.² The environment—the concern of a well-to-do bourgeoisie—is in such rich places improving.

True, some whole countries, and many people even in rapidly growing places like India, remain terribly poor. They constitute a “bottom billion,” thankfully shrinking, but suffering for the present the \$3 a day that had been the human condition since the African savannah. Some hundreds of millions live on a bare dollar.³ And many are literal slaves, or women held in slavish ignorance. But the share of the terribly poor and the terribly unfree in world population is now falling faster than at any time in history. World population has in fact been growing slower and slower since the 1970s, and in a generation or so it will start falling.⁴ In fifty years, if things go as they have since 1800, the terribly poor will have become adequately nourished. Slaves and women will be free. The environment will be improving. And the ordinarily person worldwide will have become bourgeois.

In a good deal of the world it has already happened. Marxists have long been vexed by the bourgeois character of the American working class.⁵ But it turned out that the

2 World Bank 2008, pp. 161, 216, 112.

3 The “bottom billion” is Paul Collier’s phrase (Collier 2007). The Norwegian ratio to average entire-world gross national income per capita in 2006 (at purchasing power parity: adjusting for the cost of living) was 5.4 (according to World Bank 2008, pp. 8, 161). And relative to the average of low income countries by World-Bank definitions the ratio was 27, that is, \$137 a day compared with the low-income average of \$5 a day (World Bank 2008, p. 10).

4 Maddison 2006, p. 615.

5 Werner Sombart 1906 asked “Why is there no socialism in the United States?” and answered that “all socialist utopias come to grief on roast beef and apple pie.”

prosperous Americans were merely showing the way for the British and the French and the Japanese. We are merging nowadays not into a universal class of the proletariat, but into the universal class of the innovative bourgeoisie. Your physical therapist now earning \$35 an hour, or \$280 a day, working for Athletico, who went to college and then to physical-therapy school, does not regard himself as a wage slave.⁶ And he can at any moment become a little company in private practice. Think, oh dear bourgeois-by-education reader, of the poverty of your own ancestors a few generations back.

In 2007 the economist Paul Collier observed that for decades “the development challenge has [been thought of as] a rich world of one billion people facing a poor world of five billion people. . . . It will be apparent that this way of conceptualizing development has become outdated. Most of the five billion, about 80 percent, live in counties that are indeed developing, often at amazing speed.” That’s right. Witness China and India nowadays, growing in real income per head at amazing, unprecedented speeds, twice or three times faster than other countries—7 to 10 percent per year, implying a quadrupling of human scope every 20 or 14 years. The fact provides some scientific ideas about what to do for the bottom billion or so. But Collier also says that “since 1980 world poverty has been falling *for the first time in history.*” That’s wrong (though perhaps he means the sheer numbers of poor people). As a share of all the world’s population the world’s poverty has been falling not for two decades but for two centuries. A higher and higher percentage of the population have become \$30 or \$60 or \$137 a day folk, in the Top 5 ½ billion. Witness Norway and Japan, once poor. The history provides some scientific ideas about how we got here and where we are going.⁷

The last two centuries favored the ordinary person, especially a person who lived in a bourgeois country. Consider a third cousin once removed of mine, 35-year old Hedda Stuland, in Dimelsvik on the Hardanger Fjord of western Norway. In 1800 our mutual ancestors had been miserably poor. See Chad. Yet by now the honest, oil-rich, and educated Norwegians have the second highest average income in the world. Expressed in American prices of 2006 it is fully \$50,000 a year for every man, woman, and child. (Tiny Luxembourg ranks first out of 209 countries at \$60,000 a head; closed-citizenship Kuwait ranks third at \$48,000; and the big U.S.A. lumbers along at merely fourth, \$44,000 a head—which is nonetheless a stunning increase over 1900 or 1950.)⁸ Fru Stuland consumes with her \$137 a day (and higher considering that the average includes her young children) a good deal of Belgian chocolate and a nice little Audi and a summer home in the mountains. She and the rest of the Norwegians work fewer hours per year than the citizens of other OECD countries, and many fewer hours than the workaholics in Japan or the USA. At birth she could have expected to live to age 85. Her own two children will probably live even longer,

6 Bureau of Labor Statistics, U.S. Department of Commerce, at <http://www.bls.gov/oes/current/oes291123.htm>

7 Collier 2007, pp. 3, x.

8 Again the figures are at (U.S.A.) purchasing-power parity, from World Bank 2008.

and certainly will be even better off financially than she is, unless they decide on careers in fine arts or charitable works—in which case the satisfactions from such sacred careers amount to income.⁹ Norway contributes more to international, governmental charities per capita than any other country. Hedda supports non-violent and democratic institutions. She graduated from the University of Bergen, studying mathematics. She works as an actuary in an insurance company, getting six weeks of paid vacation a year in Sicily or Florida. Her husband Olaf (who is by no means her lord and master) worked as a diver on the oil rigs for a few years, but now is desk-bound at the oil company's regional office. As a girl at school Hedda read many of the works of Ibsen in Norwegian, and some even of Shakespeare in English. She's been pleased to attend performances of both at the National Theatre in Oslo over the mountains. Her home resonates with the works of Edvard Grieg, who in fact was a not-so-distant relative on her mother's side.¹⁰

Why did it happen? How did average income in the world move from \$3 to \$30 a day? How did Norwegians move from being poor and sick and marginally free and largely ignorant to being rich and healthy and entirely free and largely educated?

The main point of this book is that the leaps, such as Norway's from \$3 to \$137 per head, with its cultural and political accompaniments, did *not* happen mainly because of the usual economics. That is, they did not happen because of Dutch investments or European trade or British imperialism or the exploitation of sailors on Norwegian ships. Economics did matter in shaping the pattern. It usually does. Exactly who benefited and exactly what was produced, and exactly when and where, was indeed a matter of economics. If the historians don't know about the economics they will not understand the pattern of modern history. The pattern was shaped by the trade in cotton and the investments in seaports, by the supply of steam engines and the demand for elementary education, by the cost of iron and the benefit of railways, by the plantation exploitation of slaves and the market participation of women. Economics of a material sort can surely explain why Americans burned wood and charcoal longer than did the forest-poor and coal-rich people of inner northwestern Europe. It can explain why education was a bad investment for a British parlor maid in 1840, or why the United States rather than Egypt supplied most of the raw cotton to Manchester, or why indeed the cotton growers of the present-day African Sahel are damaged by protection for American cotton. Economics can explain why comparative advantage in making cotton cloth shifted from India to England and then back to India.

But economics can't explain the rise in the whole world's (absolute) advantage from \$3 to \$30 a day. It can't explain the onset or the continuation, in its magnitude as against its pattern, of the uniquely modern—the coming of elections, computers, tolerance, antibiotics, frozen pizza, central heating, and higher education for the masses, such as for you and me and Hedda. If the economists don't know the history they will not understand this most

9 Abbing 2003.

10 Hedda is a fiction—though in truth I have plenty of such cousins at Dimelsvik.

important of modern historical events. The economics of the conventional sort does not account for the great size and egalitarian spread of the benefit from growth, only the fine details of its pattern. Material, economic forces were not the original and sustaining causes of the modern rise, 1800 to the present, accelerating after 1980. Economics does most elegantly and usefully explain how the rising tide expressed itself in micro-geographical detail, channeled into this or that inlet, mixing with the river just so far upstream, lapping the dock to such-and-such a height. But the tide itself had other causes.

What then? I argue here, and in complementary ways in two volumes to follow, that talk and ethics and ideas caused the Industrial Revolution. Ethical (and unethical) talk runs the world. One-quarter of national income is earned from sweet talk in markets and management.¹¹ Perhaps economics and its many good friends should acknowledge the fact. When they don't they get into trouble, as when they inspire banks to ignore professional talk and fiduciary ethics and to use only silent and monetary incentives, such as executive compensation.

In particular, three centuries ago in places like Holland and England the talk and thought about the middle class began to alter. Ordinary conversation about innovation and markets became more approving. The theorists were emboldened to re-think. (Sadly, the talk and thought along such lines didn't alter then in China or India or the Ottoman Empire; it has by now.) The North-Sea talk at length radically altered the economy and the politics and the culture. In northwestern Europe around 1700 the general opinion shifted, rather suddenly as such things go. There was a big change in what Alexis de Tocqueville called "habits of the mind" — or more exactly, habits of the lip. People stopped sneering at market innovativeness and other bourgeois virtues exercised far from the traditional places of honor at St. Peter's or Versailles or the First Battle of Breitenfeld.

(To speak for a moment to my economist colleagues, the economists save their models in the face of such a radical alteration by speaking of "non-linearities" or "economies of scale" or "multiple equilibria." I am claiming that the economy exploded because the forms of speech about enterprise and invention suddenly changed, for various good and interesting reasons. Speech, not material changes in foreign trade or domestic investment, caused the non-linearities. We know this in part because trade or investment were ancient routines, while the new dignity and liberty for ordinary people were unique to the age.)

The change in talk and thought about the bourgeoisie was of greater importance for explaining the modern world than the clerical Reformation in Germany after 1517, or even than the aristocratic Renaissance during and after the Tuscan *Trecento*. Both of these influenced the change in talk, as did a third great R-shift of late medieval and early modern times, the political Revolts and Revolutions which shook Holland and Britain and America and finally France. But the point here is that in a fourth great and for a while a uniquely European R-shift — the "Bourgeois Revaluation" in Holland and Britain — an old class began

11 McCloskey and Klammer 1995.

to acquire a new and more dignified standing in the way people talked and thought about it, in their rhetoric.

Faith is the virtue of backward looking, of having an identity. Dignity encourages faith. You are dignified in standing. Hope by contrast is the virtue of forward looking, of having a project.¹² Liberty encourages hope. You are free to venture. I claim here that the dignity to take one's place and the liberty to venture made the modern world. Both the dignity and the liberty were new and necessary. My libertarian friends want liberty alone to suffice. But it seems that it did not. To be sure, the dignity and liberty normally supported each other. But liberty without dignity makes for activity without faithful self-esteem, the eager but lowly and self-despising niggling of the marketplace. Lacking dignity, the bourgeoisie is under constant assault from politics and society and literature. And dignity without liberty makes for status without hope, merely another version of the hierarchy of olden times. If the bourgeoisie were admitted into the elite but were disabled from innovation, the modern world would look a good deal like the *ancien régime*. All this changed in the Bourgeois Revaluation of the seventeenth through the nineteenth century. Revaluations of the honorable transcendent, no longer confined to heroism or saintliness or courtly grace, changed sociology and politics. By contrast, what Tocqueville called "habits of the heart" did not change much. The initiating change was not psychological (as for example Max Weber argued in 1905), or economic (as Marx argued in 1848), but sociological and political.

Around 1600, that is, on a big scale in pioneering Holland, and then around 1700 on a bigger scale in innovating Britain, some of the elite began to revalue the town and its vulgar and corrosive creativity. By the 1660s the Dutch cloth merchant Pieter de la Court was declaring that "a power of using their natural rights and properties for their own safety . . . will be to the commonalty. . . an earthly paradise: for the liberty of a man's own mind, especially about matters wherein all his welfare consists, is to such a one as acceptable as an empire or kingdom."¹³ No aristocratic empires or kingdoms, please. In 1690 an English merchant to the Ottomans, Dudley North (himself from an aristocratic family), wrote in an even more modern and economic way that "there can be no trade unprofitable to the public, for if any prove so, men leave it off; and wherever the traders thrive, the public, of which they are a part, thrives also."¹⁴

12 A full defense of this and the other categories of virtues is given in McCloskey 2006a, especially pp. 151-194.

13 De la Court 1669.

14 North 1691, Preface, p. viii. I have modernized spelling and punctuation here and elsewhere, to avoid pointless distancing of the authors. Stephen Greenblatt praises the Oxford edition's (1986) modernizing of Shakespeare's spelling for avoiding "a certain cozy, Olde-English quaintness" (Greenblatt 1997, p. 73). The distance of the olde ffolke should depend on their thoughts, not their spelling conventions. For the same reason I have changed British spellings to American, "honour" to "honor" and the like. Sometimes I cannot resist retaining "-eth" in 16th-century quotations. It's so cozy and quaint.

Such pro-market opinions were never universal. The British elite took a century or more after the age of Shakespeare to begin speaking of commercial creativity as O.K., acceptable, not-to-be-sneered-at. And anti-commercial snobbery in Britain did not ever entirely end. The liberty half of the Revaluation was equally (and more famously) slow in coming. The domination of British politics by an Establishment did not ever entirely end. As the historian Margaret Jacob argued long ago, and as Jonathan Israel has confirmed lately in the history of ideas, the free-market and free-voting “radical Enlightenment” of people like the Levellers, de la Court, Spinoza, Mandeville, Paine, and the well-named Freemasons was undercut by the more conservative and monarchical Enlightenment of Locke, Newton, Voltaire, and the rest, in the utter liberty of trade that the radicals sometimes favored among others matters.¹⁵ (And both the radical and the conservative Enlightenment, of course, were opposed by the reactionary powers, with galley and with rope.)

The historian of technology Christine MacLeod dates the final apotheosis of the inventor in Britain to the early nineteenth century. Certainly the shift in rhetoric beginning in the seventeenth century needed constant tending, as ideologies do. MacLeod tells for example of the remarkable campaign to erect in 1834 a big statue of the inventor James Watt (1736-1819) in Westminster Abbey, among the kings and priests and poets. A contemporary asked in vexation “what this vast figure represents, what class of interests before unknown [well, hardly ‘unknown’], what revolution in the whole framework of modern society.”¹⁶ He was well behind the curve. MacLeod notes that the *Times* as early as April 22, 1826 had declared that inventors were “the elect of the human race.”¹⁷ She detects during the 1830s “a marked alteration in the attitudes of judges and juries towards patentees. . . . The balance of success in litigation shifted towards prosecutors of infringements, as patentees began to be regarded less as grasping monopolists [of Elizabethan date, for example], and more as national benefactors,” sixty years after Adam Smith had fully articulated the case.¹⁸

Such dignity for innovation and liberty for enterprise are sometimes still opposed— which along with a bad climate and a bad start is why some countries remain poor. True, if supporters of subsidies to American cotton growers were capable of shame, eastern Burkina Faso and the rest of the Sahel would do better. Ethical failures in the global North, such as the rhetoric of zero-sum “competitiveness,” contribute in part to keeping such places poor. Yet even with a bad climate and a bad start and an unethical policy in the North of protecting its own rich farmers, such places do not have to remain poor. That’s the difference on past form between Norway in 1800, hopelessly poor, and Chad now. When a stable though tyrannical country like China or a turbulent though law-governed country like India started to revalue markets and innovation, and to give a partial liberty to

15 Jacob 1981 (2006); Israel 2001.

16 Dean Stanley 1834, quoted in MacLeod 1998, p. 96.

17 MacLeod 1998, p. 108.

18 MacLeod 1998, p. 108.

commerce, the food and housing and education for the average person began doubling every 10 to 7 years. In a couple of generations China and India will have Hedda's standard of living. They have already entered Collier's Top 5½ Billions. An internal ethical change allowed it, beginning in northwestern Europe after 1700.

It wasn't "capitalism" that was new in 1700. Markets and non-agricultural property and a town-living middle class to manage them are very old. Credit is ancient.¹⁹ The market economy, contrary to what you might have heard, has existed since the caves. The invention of full language around 50,000 B.C.E. shows up archaeologically for example in a big and sudden increase in the distance traveled by stone for tools, such as flint or obsidian, scores of miles in trade instead of the former few. So it went, for millennia. "Back at least as far as the third millennium B.C.E.," writes the economic historian George Grantham, "farmers on some islands in the Aegean Sea were producing olive oil and wine in amounts greatly exceeding domestic consumption requirements."²⁰ Walled towns arose with the invention of agriculture, in Jericho since 8000 B.C.E. for example. For millennia afterwards the towns proliferated, with their markets and bourgeoisies and enterprises. In the third millennium B.C.E. the merchants from the Indus Valley civilization in what is now Pakistan exported grain and cotton cloth to Sumer in southern Iraq. Coinage was invented simultaneously in China, India, and what is now Turkey around the eighth century B.C.E., but monetary equivalents (bars of copper, say, or cowry shells) were used long before. "Commercialization" and especially "monetization," and their opposites "self-sufficiency" and "communal property rights," are myths created by German scholars in the nineteenth century. From the earliest times, as we can infer for example from the curses directed at them by the Hebrew prophets, the townsfolk appear to have had pretty much the same psychological makeup as the modern bourgeoisie. They wanted profit, as all humans do. They believed that arranging for monopolies by corrupting the judges and kings was the best way to attain it. But they were willing to innovate if forced by competition and enabled by cooperation. They only awaited the sociological and political Revaluation in northwestern Europe to begin innovating on an immense scale.

Nor of course was innovation entirely novel in 1700. People had always been creative in making arrowheads or wooden boats. An Upper Paleolithic burst of creativity in making tools and ornaments and musical instruments is another sign of the invention of fully modern language, as is the use of ocean-going boats to get proto-Australians across the Wallace Line before 40,000 B.C.E.²¹ The Taiwanese natives, originally from China, appear to have invented the outrigger canoe around 3500 B.C.E., and went on to populate the Pacific. The Indo-Europeans of Ukraine appear to have domesticated the horse around 4000 B.C.E.,

19 Cohen 1992.

20 Grantham 2003, p. 73.

21 Kuhn, Stiner, and others 2001: they speak of the emergence over a wide area rather suddenly of "redundant, standardized ornament forms" suggesting communicative purposes. Earlier art was rare, and unique item-by-item in design: it was not a result of a talking culture.

and went on to conquer or repopulate or inspire Europe, Iran, and much of South Asia. But until 1800 C.E. the innovations had allowed expansion of humans merely in numbers and ecological range, or the replacement of one culture by another. For Malthusian reasons it had done nothing to change the \$3-day life—nothing at all, from Zulu farmer to Eskimo hunter. The anthropologist Marshall Sahlins argued long ago, and persuasively, that the “stone-age economics” of hunter-gatherers allowed people to work many fewer hours than agriculture did.²² Yet laboriously cultivating fields of grain did support cities and temples and then literacy. It was a tradeoff, a sparsely populated hunting ground traded off for a dense city with a few readers. But neither choice improved the scope of the average human—for most people their lives were poor, illiterate, narrow, and brief.

What was different after 1800, and with unstoppable force after 1900, was a novel and immense and sustained, almost lunatic, scale of innovation, finally breaking the Malthusian curse. For the first time the innovations made ordinary people far richer than the ancient standard of hunter-gatherer or nomadic herder or settled farmer, and allowed the moderns to have smaller and more educated families. Think again on your ancestors, and compare. And rejoice.

Chapter 2: The Tide Came from a New Dignity and a New Liberty for the Ordinary Bourgeoisie and Its Innovations.

Innovation depends, as the economist and rabbi Israel Kirzner has argued, on alertness.²³ The big or small entrepreneur, encouraged by dignity and enabled by liberty, alertly notices an opportunity, and takes it. To have socially good effects, obviously, the alertness cannot be of the monopolizing sort that the ancient bourgeoisie admired, or of which the Tammany Hall politician George Washington Plunkett spoke of in 1905: “There’s an honest graft, and I’m an example of how it works. I might sum up the whole thing by sayin’: ‘I seen my opportunities and I took ‘em’.”²⁴ Such “opportunities” to extract bribes out of a government-enforced monopoly will at best shuffle the community’s income from the taxpayer to Plunkett. More likely in the process they will reduce it. And modern

22 Sahlins 1974 (2004), esp. Chp. 2, “The Domestic Mode of Production: The Structure of Underproduction.”

23 For example, Kirzner 1976, p. 83, as elsewhere in his writings, and especially Kirzner 1973. I have criticized his very fruitful approach, though, as not going quite far enough: as not recognizing the importance of the social aspect of entrepreneurship, and especially the role of conversation (McCloskey 2008d; compare Storr 2008).

24 W. L. Riordon, *Plunkitt of Tammany Hall* (1905), pp. 3-10, reproduced in Leland D. Baldwin, “*The Flavor Of The Past Readings in American Social and Political Portrait Life*”, Vol.II (New York: Van Nostrand, 1968), pp.57-60, and then at <http://www.uhb.fr/faulkner/ny/plunkitt.htm>

protectionism, such as the sort Frédéric Bastiat spoofed in 1845 in his petition of the candle makers against the light of the sun, certainly does reduce the community's income, by putting people in less productive jobs.²⁵ Bastiat's funniest example is the "negative railroad." A railroad was proposed from Paris to Madrid. The city of Bordeaux, a third of the way, demanded that the railroad break there, which would "create jobs" for porters and hotels and taxis (London, Chicago, and Paris itself have long had precisely such arrangements, extracted by politics and monopoly: in the United States during the railway age one always said "Change in Chicago"). Bastiat noted that by such "job-creating" logic *every* town along the route should see its opportunity and take it. "Change in Ablon-sur-Seine, Evry, Ballancourt-sur-Essonne, La Ferté-Alais." Every few kilometers, at every country village, the railroad would end at a Gare du Nord to be resumed at a Gare du Sud after job-creating expenditure by travelers and freight handlers. All the national income of France and Spain would come to be "generated" by the railroad, at the cost of all other forms of production. It would be a *negative* railroad, a triumph of protectionism and industrial planning achieved through what economists call "rent seeking."

But the society is in fact made better off if the opportunity is an actual improvement in how things are provided—rather than one of the rent-seeking opportunities for legalized theft in which the old aristocracy and priesthood had so long specialized, and in which the new democratic politicians also came to be skilled. Move the marketplace to a more convenient location. Buy Greek olive oil at a low price to sell high. Invent the container ship. Discover $E = mc^2$.

Yet such alert activities, especially in towns, had always been scorned by the elite. After all, the elite such as the Brahmins and the warriors lived by the dignified collection of rents or taxes imposed on the other classes—the bourgeois *Vaishya* and the servant class *Shudra*. The *Shudra* lived by physical work, thereby polluted. And a middleman from the *Vaishya*, who improved life for all by purchasing a bolt of cloth or an idea for an invention at a low price and selling it at a higher price to people who valued it more, seemed to the elite a mere trickster. In 44 B.C.E. Cicero declared that "commerce, if on a small scale, is to be regarded as vulgar; but if large and rich. . . it is not so very discreditable. . . if the merchant, . . . contented with his profits, . . . betakes himself from the port itself to an estate in the country."²⁶ In 1516 the blast by Thomas More—or, rather, by his character Raphael Hythloday ["peddler of nonsense": More was for a long time canny in making his own position ambiguous]—can stand for the abuse directed for millennia at the vulgar traders and innovators of the towns: "They think up . . . all ways and means . . . of keeping what they have heaped up through underhanded deals, and then of taking advantage of the poor by buying their labor and toil as cheaply as possible. . . . These depraved creatures, in their insatiable greed, . . . are still very far from the happiness of the Utopian commonwealth

25 Bastiat 1845, I.7.

26 Cicero 44 B.C.E., I:42. Compare Finley 1973, pp. 60, 23.

[where] once the use of money was abolished, and together with it all greed for it, what a mass of troubles was cut away!"²⁷ The Earl of Leicester, sent by Elizabeth in the 1580s to meddle in the politics of the already bourgeois Dutch, did not trouble to conceal his contempt for the "Sovereign Lords Miller and Cheeseman" with whom he had to deal.²⁸ And even the commercial Dutch had a proverb, *Een laugen is koopmans welvaart*, "A lie is a merchant's prosperity."

But after 1700 in Britain, as earlier in Holland, the vulgarities of the economy and of money and of dealing, with their disturbing creativity, came gradually to be talked about as non-corrupting. They began to be seen in theory as worthy of a certain respect, as being not hopelessly vulgar or sinful or underhanded or lower caste. In a word, they became dignified. The very idea of virtue and dignity in (of all places) the economy—even in small-scale commerce, or buying grain low to sell high, or making cheese—had been proposed tentatively by professors in Italy and Spain and France. In the mid-thirteenth century St. Thomas of Aquino himself had written in the style of his ancient and anti-bourgeois authorities, especially of the desert monks and of Aristotle the teacher of aristocrats, that "trading, considered in itself, has a certain debasement attaching thereto, in so far as, by its very nature, it does not imply a virtuous or necessary end."²⁹ But Thomas and the other urban monks of his time wrestled against the inherited style: "Nevertheless gain which is the end of trading, though not implying, by its nature, anything virtuous or necessary, does not, in itself, connote anything sinful or contrary to virtue: wherefore nothing prevents gain from being directed to some necessary or even virtuous end, and thus trading becomes lawful. Thus, for instance, a man may intend the moderate gain which he seeks to acquire by trading for the upkeep of his household."

No one in charge in Florence or Barcelona after 1200 actually thought that commerce was immoral—they left such primitive notions to the country folk of the North. Yet eventually in the North-Sea lands during the seventeenth and especially during the eighteenth century many of the clerisy of artists and intellectuals, and even a few churchmen and aristocrats, came to tolerate and in a small way to admire the bourgeoisie. Towards 1800 many ordinary Europeans, and towards 1900 still more Europeans, and then towards 2000 many ordinary people elsewhere, came to accept the outcome of the market with more or less good grace. As Christine MacLeod puts it, by the standard of the "aristocratic cultural hegemony" of earlier times "the inventor was an improbable hero," but by the middle of the nineteenth century in Britain the inventor had become just that.³⁰

27 More 1516, p. 132.

28 Israel 1995, p. 222.

29 Aquinas 1251-1273, Second Part of the Second Part, Question 77, Art. 4, "I answer that."

30 MacLeod 2007, pp. 1, 13. MacLeod detects a decline in the prestige of inventors by the early twentieth century, but I would argue that by then the heroism had been routinized. In A. G. Macdonnell's comic novel *England, Their England* (1933) the engineer character, William Rhodes, is still to be admired, though suspect from an English upper class point of view (Macdonnell was a Scot). MacLeod's argument, admittedly, is about inventors in the strict sense, not the

The Dutch, then the British, then the Americans, and then many other people for the first time on a big scale looked with favor on the market economy, and even on the creative destruction coming from its profitably alert innovations. American westerns praised bourgeois cattlemen.³¹ Japanese salarymen became heroes of novels. The world began to revalue the bourgeois towns. In 2005 the francophone English writer Alain de Botton spoke of his boring home town, Zurich, whose “distinctive lesson to the world lies in its ability to remind us of how truly imaginative and humane it can be to ask of a city that it be nothing other than boring and bourgeois.” He quotes Montaigne, writing in the last decades of the sixteenth century:

Storming a breach, conducting an embassy, ruling a nation are glittering deeds. [But] rebuking, laughing, buying, selling, loving, hating, and living together gently and justly with your household—and with yourself. . . —is something more difficult. Whatever people may say, such secluded lives sustain in that way duties which are at least as hard and tense as those of other lives.³²

Note that the event is not a “rise of the middle class,” if by that is meant a coming of an enlarged bourgeoisie to political power. Outside the British colonies in North America the step was long delayed. The middle class, as the historian Jack Hexter pointed out long ago, is always “rising” —and yet only lately in England has found room at the top.³³ It hadn’t, really, even in the nineteenth century, and certainly hadn’t in the sixteenth and seventeenth centuries. The event in early modern times is rather a Revaluation of bourgeois behavior, an increased acceptance of bourgeois virtues—the rebuking, laughing, buying, selling far from glittering deeds. As the historian Joyce Oldham Appleby put it in 1978, speaking of the late seventeenth century and after, the middle class in England “coalesced with, rather than displaced, the existing ruling class. . . . Social change. . . requires not a new class but a modern class, however formed.”³⁴ In Holland, first, and then in England and then the rest, it happened.

The market and the bourgeoisie in the Revaluing countries repaid the compliment with a stunning enrichment of all. The bourgeoisie acted for the first time within a social drama in which it enjoyed dignity and liberty. Through its innovation and its competition for customers in markets it made itself rich, and increased the welfare of the poor in Britain and then elsewhere at first by 100 percent and at length by 900 percent, then 1500 percent, then beyond, up to that \$137 a day. It is happening now even in Ghana and in Egypt.

users of inventions. Yet as Edgerton (1996 and 2005) argues, Britain remains, for all the post-Victorian lament, one of the most inventive economies on earth.

31 For a discussion of the bourgeois tendency of the cowboy novel and film, and its tensions, see McCloskey 2006a, pp. 212-230.

32 Montaigne 1588, Bk. III, 2, “Of Repentance,” quoted Botton 2005, p. 46; alternatively translated at p. 614 of D. Frame, ed. and trans. (Stanford University Press 1958).

33 Hexter 1961.

34 Appleby 1978, pp. 11-12.

Some of the enrichment was win-win, a “creative accumulation,” as the economic historian Nick von Tunzelmann puts it. Think of the hula hoop or the skate board, new products with no close substitutes to be damaged by the novelty. Yet most changes do damage some people—from “creative *destruction*,” in the phrase of Werner Sombart’s (1863-1941) made famous by Joseph Schumpeter (1883-1950). Win-lose is commonplace. Think of the new fold-up-and-carry canvas lawn chairs, which once sold for \$40 and now for \$6, which have bankrupted companies making the older aluminum chairs. They in turn had bankrupted the old wooden folding deck chairs, which in turn had bankrupted the still older Adirondack non-folding wooden chairs. Chicago prospers mightily, and windily proclaims its might, and so St. Louis comparatively does not. Steam puts waterpower out of business, slowly. Buggy whips lose their appeal. WalMart cheapens goods to the poor by driving local monopolies in retailing out of business.

Creative destruction is not only economic. If innovating in the production of sugar or the organization of corporations creates some losers as well as a lot of winners, so do almost all artistic or intellectual innovations. Charlie Parker and Dizzy Gillespie put out of business many a jazzman of the Age of Swing, as Swing had put out of business Dixieland, and Dixieland had put out of business Ragtime. The customers who loved bebop were among the winners; those who loved the earlier jazz, such as the English poet Philip Larkin, were losers. Coco Chanel bankrupted many a dressmaker of the older sort, though freeing many women by inventing a version of the man’s suit, for dignity in business.³⁵ Albert Einstein made obsolete the many physicists who believed that the universe in the large was Euclidian and Newtonian. And shortly afterwards Niels Bohr and Werner Heisenberg and their quantum mechanics made Einstein’s mature thinking obsolete. It is not true that free trade in goods or art or ideas helps every single person.

But the fact of destruction somewhere does not make free trade in goods or ideas a bad thing. The accounting is commonly win-win-win-win-win-lose. Or so the new bourgeois liberalism claimed, contrary to the zero-sum notions that had governed the world up to then in which every gain to Europe was supposed to have arisen from a comparable loss to the rest (it lives in recent talk about “competiveness”). Win minus lose equals zero. No, said the liberals like John Stuart Mill, not usually, not if it’s actually win-win-win-win-win-lose.

The win-win-win-win-win-lose calculation is known in philosophy as “act” (or direct) utilitarianism. The balance of social gain to some innovation is claimed to be positive, if you take winners with losers and add them up (somehow). At the same time, however, an alternative argument was developed, by Mill: “rule” or indirect utilitarianism.³⁶

35 Hollander 1994.

36 Mill 1843: “There are many virtuous actions, and even virtuous modes of action (though the cases are, I think, less frequent than is often supposed) by which happiness in the particular instance is sacrificed, more pain being produced than pleasure. But conduct of which this can be truly asserted, admits of justification only because it can be shown that on the whole more happiness

Start by admitting that each act of buying or innovating may have losers. Indeed, unless the item has no alternative buyer or employment, it must. If I buy a Picasso I am literally taking it away from *someone*. The price he faces for substitutes for “Man with a Blue Guitar” must rise. If he has a veto on my purchase, he will surely exercise it. A society in which literally everyone has to agree to such a change in how things are allocated between him and me will not be progressive technologically, or artistically or intellectually or spiritually. In the Russian fable the peasant Ivan is told by God that he can have anything he wants, on the condition that his neighbor Boris gets twice as much. Ivan is stumped, since like many Russians in olden times he is governed by envy. “Aha,” he says at last to God. “I have it: give me the gift of having *one* of my eyes blinded—so the damned Boris will get *two*.”

What Mill and Sidgwick and other sophisticated utilitarians saw in developing a Rule version is that if we instead make our ethical and political decisions not at the level of acts but at the level of rule-making *about* acts we can avoid the win-lose logic of allocation, and avoid, too, other and more dramatic paradoxes in act utilitarianism. We choose to abide by the market’s equilibrium, for example (and let Boris prosper), or we choose to abide by democratic government, or we choose to abide by the amiable political fiction that all people are created equal—and the outcome will be good (Mill was still a consequentialist in ethics). Mill’s ploy undergirds what the economist James Buchanan calls “constitutional political economy.” “If politics is conceptualized as a two-stage or two-level process (the constitutional [or rule] and the post-constitutional [or act]). . . the agreement criterion . . . [has] more acceptable implications.”³⁷ It is what Buchanan and Gordon Tullock were about when they posited in *The Calculus of Consent* (1962) a veil of uncertainty concerning which side of the market or the vote one will end up on, behind which one makes constitutional rules. It is also what their friend John Rawls was about in his later *A Theory of Justice* (1971) when he imagined a pre-natal veil of ignorance behind which we decide whether our society will have slavery or not.

But to the economist, the lower level, act utilitarianism still has its charms. She points out that if the price of lumber is higher in England than in Sweden then shipping Swedish lumber from Norrland to London creates value, by the amount of the price difference less the transaction costs. An innovation in lumber manufacturing or organization can be seen as the same sort of alert arbitrage, buying an idea for lumber ships or steel saws low and selling it high. Again the gain in value is the price difference. Sven Svenson the Swedish lumber king is made better off, as is Jones the lumber merchant in London—and his employees and customers are made better off, too. True, if Sweden exports lumber some people are hurt. The price of lumber from Sussex in southern England, which is a substitute for Swedish lumber, goes down, and the fall in price will measure the loss to Wrightman,

will exist in the world, if feelings are cultivated which will make people, in certain cases, regardless of happiness” [VI.xii.7]. Twenty years later, in *Utilitarianism*, he had much more to say along the same lines.

37 Buchanan 2006, p. 991.

the owner of a big stand of timber in Sussex. And back in Sweden Jon Jonson, the competing lumber duke, is certainly made worse off by King Svenson's success. He is very unhappy about it, and would veto it if he could.

The economic logic, however, is that the act of taking advantage of a price difference, moving stuff from low-valued uses to high-valued uses, creates a net and national gain in value-in-use (which appears as an uptick in national income). People benefitting from the original low-valued use are hurt, but more people (weighted by purchasing power) are helped—the price they pay falls. Other suppliers of lumber or any substitute for lumber are hurt. The demanders of any complement such as houses made with wood are helped. It looks complicated. But on a blackboard the economist can show you that under certain assumptions the net gain to national income is always positive. As Bastiat said at the dawn of confidence in *laissez faire* arguments, “what I save by paying nothing to the sun [for indoor illumination in the day time], I use for buying clothing, furniture, and [even] candles.”³⁸ It is all quite simple, the economist says—unless, she will concede with a certain embarrassment, “second-best” considerations or “non-convexities” intervene, or unless you do not approve ethically of weighting people by purchasing power.³⁹

Blackboard proofs and their uneasy assumption of first-best and amoral income distribution aside, though, the historical facts speak loudly enough. Clearly, *some* people are hurt by economic change, every time, just as some people are hurt by intellectual change or fashion change or climate change. But equally clearly the gain since 1800 from economic change has massively outweighed in monetary and ethical terms the loss to English woodmen disemployed by Swedish timber, or American blacksmiths disemployed by automobiles, or Indian bullock-drivers disemployed by motor trucks. The Win-Win-Win-Win-Wins far outnumber the lone Lose. To put it in terms of constitutional political economy, what sort of society would you rather be born into: one that forbade every innovation that resulted in any loss whatever to someone, and rested therefore at \$3 a day, and held that the sun “rose,” or one that allowed innovation, perhaps with a social safety net like Norway's, and resulted in \$137 a day, and allowed Copernicus to make old ideas obsolete?

That's why it is scientifically important to grasp the great magnitude of modern economic growth. When the value created is merely the modest efficiency gains noted in the nineteenth century by the classical British economists one might reasonably stand in doubt, and slip into conservative, protectionist measures (though the blackboard, I say, still provides the uneasy proof of net gain from free trade). But when the value created is a factor of 10—a movement from \$3 to \$30, not to speak of \$3 to \$137—it becomes impossible to argue that the loss to the substitutes (other suppliers of lumber, say) does in historical fact overwhelm the gain (to buyers of wood, say, or people who live in wooden houses). Or, to

38 Bastiat 1845, II.15.33.

39 E.g. McCloskey 1985b, sections 9.2, 10.2, 10.3, 24.1.

speak from behind the veil of ignorance, it becomes impossible to argue that one would prefer to enforce rules leading to the ignorant \$3 society rather than to the wise \$137 one.

* * * *

Some intellectuals, though, look with suspicion on globalization, and focus on its losers such as Jonson the Swedish competitor of Svenson, or Wrightman the English competitor of Swedish timber, and especially focus on the impoverished employees in the activities on the Lose side. They conclude that economic growth has had unconscionable costs. The historical sociologist Immanuel Wallerstein, a man of the left, declared in 1983 that “It is simply not true that capitalism as a historical system has represented progress over the various previous historical systems that it destroyed or transformed.”⁴⁰ Such is the theme of the historians Kenneth Pomeranz and Steven Topik in their brilliant economic-historical collage, *The World That Trade Created* (2006; a new edition of a 1999 book). They warmly commend, among numerous other opponents of innovation, “village elders [in twentieth-century China] who had banned a more efficient sickle on the grounds that its benefits were not worth the new struggles it would touch off between farmers, hired harvesters, and thieves.”⁴¹ That sounds nice, if rather peasantly and old Russian.

But it’s *not* nice, though old Russian. If envy and local interest and keeping the peace between users of old and new technologies are allowed to call the shots, then innovation and the modern world is blocked. If bourgeois dignity and liberty are not on the whole embraced by public opinion, the enrichment of the poor doesn’t happen. You achieve through a doctrine of compelled charity the “santification of envy,” as the Christian economist the late Paul Heyne put it. The older suppliers win. Everyone else loses. You ask God to blind your neighbor. You work at your grandfather’s job in the field or factory instead of going to university. You stick with the old ideas. You remain contentedly—or not so contentedly—at \$3 a day. The poor remain unspeakably poor.

By 1800 in northwestern Europe, for the first time in economic history, an important part of public opinion, especially elite opinion, denied envy, and came to accept creative accumulation and destruction in the economy, in the way it was doing in the parallel world of non-economic ideas. Enlightenment declared, “Out with the old ideas, in with the new.” Meanwhile the entrepreneurs were saying the same thing about inventions and market deals. The resulting change certainly did represent progress over the various previous historical systems that it destroyed or transformed, because it introduced rule utilitarianism or constitutional political economy into the affairs of ordinary life. People were willing to change jobs and allow technology to progress. Ludditism did not thrive. People stopped enviously attributing this man’s riches or that woman’s poverty to politics or witchcraft. They came to what the novelist Philip Roth calls “a civilized person’s tolerant

40 Wallerstein 1983 (1995), p. 98.

41 Pomeranz and Topik 2006, pp. 134-135.

understanding of the puzzle of inequality and misfortune.”⁴² Or at least they shifted away from a belief in highly personal politics and witchcraft, such as had in the early seventeenth century provoked the burning of thousands of witches along the German borderlands with France, towards a disenchanting belief in the impersonal—Them or the Government or the Invisible Hand or That’s Just How It Is.

Accepting creative accumulation and destruction, it turned out, provided a near-guarantee that almost all the boats rose on its tide. You didn’t even need a boat. It is sweet and good to sympathize with the poor. We all should. It is a scandal when conservative ideologues prefer the rich to the poor. They ought to be ashamed. Yet even sweet ideas have consequences, and the poor are unintentionally damaged by the left wing’s belief in “wage slavery.” A choice to work for a wage at a terrible job (rather than, say, starve) is after all nothing like slavery. Slavery, pogroms, state compulsion enforced by the army make people worse off. Naturally. By contrast, the wages paid for work, even terrible work, make people better off—at any rate in their own opinion. They line up to work for the Nike shoe company in Cambodia. The people do not choose to be compelled by the army; but they choose to work. Stopping people from taking terrible jobs—with prohibitions or protections or minimum wages—takes away from what the people themselves regard as a bettering option, however nasty the work offered. Sweat shops in the New York garment trade, such as those in which the free-market economist Milton Friedman’s parents both worked all their lives, lead on to college-educated children and grandchildren. In the short run the sweat shops of New York were better than peddling on the street or digging for food in the city dump. And in the long run the acceptance of creative destruction relieved poverty. It has in fact been the only effective relief. Wage regulations and protection and other progressive legislation, contrary to their sweet (and self-satisfying) motives, have only preserved poverty, by preserving the old jobs. Innovation made the new jobs, and financed the new college graduates, and raised the tide.

Pomeranz and Topik are not wrong to note the exploitation when, say, rising demand for twine to bale American wheat straw led to Mayans and Yaqui Indians being bound in the Yucatán to harvest cactus to make the twine.⁴³ But they are often wrong in assigning the exploitation (usually without argument) to the innovation itself rather than to the pre-capitalist structures of power that allowed the tyrants to exploit in evil ways the opportunity to trade in twine or coffee or sugar or rubber. Such pre-existing evils, exploited in other ways before the evil market appeared, were often enough eroded by capitalism itself—if by nothing else than by the sheer rising tide of world incomes per head and the political power to ordinary folk that it brought. And after all it was the liberal *bourgeoisie* who supported early and uniquely the ending of slavery, as in the British Empire in 1833, and the protections for free speech, in the American First Amendment in 1789, and the

42 Roth 2006, p. 101.

43 Pomeranz and Topik 2006, pp. 131-132.

various other liberties overturning the *ancien régime* in the French Revolution of that same promising year.

In other words, anti-globalization writers such as Pomeranz and Topik (among many of my left-wing friends) have less interest than they should in the gigantic gains from bourgeois dignity and liberty. Naomi Klein's *The Shock Doctrine* assaults economic liberalization without admitting that it has enriched the poor of the world since 1973 (not to speak of since 1800). A political poster current in 2009 read, "Milton Friedman, proud father of global misery." Some misery: income per head in the world increased in real terms from 1973, when Friedman first became widely influential, to 1998, when he was 86 years old, by 40 percent.⁴⁴ Friedman in fact, and on libertarian principle, never advised governments himself or accepted money from them—including Chile under Pinochet, with which he had in fact slight contact. Friedman refused two honorary degrees from state universities in Chile precisely because he did not want to be associated with an authoritarian government. I was present at a faculty meeting at the University of Chicago at which Milton singlehandedly killed a proposal for the Department of Economics to get millions of dollars from the Shah of Iran to educate Iranian professors of economics. He stood up and said, "We can't be associated with a dictator like the Shah." We were stunned, and shamed by him at our impulse to accept, dazzled by dollar signs. In countries that followed Milton's philosophical advice the increase 1973-1998 was much larger even than the world's average of 40 percent. In China, for example, much influenced by Friedman's ideas after 1978 (his book of 1962, *Capitalism and Freedom*, was widely read by Chinese reformers), it was a factor of 3.7, or 270 percent. In Ireland, which dramatically liberalized, it was a factor of 3.2, or 220 percent.⁴⁵

Nowhere in a long book do Pomeranz and Topik acknowledge the enriching results of free markets, such as the leap 1800 to the present from \$3 to \$137 in Norway, or the more widespread leap in the world's average from \$3 to \$30. The historians of the world that trade created do not acknowledge the largest economic event in world history since the domestication of plants and animals, happening in the middle of their story. An elephant sits in the middle of the room, but Pomeranz and Topik speak only of the disturbances to the surrounding glassware. Nowhere in their book do they note that we were once all poor and now many of us are rich, and the Top 5 ½ Billion are on the way to riches. There is some hope even for the Bottom Billion. Pomeranz' and Topik's own ancestors were \$3-a-day folk, like yours and mine. The detested capitalism permitted the descendents—Pomeranz and Topik and McCloskey, for example—to specialize in the arcania of Chinese or Latin American or British economic history instead of cooking potatoes or mending shoes. Someone who imbibed their world history over the past centuries from Pomeranz

44 Maddison 2006, p. 264, and also for the Chinese figure below.

45 Maddison 2006, p. 273.

and Topik, or their world history in the past twenty years from Naomi Klein, would have no idea that such a shrinkage of world poverty had happened.

We all—my left- and my right-wing friends and I—want the poor to do well. No one of sense cares for example how splendidly the good folk of Fisher Island, Florida are doing in their mansions. True, the right wing is often impatient with the poor (“Get a job, you bum—preferably as a high-level financial advisor!”), and is often reluctant to admit that the conservative institutions it admires with such affecting piety are often instruments of class or racial or gender domination of the less well off. Harvard College discriminated against Jews from the 1920s on.⁴⁶ The hospitals in the South were segregated, leaving the jazz singer Bessie Smith to die in 1937 on the way to a remote Negroes-only hospital. But the left wing in turn, ably represented here by Pomeranz and Topik and Wallerstein and Klein, is often reluctant to admit that bourgeois innovation, not government protection or union organization, made most poor people 1800 to the present massively better off. As it has.

Or, to look at it the other way, the anti-globalization, anti-modernization writers have less interest than they should in the misery of traditional, \$3-a-day societies, in which village elders decide on the design of sickles, and of marriages, and of laws. Wallerstein claimed in 1983 that he did not “seek to paint [an] idyll of the worlds before historical capitalism,” but went on to deny (in an argument he admitted was “audacious”) the evident progress in the material and spiritual condition of ordinary people worldwide since 1800.⁴⁷ Such denials from the left are refuted by what is known in rhetorical theory as the “circumstantial ad hominem.” Like a lawyer for the cigarette companies who falls down dead in court from cigarette-caused cancer, the circumstances of the speaker refutes his argument. The academic prosperity of Wallerstein and Klein, and Pomeranz and Topik—which compared with their impoverished ancestors has provided them with the goods and spirit to claim that the poor got poorer in goods and spirit—refutes their very theme.

We must not allow the threnodies for the world we have lost to deafen us to the cheerful epithalamia for the world we have gained. Mill complained in 1848 about the reactionary version of the threnody then forming in the writings of Benjamin Disraeli and Mill’s friend Thomas Carlyle (in this as in some other respects the recent far left has revived the arguments of the old far right): in “the theory of dependence and protection . . . the lot of the poor . . . should be regulated *for* them, not *by* them. . . . This is the ideal of the future, in the minds of those whose dissatisfaction with the present assumes the form of affection and regret towards the past.”⁴⁸ Or as Bastiat put it about the same time, against the notion that “the government should know everything and foresee everything in order to manage the lives of the people, and the people need only let themselves be taken care of. . . . Nothing is more senseless than to base so many expectations on the state, that is, to assume the

46 Karabel 2005, Chp. 3, “Harvard and the Battle over Restriction.”

47 Wallerstein 1983 (1995), p. 100.

48 Mill 1871, Bk. IV, Chp. vii, sec. 1. It is the same in the first, 1848 edition, and was much influenced then (Mill says in his *Autobiography*) by the thought of Harriet Taylor.

existence of collective wisdom and foresight after taking for granted the existence of individual imbecility and improvidence."⁴⁹ Conservatives and progressives alike suppose that village elders or members of the French Assembly are better suited to deciding on innovation than are mere peasants noting the advantages of a better sickle or mere railway men noting the advantages of a through route from Paris to Madrid.

But in the event, by the new, egalitarian, anti-expert, pro-bourgeois talk (or "self-dependence," as Mill called it), a positive-sum game was freed to some extent from zero-sum politics. The idea of progress through bourgeois dignity and liberty took hold of the social imaginary of the West. Napoleon's armies saw it as their first duty after a conquest to abolish the monopolizing guilds. In 1857 the Danish Sound Tolls, which for centuries had been collected from Hamlet's Helsingør ("Elsinore," said Shakespeare), were eliminated by international treaty. By the middle of the nineteenth century both Britain and France were free-trade nations.⁵⁰ And all were on their way to bourgeois enrichment.

* * * *

I am claiming, in other words, that the historically unique economic growth on the order of a factor of ten or sixteen or higher, and its political and spiritual correlates, depended on ideas more than on economics. "During its rule of scarce one hundred years," wrote Marx and Engels in *The Communist Manifesto* of 1848, "the bourgeoisie has created more massive and colossal productive forces than have all preceding generations."⁵¹ True, and in the next hundred years it created much more, with a consequent improvement of the formerly poor—quite contrary to what Marx and Engels anticipated. But ideas, not mere trade or investment or exploitation, did the creating. The leading ideas of the bourgeoisie itself and especially the new idea of its fellow citizens to resolve to speak kindly of the bourgeoisie were two: that the liberty to hope was a good idea and that a faithful economic life accords dignity and even honor to ordinary people, to My Lord Cheeseman as much as to Your Grace the Duke of Leicester. The disturbing outcomes of such a bizarre egalitarianism, many Europeans came to believe, should be encouraged. To use the word Marx taught us, the modern world arose out of an entirely new "ideology." Or, equivalently, it arose out of an entirely new "rhetoric," which is an older word meaning about the same thing. For example, the word "honest," which in Shakespeare's time meant mainly "noble" (that is, honorable in an aristocratic way, achieved in battle or at court: "Honest, honest Iago"), changed its rhetoric in the eighteenth century to mean mainly "truth-telling" (that is, reliable in a bourgeois way, making deals). The same shift took place

49 Bastiat 1845, II.15.58-59.

50 Nye 2007.

51 Marx and Engels 1848 (1988), sec. I, p. 59.

at the same time in other Germanic and Romance languages of commerce, such as Dutch and Italian.⁵²

In the human realm “the great chain of being” (*scala naturae*: the staircase of nature), dominated the Elizabethan world picture. It was the inherited yet endlessly refreshed hierarchy of dignities ruling since the first large-scale agricultural societies in Iraq and Egypt and north China or for that matter Hawaii.⁵³ But in the seventeenth century in northwestern Europe it began to break down. For reasons that are not completely clear, there was a shrinkage there in what sociologists call “social distance” (to use the terminology of Georg Simmel, its originator, and the Americans Robert Park and Emory Bogardus early in the twentieth century).⁵⁴ To apply a modern analogy, northwestern European society lurched away from, say, old Korean or South Asian levels of deference towards rank and started down the road to new American or Israeli levels. They did not, to put it mildly, get all the way. But barons and bishops around the North Sea reluctantly moved over a little for townspeople, and at length even for plowmen. Ordinary northwestern Europeans got a dignity and liberty that the proud man’s contumely had long been devoted to suppressing. In the revolutionary year of 1795 the poet and plowman Robert Burns declared that “The pith o’ sense, an’ pride o’ worth,/ Are higher rank than a’ that. . . ./ A man’s a man for a’ that.” The townspeople lost their grip on cozy medieval monopolies, but they got in exchange a new dignity as innovators, and a smaller social distance from the elite. They became the new heroes of a more and more bourgeois-respecting society.

In a striking remark in 1908 Simmel focused on the old image of the bourgeois: “In the whole history of economic activity the stranger makes his appearance everywhere as a trader, and the trader makes his as a stranger.”⁵⁵ An instance from the fourteenth century is Boccaccio’s tale of Saladin disguised as a merchant (*in forma di mercatante*). But a new rhetoric of non-strangeness, a dignity for trading and innovating in ordinary life, arose around 1600 in Holland, later in England, and still later in other places down to the present. It had of course causes itself. Some of the causes were economic and material, surely. But some were rhetorical and ideal. Certainly the immense payoff from positive-sum politics could inspire direct imitation, as it has in present-day India. Matter then could be said to have moved other matter, interests to have spawned new interests. The success of commercial Holland stuck in the craw of English people the way that the success of innovative Hong Kong and Taiwan stuck in the craw of mainland Chinese people, and

52 A fuller discussion of the illuminating vagaries of the word “honest” is given in McCloskey, forthcoming, *The Bourgeois Revaluation*.

53 Tillyard 1943. Members of the school of literary critics known as the New Historicists, for whom Tillyard is a whipping boy, point out that the Great Chain acquired its meaning from the challenges to it, Caliban challenging Ariel so to speak. Orthodoxy implies a heterodoxy to be worried about, and suppressed.

54 See Ethington 1997; an economist’s use of such ideas is Akerlof 1997.

55 Quoted in Ethington 1997.

inspired them to imitate.⁵⁶ By contrast, “conservation of the old modes of production in unaltered form” (as Marx and Engels wrote in 1848) “was . . . the first condition of existence for all earlier industrial classes.”⁵⁷ “Sticking in the craw” is not quite “the modes of production,” but you could call it if you want a case of material interests implying material interests.

Yet Marx erred in claiming (as he and Engels sometimes did) that ideological or rhetorical change *always* reflects the material economy of interests. It was no material interest that drove Hitler’s or Stalin’s or Mao’s regime to murder tens of millions of its own people, or Pol Pot’s to murder about a third of the Cambodian population.⁵⁸ It was ideology, during the century of conflicting ideologies. Doubtless the ideas themselves had some partial dependence on interests. But not always. In the crucial early case from 1600 to 1800 in northwestern Europe the words and ideas led the way. European revolutions, reformations, renaissances, and especially revaluations made townspeople bold and raised them in the estimation of their fellows. They arrived at the “bourgeois dignity” of my title, with liberty. The material economy followed.

(First part of) Chapter 3: Many Other Plausible Theories Don’t Work Very Well

Quite a few of my social-scientific or even many of my humanistic colleagues will be strongly inclined to disagree. They have the idea—held with passionate idealism—that ideas about ideas are unscientific. For about a century, 1890 to 1980, the ideas of positivism and behaviorism and economism ran the social scientific show, and many of the older show-people still adhere to the script we learned together so idealistically as graduate students.⁵⁹ Economists and historians who believe themselves to be quite exempt from any philosophical influences are usually the slaves of some defunct philosopher of science a few years back—commonly a shakily logical positivist nearly a hundred years back. Their faith is impressive.

But in denying words and rhetoric and identity and creativity in favor of numbers and interest and matter and prudence-only they are standing against a good deal of the historical evidence, not to speak of science studies in the half century since Thomas Kuhn. The American constitution, for example, as the historian Bernard Bailyn argues, was a

56 The evidence for how much it stuck for the English in the seventeenth century is reviewed in Appleby 1978, Chapter 4, “The Dutch as a Source of Evidence.”

57 Marx and Engels 1848 (1988), sec. I (para. 29), p. 59.

58 Otteson 2006, p. 178.

59 In the field of history the fullest telling the story of objectivism is Peter Novick’s brilliant book, *That Nobel Dream* (1988). My own *Rhetoric of Economics* (1985a; 1998) tells a similar tale about economics.

creative event in the realm of ideas—and its economic origins are easily exaggerated.⁶⁰ The abolition of slavery, a policy once advocated merely by a handful of radical churchmen (and the Baron de Montesquieu), played in the 1820s and 1830s a role in British politics, and later of course a much bigger role in American politics. As Lincoln famously said on being introduced to the author of *Uncle Tom's Cabin*, “So this is the little lady who wrote the book that made the big war.” Books can indeed make wars. Nationalism spread in reaction to Napoleon’s conquests, in poetry and songs of risings and in the screeds of exiles resident in London. Socialism spread after the disappointed revolutions of 1848 in congresses and party meetings and manifestos. Ideas matter. The opponents of ideas as historical factors are what the modern Marxists call with a sneer “vulgar” Marxists—wanting passionately to be behaviorists, positivists, materialists, every single time, regardless of the common sense or the historical facts.

To explain the new dignity of the middle class in northwestern Europe, and to explain the success it brought to the modern world, the social scientists need to moderate their fervent ideology of materialism—though of course without denying material forces. They need to collect the data on ideas and rhetoric and social distance—though without denying economics. The present book supports such a step indirectly, by looking at a representative sample of apparently promising materialist explanations of the Industrial Revolution—explanations like investment or exploitation or geography or foreign trade or imperialism or genetics or property rights. It finds them to be surprisingly weak in explanatory power. It concludes therefore (I admit the inferential gap) that the remaining explanations, such as ideas, must be strong. The two books to follow will offer more positive evidence for the change in rhetoric, and I hope will plug the gap.

The critical method of “remainders” or “residues” was recommended in his *System of Logic* (1843) as one of four methods of induction by J. S. Mill, that admirably learned and open-minded scholar. “Subducting from a given phenomenon,” wrote Mill in his high-flown but lucid style, “all the parts which, by virtue of preceding inductions, can be assigned to known causes, the remainder will be the effect of the antecedents which have been overlooked, or of which the effect was as yet an unknown quantity.”⁶¹ In simple language, take out what you can measure, and what’s left is the impact of what you can’t. If the economic and material causes usually proposed as explanations for the Industrial Revolution turn out to be weak, then the large remainder might well be the effect of a remaining antecedent—a rhetorical change, perhaps. If investment and trade can’t do it, maybe ways of talking and thinking can. The crucial remaining antecedent, I claim, was a rhetorical change around 1700 concerning markets and innovations and the bourgeoisie. It was merely a change in talking and thinking about dignity and liberty. But it was historically unique and economically powerful. It raised the tide.

60 Bailyn 2005, especially Chapter 1, “Politics and the Creative Imagination.”

61 Mill 1843, p. 464.

The materialist accounts are many, from the “original accumulation” favored by early Marxist historians to the “new institutionalism” favored by late Samuelsonian economists.⁶² The criticism made here do not cast into the eighth circle of Hell every possible version of the theories suggested up to now; nor does it disparage their advocates, many of whom are my personal friends and admired colleagues. But the scientific evidence seems to be strong that the economic theories, whether taken individually or together, can’t explain the startling rise of real incomes. Rhetoric can.

The negative case here, summarizing fifty years of research by economic and historical scientists, is:

Foreign trade was too small and too prevalent worldwide to explain the rising tide in northwestern Europe. Capital accumulation was not crucial, since it is pretty easily supplied. Coal can be and was moved. Empires did not enrich the imperial countries, despite what you may think, and anyway the chronology is wrong, and anyway imperialism was commonplace in earlier times. Likewise, the institutions of property rights were established many centuries before industrialization. Greed didn’t increase in the West. In bourgeois countries during the Industrial Revolution the Catholics did just as well as did the Protestants. The Muslims and the Hindus and the Buddhists, or for that matter the Confucians and most of the animists, thought as rationally about profit and loss as did the Christians. Populations had grown in earlier times and other places. Until the eighteenth century many parts of the Far and Near and Southern East were as rich, and appeared to be as ready for innovation, as parts of the West—except at length in the crucial matters of the dignity and liberty of the bourgeoisie. Until the seventeenth century the Chinese and the Arabs practiced a science more sophisticated than the one the Europeans practiced. The science of the Scientific Revolution was in any case mostly about prisms and planets, and before the late nineteenth century even its other branches did not much help in worldly pursuits (European science, though, was in its non-normal, revolutionary episodes an interesting parallel in the realm of ideas to the acceptance of creative destruction).

In 1500 only one of the ten largest cities in the world, Paris, was in Europe. In 1800 still only Paris, London, and Naples ranked so. But after a century of divergence only one city outside of Europe or the United States was in the top ten (namely, Tokyo, and this after Japanese industrialization had taken hold).⁶³ Yet by 2015 it is estimated that only two cities

62 “Samuelsonian” is an adjective for modern, American-style economics, which was originated by Paul A. Samuelson (b. 1915) and by his brother-in-law Kenneth Arrow (b. 1921), and announced in Samuelson’s modestly entitled Ph.D. dissertation of 1947, *The Foundations of Economic Analysis*. It insists that every economic issue must be treated as a problem of constrained maximization by utility-seeking individuals. Samuelsonian economics is commonly called “neoclassical.” But the term perpetuates an anachronism, since neoclassical economics names the much earlier new economics of the 1870s (Menger, Walras, Jevons), which was wider than Samuelsonian in method.

63 The word “divergence” and the idea that it happened after 1800 is Pomeranz’ 2000, and others of the “California School.”

of Europe and its offshoots, and they only partially of European origin, Mexico City and Sao Paulo, will be in the top ten.⁶⁴ The wheel turns. In short, the Europeans were not economically special until about 1700. They showed most plainly their special ingenuity, along with their special brutality, only briefly in the two centuries after 1800. By the early twenty-first century they had reverted to not being special at all, even in brutality. The episode of their innovative specialness, and the rising tide, came from a change in their economic rhetoric. It made all the difference.

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64 Hohenberg 2003, p. 179.