

CHAPTER 10

The Bourgeois Deal: Leave Me Alone, and I'll Make You Rich

*Art Carden, Samford University, and
Deirdre Nansen McCloskey,
University of Illinois-Chicago, emerita*¹

How the world gets rich

People got rich and will get richer because we changed the way we think, write, and speak about entrepreneurs and entrepreneurship. A Great Revaluation of entrepreneurial undertakings and innovation, tested by market exchange, led to a Great Enrichment. Its roots were in Holland, the first large bourgeois society in Europe, but it really got started among the

¹ This essay is drawn from an ongoing collaborative project between Art Carden and Deirdre McCloskey based on McCloskey's three volumes *The Bourgeois Virtues* (2006), *Bourgeois Dignity* (2010), and *Bourgeois Equality* (2016). In particular, the essay is drawn specifically from Carden's remarks to students and faculty members at various colleges and universities, and conferences and seminars sponsored by the Independent Institute, the Foundation for Economic Education, Istituto Ordem Livre, and the Institute for Humane Studies. Some parts of the essay are adapted directly from McCloskey (2006, 2010, 2016).

Dutch-imitating English and moved across Europe and then its overseas extensions before spreading around the world. People changed how they thought and how they talked about economic life, and hence income per person increased from about \$3 per day in inflation-adjusted US dollars to more than \$30 a day, worldwide, and over \$100 a day in very rich countries like the United States and Norway.

Changes in the words we use in English, Dutch, and other languages reflect changes in how we think about bourgeois life. The ideas of liberty, equality, and dignity for everyone, but especially for the previously-depised bourgeoisie, made entrepreneurial *dissent with modification* glorious—or at least acceptable and tolerated, enough that they were able to enrich the world.

Previously, the way to win fame and fortune and honor was through feats of faith or arms. Through the sixteenth and seventeenth centuries, a series of changes in European ideology originating in revolts, revolution, reformation, and reading created a fifth R, a *reevaluation* of the bourgeoisie that set off frenetic innovation and productivity growth leading to higher standards of living. Reevaluation happened in that people discovered that what they thought was worth little was actually worth much. In the sixteenth and seventeenth centuries, people reassessed and revalued the mundane activities of the shopkeepers, merchants, and innovators so that what was formerly disreputable became reputable.

The sheer magnitude of the change is startling. Historically, per capita income was about \$3 per day, roughly measured in early twenty-first century US dollars. It has increased globally by a factor of 10—not 10 percent, but 900 percent—and by a factor of 20 or 30 or 40 in the richest countries in the world today. Life expectancy at birth has risen by a factor of about three, life expectancy from the teenage years (after one has overcome most of the mortality threats that come before old age) has about doubled. Someone aged 16 could, in centuries past, expect to live to be 40 or 50 or 55. Today she can expect to live into her 60s—and into her 80s or 90s if she is in a wealthy country. She can expect about twice as much “adulthood,” which means it makes a lot more sense to invest in literacy and numeracy that will serve one for almost twice as long.

Twice as much adult life, supplied by 10 or 30 or 100 times as many goods and services, is quite a change. Material explanations have been found wanting. From the left, we have heard that the prosperity of the West relies on colonialism, slavery, imperialism, and all sorts of other exploitations. In this we bring good tidings of great joy: prosperity *wasn't* brought about by slavery, empire, or colonialism. It came from a change in ideas, and specifically ideas about innovation and the bourgeois life.

We also bring good tidings about our bourgeois lives. The innovative bourgeois world we inhabit requires lives of virtue; it also reinforces lives of virtue by providing us with greater scope for family and friends, art, and literature. The Great Enrichment has made us better, not just richer.

Scientifically, the Enrichment needs to be explained. Ethically, the Enrichment needs to be protected. The last, best hope for a globally prosperous future is the washed-up, used-up set of classical liberal economic and political institutions normally called *free markets* or *laissez-faire*. Free market institutions alone are not enough: we need free markets lit on fire by liberty, dignity, and equality, and maintained by a balanced approach to the virtues of faith, hope, love, courage, justice, temperance, and prudence.

There were economic “efflorescences,” to use the term of the historical economist and sociologist Jack Goldstone (2002), which were tiny flare-ups of bourgeois and bourgeois-respecting societies that were ultimately crushed politically or badly hamstrung by politics and social change and then dissipated by population growth. Sustained growth like we have enjoyed since 1750, give or take a few decades, has been the exception rather than the rule.

The chronology of the Great Enrichment is roughly as follows. Things really got going after 1500, and then especially after 1700, and then *really* especially after 1800. A combination of reading material pouring out of irregularly, unevenly, and incompletely censored presses across Europe gave rise to a Protestant Reformation and attendant changes in church governance. The Eighty Years War in which the Dutch won their independence from Spain wiped out the Dutch aristocracy, which was never replenished and which left the northern Low Countries to be governed not by the hereditary aristocracy—they were dead—but by the burghers and businesspeople of Amsterdam and Rotterdam and Gouda. Envious Eng-

land imitated the Dutch, where the Revaluation started receding—recall “efflorescences”—and became the seat of the Industrial Revolution.

Entrepreneurs and innovators, who were once despised, disdained, and distrusted, became if not heroes, then at least members of decent society in good standing. There was a rhetorical revaluation as evidenced by the British stage and the British novel, transforming from an intellectual and rhetorical environment that praised and treasured hierarchy to one that treasured liberty, dignity, and equality. A flood of innovation thus burst forth out of England, in spite of its imperial adventures and nearly endless wars. Within the span of two centuries, England executed a king, reoriented its literature and its social conversation, and became the workshop of the world. The British did this in spite of (and not because of) imperial adventures in Africa, the Americas, and Asia.

After 1848, however, the clerisy—Samuel Taylor Coleridge’s word for the members of the class of writers, speakers, artists, and thought leaders—turned against the bourgeoisie and embraced the bohemian, the pastoral, and the traditional, insisting against evidence that modern capitalism has come at a terrible ethical cost and warped our souls even as it has delivered the goods. In the twentieth century, experiments with nationalism and socialism and national socialism almost drowned civilization in the blood of the innocent.

Contrary again to despair from left and right, the prosperity we enjoy today has not made us worse, nor does it rely on a sociopathic preoccupation with prudence only. The good bourgeois has to exercise the other virtues of faith, hope, love, courage, justice, and temperance, and the Great Enrichment created more opportunities to exercise these virtues. The world is better because of the Great Enrichment, and the Great Enrichment happened because we changed how we think, read, write, and speak about entrepreneurs and innovators. Societies accumulated copious institutional and cultural kindling that made modern, rapid growth possible. The Great Revaluation of entrepreneurs and innovators was the spark that made modern, rapid growth happen.

Good riddance to the good old days

We're motivated by the same questions as Adam Smith was: what is the *nature* and what are the *causes* of the wealth of nations? To put it another way, why are some societies very rich while other societies are very poor? People have argued that it is because of resources, or because of the rule of law, or because of the move to free trade. These are all very good things, and all else equal the members of a great society are better off if they have them, but they are not by themselves (or even in combination) sufficient to explain how we went from a world in which life was solitary, poor, nasty, brutish, and short for almost everyone to a world in which Carden's older son, who is hardly descended from gods and kings, can think he is "poor" even though he has more material provision and more opportunities than almost anyone who has ever come before him.

People also live lives that are longer and healthier than ever before, as well. A few thousand years ago, life expectancy at birth was in the mid-20s, driven largely by high infant and child mortality but still influenced by the fact that children who lived to see ages 1, and later 5, could at age 15 still only expect another 40 years or so of adult life, and over that period they could expect to bury some children along the way. According to the 2011 Social Security Administration's life tables, a 15-year-old in 2011 could expect to live another 62 years if male or 66.5 years if female *without* having to bury children along the way (Social Security Administration, 2014).

But are our longer lives meaningless? No. We have myriad opportunities to waste our lives, but we also have access to humanity's greatest artistic achievements at the touch of a button. It's true that popular culture produces a lot that is base and mediocre, and the right-wing critics of modernity are right when they urge us to cling to standards set over the centuries. Someone who thinks the differences between Beethoven's *Ninth Symphony* and whatever you hear on the Top 40 radio stations are merely a matter of opinion is simply not paying attention. That said, however, popular culture has always produced baseness and mediocrity, and it is unfair to compare the very best that civilizations have produced with what is still being produced and evaluated. Even if we believe that the twentieth cen-

tury has produced literally no music worth listening to, someone with a streaming service can get effectively unlimited recordings of Beethoven, Mozart, Haydn, and all the other giants of classical music. Subscribers to Hulu, Netflix, and Amazon Prime can sip from television's bottomless chum-bucket to their hearts' content, but they can also watch thought-provoking documentaries and series like BBC's *Earth* or *Life*, *Cosmos* (the Carl Sagan and Neil Tyson versions), or Ken Burns' *The Civil War*. Shakespeare's classics are easy to get online.

Or perhaps you don't want to prepare your own meals, or you think your time is too valuable to do so. Any number of restaurants in almost any town are eager to serve you, as their proprietors have learned they can get what they want more easily by trading their talents in the kitchen for money. Even at low-end buffet restaurants, the quality and selection of what is available to *hoi polloi* rivals what was set on the tables of kings a few centuries ago (Nye, 2002a; 2002b).

Innovation has no limits

Economic freedom is receding in the United States, but it is growing globally. Sound economic institutions turn population growth from a curse to a blessing. In their 2012 book *Abundance*, Peter Diamandis and Steven Kotler talk about the number of people around the world who are rapidly getting connected to the global communications grid. This will create a world in which we have more people making discoveries about the world we inhabit and, in the financial sector, coming up with new and better ways to measure and price risk, measure costs and benefits, or do actuarial science. The economist Randall Holcombe (2007) distinguishes economic progress (more and better stuff) from economic growth (simply more stuff). When economists say "growth," what they usually really mean is "progress. There is no reason why progress has to mean more stuff. If you're reading this on an Internet-enabled computer, for example, you have access to online broadcasts from around the world. Your higher standard of living might not just be more and bigger cars, but the ability to enjoy the artistic voices of artists from around the world.

Market tests are the experiments of a commercial society. The trial-and-error process helps us see what works and what doesn't. Fusion cuisine, Korean tacos, and sushi burritos? Winners. Fried everything at the Minnesota State Fair? Check. It's a process of dabbling. Let's mix this stuff with that stuff and see how it tastes. Or maybe Homer Simpson accidentally pours kids' cough syrup into a mixed drink that later becomes the Flaming Moe after his bartender friend steals his idea—and a drink that becomes ubiquitous (to the benefit of the consumer and detriment of Moe the monopolist) after Homer reveals the secret.

People worry about overpopulation, whether globally or domestically. These fears are misplaced, though, because there are practically unlimited ways to create new knowledge. One of the benefits of a larger, more prosperous society, and one of the ways in which prosperity will feed itself, will be the waves of financial innovations that emerge from a larger, better-connected, more prosperous population.

In his 1999 Presidential Address to the American Economic Association, the economic historian and Nobel laureate Robert Fogel discussed what he called “technophysio evolution” (essentially the fact that we are in control of our own species' evolution in ways that were previously unimaginable) and the rising importance of *volwork* and “spiritual goods.” He contrasts *volwork* with *earnwork*: the former is our discretionary work, and the latter is the work we do in order to obtain sufficient food, clothing, and shelter to be viable. As a percentage of our total experience the amount of *earnwork* we do is vanishingly small: at the \$3 per day standard of our ancestors, a minimum wage worker in the United States earns a week's worth of sustenance in about three hours—and that's not accounting for Social Security taxes and other “employer” contributions to the worker's well-being. A minimum wage worker responsible for a family of five can do it in two workdays. Someone earning average American wages of about \$26.74 hour earns his ancestor's weekly bread (and clothing, and shelter) in less than an hour. If he has a family of four and shows up at the office at 8:00 AM, he has earned his family's weekly bread (and clothing, and shelter) before it's time for lunch (Bureau of Labor Statistics, 2018).

This isn't to say that \$3 per day is advisable. It would be a wretched existence compared to what we're used to, and those who have had the opportunity to move from \$3 per day to \$5 per day, or \$100 per day, have done so, in droves. The point is that trade-tested betterment has made us so productive that almost everything we do is, in a strict sense, discretionary.

Fogel made the important point that for the most part, the problems we face are distinctly not material. There is a lesson here about sustainable growth. The value of natural resources is small as a percentage of the value of a good: the metals and plastics and whatnot formed from the dust of the Earth are a small part of the price of an iPhone. The labor component is fairly small part of the price, too. The iPhone's value is almost entirely in the ideas that comprise it.

The “killer apps” aren't sufficient, though some are necessary

The Harvard historian Niall Ferguson (2011) argues that there are “killer apps” for prosperity that are very much like software: they can be copied and “downloaded” by societies wishing to adopt them. We are sympathetic to the “apps” analogy as societies' ideas and rhetoric can change very rapidly, but the real “killer apps” are liberty, dignity, and equality for entrepreneurs, for venturers, for those who want to “have a go,” in the British phrase.

The “killer apps,” according to Ferguson, are competition, science, property rights, modern medicine, consumerism, and a strong work ethic. There is a lot of overlap between these and the apps of liberty, dignity, and equality, but they differ in important respects. The usual explanations aren't sufficient to explain how mind-blowingly rich we are. This is true about benign explanations like more saving, technology, science, the protestant work ethic, schooling, the move to free trade, and even secure private property rights. Neither are we rich because of malign explanations like exploitation in the form of slavery, empire, and colonies. The first list comprises a set of things that were very nice to have and which certainly mattered. Secure property rights are necessary for economic growth, but that societies have had secure property rights (in England since Magna

Carta, and even in Genghis Khan's empire) and yet did not begin growing explosively until the middle of the eighteenth century remains to be explained. Let's consider each in turn.

Competition clearly matters, but it has to be competition in a couple of qualified senses. Political competition in politically-fragmented Europe mattered a lot because it checked the ability of princes and tyrants to exploit their people as ruthlessly as they would have liked. More importantly, perhaps, political competition created a game of whack-a-mole with heretics and people with politically inconvenient ideas. Presses and ideas could be moved across borders.

But Europe has been politically fragmented since Rome fell, and attempts at European unification from Charlemagne through Napoleon and later Hitler have failed. Political competition matters, and it helps explain why we got the Great Revaluation, but it doesn't explain the timing. Why, if political competition is a "killer app," did it not spark an Industrial Revolution with the breakup of the Roman Empire? Political competition might be necessary, but it is not sufficient.

Commercial competition is also important. One of the lessons of a good introductory economics class is that a *competitive* commercial space leads to apparent miracles of coordination and cost reduction. There is pressure in competitive markets for people to seek and exploit gains from trade. Buyers search for the best deal. Firms work to produce at the lowest cost. The result, as the economist and economic journalist Tim Harford (2005) puts it, is a "world of truth" in which societies produce the right things, the right way, and in the right proportions for the right people. Resources flow to their highest-valued uses. Carden gets coffee produced by the lowest cost producer. His wife gets tea produced by the lowest cost producer. All that is commercial is right with the world.

And yet people have been trading in more or less competitive markets since the caves. Archaeologists have uncovered trade routes over which goods traveled fantastic distances millennia ago. As much as we extoll market competition (rightly), governments have been interfering in markets since the caves, as well, and they didn't suddenly stop at the dawn of the Great Enrichment. The British government protected brewers from competition

from cheap French wine. Occupational licensing in the United States has exploded in the last several decades (Carpenter et al., 2012). At the height of their power, labor unions used the state to stifle competition. Adam Smith was right: there is a great deal of ruin in a nation, but as long as things are competitive *enough* we can be reasonably sure that the enrichment will proceed.

Science is great, we should have more of it, and basic science these days does lay at the foundation of many economic and technological innovations. Historically, however, basic science has lagged technology. We have found something that works and then later figured out exactly how and why. The application of science and the scientific method to technology, which Douglass C. North called “the second economic revolution” in his 1981 book *Structure and Change in Economic History*, was indeed significant, but basic science alone explains only a small fraction of the Great Enrichment. The economist and Nobel laureate Edmund Phelps (2013) offers this helpful analogy. Many new technologies advanced basic science in the same way a bartender advances basic chemistry by trying new cocktails. They don’t, and he doesn’t.

The third of Ferguson’s killer apps warms our hearts: property rights. According to North again, property rights define who owns *what* and under which circumstances. “The essence of property rights is the right to exclude,” writes North, and one who owns an object as property has the right to use it, to alienate it, and to earn income from it. Property rights are important because they provide incentives to steward resources wisely. One of the most basic lessons informing environmental economics is that in the absence of secure private property rights people will tend to over-exploit resources. *Commons* are over-grazed. Fisheries collapse. Reefs are destroyed. Air and water are polluted. Even in more mundane settings living rooms and refrigerators remain untidy and unkempt. Secure property rights give people incentives to steward resources wisely, and empirical research motivated by the work of the development economist Hernando de Soto shows how property titling in relatively poor countries can provide people with greater access to the capital they need to start businesses, build new homes, and so on.

The rule of law is closely related in its importance to secure property rights. And yet we have had both since time immemorial. Babylon under the Code of Hammurabi had the rule of law. Empires like the Roman and the Mongolian enforced property rights and a rule of law across wide swathes of the globe. The Mosaic law as laid down in the Torah specifies very clear rules with detailed prescriptions for how they are to be enforced, and among Jesus's criticisms of the religious leaders of the day was his concern that they were preoccupied with the law rather than the lawgiver. Biblical jubilee, the expiration of long-term leases and the reversion of lands back to their ancestral owners, could not have happened without well-understood property rights. English property rights and rule of law were codified in Magna Carta, and in the Declaration of Independence Thomas Jefferson referred to the commonly known and commonly understood rights they expected as Englishmen.

Modern medicine is a marvel of the modern world. We certainly wouldn't want to back-track on it given what medical innovation has meant for our ability to ease people's suffering with pain medications, artificial hips and limbs, antidepressants, and other therapies. We don't think modern medicine is a "killer app," though, in the same way that liberty and dignity for the innovators is a killer app. Indeed, a lot of the innovation that constitutes the Great Enrichment has happened in health care. We think that modern medicine is on net more of an effect than it is a cause—though, understand, it is something to be celebrated and praised and not something to be dismissed. Economies were growing, and rapidly, before modern medicine. It contributed, certainly, but it wasn't sufficient for the Great Enrichment.

Ferguson calls the development of a *consumer* society another killer app. Again, he is on to something very important but something that is incomplete. We don't think it is the development of "consumerism" in the sense that we came to honor and love consumption per se—think of fat Henry VIII who couldn't move without assistance, and his fat courtiers consuming, consuming, consuming—but that we came to value *trade tests* as the decisive standards by which innovations were to be judged as improvements. The social ideology, or rhetoric, shifted in favor of the con-

sumers rather than producers and dispensed with the idea that the producer necessarily knows best what *should* be done. Vestiges of producerist ideology remain in heavily subsidized fields like the arts, science, and the academy—who are you, oh plebeian, to tell we scholars that our work isn’t as valuable as daytime talk shows?—but for the most part the notion that trade tests rule has taken hold and governed production.

Ferguson’s final killer app is the work ethic, and Max Weber’s idea of a “Protestant work ethic” leading to a “spirit of capitalism” is immensely popular among many explanations for modern prosperity. As Protestants ourselves, the authors would love for this explanation to be complete. It isn’t, however: Protestantism led to changes in church governance and a rethinking of the relationship between God and Man, but an embrace of Calvinism and, therefore, an embrace of good, hard work in order to show that one is among the elect did not explain the Great Enrichment. Once the bourgeoisie was revalued, societies both Protestant and Catholic—and with the spread of the Bourgeois Deal societies Buddhist and Hindu and Muslim and Shinto and all other faiths—grew at blockbuster speed. By all means, work harder. Or at least work smarter. Hard work was a necessity for our ancestors scratching the fields who for generations saw no meaningful changes in their standards of living. It is a mistake to think hard work *per se* will lead to a Great Enrichment.

The Great Enrichment didn’t come about from material causes, like capital accumulation or natural resources

There are a lot of things and conditions that are nice to have, and that societies have had, and that societies have developed, but that nonetheless do not entirely explain the Great Enrichment. They may be necessary, but they are not sufficient. The usual material causes don’t make sense theoretically, empirically, or chronologically. Some don’t make sense theoretically in that they aren’t likely to be necessary “prerequisites” for growth. Some don’t make sense empirically in that the magnitudes of the effects are far too small to explain the Great Enrichment of 1500%, or 2900%, or 9900%.

Still others probably *are* necessary prerequisites but were well in place long before the Great Enrichment—which makes us ask, “why didn’t they cause Great Enrichments centuries if not millennia before?” To these we turn.

The Great Enrichment didn’t come from capital accumulation driven by higher saving. You probably should save more, and indeed most people should probably save more. Saving more, however, didn’t cause the Great Enrichment. Most importantly, peasants in medieval Britain saved about a quarter of the grain crop, and they did so despite their hungry bellies yearning to eat *now*. Without that high saving, starvation would have ensued. And during the greatest wave of the Enrichment, leading Britain lagged behind other European countries in gross capital formation as a percentage of national income. Britain got rich, but not because it suddenly started saving more.

The Great Enrichment didn’t come from a move to free trade, either. Again, every economist (just about) is a dyed-in-the-wool free trader and enthusiast for the law of comparative advantage, but once again, the magnitude of free trade’s contribution to the Enrichment is too small to account for all of its effects. International trade was a small fraction of Britain’s income, and the small productivity increase in that small fraction does not explain the multiplication of incomes that accompanied the Enrichment. Furthermore, the British weren’t “free traders” during the period in which they were *supposed* to be. They had higher average tariffs than the French (but they were not bound by internal tariffs like the French). The magnitude and timing suggest that while trade liberalization was a good thing, it does not explain the Great Enrichment.

The effect of natural resources is important to mention, as it shines light on the silliness of Western oil geopolitics in addition to helping us see what *didn’t* cause the Great Enrichment. Natural resources can be moved if they are more highly valued elsewhere, and furthermore the timing is off if we want to build a specifically “resource based” theory of economic growth. Britain was endowed with a lot of easy-to-access coal, it is true, but that coal had been there for millennia and had in fact been used to heat the baths at Bath in Roman times. Furthermore, coal could be transported (as it was) up and down rivers and across seas.

The “coal theory” makes a certain superficial sense when we want to explain innovation. A place with a lot of coal and relatively little labor will have very high wages, and this will induce producers to look for ways to economize on labor. Hence, the explosion of innovation is rooted in efforts to economize on scarce labor (Allen, 2009). The problem, though, is that a dollar in cost saving is a dollar in cost saving regardless of where it comes from. Had labor been relatively abundant and coal been relatively scarce, we would today be talking about how the Great Enrichment happened because producers were looking for ways to economize on coal—and indeed, patterns of innovation at the time suggest that this is actually what they were doing. Resources, therefore, are nice to have. They are not, however, what caused the Great Enrichment.

Adam Smith recognized that the economy is a conversation

To Adam Smith, an economy is a *conversation*, culturally embedded and forever marinating in perpetually changing rhetoric and ideology. Smith made two important points that we will emphasize here. First, he noted that everyone is “in some measure a merchant,” in that he is trying to “sell” something, and everyone is in a sense “constantly practicing oratory” on one another as we attempt in almost all things to *persuade*.

Persuading is what entrepreneurs do. Consider the word *innovation*, which formerly meant “heresy,” as in one introducing “innovations” into interpretations of holy scripture that departed into heresy. Fundamentally, the entrepreneur is offering customers a proposition: give me what I want, and you shall have this that you want—that’s a phrase that seems very familiar; we can’t quite put our fingers on who said it first—and whether the innovation adds to society’s wealth or subtracts from it is decided, ultimately, by market exchange.

Smith was instrumental in formulating the Bourgeois Deal by discussing exactly what the “obvious and simple system of natural liberty” meant. An entrepreneur in such a system introduces innovations and thanks no man or woman for the right to do so. This is possible first in a context

in which the formal institutions—the rules and laws—allow it, or at least don't prohibit it too much—and in which the informal institutions, the norms, don't impose what the economist Donald J. Boudreaux (2014) has called a “dishonor tax” on the entrepreneur/innovator.

The Scottish Enlightenment saw the government emerge not simply as a plaything for the elite, but as a possible project for improvement through protection, public works, and justice (Berry, 2013:108). Smith and the economists who followed him explained how cooperation and competition that result in *making* money actually led to prosperity. Smith was not appalled by the fact that people were able to get rich in Scotland, Holland, and England. A quarter century before Napoleon's sneer about a “nation of shopkeepers,” Smith wrote that “England, though in the present times it breeds men of great professional abilities in all different ways, great lawyers, great watch makers and clockmakers, etc., etc., seems to breed neither statesmen nor generals” (Mossner and Ross, 1987:160). This didn't bother him.

The desire for “mutual sympathy of sentiments” is at the heart of Smith's intellectual system. Smith notes, correctly, that people wish to be praised and they wish to be praise-worthy. In their regular affairs they seek to do what is honorable. What society finds “honorable” directs people's affairs considerably, as Smith noted. As the economic and social conversation proceeded, changing notions of what is honorable in turn changed what people did. Smith provided, in *The Theory of Moral Sentiments* and especially in *The Wealth of Nations*, an ethical rhetoric for a commercial age.

Smith argued, again correctly, that it is not from the benevolence of the butcher, the brewer, and the baker that we get our dinner but from their pursuit of their own self-interest. It is far better, Smith argued, to appeal not to “their humanity,” or to our own needs and wants, but to their advantage. In this, societies are led by an invisible hand to outcomes which are no part of any individual's intention but which nonetheless result in general prosperity.

Contrary to the beliefs of many observers and commentators, Smith's insight about self-interest is not counsel or apology for piggish self-absorption or, as some of the classical liberal thinkers of the late nineteenth

century would be accused, social Darwinism. It is rather a recognition of limitation. Economists go to great pains to stress that in assuming “self-interest” and “rational choice” they are not arguing for a narrow emphasis on, or obsession with, material consumption, nor are they offering a theory of cognition. Rather, they are explaining how people pursue their own interests *however they choose to define them*, and these interests can be purely material, but don’t have to be. Economics *per se* in its neoclassical manifestations makes no claims about what people’s interests should be. Instead, they proceed from the assumption of self-interest (and, therefore, response to incentives) in conducting their analysis.

Economists also assume that people choose “rationally,” which is to say by comparing costs and benefits. They need not possess correct mental models of the world, and they may get many things badly wrong. We get a lot of explanatory and predictive mileage out of the assumptions of rational choice and the pursuit of self-interest.

Smith’s insight about appealing to the self-interest of the butcher, the baker, and the brewer recognizes important cognitive and moral limitations that Hayek would later emphasize. Our ability to know and understand “the particular circumstances of time and place” is extremely limited and ephemeral. We are not at all well-positioned to understand what is “best” in another’s local situation. The butcher, the brewer, and the baker require that we appeal to their own interests not necessarily because they are self-absorbed but because they have their own suites of goals and responsibilities. We appeal to their self-interest and not to our needs or wants because they have their own problems to solve and a practically infinite number of people seeking meat, bread, and beer. They need some way to choose how to allocate their time, talent, and treasure, and they can’t know everything.

The *masterless* man unbound by obligation to nobility was the Scottish Enlightenment’s ethical innovation. Smith’s ideas gradually made popular an ideology of the Bourgeois Deal. He was properly suspicious of the bourgeoisie’s fondness for protectionism, but he was nonetheless the chief apologist for the world fashioned by commerce:

Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty... of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. (Smith, 1776: 687)

It is implicit in an assumption about exchange: either party can *refuse*. Smith's "invisible hand" metaphor and discussion of how one appeals to the self-love of the butcher, baker, and brewer is not an apology for greed without limit. It's a statement of respect for individual dignity and ethical agency. "Do you know who I am?!" is not a valid claim on the butcher's time and attention. "I'll pay you \$1.99 per pound of ground chuck" *might* be, if the butcher can't readily identify someone offering \$2.09 per pound. The market pushes people to be interested in others. The butcher who wants bread and beer must provide for the baker and brewer. Smith asks the reader to step into the position of the butcher, the baker, or the brewer. Hence Smith's *other* invisible hand—the social hand. It is through the ways people interact and converse and conduct commerce that people are fitted together and become social.

The butcher has a family to feed, charities to support, and things he wants to do. They all require resources. Many people, such as the baker and the brewer, want his meat-cutting services. Why should the butcher work long hours cutting meat? The answer is that the baker and brewer are *competing* with one another for the privilege of cooperating with the butcher. Whoever offers him the best deal—whoever is in the best position to expand the butcher's options—will be best-positioned to get the butcher's business. What if the butcher doesn't drink beer? In a monetary economy, this problem of coincidence of wants is solved by the fact that the brewer can sell beer—or any widely-exchangeable good—for money, which he can then exchange with the butcher for meat. The institutions of exchange solve a problem, and they do it without treading on anyone's rights and without people having to know a lot about one another's goals,

preferences, or morals. All that information is bound up in the price, and it is all made useful through an exchange.

A staunch anti-mercantilist who was also staunchly pro-commerce, Smith rejected the idea that governments should protect businesses from competition. His ethics emphasize *accountability* (accounting metaphors had long been part of bourgeois education). Humans are accountable to one another: a version of the Golden Rule (“what is hateful to yourself, do not do to your fellow man”) is the impartial spectator’s standard. Smith argues why “the author of nature has made man the immediate judge of mankind:”

If those infinite rewards and punishments... were perceived as distinctly as we foresee the frivolous and temporary retaliations which we may expect from one another, the weakness of human nature, astonished at the immensity of objects too little fitted to its comprehension, could no longer attend to the little affairs of this world; and it is absolutely impossible that the business of society could have been carried on. (Smith, 1759: 52-53)

These are ideas derived from natural theology and bourgeois life. Let people go about their business, lest we starve in prayer. In his wisdom, Smith repeatedly said that Providence arranged moral sentiments to ease the little affairs of the world.

For the first time, people saw commerce as an amiable, *doux*, or sweet occupation (Hirschman, 1977).² The Scots were characterized by “the deliberate intent to ‘improve’” (Berry, 2013: 1). Culture diffused through the pulpits as the Scottish universities were training ministers (Berry, 2013: 11). At the same time, expanding fields like chemistry, botany, and medicine reveal their emphasis on practical learning (Berry, 2013: 12). The new perception of commercial life served as an ethical and ideological cover for the bourgeois who wanted to open new trade in pepper or devise a new water wheel but who might have otherwise been attacked by government

2 This paragraph and what follows is largely from McCloskey, 2016: 208ff.

officials beholden to other bourgeois intent on pleasant monopoly or aristocrats intent on pleasant stasis.

Smith liked business, not businessmen. As he wrote, the “clamor and sophistry of the merchants and manufacturers easily persuaded [the rest of society] that the private interest of a part, and a subordinate part of the society, is the greatest interest of the whole” (Smith, 1776: 144). He warned, for example, that the interests of merchants and manufacturers are “always in some respects different from, and even opposite to, that of the public” (Smith, 1776: 10). Merchants prefer lower output and higher prices; the public prefers higher output and lower prices. Competition pushes merchants to satisfy the public unless the merchants can convince governments to give them special and output-restricting privileges. How much cheaper, we wonder, would prescription drugs be if they could be purchased over the counter? His contemporaries read *The Wealth of Nations* as an attack more on bourgeois monopoly than on intrusive government. Hugh Blair wrote to him on April 3, 1776: “You have done great service to the world by overturning all the interested sophistry of merchants, with which they have confounded the whole subject of commerce” (Mossner and Ross, 1987: 160). Could the state fix it? No: as Smith emphasized, states created monopolies in the first place.

Across Scotland, there developed some learned and learning societies aimed at the general improvement of urban life. Scots founded the Glasgow Literary Society in 1752, Select Society in 1754, and the Edinburgh Society for the Encouraging of Arts, Sciences, Manufactures, and Agriculture in 1755. And so on: these societies built social capital and helped encourage conversation among people with different kinds of expertise (Berry, 2013: 15–17). In 1776, the impetus toward improvement manifested itself in Lord Kames’ *The Gentleman Farmer, Being an Attempt to Improve Agriculture, by Subjecting it to the Test of Rational Principles*. In 1766, he had written *Progress of Flax-Husbandry in Scotland* (Berry, 2013: 8). The Scots’ interest in science was extremely practical: they “were centrally concerned to apply ‘science’ in order to make land increase its yield or chemistry improve linen” (Berry, 2013: 21).

The leaders of the Scottish Enlightenment were interested in improvement across many sectors. They looked at a starving world, envisioned a world that wasn't, and asked: "why not?" Smith, throughout his body of work, emphasized the ways in which "human institutions" stood in the way of the "natural progress of opulence." For Smith, the problem was that institutions limited the extent of the market, which in turn limited the division of labor.

The Scots' social theory was their unique contribution. Their social theory held that social cohesion could be kept without force and without relying on everyone being nice. People could, in their ethical and cognitive limitations, still get along and cooperate to mutual advantage *because* their gifts of language and their propensity to truck, barter, and exchange gave them incentives to work together. They began from an uncontroversial observation that people tend to be motivated by "self-love" and limited in their capacity to feel benevolence toward others. These aren't ethical defects, necessarily: they observed that for whatever reason, people tended to put their interests ahead of others' *and* tended to feel greater benevolence toward those closer to them than those farther away. This has been misinterpreted as an apology for extreme selfishness, and the worst pig-gishness human nature can muster. As Hayek and many others have noted, this is most emphatically *not* what Hume, Smith, and their contemporaries believed. They pointed out that knowledge and benevolence are both *local*. One is intimately acquainted with the specifics of his position in the world, and he feels greater benevolence toward his friends, children, and neighbors than he feels for others. He will seek to accomplish *his* vision of what a better world looks like before someone else's. A short way to say it is that people feed, clothe, and shelter their children before they feed, clothe, and shelter others'.

As Smith pointed out, it is not from the benevolence of the butcher, the baker, and the brewer that we expect dinner, but from their regard to their interests, to their self-love. This needn't be an ugly condemnation of human nature. It is, in fact, an inescapable consequence of scarcity and recognition that the butcher, the baker, and the brewer have *rights* that we cannot violate (cf. Otteson, 2002).

Smith's emphasis, then, was on the importance of the process and the dignity of all participants—potential and actual—not the dignity of those who could make the most noise politically. Political interference with the market process is ancient, not modern, and it is in Smith's time that the broader social rhetoric began to change. The idea of a *nation* as a project properly aimed at something like improvement was one of the more interesting and perhaps unusual innovations of Smith's time. This improvement, he argued, happened because of liberty and dignity for all and not special privileges for the shopkeepers of whom much of British society was comprised. Nor, for that matter, did improvement happen because of grand gestures by aristocrats.

Allowing people to venture forth and to reap the rewards of doing so is important, not just because it brings us ever-wider varieties of goods and services at ever-lower costs. It does a few other things as well. First, it recognizes our ability and our right to self-author however we choose, without having to ask permission from elites. Second, it extends an implicit and society-wide acknowledgement of liberty and dignity for everyone irrespective of bloodline or skin color. The last vestiges of racial hierarchy hang on, and stubbornly. The solution, we think, is not a larger and more active state, but greater freedom for entrepreneurs.

We changed our ideas and how we talk

For as long as there have been people there have been innovators, and for as long as there have been innovators there have been those who have sought to stop them. Until recently, the forces of resistance have won. Beginning largely in the eighteenth century, however, there was a large-scale shift in how we write, think, and speak about commerce. Societies in Western Europe—Britain, most notably—embraced an ethic of innovation, the Bourgeois Deal: “leave me alone, and I’ll make you rich.”

Here's the Deal, thinking about society in three acts: “In Act I, allow me, an innovator and member of the bourgeoisie, to *act* on the hunch that I can do this a little or a lot better than it has been done before. In fact, al-

low me to *act* on the hunch that I can come up with a completely different and better way of living. Do not interfere with me, and do not interfere with those who wish to stake their hard-earned and hard-saved money on my idea. Do not interfere with those who vote with their money for my idea. Allow me, in other words, to creatively destroy. I accept, reluctantly, that my successes such as they are will attract competition from imitators and other innovators in the second act, and this competition will erode my profits. By the third act, however, we will *all* have been made better off by my venture.”

There are, of course, all sorts of problems with this—perhaps the most obvious is that it is hard to ensure credibility, as the creative destroyer has, in Act II, an incentive to work with the government to create barriers to entry with the effect being that in Act III we might be better off, but not as much better off as we could be. In broad strokes, though, embracing innovation—even “embracing” it as nervous teenagers do at a Junior High School dance where they sway back and forth at arm’s length from one another—has unleashed the creative forces of the human mind in ways that have enriched... everyone, not just the barons and baronesses and kings and queens and clerics.

Contrast this to the Aristocratic Deal, which basically says, “honor me, an aristocrat and *your better* by the accident of birth; do as I say; pay your taxes under threat of prison or death or worse. Think not that you have the right to seek ‘protection’ from another sovereign. Go forth, do battle, and shed others’ blood and your own in my name and for my glory, and by the third act, I at least will not have slaughtered you.”

Our ancestors and the kings and queens and generals who ruled them were broadly and often deeply suspicious of innovation. Indeed, the word itself originally meant something bad, as *innovation* in interpreting scripture meant the introduction of unorthodox or even heretical elements. There were markets, yes, but entry was largely controlled by guilds and other interests that were able to earn above-normal profits for themselves by restricting entry. Such sophistry led Adam Smith to write *An Inquiry into the Nature and Causes of the Wealth of Nations*.

There are five textbook institutional prerequisites for a flourishing economy: secure property rights, open and competitive markets, political stability, honest government, and a dependable legal system.³ We don't yet know the "right" mixes of the institutional causes of wealth and poverty, but insecure property rights and restricted access to markets can very clearly lead to stagnation rather than growth. These are the tinder, so to speak. The rhetorical change—where we began to esteem innovators and the bourgeoisie—was the spark that lit the fire.

The British became, over this time, "a polite and commercial people." Buying low and selling high went from being something morally suspect and undignified to something worthwhile. We see this in the United States today when we consider who we want our children to emulate. We heaped and heap great laurels on people like Henry Ford, Sam Walton, Bill Gates, Steve Jobs, and Warren Buffett. We live in a country where anyone can grow up to become president, but much more importantly, we live in a world where anyone with an idea and enough spare time to tinker in the garage can, as Jobs and Gates ultimately did, change how people live, work, play, and encounter information.

The Bourgeois Deal is radically egalitarian. Market exchange embeds a deep and important assumption: that one party to a trade is within his or her rights to *refuse*, or to hold out for something better. It's a right denied to soldiers and slaves, or peasants who have no option but to trade their labor for "protection" by a sovereign who would kill them should they seek a better deal elsewhere.

Modern economic growth happened and continues to happen in spite of an unending stream of pessimistic predictions—that we are destined for subsistence, that the final crisis of capitalism is upon us, that *this time is really different* and we can expect to see all the jobs go away because of technological change, that we are gaining the world and losing our souls because we are so blinkered and blinded by consumer goods, and that we are destroying the planet in our pursuit of more, more, *more*.

3 Literally: these are from chapter 7 of the third edition of Tyler Cowen and Alex Tabarrok's 2014 book *Modern Principles: Macroeconomics*.

Ebenezer Scrooge was wrong: there is no such thing as a “surplus population” when we allow markets to work. The economist Julian Simon (1996) referred to the mind as the “ultimate resource,” for from it springs everything else in the world that we call a “resource.” Something isn’t a resource until we can think of a way to make it satisfy human wants. Until then, it’s just a collection of atoms and molecules and *stuff*.⁴ Embracing innovation set us free from a Malthusian/Hobbesian existence in which life was solitary, poor, nasty, brutish, and short. It will continue to overcome resource barriers that confront us, just as it has historically.

We are optimistic for a few reasons. First, with Peter Diamandis and Steven Kotler, we are extremely optimistic about the future that lies ahead of us because within the next few years, billions of people will be connecting to the global Great Conversation that is already happening on the internet. Somewhere in Haiti, or Rwanda, or rural India, or even American Appalachia, a child has been born in the last few days who will have a far greater impact on the lives of everyone in the world simply because she will be born into a society that has embraced liberty and innovation to a degree greater than those who have come before. We hope for further progress so that those who are today left behind are tomorrow offered a seat at the table.

Our prosperous modern world aided and abetted by our ability to communicate instantly with almost anyone almost anywhere provides us with an unlimited array of new ways to self-author. The big winners, we think, from the twenty-first century version of the Bourgeois Deal are those whose tastes and preferences lie outside the mainstream. There have developed on Reddit and YouTube and elsewhere a whole array of online communities devoted to even the most esoteric of topics. If you can think of it, there’s likely a Reddit forum, or Facebook page, or YouTube channel devoted to it. And if there isn’t, creating one is easy. Technology and commerce have limited us from the soft tyranny of geography and birth and enabled us to connect with people the world over who share our preferences. This might not be too big a deal for someone with close-to-the-

4 On this, see Carden (2017a, 2017b).

mainstream preferences, but for an 18- or 19-year-old male “Brony” who likes *My Little Pony: Friendship is Magic*, the value might come in knowing you’re not alone.

In spite of the possibility that global warming could be very, very bad, we are, with the science writer Matt Ridley, *Rational Optimist(s)*. We have overcome and will continue to overcome environmental challenges as long as we keep our ethical wits about us. Anti-capitalism has been cloaked in the rhetoric of environmental defense when, it can be argued and even shown, that better protection of private property rights and a stronger rule of law are necessary if we are to defend the environment. Furthermore, the Bourgeois Deal encourages the kind of innovation that can make us less reliant on fossil fuels and mere material. If resources become a constraint and as people get richer, they will substitute *better* for *more*, and continued innovation in areas like cloud storage (e.g. Dropbox and Evernote), on-line document signing (e.g. DocuSign), ebooks, and online textbooks will mean lower demand for paper, chemical-intensive paper processing, and the fuel burned to move books around. Electronics come with their own sets of environmental problems, of course, but with secure property rights and competitive markets people will develop ways to recycle electronics components efficiently and effectively.

Economic change comes from a mix of material and rhetorical and ideological factors. So what was it that enabled us to become rich? We got rich because of a combination of reading, revolt, reformation, and revolution, with these four Rs coming together to create a fifth R, *reevaluation* of the bourgeoisie and of bourgeois life. Respect others’ liberty to *create*, even if such creation has a destructive element to it, and in the long run we will all be richer. Moreover, don’t impose too heavy a social tax on the bourgeois values of buying low and selling high (prudence, in other words), and we will see more people direct their time and energy toward making the world a better place for all of us. From the eighteenth century onward, the West was brined in the rhetoric of prudence, of *oikonomia*, of its close cousin *phronesis*, or practical wisdom.

It wasn’t always so. Ancient societies did not trust the bourgeoisie, or bourgeois life. Neither did Shakespeare or others of his day. To *work* in the

world of Plato or Aristotle was low, meager, undignified, *lacking in honor*. Contrast this with the rhetorical honor heaped upon hard work today in the maxim, “an honest day’s work for an honest day’s pay.” “Honest” in this sense means virtuous in that one adheres to the truth, but it can also be used in its older sense of “being worthy of honor, dignity, or respect.”

There was a shift in the eighteenth century in the way we have come to read, write, and speak about commerce, about *betterments* tested by trade in the crucible of the market. We see in the development of what we read and wrote that “Free innovation led by the bourgeoisie became at long last respectable in people’s words” (McCloskey, 2010: 386). The innovators became gentlemen (and women), or people of esteem. This was fueled, as Joel Mokyr shows, by a pan-European republic of letters, intellectually integrated but politically fragmented (and therefore competitive), that developed the view that progress is *possible* and progress is *desirable*, even for those whom Aristotle might call fit only to be ruled. In short, we came to praise (or at least tolerate) dissent with modification, such that figures like Steve Jobs and Bill Gates and Warren Buffett and others are, in spite of failings and limitations (which, in Jobs’ case, included pathological inattention to family responsibilities for some time), admired for their innovation. Buffett’s modesty and prudence—as one of the richest men in the world, he still lives in the modest Omaha home he bought in the 1950s—are sources of esteem where ostentation and pomp and circumstance would have in many other contexts been the calling card of the elite.

The world is complicated by the fact that these are not wholesale changes. The villains in books and movies are far too often the heads of large corporations bent on poisoning the children for fun and profit. But that said, even the rhetoric of business and of prudence has changed. The most influential book after the Bible has been, for many people, *Atlas Shrugged*. TV shows allowing the viewer to gawk at the excesses of “extreme couponing” nonetheless celebrate the couponers’ thrift and hold it up, perhaps, as something to be emulated, or at least admired.

Think about how some of our words have changed. “Honest” means “truth-telling,” not “a person of inborn status.” *Honest* Iago is an irony; so, too, is Brutus the “honorable” man. Consider how we use words like “sir”

and “madam” and “gentleman.” The aristocratic meaning of “gentleman” was evident in *Gone with the Wind*, during a tense confrontation between Rhett Butler and a group of gentlemen spoiling for a fight with the Yankees because “gentlemen always fight better than rabble.” Courage untempered by prudence created the bloodiest conflict in American history.

Dissent with modification became glorious in retail⁵

Good things like science and technology and the move to free trade only explain part of the Great Enrichment. We got rich because we left innovators and entrepreneurs alone and let them make us rich. Here’s an example from the retail sector. After World War II, regulations made it so that stores could only offer discount prices if they were structured as membership clubs. Eugene Ferkauf of E.J. Korvette’s in New York found a way to get around regulations that disallowed discounting. They were able to do so by offering \$0 “memberships” to everyone who came into the store.

Ferkauf inspired an alert lawyer in San Diego named Sol Price. Price was working through a network of real estate transactions and had seen a store called Fedco in Los Angeles that sold at discount prices to federal employees. Noticing that a lot of people were making the round-trip drive from San Diego to Los Angeles to shop at the store, he asked Fedco if they would be interested in opening a San Diego location. They said no, but Price thought the idea would work and had a piece of real estate where he could put a new store. He started FedMart, and by practicing “intelligent loss of sales”—keeping relatively few SKUs and forsaking sales that could be earned with greater variety in order to maintain high productivity and low costs per dollar of sales—he changed the retailing industry. He would go on to found Price Club, the first real “warehouse club” store, which (in a twist of fate) would be purchased by Costco—the same Costco that started after Price Club told Jeffrey Brotman “no” when he asked to franchise Price

5 Portions of this section are drawn from Carden and Courtemanche (2018). See also Price (2012).

Club stores in Seattle. In the process, Price inspired a Ben Franklin franchisee named Sam Walton. Walton adopted many of the same things that made Price successful and managed to change the retail world. Walton had run afoul of the management of Butler Brothers, the parent company of Ben Franklin stores, by looking for ways to get around his purchasing contracts so that he could find better deals by going straight to the manufacturer.

Notice what happened. In all these cases, Ferkauf, Price, Brotman, and Walton were initially told “no” or otherwise thwarted in their efforts to make good on new ideas. Ferkauf was told “no” by the government (as were other discounters), but he found a way around the rules. Price did the same end-run and also found new ways to go about his business as he refused to carry goods made by companies that enforced “fair trade” practices. Price also decided to run with his idea after he was rebuffed by those with whom he wanted to work, as did Brotman later on when he was rebuffed by Price’s company. Walton found himself in a similar situation as he kept butting heads with the management of Butler Brothers.

They all saw *different* and *better* ways to do things—at least, they saw what *they* thought were *different* and *better* ways to do things, and in these cases they were right. They had two crucial elements working for them. First, when they were refused partnerships, they had the liberty to raise funds and strike out on their own. Second, Price started FedMart, Brotman started Costco, and Walton started Walmart on the conviction that they had noticed what some economists call a misalignment in the structure of production: they noticed (successfully) that they were surrounded by capital goods and labor that could be profitably redeployed doing something else. It was a “something else” that wasn’t especially different from what people were already doing, but it was a “something else” that was more consistent with consumers’ underlying preferences as well as the underlying patterns of resources and technological possibilities. They thrived because they were right.

This doesn’t always work the way people want it to. Consider New Coke and Crystal Pepsi, both akin to Nineveh and Tyre as conspicuous failures. Both Coke and Pepsi were punished by the market because they were wast-

ing resources producing products that people in the market fundamentally did not want. Think about all sorts of other foods and beverages you no longer eat or drink because they're no longer made. The people who made these mistakes took their lumps in the marketplace after giving it their best shot and in that way are a bit like Thomas Edison in that they have given us several instrumentally valuable failures: they've shown us a few things that don't work.⁶

Transportation is a cautionary tale

We don't yet know just how much we can choke the golden goose before it dies. It has shown itself surprisingly resilient even in the face of organized opposition. Consider the battle in many cities over ride-sharing services like Uber and Lyft. While taxi interests and others have fought tooth and nail to keep these services out, they have still succeeded in operating, even in many places where opposition has been stiff.

This wasn't the case for jitney services, which were the Uber of the early twenty-first century.⁷ Jitney drivers would pick up a passenger, post that they were headed to wherever that passenger was going, and then pick up people along the way who needed a ride. It wasn't app-dispatched, but it was an effective (and for some, profitable) way to get around town. It was roundly opposed, however, by the streetcar companies that didn't like sharing the road with the jitneys—and there was at least some substance to their complaints as jitneys did business under the radar and supposedly didn't pay taxes the way the streetcar companies did. This might be an argument for better tax infrastructure, however—not an argument for prohibiting the jitneys from doing business. Their expansion was also opposed

6 cf. Carden (2009) for a discussion of entrepreneurial losses and their information-generating properties.

7 See Eckert and Hilton (1972) for the discussion of jitney services from which this section is drawn.

by merchants who had a stake in the existing pattern of residence and retail and who therefore stood to lose if jitney services threatened those patterns.

Things could be far better, but of course they could also be far worse. The economists Douglass C. North, John Wallis, and Barry Weingast in their 2009 book *Violence and Social Orders* emphasize the importance of what they call an “open access” order. There is a lot of gray space between a pure open access and pure limited access order, but the virtues of open access are illustrated by our experience with ride-sharing. Transportation regulations are clear examples of barriers to entry into the economic order, and this became especially clear during the ride-sharing debate as many argued that since municipal codes did not recognize and regulate transportation network companies (TNCs) there was no way for these firms to do business under the law. It was a formidable block for those who wished to drive for Uber and Lyft, but relatively open access to the political order meant that there were opportunities for people to profit politically by changing policy. Uber officials and lawyers were able to seek audience with the policymakers responsible for deciding whether Uber would be allowed to operate or not, and they were able to martial public opinion to their aid as well. The right of essentially anyone to voice an opinion in public spaces, online, at different city meetings, and so on, illustrates the importance of political liberty—open access to the political order, even if one is unable to vote or hold office—for efficiency-increasing institutional change.

Bourgeois life requires and reinforces virtue

Contrary to what “everybody” knows, we have gained the world and found our souls in the bourgeois era. Bourgeois projects are daily opportunities to express the three Christian virtues of faith, hope, and love, and the four Pagan virtues of prudence, justice, temperance, and courage. The virtues are also reinforced by the mundane daily affairs of the bourgeois. Here’s how. Faith, hope, and love are the godward-reaching, transcendence-touching virtues. The greatest of these is love, and in English we use one word to mean four different things. C.S. Lewis in his book *The Four Loves* explains

four different ways people love (Lewis, 1971). There is affection for things and the non-human, *phileo* or brotherly love between close friends, *eros* or erotic love between lovers, and *agape*, the stuff of God, the love which reaches toward the transcendent and which seeks something greater than itself as its ethical object.

The reach toward and communion with the transcendent need not be a reach toward or communion with the religious. Think about the movie you *love* or food you *love* or the band you *love* or the local sports team you *love*. These you might love with affection only—we doubt that you have many opportunities for brotherly love or erotic love with bands and footballers, but your esteem for them is in many ways an esteem for the transcendent. You wear your favorite team's colors because they are part of you in some sense. You buy the band's tee-shirt at the concert—where you sing along with every song, word-for-word, which you have known by heart for decades—because you are part of something larger than yourself. You get into long, drawn-out discussions in internet forums about whether the popular heavy metal band AC/DC really died with lead singer Bon Scott in 1980 or whether it has been as good or even better with Brian Johnson as its front man, not just because you like the music, but because you *love* the band and its fans. You have been outraged by Ewoks and Jar-Jar Binks and Princess Leia's use of the force because you *love Star Wars*. Or at least you love your idea of what *Star Wars* should have been after *The Empire Strikes Back*.

You get the point. Our bourgeois lives feature lots of opportunities to love. Maybe we love dumb things—and many of us do. But our lives are soaked in opportunities to reach toward and grasp the transcendent. The theologian James K.A. Smith (2016) points out that all actions are parts of some kind of liturgy. The liturgies available to us in the Bourgeois Era are far more diverse than those available to our ancestors.

Faith and hope are closely related to love in that they touch the transcendent. *Faith* is backward-looking and *hope* is forward-looking, but both are rooted in identity. Hope is a brand of spiritual courage that causes us to get out of bed and go to work when we don't want to and to keep cheering even when there's a *very* slim chance, if any, that the team will pull

it off in the end. Sometimes that hope is rewarded and the team makes a last-second shot. *Faith* is the virtue grounded in identity and solidarity with those who came before us. It is a backward-looking communion with transcendent communities to which we belong. It is the virtue that causes us to remain honest even when we could get away with a lie. It is the “I’m like that” which steadies us when we waver. Just as with love, our bourgeois lives are filled with opportunities to exercise *faith* and *hope*—*faith* for the discouraged manager digging deep to find out who he is when things aren’t going so well, and *hope* for the entrepreneur who ventures out to try something new.

Bourgeois life provides us with lots of opportunities to exercise the pagan virtues of courage, justice, temperance, and prudence, as well, and these are where the exercise of the virtues is probably most obvious. Prudence, the habit of choosing wisely, of exercising practical wisdom, is the hallmark bourgeois virtue. It’s the virtue of buying low and selling high. It’s the virtue that causes you to ask whether you *really* need to buy another pair of shoes when you already have so many given that the money could be used elsewhere. It’s the virtue that causes you to sell your car when you live in downtown Chicago and it’s clear that you’re probably better served just taking taxis and Uber and Lyft everywhere. It is the virtue that knows when to stop instead of continuing to press forward with work, work, *work* that, thanks to the law of diminishing marginal returns, isn’t adding as much as you might think. A business-loving civilization is one soaked with applied prudence.

Prudence is closely related to temperance, one of the essential components of what Adam Smith called *self-command*, which is the most important of his virtues. It is the virtue that causes you to go to bed when it’s time to do so instead of staying up and watching one more episode of *Stranger Things*. It’s the virtue that causes you to say “no, thank you” when the bartender asks if you want to have another. A successful bourgeois society praises temperance and admires this virtue of self-command. Virtually every choice is an opportunity to exercise the virtue of temperance, and this is perhaps doubly true in an extremely wealthy society. Indeed, much of the new behavioral economics is an argument that people have *too many*

opportunities to exercise temperance, which is another way of saying we are overwhelmed by choice.

Courage and justice are important parts of bourgeois civilization. Entrepreneurship is a risky business that requires the courage to make the right choice—even if it's the difficult choice—when the chips are down. Justice, the giving of dues, is something else for which we have ample opportunities in a wealthy bourgeois society. And indeed, people have tended to exercise much more courageous, much more just lives in the wealthy civilized world than at other times in history.

Conclusion: If we keep our ethical wits about us, we can see over into a Great Enrichment⁸

The West did not grow rich because of capital accumulation, natural resources, or even free trade (though these all helped and are not to be scoffed at). Most of the “background conditions” for wealth accumulation, like property rights, had been there for a long time and in many places, and the purported material causes were not large enough to explain the 1500 percent to 9900 percent increase in standards of living we are trying to explain. The West did not grow rich because it took from the Rest: empires and colonies and human rights atrocities made some people wealthy but in fact hurt the average person who was taxed to pay for these ventures.

Rather, the West grew rich because a confluence of historical accidents created a competitive, pan-European republic of letters and rhetoric in which ideas could foment and ferment and be distributed widely via difficult-to-censor presses and in which people of ideas could flee from one tyrant and take refuge with another. This ultimately gave rise to a business-loving, or at least business-respecting, or at least business-*tolerating* civilization—tolerating enough of those who want to give it a shot in the market or who think they can come up with a way to do it—whatever *it* is—better.

8 This is taken from the title of Carden and McCloskey (2016).

The idea of a business-respecting *commercial* society was the innovation and contribution of Adam Smith and the other lions of the Scottish Enlightenment. Simple respect for the liberty and dignity of the butcher, the brewer, and the baker who could *refuse* any offer provided the right incentives for innovation, and the new toleration for the bourgeoisie removed the massive burden of social stigma that had previously plagued the calculative and commercial arts. The result of the Great Revaluation of the bourgeoisie in early modern Europe was a Great Enrichment that began first in northwest Europe and then spread across Europe generally and into Europe's overseas extensions and that, finally, is enriching the world as countries like India and China adopt elements of the Bourgeois Deal of "leave me alone and I'll make you rich."

The Enrichment increased our scope, considerably. It relies on virtue, and it also reinforces and rewards and provides many opportunities for the exercise of virtue. We are rich because we are free, and in spite of an intellectual turn against the bourgeoisie from 1848 forward we have kept the twin lights of human liberty and human dignity burning brightly enough to enlighten and enrich all those who would look upon them. Progress, unfortunately, is not automatic, but so long as we keep our ethical wits about us and embrace buying low, selling high, and innovation, there is no limit to what people can achieve.

References

- Allen, Robert C. (2009). *The British Industrial Revolution in Global Perspective*. Cambridge University Press.
- Aron, Raymond (1983/1990). *Memoirs*. Abridged edition. Translated by George Holloch. Holmes and Meier.
- Berry, Christopher J. (2013). *The Idea of a Commercial Society in the Scottish Enlightenment*. University of Edinburgh Press.
- Boudreaux, Donald J. (2014). Deirdre McCloskey and Economists' Ideas about Ideas. *Liberty Matters: A Forum for the Discussion of Matters Pertaining to Liberty*. Liberty Fund. <<http://oll.libertyfund.org/pages/lm-mccloskey>>, as of March 28, 2018.
- Bureau of Labor Statistics (2018). Table B-3: Average Hourly and Weekly Earnings of All Employees on Private Nonfarm Payrolls by Industry Sector, Seasonally Adjusted. *Economic News Release*. United States Department of Labour. <<https://www.bls.gov/news.release/empsit.t19.htm>>, as of March 8, 2018.
- Carpenter, Dick M. II, Lisa Knepper, Angela C. Erickson, and John K. Ross (2012). *License to Work: A National Study of Burdens from Occupational Licensing*. Institute for Justice.
- Carden, Art (2009). A Note on Profit, Loss, and Social Responsibility. *New Perspectives on Political Economy* 5, 1: 1–8.
- Carden, Art (2017a.) *More and Better: Resources Defined Through Property and Exchange*. Working paper number 81. Independent Institute.
- Carden, Art (2017b.) *The Creation of Knowledge in Society: Waste Defined by Property and Exchange*. Working paper number 82. Independent Institute.

- Carden, Art, and Charles Courtemanche (2018). *The Vital Two: Entrepreneurial Judgment by Sol Price and Sam Walton*. Working Paper.
- Carden, Art, and Deirdre N. McCloskey (2016). If We Keep Our Ethical Wits, We Can See Over Into a Great Enrichment. *Independent Review* 20, 3: 353–356.
- Cowen, Tyler, and Alex Tabarrok (2014). *Modern Principles: Macroeconomics*. Worth Publishers.
- De Soto, Hernando (2000). *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. Basic Books.
- Diamandis, Peter, and Steven Kotler (2012). *Abundance: The Future is Better Than You Think*. Simon and Schuster.
- Eckert, Ross D., and George W. Hilton (1972). The Jitneys. *Journal of Law and Economics* 15, 2: 293–325.
- Ferguson, Niall (2011). *Civilization: The West and the Rest*. Penguin Books.
- Fogel, Robert W. (1999). Catching Up With the Economy. *American Economic Review* 89, 1: 1–21.
- Goldstone, Jack A. (2002). Efflorescences and Economic Growth in World History: Rethinking the “Rise of the West” and the Industrial Revolution. *Journal of World History* 13: 323–389.
- Harford, Tim (2005). *The Undercover Economist*. Oxford University Press.
- Hirschman, Albert O. (1977). *The Passions and the Interests: Political Arguments for Capitalism Before Its Triumph*. Princeton University Press.
- Holcombe, Randall (2007). *Entrepreneurship and Economic Progress*. Routledge.

Lewis, C.S. (1971). *The Four Loves*. HarperOne.

McCloskey, Deirdre N. (2006). *The Bourgeois Virtues: Ethics for an Age of Commerce*. University of Chicago Press.

McCloskey, Deirdre N. (2010). *Bourgeois Dignity: Why Economics Can't Explain the Modern World*. University of Chicago Press.

McCloskey, Deirdre N. (2016). *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World*. University of Chicago Press.

Mokyr, Joel (2016). *A Culture of Growth: The Origins of the Modern Economy*. Princeton University Press.

Mossner, Ernest Campbell, and Ian Simpson Ross (1987). *The Correspondence of Adam Smith*. Liberty Fund.

North, Douglass C. (1981). *Structure and Change in Economic History*. WW Norton.

North, Douglass C., John J. Wallis, and Barry R. Weingast (2009). *Violence and Social Orders*. Cambridge University Press.

Nye, John V.C. (2002a). *Economic Growth. Part I. Economic Growth and True Inequality*. Library of Economics and Liberty. <<http://www.econlib.org/library/Columns/Nyegrowth.html>>, as of March 28, 2018.

Nye, John V.C. (2002b). *Economic Growth. Part II. Irreducible Inequality*. Library of Economics and Liberty. <<http://www.econlib.org/library/Columns/Nyepositional.html>>, as of March 28, 2018.

Otteson, James (2002). *Adam Smith's Marketplace of Life*. Cambridge University Press.

Phelps, Edmund (2013). *Mass Flourishing: How Grassroots Innovation Created Jobs, Challenge, and Change*. Princeton University Press.

Price, Robert E. (2012). *Sol Price: Retail Revolutionary and Social Innovator*. San Diego History Center.

Ridley, Matt (2010). *The Rational Optimist: How Prosperity Evolves*. HarperCollins.

Simon, Julian (1996). *The Ultimate Resource 2*. Princeton University Press.

Smith, Adam (1759/1869). *The Theory of Moral Sentiments*. Alex Murray & Son/Liberty Fund. <<http://oll.libertyfund.org/titles/theory-of-moral-sentiments-and-essays-on-philosophical-subjects>>, as of March 28, 2018.

Smith, Adam (1776/1904). *An Inquiry into the Nature and Causes of the Wealth of Nations*. Edwin Cannan, ed. Methuen/Liberty Fund. <<http://oll.libertyfund.org/titles/smith-an-inquiry-into-the-nature-and-causes-of-the-wealth-of-nations-cannan-ed-in-2-vols>>, as of March 28, 2018.

Smith, James K.A. (2016). *You Are What You Love: The Spiritual Power of Habit*. Brazos Press.

Social Security Administration (2014). *Actuarial Life Table*. Interactive web table. Government of the United States. <<https://www.ssa.gov/oact/STATS/table4c6.html>>, as of March 24, 2016.