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What's Still Wrong with Marxism: Some Fragments on a Theme

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from *Bourgeois Dignity* (2010) and *The Treasured Bourgeoisie*
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(Part 1 of 3)

From McCloskey, *Bourgeois Dignity*:

Why Economics Can't Explain the Modern World.

Chicago: University of Chicago Press, 2010:

In fifty years, if things go as they have since 1800, the terribly poor will have become adequately nourished. Slaves and women will be largely free. The environment will be improving. And the ordinary person worldwide will have become bourgeois. In 1800 there were good reasons to be pessimistic – though many people in that dawn were in fact optimists. Nowadays, although an age of widely circulating tales of impending catastrophe, there are many more reasons to be optimistic about our future.

In a good deal of the world the optimistic outcome has already happened. Marxists have long been vexed by the complacently bourgeois character of the American working class. The economic historian Werner Sombart asked in 1906, “Why is there no socialism in the United States?” and answered that “all socialist utopias come to grief on roast beef and apple pie.”¹ It turned out that the prosperous Americans were merely showing the way for the British and the French and the Japanese. We seem to be on track to merge not into a universal class of the proletariat but into a nearly universal class of the innovative bourgeoisie. (I use the French word *bourgeoisie* in its wide sense, as the hiring or owning or professional or educated class [*bourgeois*, without the *-ie* on the end, “boor-zhwa,” is the adjective, and is also the male person of the class, singular and plural], usually in towns, the “middle class.” I do not use it in its frequent Marxist sense as *la haute bourgeoisie*, the class of captains of industry alone.) Your physical therapist, now earning \$35 an hour, or \$280 each work day, at AthletiCo, who went to university and then to graduate work and now to continuing education, does not regard himself as a wage slave.² He works four days a week, and his wife, also a physical therapist, three. He and she can at any moment become a little company in private practice. The relations of production no longer tell much about the mentality or the prospects of hired labor. You work for a wage. Do you feel immiserized? Reflect, oh dear bourgeois-by-education reader, on the real and demeaning poverty of your own ancestors in 1800, and offer thanks to the Bourgeois Era and to the Age of Innovation.

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. . . . By 2015, however, it will be apparent that this way of conceptualizing development has become outdated. Most of the [formerly poor] five billion, about 80 percent [or four billion], live in counties that are indeed developing, often at amazing speed.”³ Collier is right, and the sums in 2015 will be more like six billion rich or richify-ing people facing a bottom billion of persistently poor.⁴ Witness richifying China and India nowadays – places still poor by the standard of Hong Kong or Belgium, but growing in real income per head at amazing, unprecedented speeds, twice or three times faster than other countries – 7 to 10 percent per year. Their growth rates are faster than the rates at which the United States or Japan ever grew, and imply a quadrupling of human scope every twenty or fourteen years, in a short generation. In two such generations their real incomes per head will have risen by a factor of sixteen, to the \$48 a day the United States enjoyed in the 1940s. The fact provides some scientific ideas about what to do for the bottom billion or so.

. . . . The last two centuries worldwide favored the ordinary person, especially a

1. Sombart 1906.

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

3. Collier 2007, p. 3 (and for the next quotation, p. x).

4. World population in 2009 was about 6.77 billion.

person who lived in a bourgeois country. Consider a third cousin once removed of mine, thirty-five-year old Eva Stuland, in Dimelsvik on the Hardanger Fjord of western Norway. In 1800 our mutual ancestors had been \$3-poor. Compare Bangladesh. Yet by now, ten generations further on, the honest, educated, and oil-blessed 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, that \$137 a day. (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 – nonetheless a stunning increase over the U.S.A. in 1900 or 1950, and most stunningly for the American poor.)⁵ Fru Stuland consumes with her \$137 a day a good deal of Belgian chocolate and a summer home in the mountains and a nice little Audi (her husband Olaf has the BMW). Her daily *earnings* are of course much higher than \$137 – compare the AthletiCo therapist – because she works only Monday through Friday, with ample vacation time, and the average consumption per Norwegian includes allotments for Eva’s young children and for her parents and her grandmother on pensions. She and the rest of the Norwegians work fewer hours per year than the citizens of other rich countries, and many fewer hours than the workaholics in Japan or the U.S.A. At birth Eva could have expected to live to age eighty-five. Her own two children will probably live even longer, 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.⁶ Norway contributes more per capita to international governmental charities than any other country. Eva supports nonviolent 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 (who is by no means her lord and master) worked as a diver on the oil rigs for a few years, but now is deskbound at Statoil’s regional office. As a girl at school Eva read many of the works of Ibsen in Norwegian, and a couple even of Shakespeare in simplified English. She’s been pleased to attend performances of both at the National Theatre in Oslo over the mountains. Her home resonates with recordings of the music of Edvard Grieg, who in fact was a not-so-distant relative on her mother’s side.⁷

Why did it happen? How did average income in the world move from \$3 to \$30 a day? How did the 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 hockey-blade 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 European trade or Dutch investments or British imperialism or the exploitation of sailors on Norwegian ships. Economics did matter in shaping the pattern. It usually

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

6. Abbing 2002.

7. Eva is a fiction – though in truth I have plenty of such cousins at Dimelsvik.

does. Exactly who benefited and exactly what was produced, and exactly when and where, was indeed a matter of economics – a matter of incomes and property and incentives and relative prices. If a historian doesn't grasp the economics he 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 wrought 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 many decades 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, England, or to Manchester, New Hampshire, or why indeed the cotton growers of the present-day African Sahel are damaged by protection for American cotton. Economics can explain why a comparative advantage in making cloth out of cotton shifted from India to England and then back to India.

Economics, though, can't explain the rise in the whole world's (absolute) advantage from \$3 to \$30 a day, not to speak of \$137 a day. That is the main scientific point of the book. Economics can't explain the blade of the hockey stick. It can't explain the onset or the continuation, in the magnitude as against the details of the pattern, of the uniquely modern – the widespread coming of automobiles, elections, computers, tolerance, antibiotics, frozen pizza, central heating, and higher education for the masses, such as for you and me and Eva. If an economist doesn't grasp the history she will not understand this most important of modern historical events. An economics of a bourgeois or Marxist sort does not account for the unprecedented size and egalitarian spread of the benefits from growth, only the details of its pattern. Material, economic forces, I claim, were not the original and sustaining causes of the modern rise, 1800 to the present. Economics does most usefully explain how the rising tide expressed itself in microgeographical 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 the third and last volume to follow, that innovation (not investment or exploitation) caused the Industrial Revolution. Many historians and economists would agree, so there's not much that is surprising in that part of the argument. But I also argue – as fewer historians and very few economists would – that talk and ethics and ideas caused the innovation. Ethical (and unethical) talk runs the world. One-quarter of national income is earned from sweet talk in markets and management.⁸ 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 rely exclusively on silent and monetary incentives such as executive compensation. The economists and their eager students choose Prudence Only, to the exclusion of the other virtues that

8. McCloskey and Klamer 1995.

characterize humans – justice and temperance and love and courage and hope and faith – and the corresponding sins of omission or commission. The theorists of prudence forbid ethical language, even in the word-drenched scene of banking. Such a reduction to Prudence Only works reasonably well in some parts of the economy. You’ll do well to choose Prudence Only, and silent incentives, when trying to understand covered interest arbitrage in the foreign exchange markets. But it doesn’t explain the most surprising development of all.

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 high theorists were emboldened to rethink their prejudice against the bourgeoisie, a prejudice by then millennia old. (Sadly, the talk and prejudice and theory along such lines didn’t alter right away in China or India or Africa or the Ottoman lands. By now it has, despite resistance from European progressives and non-European traditionalists.) The North Sea talk at length radically altered the local economy and politics and rhetoric. In northwestern Europe around 1700 the general opinion shifted in favor of the bourgeoisie, and especially in favor of its marketing and innovating. The shift was sudden as such things go. In the eighteenth and nineteenth centuries a great shift occurred 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 in the Basilica of St. Peter or the Palace of Versailles or the gory ground of the First Battle of Breitenfeld.

* * *

I am claiming, in other words, that the historically unique economic growth on the order of a factor of ten or thirty or one hundred, and its political and spiritual correlates, depended on ideas more than on economics. The idea of a dignified and free bourgeoisie led to the ideas of the steam engine and mass marketing and democracy. “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.”⁹ True, and in the next hundred years it created many more, with a consequent betterment of the formerly impoverished, quite contrary to what Marx and Engels expected in 1848, and contrary to what the well-meaning people of the left down to the present, such as the American filmmaker Michael Moore, keep saying. And it raised the human spirit, contrary to what Thomas Carlyle expected in 1829, and contrary to what the well-meaning people of the right down to the present, such as the American journalist Pat Buchanan, keep saying. A young American critic of Carlyle’s moral pessimism, Timothy Walker, a host to Tocqueville in Cincinnati during his American tour, noted in 1831 that we are not

9. Marx and Engels 1848 (1988), sec. 1, p. 59.

speaking of Athenian aristocrats supported by the labor of women and slaves, but Democratic Humanity in the mass.

* * *

But Marx erred in claiming (as he and Engels ordinarily did claim) that ideological or rhetorical change *always* reflects the material economy of interests. It was no material, merely prudential, interest that drove Hitler's or Stalin's or Mao's regime to murder tens of millions merely of its own people, or Pol Pot's to murder a third of the Cambodian population.¹⁰ It was ideology, during the century of warring ideologies. Doubtless the ideas themselves had some partial dependence on interests. But not always. People do not become conservatives or liberals, fascists or Communists, always because of self-interest. Their willingness to die for such causes shows their commitment, as the economist and philosopher Amartya Sen would say, or it shows their ethical complexity for good or evil, as I would say.¹¹

* * *

The materialist accounts are many, from the "original accumulation" favored by early Marxist historians to the "new institutionalism" favored by late Samuelsonian economists.¹² The criticism made here does not hurl into the eighth circle of Hell every possible version of the theories suggested up to now; nor does it damn their advocates, many of whom are my personal friends and admired colleagues, whether Marxist or Samuelsonian. Their arguments may well be true that posit a surplus value staying with capitalists for a long time, or that explain with reallocations some increases of efficiency here or there of 2 or 3 percent of national income. The scientific evidence, however, seems to be strong that the economicist, Prudence Only theories, whether

10. Otteson 2006, p. 178.

11. Sen 1985.

12. "Samuelsonian" is an adjective for modern, American-style economics, which was originated by the late, great, and amiable Paul A. Samuelson (1915-2009) and by his brother-in-law (also great and amiable) Kenneth Arrow (b. 1921), and announced in Samuelson's modestly entitled PhD 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. To this, Arrow added the use of proof in the style of the department of mathematics (as against departments of physics or engineering, which care not a fig about such existence-theorem proofs). Samuelsonian economics, especially in its recent form melded with Milton Friedman's conclusions, is commonly called "neoclassical." But the term perpetuates an anachronism, since neoclassical economics names the much earlier new economics during and after the 1870s (Menger, Walras, Jevons, Marshall, Clark, Wicksell), which was wider than Samuelsonian in method, or wider than Friedmanite in conclusion

taken individually or together, can't explain the startling rise of real incomes from 1700 to the present, thousands of percents. Rhetoric perhaps can.

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

Foreign trade was too small and too anciently common to explain the rising tide after 1700 in northwestern Europe. Capital accumulation was not crucial, since it is pretty easily supplied. Literacy, for example, is a form of investment in human capital, but responds to demand. Coal can be and was moved. Despite what you may think, European empires did not enrich the imperial countries, 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, in China more even than in Europe. The European marriage pattern was not only European. Greed didn't increase in the West. In bourgeois countries during the Industrial Revolution the Catholics did just as well as the Protestants, at least when in similar circumstances, as they were in Amsterdam. The Muslims and the Hindus and the Buddhists, or for that matter the Confucians and most of the animists, could think as rationally about profit and loss as did the Christians. Populations had grown, even explosively, in earlier times and other places. The Black Death hit all of Eurasia. Genetic variation and evolution work too slowly and irrelevantly to explain European success. 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 European one. The science of the Scientific Revolution was in any case mostly about prisms and planets, and before the twentieth century even its other branches did not much help in worldly pursuits. True, European science was in its non-normal, revolutionary episodes an important parallel in the realm of ideas to the acceptance of creative destruction. But the new dignity and liberty for innovators was a rhetorical event outside of science, and it influenced science itself by elevating bourgeois stick-to-itiveness (such as Charles Darwin's) over aristocratic gestures (such as Lord Bacon's).

* * *

But bourgeois life and innovation since 1848 have had a voluminously bad press, worse even than warranted Christian belief. The prosecution in the past two centuries has written out the indictment of the developing free and bourgeois and business-respecting civilization in many thousands of eloquent volumes, from the hands of Robert Southey and Schiller and Carlyle and Dickens (the critics of innovation, I repeat, were not all of the left), of Alexander Herzen, Baudelaire, Marx, Engels, Mikhail Bukharin, Ruskin, William Morris, Nietzsche, Prince Kropotkin (my hero at age fourteen, when I fell in love with socialist anarchism down at the local Carnegie-financed library), Tolstoy, Shaw, Ida Tarbell, Upton Sinclair, Rosa Luxemburg, Emma

Goldman (another admired figure, when I later as a young economist reaffirmed anti-statist convictions), D. H. Lawrence, Bertrand Russell, Lenin, Trotsky (companion of a brief adolescent flirtation with communism), John Reed (ditto), Veblen, Ortega y Gasset, Sinclair Lewis, T. S. Eliot, Virginia Woolf, Mussolini, Giovanni Gentile, Hitler, Heidegger, Wittgenstein, F. R. Leavis, Karl Polanyi, Walter Benjamin, Sartre, Simone de Beauvoir, Simone Weil, Dorothy Day, Woody Guthrie (whose songs and singing made me for a while in college a Joan Baez socialist – the leftish critics of bourgeois dignity and liberty have all the best tunes), Pete and Peggy Seeger (ditto), Ewan MacColl (so too), Lewis Mumford, Hannah Arendt, Herbert Marcuse, Maurice Merleau-Ponty, J. K. Galbraith, Louis Althusser, Allan Bloom, Fredric Jameson, Saul Bellow, Howard Zinn, Noam Chomsky, Eric Hobsbawm, E. H. Carr, E. P. Thompson, Ernest Mandel, Immanuel Wallerstein, Paul Ehrlich, Stuart Hall, C. L. R. James, George Steiner, Jacques Lacan, Stanley Hauerwas, Terry Eagleton, Alain Badiou, Slavoj Žižek, Charles Sellers, Barbara Ehrenreich, Naomi Klein, Nancy Folbre (a personal friend), Jamie Galbraith (ditto), and Jack Amariglio (double ditto). Few people have defended commerce from this magnificent flood of eloquence from the pens of left progressives and right conservatives – jeremiads against markets and innovation which stretch from the Hebrew prophets through Plato and the *Analects* of Confucius down to the present – except on the economist’s Prudence Only grounds that after all a great deal of money is made there. In offering merely six volumes in defense, after such grand prolixity in the prosecution, I admire my restraint. As Henry Fielding wrote toward the end of *Tom Jones*, a “prodigious” book, “When thou hast perused the many great events which this book will produce, thou wilt think the number of pages contained in it scarce sufficient to tell the story.”¹³

* * *

No competent economist, regardless of her politics, denies the Great Enrichment. The economist Stephen Marglin, for example, emphasizes community, which he believes was undermined by the Fact and its accompanying rhetoric of Prudence Only. As a convinced socialist he believes that power and striving had more to do with the Fact than a free-market economist believes.¹⁴ Yet both a neo-Marxist economist and a free-market economist accept the great magnitude of the enrichment as a Fact. Likewise the economic historian Gregory Clark emphasizes a Darwinian struggle for eminence, which he believes explains the Fact. As a recently convinced eugenicist he thinks that people are fated to be who they were born to be, which a true liberal finds ethically alarming, and anyway scientifically dubious.¹⁵ Yet both a eugenic economist and a true

13. Fielding 1749, vol. 2, p. 409 (book 18, chap. 1).

14. Marglin 2008. Compare the great Marxist economist Joan Robinson (1966, p. ix): “In modern industrial countries. . . the real-wage level is normally rising as technical progress raises productivity.”

15. Clark 2007a.

liberal economist accept that the Fact broke the Malthusian curse.

Many noneconomists or nonhistorians, though, whether in their politics left or right, are suspicious of innovation and hostile to markets, and remain unaware of the magnitude involved. They know *something* happened, of course – and that a vulgarly bourgeois apologist will claim “progress,” probably disputable and in any case deeply damaging to the poor, or to a graceful life. But the noneconomists and the nonhistorians left and right and middle have little idea of how very, very enriching the Fact has been for ordinary poor people, and how enabling of graceful lives of authenticity. They worry that in the Neoliberal Order (as the late economic historian Angus Maddison calls it), 1973 to the present, growth rates in the parts of the world that have rejected or regulated bourgeois dignity and liberty have fallen, sometimes to below zero. They do not realize that even including such places with the bad luck to reject liberalism the world’s growth rate recently has been far above the rates 1913-1950, a little above 1870-1913, and gigantically above anything seen before 1870.¹⁶ If you ask the regular readers of the *Nation* or of the *National Review* how much more material ease the average American had gained by the time of President Clinton as compared with President Monroe they will come up with a figure such as. . . go ahead: make a guess. . . perhaps, 200 percent or even 400 percent, maybe 800 percent – not, as is the case, 1,700 percent, a factor of nearly eighteen, which is a lower bound on the American history. It is to be compared with the 1,500 percent in Britain. Both were astounding.

* * *

To take the recent rise of inequality in advanced countries, especially in the United States, as the beginning of a permanent trend and the fulfillment of Marx’s prediction of immiserization is to ignore the long-run fact (and, as I said, the short-run fact, too): that real incomes of poor people have increased even in the past few decades even in advanced countries, and have exploded in countries adopting dignity and liberty for the bourgeoisie: India, China, Ireland. Recent assaults on neoliberalism by, for example, the brilliant Marxist geographer and anthropologist David Harvey (2007) start their story in 1970. To start much earlier, in 1800, say, or 1900, would transform the story into a success for technological change making poor people well off. In a recent piece Harvey focuses, as left and right tend to do, on the destructive side of creation: “rapid technological change . . . throws people out of work,” as though in the next act real wages did not rise (as they have) or other jobs get invented (as they were) or real consumption for the poor rise (as Harvey admits it did).¹⁷

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16. Maddison 2006, pp. 125-126.

17. Harvey 2009.

Yet the word “capitalism” – a coin which like “ideology” was struck around 1800 and whose value in our scientific rhetoric is due mainly to Marx’s appropriation of it – points in the wrong direction, to money and saving and accumulation.¹⁸ It brings to mind Scrooge McDuck in the Donald Duck comic books, with his piles of money. Or in a slightly more sophisticated version it brings to mind Charles Montgomery Burns in *The Simpsons*, with his piles of factories. What’s wrong with such images? This: the world did not change by piling up money or capital. It changed by getting smarter about steam engines and wiser about accepting the outcome of innovation.

Nonetheless the economists since the eighteenth century have favored the notion of piled-up capital as the maker of modernity, because it emphasizes cost, about which they are expert, and because it is easy to describe statistically and mathematically. Since the late nineteenth century the master mathematical expression claiming that piles of capital acquired at great cost, K , together with existing labor, L , cause our enrichment measured in “Quantity” of goods and services – namely, $Q = F(K, L)$ – has thrilled the bourgeois economists, and has satisfied their Augustinian-Calvinist theology.¹⁹ The Marxist economists, too, have gone on talking about capital accumulation and the absorption of surplus value, with still more Augustinian-Calvinist theology. The economists, though, are off the mark, and so are the cartoonists of Scrooge and Burns. The routine repetition of investment, neatly arranged by capital accumulation in buildings and roads and machines and even educations, doesn’t swing (“Two chords and a backbeat,” the jazz musicians snicker).²⁰ Innovation does. If it ain’t got that swing, it don’t mean a thing. Piling up is not the heart of economic growth. Innovation is. Let’s retire the fraught and misleading C-word.

We’ll do better to call what was born in Europe in early modern times, enriching the world during the nineteenth and twentieth centuries beyond all expectations, by some word without the misleading connotations of “capitalism.” “Progress” is too vague and too loaded politically. If you like neologisms you can call it “innovism.” But the best of a weak field seems to be simply “innovation.” The economic historian Nick von Tunzelmann notes that “technological change became cumulative. . . . The breakthroughs. . . led to a succession of further advances. . . . Earlier changes involved a period of disequilibrium [when, say, the undershot waterwheel had been introduced] followed by a return to some kind of equilibrium as the. . . change was absorbed. . . . Instead, [in the two centuries since 1800] a systemic change took hold in which entrepreneurs had to suppose that any improvement. . . might soon be eclipsed.”²¹ Bill

18. True, Marx himself didn’t use *Kapitalismus*. In the German of *Das Kapital*, vol. 1, he used *Kapital* and *kapitalische* on nearly every page, but not *Kapitalismus*. The English translation used “capitalism” only twice. Carlyle 23 years before, in *Past and Present* (1843), uses “mammonism.” Later, and especially in the twentieth century (that age of proliferating -isms) “capitalism” became common.

19. The reference to theology is not merely ornamental. See Nelson 1991, 2001, and 2009.

20. Marsalis and Ward 2008, p. 131.

21. Tunzelmann 2003, p. 85.

Gates fends off claims that Microsoft is a monopoly by noting that at the very moment he is speaking some bright entrepreneurs in a garage might be devising the innovation that will overturn Microsoft – the way Steve Jobs and he, a couple of college dropouts, overturned Big Blue. The new rhetoric which in time made the modern world has also been called “the triumph of entrepreneurship” or “the honoring of commercial and mechanical innovation” or “continuously emergent novelty” or “the invention of invention” or “creative destruction” of an old product by a new (or sometimes, as Tunzelmann argued, “creative accumulation” of new qualities in an old product, or an entirely new product) or “good capitalism” (as Baumol, Litan, and Schramm [2007] describe American entrepreneurial capitalism) or, in a phrase that Wynton Marsalis and Geoffrey Ward improvised recently to describe the social significance of jazz, an “explosion of consensual creativity.”²² Using an expression like “The Age of Innovation” as a synonym for the misleading “Modern Capitalism” will point in the right direction. As the economist Allyn Young put it in 1928, it was “an age when men had turned their faces in a new direction and when economic progress was not only consciously sought but seemed in some way to grow out of the nature of things.”²³

22. “Entrepreneurship” is from Schumpeter and his Austrian tradition (for example Schumpeter 1926 [1934] and “creative destruction” is from Schumpeter 1942 (1950), pp. 82–85 (borrowed from Werner Sombart’s *Krieg und Kapitalismus* of 1913; some modern treatment are Baumol 2002 and Diamond forthcoming); “continuously emergent novelty” from Usher 1960, p. 110; “invention of invention” from various hands, such as Nathan Rosenberg, David Landes, and Joel Mokyr, and ultimately from Whitehead 1925 (chap. 6), p. 96, “The greatest invention of the nineteenth century was the invention of the method of invention”; “creative accumulation” in Tunzelmann 2003, p. 88; and “consensual creativity” from Marsalis and Ward 2008, p. 167.

23. Young 1928.

Part 2 of 2:

From McCloskey, *The Treasured Bourgeoisie*:

*How Markets and Improvement Became Ethical, 1600-1848,
and Then Suspect.*

Chicago: University of Chicago Press, forthcoming 2015.

The figure is conservatively measured, *not* allowing for better quality. The rise, I stress again, is a good deal larger if you adjust for the better quality of modern medicine (antibiotics, total hip replacements) and travel (cars, airplanes) and lighting (bulbs and LEDs) and knowledge (philosophy and literature, physical science and, yes, economics), a factor as high as the symbolic yet roughly justifiable figure of one hundred I keep mentioning.²⁴ Thomas Babington Macaulay (1800-1859), with a longer perspective than his depressed contemporaries the political economists, remarked in his *History of England from the Accession of James the Second* (1848) that “It is now the [Romantic] fashion to place the Golden Age of England”

in times when noblemen were destitute of comforts the want of which would be intolerable to a modern footman, . . . when to have a clean shirt once a week was a privilege reserved for the higher class of gentry, . . . when men died faster in the lanes of our towns than they now die on the coast of Guiana. We too shall, in our turn, be outstripped. . . . It may well be, in the twentieth century. . . that laboring men may be as little used to dine without meat as they now are to eat rye bread; that sanitary police and medical discoveries may have added several more years [try 30 more years] to the average length of human life; that numerous comforts and luxuries which are now unknown, or confined to a few, may be within the reach of every diligent and thrifty working man. And yet it may then be the mode to assert that the increase of wealth and the progress of science have benefited the few at the expense of the many, and to talk of the reign of Queen Victoria as the time when England was truly merry England, when all classes were bound together by brotherly sympathy.²⁵

24 The factor of 100 is argued in a little more detail in *Bourgeois Dignity*, pp. 54-59, using the economist William Nordhaus' ruminations on the matter, cite.

25 Macaulay 1848, end of Chp. 3. Tom G. Palmer drew my attention to the passage.

In the reign of Marx and materialism, 1890-1980 it was the fashion to deprecate Macaulay as hopelessly optimistic about Progress. In the same year of 1848 in which Macaulay published the first volume of his *History*, John Stuart Mill published his *Political Economy*, in which he predicted merely modest improvement, modest in view of diminishing returns and the Principle of Population (even in its last edition, 1871, he did not modify his restrained and un-Macaulayite enthusiasm for the twentieth century to come). But Macaulay, not Mill, was right in his predictions, and his post-dictions. The anti-Whig-history pessimists from Mill to Herbert Butterfield were wrong. Braudel observes that even the rich in olden times suffered a world in which "heating was still poor, ventilation derisory."²⁶ In a modern economy even quite poor people have access to vaccination, air-conditioning, automobiles, reliable birth control, the internet, and flush toilets. Yet those attending on the very Sun King himself at Versailles had in 1710 access instead to smallpox, fans and open windows, bumpy carriages, leaky condoms, a small list of censored books, and relieving themselves in the staircases of the *Palais*.

You *still* don't believe the great magnitude of the Great Enrichment (goodness, you *are* hard to persuade of an overwhelmingly documented scientific fact! Do you also believe that President Obama was born in Kenya and that the Lord put phony bones of dinosaurs in the rocks to test our faith?). All right, look at your *own* closet. Yes, that one. Compare it with the volume and quality of clothing possessed by even the richest woman in Plimoth in 1620, or for that matter the above-average woman in Amsterdam in 1800, or all but the very well-off in London in 1900 (if you doubt it, watch the 1999 BBC's series, *1900 House*, or while in London visit for a view of eighteenth-century life the Dennis Severs House and its family of Huguenot silk weavers).

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Both Marx from the left and Thomas Carlyle from the right, among many others suspicious of the modern world, called paid work "slavery." It was part of Carlyle's argument, echoed in the American South during slave times, that, compared with the horrors of northern American and northern British "free" wage labor the slavery in the British Empire, beginning to be terminated in 1833, had been a good thing, darkies playing banjos in happy subservience. Even *Uncle Tom's Cabin*, the literary critic Walter Benn Michaels argues, regarded the susceptibility of slaves to market forces *outside the control of even a loving master* (as when the master goes bankrupt or dies) as the worst of the institution. Benn Michaels remarks, "insofar as [Stowe's] critique of slavery came to be a critique of the 'Southern market' it had inevitably to constitute a repudiation of free labor as well. What Stowe most feared was the notion of a market in human labor."²⁷ So has the left clerisy always feared, and much of the right clerisy, too.

26 Braudel 1967 (1973), p. 235. And yet rich Romans had floor heating denied to rich Europeans until recently.

27 Michaels, *The Gold Standard and the Logic of Naturalism* (1987, about p. 110, find.

The usage echoes down to the present, as in *The Concise Oxford Dictionary* of 1999, in which a “wage slave” is defined coolly as “a person who is wholly dependent on income from employment,” with the notation “informal” – but not “ironic” or “jocular” or, better, “economically illiterate.”²⁸ Thus Judy Pearsall, the editor of the *Concise Oxford*, who lives it may be in a nice semi-detached in NW 6 and drives an old Volvo, is a “slave.” You yourself are probably a slave. I certainly am a slave. We are all “slaves,” though none of us owe unpaid service to any boss (except to the taxing state, a slavery celebrated by most of the left and much of the right). Such progressive or conservative terminology is like calling an exchange of harsh words “verbal rape.” We need terms for the physical violence entailed in actual slavery and in actual rape, or for that matter in actual taxation backed by the wide powers to do violence of the IRS, and should not cheapen them by applying them to our middle-class vexations in NW 6 or Morningside Heights.

One finds Oscar Wilde in 1891 declaring that “socialism [about which he knew only the contents of a lecture he had just heard by Shaw] would relieve us from that sordid necessity of living for others,” by which he means charity but also paid work: “An individual who has to make things for the use of others, and with reference to their wants and their wishes, does not work with interest, and consequently cannot put into his work what is best in him.”²⁹ Even the owner of property is not exempt, because property “involves endless claims upon one, endless attention to business, endless bother.” Think of it. Worker or capitalist or landlords, all are “slaves” to supplying things for others.

Well, in that highly metaphorical and imprecise sense, yes, and to our mutual good. Since Hegel many intellectuals have declared that capitalism makes people work for others, and makes the worker therefore an “object,” not a “subject.” Thus Marx and Heidegger and Sartre claimed, since “being for others” is “inauthentic.” If I adopt a social role, such as selling you a deep-fried Mars bar from my chippy in Edinburgh, I am treating you as an object, and you when you pass over your money are treating me the same. Oh, my. As the philosopher Roger Scruton puts it, following such a Kantian obedience to moral law with respect to others “launches us down that path towards the ‘bourgeois’ order on which finicky intellectuals are so reluctant to tread.”³⁰ Unless they authentically lust for a deep-fried Mars bar.

28. Oxford 1999, p. 1610.

29. Wilde 1891 (1930), pp. 257, 270. The next quotation is p. 259. The editor, Hesketh Pearson, remarks that Wilde had been inspired by a lecture of G. B. Shaw’s, “without bothering himself much about economics” (p. xii). The astoundingly scholarly Wikipedia entry for “wage slavery” gives the arguments from people like Noam Chomsky against my views, and those by people like Robert Nozick in favor of them.

29 Bell 2013, p. 6.

30 1994, p. 468.

* * *

The unpleasantness of the Great Recession of 2007 and its slow-growth aftermath in the rich countries, was hailed by my friends and acquaintances on the left as being (at long last) the Actual Last Crisis of Capitalism. The historian the late Eric Hobsbawm gave in 2011 the conventional left-wing analysis of the Great Recession (note its similarity to John Gray's from the Thoreau-ist right wing). In the peroration of his book of Marxist essays Hobsbawm decried "the unlimited and increasingly high-tech economic growth in the pursuit of unsustainable profit produces global wealth, but at the cost of an increasingly dispensable factor of production, human labor, and, one might add, of the globe's natural resources."³¹

(The "one might add" of tacked-on concern for global resources in Hobsbawm's statement, by the way, shows him, as he would have proudly affirmed, to be an *old* leftist. He only stopped being a dues-paying if unorthodox member of the Communist Party of Great Britain some months before it dissolved itself, in 1991. Hobsbawm conveys here suspicion towards the recent environmentalist modulation of the left "on a much more middle-class basis." The environmentalist, anti-corporatist, anti-globalist radicals exemplified by the Occupy movement and its Spanish model, *Los Indignatos*, were, he observes, "anti-capitalist, though without any clear idea of capitalism." "It was almost impossible to identify what they proposed to substitute for it. This may explain a revival of what looks like Bakuninite anarchism."³² From an Old Marxist such a label is damning, with invisible praise.)

The left after Marx and Engels has always been, as Hobsbawm was, strangely alarmed by economic growth – which is what in historical fact enriched the poor – apparently because the left (and the traditionalist right) sees growth as a vine smothering the world, a monopolistic kudzu. The Indian writer Mishra lists approvingly the usual claims: "the cultural homogeneity, or the other Trojan viruses – uneven development, environmental degradation – built into the West's operating software. . . . [And] the harshest aspects of American-style capitalism: the truncation of public services, deunionisation, the fragmenting and lumpenisation of urban working classes, plus the ruthless suppression of the rural poor."³³

The left, with that part of the right, is mistaken. (It is *not* a mistake, though, that the fruits of the Great Enrichment have made the proletariat into petty bourgeois lamentably uninterested in Revolution.) Growth's supposedly nasty "high-tech" feature, in Hobsbawm's phrasing, makes labor "dispensable," true – which is to say that people move from wretched assembly-line jobs at Volvo near Gothenburg or at Ford near Detroit to better jobs standing around in a white coat monitoring robots, at higher wages made possible by the higher tech; or, mainly, to jobs entirely outside the auto industry the real reward of which is higher, because now people can buy the radically

31 Hobsbawm 2011, p. 419, the last page.

32 Hobsbawm 2011, p.

33 Mishra 2011. p. 12.

cheaper stuff made by robots. And if their new jobs are *not* higher paying it may be because the United Automobile Workers had been able to extract monopoly profit from consumers of automobiles. Paying auto workers more than they are worth at the expense of the other workers, who are buyers of automobiles and therefore pay the resulting fancy auto prices in order to pay the monopoly wages, is hardly a formula for raising up the working class.

The profit in a business that the left abhors is temporary. The reward to venturing for example on robotization has been eroded time and again among improvers by their competition, leaving as fruits much cheaper cloth and steel and autos. After all, a blast furnace and a spinning jenny, or for that matter an Acheulean hand ax or a chariot wheel, are “robots,” that is, contrivances that abridge labor. In Afrikaans the word “robot” means what it means elsewhere, following its coinage in Hungary. But it is also the normal Afrikaans word for “traffic light.” Precisely: *any* contrivance substitutes for raw labor, equivalent to a robot, starting with the stick used by our early great ape ancestors on the Serengeti to get termites out to eat – in the Afrikaans case for a policeman with white gloves on a pedestal.

Many people fear technological unemployment, and are persuaded therefore to urge that market-tested improvement be slowed down or reversed. Remember the 1917 Norwegian “braking law.” The left says that the purpose of the Industrial Revolution was to drive people out of work and to create a permanent plutocracy. If that was the purpose it failed. Indeed the lost world that the Industrial Revolution creatively destroyed had of course done more to drive people into serf-like job slots and to keep the aristocracy rich. People in the Great Enrichment down to the present will work at different jobs than their ancestors did, but at much, much higher incomes, and the share going to the very rich (which goes up and then goes down when looked at in long historical perspective) leaves anyway a gigantic increase of real income going to the poorest among us.

Look at the logic. If the fear of technological unemployment were justified then nearly all of us, of course, would by now be unemployed, from the policeman on the pedestal automated out of a job by the “robot” to the blacksmith automated out of a job by rolling mills and the automobile. If such substitutions resulted in permanent unemployment (to make the left’s model work at all you have to imagine people organized into permanent castes of descendants of former traffic police or blacksmiths) unemployment would not be in a bad year 10 percent, and heading down, but 95 percent, and heading up. Practically the only job unaffected by technology is my own, university teaching. I teach pretty much the same way Socrates did, chalk and talk. But I will cheerfully step down if internet videos of better teachers actually do the job better, and make for higher national income by freeing professors to work as business consultants or insurance salespeople.

Milton Friedman was shown a dam-building project on a trip to China early in its turn to market-tested improvement and supply. Friedman asked why all the workers were using hand shovels instead of steam shovels. The Party official proudly declared that with hand shovels they all had jobs. Friedman replied, “I see. Well, then,

take away their productivity-raising shovels [their unemploying ‘robots’] and give them each a teaspoon to dig with. That way *more* people will have jobs.” It is not recorded whether or not the official got the economic point.

Hobsbawm had earlier characterized the socialist goal as “a society based on community and cooperation not on competition,” as though market-tested improvement and supply did not depend on community and cooperation in offices, factories, and marketplaces, and as though competition among capitalists for the dollar of the worker was a bad idea. Both the left and the right take competition by violence as being the same things as competition by businesspeople vying to give you what you want – Marshall Field of Chicago formulating the motto of his department store as “Give the lady what she wants.” There is a seduction here, or love. The great sociologist Georg Simmel – superior to his contemporary Max Weber in the penetration of his ideas about the economy – noted in 1908 that “usually, the poisonous, divisive, destructive effects of competition are stressed” [though consider *creative* destruction]:

But, in addition . . . competition compels the wooer *who has a co-wooer*, . . . to go out to the wooed, come close to him, establish ties with him. . . find all bridges . . . which might connect the competitor’s own being and doing with his. To be sure, this often happens at the price of the competitor’s own dignity and of the objective [that is, driving down the market] value of his product. . . [Yet] it achieves what usually only love can do: the divination of the innermost wishes of the other, even before he himself becomes aware of them. Antagonistic tension with his competitor sharpens the businessman’s sensitivity to the tendencies of the public, even to the point of clairvoyance [such as Steve Jobs’ products]. . . . Modern competition is described as the fight of all against all, but at the same time it is the fight of all *for* all.³⁴

* * *

And I understand that an identity on left or right that you acquired as a teenager is dear to you. I myself had a marxoid identity in those days. It’s a good bet that I know more socialist and trade-union songs than you do. “The people’s flag is deepest red:/ It sheltered off’ our martyred dead.” “Let me tell you of a sailor,/ Harry Bridges is his name.” And for those of you who were young Tories, or Young Americans for Freedom, I think I get it, too. “Land of hope and glory/ Mother of the free.” Or Randians: “I could die for you. But I couldn’t, and wouldn’t, live for you.” And for you in the middle, I admit that my first vote, in 1964, was for Lyndon Johnson (a vote, as Vietnam metastasized, I came to regret). So I’m not sneering at your political identity.

Yet consider. In his autobiography, *Interesting Times: A Twentieth Century Life* (2002), Hobsbawm (1917-2012) repeatedly pauses in recounting the interesting times of German and British history entangled with his own life to explain why he remained loyal to communism, joining a sub-branch of the Young Communist League in 1931, age

34 Simmel DDDD, pp. 61-62, italics on “who has a co-wooer” supplied.

14, and as I have noted only leaving the Party in Britain in 1991. His main argument is that, despite Stalin, Hungary, Mao, and the rest of the depressing violations of socialism's ideals, and some tens of millions of murders, he didn't want to give the American McCarthyites and their milder if still insidious British allies the satisfaction of seeing him resign from the Party.³⁵ Coming from a man hailed as a great historian such rhetoric is at least odd, and even casts a shadow on his science. Why, I ask again, would a political identity (or, analogously, a religious identity) chosen by one's 14-year-old self be The Final Word? Did you yourself, my dear politically committed reader (or my proudly atheistic reader), possess the full story about communism, or Ayn Rand, or the Republican Party (or Christianity), at age 14?

Yes, yes, I understand. Such identities are hard to set aside in the face of sober evidence. They are like attachments to a football club, irrational but deep.³⁶ "I'm for Sunderland." "Bear down, Bears." "Irrational" here does not mean "stupid." We are humans and keep faith with the transcendent. Good for us. Though sometimes bad for us.

But I again implore you to set aside your cherished identity for a moment, and to reflect on the failures of the earlier pessimisms and their encouragement to the suppression of worker-enriching improvement. Think of Schopenhauer and the modern psychologists on defensive attitudes, and try to use what the social psychologist Jonathan Haidt calls the elephant driver to edge around them.³⁷ Oliver Cromwell, frustrated by the Scottish Presbyterians, wrote famously to them in August 1650 one last time before invading: "Is it therefore infallibly agreeable to the Word of God, all that *you* say? I beseech you, in the bowels of Christ, think it possible you may be mistaken. . . . Bethink yourselves; we hope we do." In the Swedish TV mystery series *Wallander* the hero's not-so-bright sidekick Martinsson, says indignantly, "'Theories'?! I'm convinced we're on the right track." To which Wallander replies, "Me, too, every time. Until I realize I've got it wrong." I beseech you: bethink yourselves, and think it possible that your young and uneducated self so long ago got it wrong.

* * *

But the numerous vulgar Marxists of the left and the right claim to believe that the interests and Reality rule every time. Thus the great American economist, George Stigler (1911-1991) asserted in *The Economist as Preacher* (1982): "We live in a world that is full of mistaken policies, but they are not mistaken for their followers. . . . Individuals always know their true self-interest. . . . Each sector of the public will therefore demand services from intellectuals favorable to the interests of that sector."³⁸ That part of his

35 Hobsbawm 2002

36 Roderick Floud put it this way to me, in a conversation about Hobsbawm's autobiography. Roderick knew the man well, and I slightly.

37 Cite Haidt

38 Stigler 1982, pp. 10, 60.

argument is identical to Antonio Gramsci's on the role of the intellectual: "every social group. . . creates together with itself, organically, one or more strata of intellectuals."³⁹ But Gramsci the Italian Marxist (1891-1937) was less of a historical materialist than was Stigler the Chicago-School economist. Gramsci believed in a role for rhetoric and the Party, as Lenin did, too, and was opposed to an "economism" such as Stigler advocated in his old age, the cynical half-truth that the Interests will always win out.

* * *

But after the Bourgeois Revaluation such hierarchy less commonly trumped the outcome of markets, and especially so in the crucial matter of improvement. Marxists call the acceptance of such improvement "false consciousness," and it may admittedly be a bit of a con job. Ideologies are. In psychiatry, false consciousness is called "lack of insight." If you as the patient don't agree with the psychiatrist's ideology you are said to exhibit such a lack.⁴⁰ But unless the masses in a democracy accept improvement, falsely or not, they can be led by populists or Bolsheviks to rise up and kill the goose. That's another con job, with worse consequences. Killing the golden goose has never been a good policy.

The leftish sociologist Charles Lemert has argued that false consciousness by workers is an instance of what C. Wright Mills called a lack of the "sociological imagination." Lemert asks, "Why does it happen that oppressed people, who clearly possess the ability to understand their situations, so often fail to do so?"⁴¹ What he means is that if you as a poor person do not understand society – by not understanding, for example, the Marxist axiom that employment is inherently exploitative – then you will accept deals that are not fair. You will falsely think that you are badly paid merely because that's all you ethically deserve, or, as economists started saying in the 1870s, because low pay corresponds to your actual, low marginal product. You will not realize the Truth that you are paid \$8.50 an hour rather than \$15.00 an hour because trade in labor is inherently exploitative.

The workers in such an account are thus – falsely, with lack of insight – persuaded by the Bourgeois Deal. The boss says, "Let me, oh workers, innovate, with a market test, which may result in closing this or that plant, and, unhappily, a spell of unemployment for some of you. In exchange, in the long run I will make *you-all* rich." (Up his sleeve, to himself, according to Marxist lore: "Ha, ha, *suckers!*") Workers, the left says, *mistakenly* accept a *false* claim of creative destruction. Wake up, you workers! Arise, you prisoners of starvation!

Taxing the rich to help the poor, say, seems in the first act a fine idea. {Psychology making for socialism of shock of poverty: obvious that if I a middle-class person were to open my wallet to the extremely poor on the street of New Delhi that they will be better off. Bourgeois guilt → socialism} (Note,

39 Gramsci 1932, in Forgacs, ed., p. 301.

40 I explain the idea, with illustrations from personal experience, in *Crossing: A Memoir* [1999], pp. 96-131.

41 Lemert 2012, p. 21

however, that such a sweet redistribution is *not* what most governments in truth spend most of their tax revenues doing. Australia and New Zealand approach it, but not the United States, with its lush undergrowth of corporate welfare and tax deals for our dear friends the very rich.⁴²⁾

But anyway such redistribution, though assuaging bourgeois guilt, has *not* been the chief sustenance of the poor. The social arithmetic shows why. If all profits in the American economy were forthwith handed over to the workers, the workers (including some amazingly highly paid “workers,” such as sports and singing stars and big-company CEOs) would be 20 percent or so better off, right now. One time only. No 20 percent per year. Or again, to speak historically, imposing by act of Congress ten hours’ pay for just eight hours’ work would, again, raise the incomes of the portion of the working class that got it, at any rate in the first act, by 25 percent. It sounds like a good idea, even if only one time. If we took away the alarmingly high share of U.S. income earned by the top 1 percent, which was in 2010 about 22 percent of national income, and gave it to the rest of us, we as The Rest would be only be 22/99, or a little under 22 percent better off. Great.

But 20 and 25 percent are not of the same order of magnitude as the Great Enrichment, which in turn had nothing to do with such redistributions. The arithmetic shows why the focus on equality by the left clerisy such as NNN and Tony Judt is unethical: they are obsessed with changes that cannot *much* help the poor, and are very willing to stifle market-tested improvements that in the long run gigantically help the poor. The redistributions are two orders of magnitude smaller in helping the poor than the Enrichment from greater productivity since 1800. Chairman Mao’s emphasis on class warfare spoiled what gains his Revolution had achieved. When his heirs shifted in 1978 to “socialist modernization” they (inadvertently) adopted market-tested improvement and supply, and achieved in thirty years a rise of Chinese per capita real income by a factor of 20 – or 1,900 percent.⁴³ Deng Xiaoping’s anti-egalitarian motto was, “let some people get rich first.”⁴⁴ The combined impact of egalitarian interventions is a tiny 20 or 22 or 25 percent improvement for the average non-rich or non-boss, assuming unreasonably that such interventions do not in fact reduce the size of the pie, as in China the Great Leap Forward and the Cultural Revolution did, and as such moderate interventions as a minimum wage or trade protection probably does. Historically speaking the 25 percent is to be compared with a rise in real wages 1800 to the present by a factor of 10 or 30 or 100, which is to say 900 or 2,900 or 9,900 percent. The very poor are made very much better off by a more productive economy. If we want to make the non-bosses or the poor better off by a significant amount, 9,900 percent beats a range from 20 to 25 percent every time. Supposing our purpose is to help the poor, then, and considering that the learned cadres of the clerisy are supposed

42 *The Bourgeois Virtues*, p. 45 shows that in the U.S. the great bulk of Federal expenditure has little impact on poverty.

43 On 1978, Coase and Wang 2013b, p. 37.

44 Coase and Wang 2013b, same page.

to know what's what, their advocacy of egalitarian restrictions before growth-inducing liberty can be viewed as careless, perhaps even unethical.

The productivity of the economy in 1900 was very, very low, and in 1800 even lower. The only way that the bulk of the people, and the poorest among them, were going to be made seriously better off was by making the economy much, much more productive. The share going to the workers was roughly constant (in one respect during the nineteenth and early twentieth century it was rising, as land rent fell in its share). The share was determined, as the economists such as the American J. B. Clark and the Swede Knut Wicksell put it in the late nineteenth century, by the marginal productivity of workers. And so according to the economists' argument even the poorest workers would share in the rising productivity – by those factors or 10 or 30 or 100. And they did. Radically creative destruction piled up ideas, such as the railways creatively destroying walking and stage coaches, electricity creatively destroying kerosene lighting and hand clothes washing, universities creatively destroying ignorance and local football teams. The Great Enrichment – in the third act – requires not accumulation of capital or the exploitation of the workers but the Bourgeois Deal. (If you are still doubtful, dears, devote your days and nights to the study of *Bourgeois Dignity* [2010].)

If the Bourgeois Deal is sound, you see, the falsity in consciousness shifts to the mind of the left, and the politics is reversed. Workers of the world unite: demand market-tested improvement and supply under a régime of private property and profit-making. It would then seem at least odd to call “false” a consciousness that has raised the income of poor workers in real terms by a factor of 10 or 100, as from 1800 to the present it has. (That's why it is scientifically crucial to grasp the *size* of the Great Enrichment, and why I keep repeating the fact. If you grasp it, and inscribe it on your heart, your attitude towards the economy and its history will shift.) If workers have been “fooled” by accepting the Deal, well then, for such a way of being fooled let us give two-and-a-half cheers (the deduction of half a cheer is because it's not dignified to be “fooled” by anything). Two-and-a-half cheers for the new dominance since 1800 of a bourgeois ideology and acceptance of the Bourgeois Deal.

* * *

The Bourgeois Deal was triumphing down to 1848. But then it came under attack from two alternatives.

The Bolshevik Deal, that is to say central-planning socialism and state ownership of all property, was imagined in the 1830s and 1840s and implemented heavily after 1917 and especially after 1945. It came substantially to an end in 1989. In 1974 Leszek Kolakowski observed, in his crushing open letter responding to a 100-page open letter sent to him by the British Marxist historian E. P. Thompson, that the socialist solution to *all* problems was the state ownership of the means of production: get rid of concentrations of power in private property. To quote again the farsighted Macaulay in 1830, against Robert Southey's proto-socialism: Southey would suggest that “the

calamities arising from the collection of wealth in the hands of a few capitalists are to be remedied by collecting it in the hands of one great capitalist, who has no conceivable motive to use it better than other capitalists, the all-devouring state.”⁴⁵ Even the Western communists eventually came to say, in extenuation of the obvious failings of the USSR and Maoist China, that eastern “communism” was actually “state capitalism.” It was not really, though. It was not a system of market-tested improvement and supply, with its great variety of human projects, each a field of honor: best retail banker in Chicago, cleanest bean fields in Johnson County, most profitable auto dealership in Berlin. The socialist state reduces the society to one project, which is why *war* socialism does make sense. Honor in a one-project society is achieved only by applying to the Central Bureau, in the style of absolute monarchs or university presidents. The political scientist John Tomasi has argued that a great merit of market-tested improvement and supply is that it gives people many projects and many fields of honor.⁴⁶ But a tyrannical or even a democratic centralized control of the economy devours all in one.

Kořakowski was making a subtler point, too. The one instrument – the abolition of private property – could not accomplish all that we as free humans want, except in “a leftist heaven [in which] everything is compatible and everything settled, lamb and lion sleep[ing] in the same bed.” “We want technological progress *and* we want perfect security for people; let us look closer how both could be combined.”⁴⁷ We want, Kořakowski notes, all three, equality, freedom, and efficiency. I would say rather we want dignity, freedom, and improvement, but the point remains, an economist’s point: the three goals “limit each other and can be implemented only through compromises. . . . Attempts to consider any one of these values as absolute . . . are bound to destroy the other two.” For example, “absolute equality can be established only within a despotic system,” a point that still eludes our sweetly egalitarian High Liberals. Or “[alleged socialist] efficiency as a supreme value calls again for despotism [in central planning], and despotism is inefficient above a certain level of technology,” another point that eludes them.⁴⁸

Kořakowski’s subtlety can be expressed in the way the Dutch economist Jan Tinbergen (1903-1994) thought about economic policy. His was a mathematical proposition. For each goal (dignity, freedom, and improvement, say) a policy maker needs a separate lever or tool (Tinbergen called the goal a target and the lever an instrument). Only by miraculous accident would pulling one lever (for instance, abolishing private property) accomplish all three optimally (you see the mathematical character of Tinbergen’s Theorem). Each lever can have a calculable effect of this or that size on all three of the goals, but there must be at least three levers with *differing* effects if the goals are all to be attained. It’s in the math of vector multiplication. Thus dignity for entrepreneurs can support progress, as it did, and can also in the political sphere

45 Macaulay 1830, p. 183.

46 Tomasi

47 Kořakowski 2004, p. 14,

48 Kořakowski 2004, pp. 25-26,

protect freedom, at any rate for entrepreneurs. Freedom understood as the equal application of law can undermine unequal privilege (think of how such a freedom would affect the university-bound children of China, say, which depends now on whether they are children of Party officials or not). In any event, making socialization of all property the one all-purpose lever will not do the job. (We are assuming, contrary to fact, that the communist governments of Eastern Europe did want to achieve dignity, freedom, and improvement, setting aside the strong evidence that they did not.) “Most of what we learn in life,” Kołakowski patiently explains to Thompson, “is about which values are compatible and which mutually exclusive.” Great freedom is compatible with equality, empirically. Perfect national security, as we found again in the NSA scandal of 2013, excludes liberty. But “most utopians are simply incapable of learning that there *are* incompatible values.”⁴⁹ It is a point that another great Slavic-origin liberal, Isaiah Berlin, often made.

The other and anti-Bolshevik alternative to the Bourgeois Deal is the Bismarckian Deal, triumphant after 1889, the first year of old-age pensions in the German Empire.

* * *

And I just used again, as I have occasionally so far, mainly because everybody chatters about it, the magic word “capitalism.” Even more than “bourgeois” it acquired its prominence from Marx and his followers. (It is often remarked correctly that Marx himself does not in *Das Kapital* use the word *Kapitalismus*. But he does use *kapitalische(n)* freely, so let’s not quibble.)

Personally, I would prefer to drop the word entirely, because it has led people far astray. I would replace it with the non-snappy but accurate “market-tested improvement and supply,” or if you want a single word “improvement,” understood as frenetic betterment of machines and institutions after 1800. I repeat: God won’t tell us how to employ words. If we must use “capitalism,” I propose, if God doesn’t mind, that we agree to employ the word to mean simply “the use of markets, very widespread in Africa and Latin America in 1800 CE, but not by any means unknown in China and Mesopotamia in 1800 BCE, and dating back, truth be known, to 100,000 BCE in Mother Africa.” (That, incidentally, is the way Max Weber and Fernand Braudel used the word in all their work.) “Modern capitalism” distinguishes the strangely innovative and historically unique form that a market society at last took – the frenetically adopted technical and organizational improvements peculiar to the past couple of centuries, not the anciently routine markets, or the old class relations evident even in ancient Greece, or the accumulation of capital, which after all happened in the Old Stone Age, too, or the big size of business or the detailed division of labor, which happened in ancient China as much as in ancient Rome.

My proposed substitute for “modern capitalism” – “market-tested improvement at the frenetic post-1800 pace, and routine supply also governed by profit” – I admit does rather slant the case, though not in a way that violates the scientific evidence. An

49 Kołakowski 2004, p. 28.

increase in the per person ability from 1800 to the present to make goods and services valued in real terms up to a factor of 100 can certainly be called an “improvement” and “frenetic” without violating the norms of language. “Improvement” at least gets us looking in the right direction, unlike “capitalism,” which does not.

....

In any case, “market-tested improvement and supply” slants the case less than does the word “capitalism” as it is commonly understood. “Capitalism” insists on the erroneous conviction of the early economists (including my present hero Smith and my former hero Marx) that piling brick on brick is what made us rich. (If you still believe that capital accumulation is the master spring of the modern world I invite you again to study *Bourgeois Dignity*, especially Chapters 14-19; and William Easterly’s book *The Elusive Quest for Growth* [2001], which shows that “capital fundamentalism” was the chief error of post-War aid to poor countries.)

The great Marxist sociologist Immanuel Wallerstein, for example, was being perhaps a trifle careless when he wrote in 1983 that “the word capitalism is derived from capital. It would be legitimate therefore to presume that capital is a key element in capitalism.”⁵⁰ No, it would not. What we now in retrospect *say* about the modern world does not *by virtue of the very saying* make it true. That we insist on ruminating on something called “capital” does not imply that its accumulation was in fact unique to modernity. It does not make true the Master’s words: “Accumulate, accumulate! That [in the opinion of the classical economists whom Marx was attacking, but agreeing with them on the centrality of capital and its ‘endless’ accumulation] is Moses and the prophets.”⁵¹

Accumulated capital, after all, depreciates. A long-term accumulation, therefore, the piling up of capital over centuries, doesn’t happen. With rare outliers of durability such as Roman roads or the Great Wall or the treeless environment caused by the fire-stick of the Aborigines, most physical investment in houses and machines and drained fields require frequent renewal, or else they revert to entropy: they fall apart, pretty quickly. This is what is deeply erroneous about the late Charles Tilly’s influential book, {Deal with Tilly’s book} A building made in 1600 or 1900 is gone by now – unless it has been repaired and restored since then over and over. Anyone who has replaced the roof of her house knows that a house is a continuing accumulation, not to be acquired unmodified from centuries ago. In the *Mahabharata* Karna declares, “I see it now: this world is swiftly passing.”⁵² “Lay up not for yourself treasures upon earth, where moth and rust do corrupt,” said Jesus. St. Augustine was eloquent on the point: “All things pass away, fly away, and vanish like smoke; and woe to those who love such things!”⁵³

50 Wallerstein 1983, p. 13. So: since the word astrology is derived from the Latin for star it would be legitimate to presume that stars are a key element in human fate.

51 Marx 1867, Chp. 24, Section 3.

52 Quoted in Das 2009, p. 295.

53 Augustine, Tractate 7 (John 1:34-51)

What does *not* vanish like smoke is knowledge, or the tacit knowledge transmitted in practice, practice, or the bookable knowledge of the formula for aspirin or the procedure for appeal to habeas corpus transmitted in libraries. Well, not always. Jared Diamond notes the forgetting of the bow-and-arrow among the aboriginal settlers of Australia.⁵⁴ And, amazingly, the formerly Roman Britons lost their knowledge of the potter's wheel after the legions withdrew.⁵⁵ The baths at Bath during Roman times were stoked with coal, the use of which the formerly Roman Britons then promptly forgot. But *only* knowledge has even a chance of accumulating permanently, as a few economists, such as my student Paul Romer, have realized at last, after economists had tried and tried to make the routine accumulation of capital instead of the mysterious ways of human creativity into the hero of modernity. (But then Romer turns it back into routine capital accumulation that would arise in any large city, from Ur to Constantinople – but didn't. Oh, Paul.)

* * *

We should not go on and on using a historically erroneous notion of “capitalism” merely because we have defined it the way Marx did in Chapter 4 of *Capital* (at any rate according to the old standard, and inaccurate, English translation) as “the restless never-ending process of profit-making alone. . . , this boundless greed after riches, this passionate chase after exchange-value.”⁵⁶ The original German, it should be noted, actually says “solely the restless stirring for gain. This absolute desire for enrichment, this passionate hunt for value”: *nur die rastlose Bewegung des Gewinnes. Dieser absolute Bereicherungstrieb, diese leidenschaftliche Jagd auf den Wert.*⁵⁷ The words of the old English translation of such passages in *Kapital*, such as “never-ending” (*endlos, ewig, unaufhörlich*) and “boundless” (*grenzenlos, schrankenlos*), are nowhere in Marx's German. The normal German word for “greed” (*Gier*), which most people would attribute to Marx's theory, does not appear anywhere in the chapter. Indeed, *Gier* and its compounds (*Raubgier*, rapacity; *Habgier*, avarice; *Geldgier*, greed for money) are rare in Marx, in accord with to his attempt to shift away from conventional ethical terms in analyzing improvement and the new world it was making. Marx's rationalist scientism, the historian Allan Megill notes, prevents him from saying “Here I am making a moral-ethical point,” even in the numerous places in which he was.⁵⁸ The first 25 chapters of *Das Kapital*, through page 802 of the German edition (page 670 in the Modern Library edition), contain “greed” and its compounds in Marx's own words a mere seven times

54 Diamond DATE, PAGE;

55 Gilmour 2011, citing Brian Ward-perkins, *The Fall of Rome* (2006).

56 Modern Library edition, pp. 170-171;

57 Karl Marx - Friedrich Engels - Werke, Band 23, S. 11-802, Dietz Verlag, Berlin/DDR 1962, p. 168, online at

http://www.mlwerke.de/me/me23/me23_161.htm*Kap_4_1.

58 Megill 2002, p. 262.

(mainly in Chapter 8, “Constant Capital and Variable Capital”), with a few more in quotations.

Yet the sneer at the bourgeoisie’s endless/boundless greed is common enough, and Engels after all approved the English translation.

* * *

As the sociologist of religion Rodney Stark puts it, “most instances of religious dissent make no sense at all in terms of purely material causes; they become coherent only if we assume that people did care.”⁵⁹ But in the early and mid-twentieth century the rhetoric of progressive history writing wished *always* to remake the sacred into the profane, every time, and to see motives of class and economics behind *every* professed sentiment. It was a reaction against the nationalist tradition of Romantic history writing, such as for example the American historian John Motley’s splendid if unreliable *Rise of the Dutch Republic* (1856). Thus Charles Beard’s *An Economic Interpretation of the Constitution* (1913) or Georges Lefebvre’s *Quatre-vingt neuf* (*The Coming of the French Revolution*, 1939) or Christopher Hill’s *The English Revolution 1640* (1940). In those times even non-Marxists such as Trevor-Roper wished to slip in at the outset a quantitative estimate of 100 percent for profane prudence. Trevor-Roper added to the concession to the sacred just quoted (“political ambition is only one among” the instincts sublimated in religion) an estimate that “in politics it is naturally by far the most potent.”⁶⁰ Well, sometimes. You don't know on page 3. You need to check it out empirically, allowing at least for the possibility of some theory of human motivation other than prudence-only being the most potent. I imagine Trevor-Roper had this item in mind when he mentioned in a preface to the substantially unrevised edition of 1962 “certain. . . crude social equations whose periodic emergence will doubtless irritate the perceptive reader” of his first book.

59 Stark 2003, p. 25.

60 Trevor-Roper 1940, p. 3.

(Part 3 of 3:)

We Once and Present Marxists Are Sadly Mistaken

The Marxist model was adopted implicitly by most of us 1890 to 1980 during which, according to a hermeneutics of suspicion combined with the remnants of pietism and the evangelical, we supposed that some great sin *must* explain the great inequality of incomes. One hears it still. The modern Marxists are indignant about the very poor of the world, even though the detested capitalism is what made so many of the poor non-poor. You and me, for example.

I drive my *right-wing* friends to distraction by claiming what is true, that Marx was the greatest social scientist of the nineteenth century, without compare. And no one can deny the ethical superiority of his *caring* for the poor, in an age in which caring for them was deemed by the more simpleminded of the economically orthodox to be impossible, against the very laws of nature:

“The Treadmill and the Poor Law are in full vigour, then?” said Scrooge.

“Both very busy, sir.”

“Oh! I was afraid, from what you said at first, that something had occurred to stop them in their useful course,” said Scrooge. “I’m very glad to hear it.”

“Many can’t go [to the workhouses]; and many would rather die.”

“If they would rather die,” said Scrooge, “they had better do it, and decrease the surplus population.”

The attitude survives on the right. I was talking to a conservative libertarian at a conference in 2011, and remarked by way of axiom that “we both want to help the poor.” He retorted instantly, “Only if they help *me*.” It was like being punched in the chest. Such screw-you libertarianism is *not* to be preferred to my own bleeding-heart sort. Hurrah for bleeding hearts – Marx’s and mine and yours.

But next I drive my *left-wing* friends to distraction by adding what is also true, that almost nothing that Marx asserted was or is true. Marx’s way of looking at the world and the facts he believed to be true about the world have proven to be gravely misleading, even setting aside the unhappy results of trying to put some of them into practice during the twentieth century in Russia and China and Cuba. If one has been raised in Marxism, as I was, the vocabulary and the concepts appear at first to be the very meaning of common sense. But they are non sense. They are not the only

nonsense in the world, Lord knows, and a great deal of it from the right rather than from the left. But nonsense all the same.

I do not know if I can convey in brief how very mistaken Marx and his followers down the present seem from the outside, but let me try.

Consider the historical and economic tale told in its own vocabulary, drawn here to fix ideas from a fine book by a young Marxist historian, NNNN Mielants, TITLE. The story is: The *relations of production* enable *capitalists* to extract *surplus value* from the *working class*. The *unequal bargaining power* of workers drives down wages (Mielants 2007, pp. 35n78). Such an *exploitation of wage labor* (Mielants 2007, p. 11n24) leads to profits, enlarged by imperialist exploitation (Hobson DDDD, Lenin DDDD, Wallerstein DDDD, Mielants 2007, pp. 11, 17, 17n24, 18, 21n41, 30-31, 43, and throughout). Trade was *unequal exchange* (Mielants 2007, pp. 17, 21n41, 45n102), and resulted in an *unfavorable balance of trade* (p. 29) between the *core* and the colonized *periphery* (p. 18). The profits thus acquired “achieve a *ceaseless accumulation of capital*” (pp. 19, 21n41, 30n65, 32, 43, 44, 45, 156, 161), which is supposed to be peculiar to *capitalism*.

All the italicized words, sadly, are unrelated to how the world actually works. Some of them, indeed, border on loony. *Everyone* buying labor, for example, is deemed to be a “capitalist,” by a consistent use of the word, and therefore “exploiting.” The other Marx, the American comedian Groucho Marx, who had a cruel wit, in the hungry 1930s denied a Communist friend a job because, said Groucho with a smile, “Harry, I wouldn’t want to exploit you.” And so the peasant buying his neighbor’s labor at harvest time, which in the actual world has been recorded since the first records that we can read, in Mesopotamia around 2000 BCE, for example, was a capitalist. Mielants conceives ancient trade as “providing some with profits while others were exploited” (Mielants 2007, p. 13). Well, ask the inhabitants of the Indus valley civilization or those who traded with them from the Horn of Africa or indirectly from Sumer if the trade was “exploitative.” “Equal trade,” a phrase that floats in the background of many Marxist discussions of exchange, sounds good but is not. We trade because we differ, precisely because of “inequality,” not because we pointlessly trade your frog for my identical frog of equal value.

In truth, after all, “surplus value” is “extracted” every time you exchange anything for something else – or else you wouldn’t do it, would you, now? You are a capitalist when you buy a cup of coffee served by an “exploited” owner of a coffee shop. She gets the profit equivalent of a wage higher than the lowest wage she would accept, and you get a cup of coffee for lower than the highest price you would accept – that is why exchange happens at all, earning a profit *for both sides*. A member of the “working class,” such as you or I, gets profit likewise from our employments.

The “working class” in any case is not peculiar to modern times. It has existed anciently, as Mielants affirms for example in his careful review of actual archival scholarship on the medieval European economy. And under the Marxist definition of “workers” a CEO hired at \$20,000,000 a year to drive Home Depot into the ditch is a “worker,” too, because hired. The “relations of production” therefore do not have the instant explanatory value that Marxists attribute to them. Maybe they did in 1848 in

some places. But they don't now. So the Marxist word "capitalist," and its derivative dating from Sombart, "capitalism," which are supposed to have historically unique relations of production, but don't, serves to mislead people into thinking that there is something especially modern about banking and finance and profits (which is factually wrong, as Mielants, a most fair-minded scholar, also points out; fourth-century Athens had banks).

"Unequal bargaining power" and "unequal trade" mean market outcomes that we wish were different, wishing that the starving farmer's cotton sold for 15 cents rather than 10 cents a pound, that the Indian worker got \$10 an hour instead of pennies. "Bargaining power" either means "privileges enforced by state-like violence" or "what the market brings." No one bargains when they have options: exit (to another deal), in Albert Hirschman's terms, is simpler than exercising voice, trying to bargain with the cashier at the local grocery store about the price of milk. The gain to be achieved from bargaining between husband and wife is sharply limited if divorce is possible. If you don't like it, leave.

Outside of literal slavery, or outside of very high transactions costs in getting to a competitor, or outside of legally enforced relationships (closed union shops, for example, or marriage without the right of divorce), people have choices, nasty though they may be. A poor child may have the choice of working as a messenger or as a rock-breaker, but in that case his rock-breaking employer can pay him no less than the going wage for messengers. The child will leave, exercising an (admittedly pathetic) right of exit. If the Indian wage is lower than the American it is because the Indian economy is radically less productive, and because a worker sleeping on the streets of Calcutta cannot show up this afternoon for employment at a MacDonald's in Chicago, not because the Indian workers have less "bargaining power," or because American workers have more.

Choices narrow the range of pure "bargaining power." Dock workers in the western Swedish port of Gothenburg may extract higher pay from the dock owners. In a closed shop the result comes indeed from their bargaining power, such as the power enforced by the state's monopoly of violence to prevent scabs from taking up the dock's jobs. But in the long run the Gothenburg dock workers exercising their bargaining power will drive their jobs to Copenhagen or Hamburg. So much for bargaining power as the *main* determinant of wages, a point that economists have been making at least since John R. Hicks' *A Theory of Wages* in 1933. I may want to sell my house for \$500,000, perhaps because that is what I paid for it at the peak of the housing boom. But if the other houses similar to it in the neighborhood – "comparables" in the jargon of realtors – sell for \$400,000, and the buyers are moderately sensible and moderately free, that's just too bad for me. \$400,000, plus or minus a few thousands achieved by pure "bargaining" skill, is going to be the going price. Bargaining, schmargaining.

I didn't say I *like* the market outcomes every time. I do wish my house now sold for \$500,000 and that Indian messengers now earned \$10 an hour (in twenty years or so, if we stick with free markets, actually, I reckon that both will come to pass). I just say, as Mielants himself declares, that [almost] "every market [is] governed by the laws of

supply and demand" (p. 23), and, furthermore, as another fact, letting markets work has enriched poor people worldwide.

The wish that it were *not* so that every market without much governmental or other coercion is governed by the laws of supply and demand, and do I wish it depended instead on the distribution of "bargaining power," once unfair but now corrected by state interference, finding expression for example in laws on the minimum wage. The minimum wage is the policy correlates of the mistaken history that we are rich now because unions and regulation since 1800 have forced up wages at the expense of the bosses. The correct economic history is that poor people worldwide have emerged from \$1-a-day poverty because innovation since 1800 has made our economies a great deal more productive. If such a policy as a minimum wage worked as advertised it would be a means of driving up the wage paid in an exchange economy, or for that matter a non-exchange economy, to any high level we wish, say \$100 an hour. \$1000. Let's do it. That we cannot do it implies that something is wrong with minimum-wage laws.

An "unfavorable balance of trade" is mercantilism, the notion that money is wealth. It's not. It's money, good for whatever services it provides but not the same thing as the food and housing it can purchase. If Poland's balance was "unfavorable" in the sixteenth century (later in fact it was not: Westerners had to provide Poland with colonial sugar and tobacco to make up the balance [Rönnbäck 2009, pp. 116-118]) it meant merely that Poles paid for Western goods with (say) silver, necessarily acquired by an exchange with someone else. That doesn't make Poland less well off by the trade, since Western "workers and capitalists," those ever-shifting signifiers, work to make leather goods and textiles for Poles just as Poles work to make grain and vodka. Both are goods. When they trade, both sides are made better off, getting goods at lower costs in other goods foregone than they would have otherwise.

And as to the "ceaseless accumulation of capital" I can do no better than old Max Weber (having myself observed, against many Marxist and many bourgeois economists, and with economic historians like Mokyr and Goldstone, that anyway *innovation*, not capital accumulation, is the source of high incomes). Weber in 1905, when the German Romantic notion that medieval society was more sweet and less greedy and more egalitarian than the Age of Innovation was just starting to crumble in the face of historical research, thundered against such an idea that greed is "in the least identical with capitalism, and still less with its spirit." "It should be taught in the kindergarten of cultural history that this naïve idea of capitalism must be given up once and for all." In his posthumous *General Economic History* (1923) he wrote, "The notion that our rationalistic and capitalistic age is characterized by a stronger economic interest than other periods is childish."⁶¹ The infamous hunger for gold, "the impulse to acquisition, pursuit of gain, of money, of the greatest possible amount of money, has in itself nothing to do with innovation. This [greedy] impulse exists and has existed among waiters, physicians, coachmen, artists, prostitutes, dishonest officials, soldiers, nobles,

61. Weber 1923, p. 355.

crusaders, gamblers, and beggars. One may say that it has been common to all sorts and conditions of men at all times and in all countries of the earth, wherever the objective possibility of it is or has been given.”⁶²

Marx, in characterizing capitalism in 1867 as “solely the restless stirring for gain,” said he was quoting the bourgeois economist J. R. McCulloch’s *Principles of Political Economy* (edition of 1830): “This inextinguishable passion for gain, the *auri sacra fames* [‘for gold the infamous hunger’], will always lead capitalists.”⁶³ But, replied Weber, it leads everyone else, too. *Auri sacra fames* is from *The Aeneid* (19 BCE), book, line 57, not from the Department of Economics or *Advertising Age*. People have indulged in the sin of greed, a Prudence Only pursuit of food or money or fame or power, since Eve saw that the tree was to be desired, and took the fruit thereof. Soviet communism massively encouraged the sin of greed (which is Prudence unbalanced by the other virtues, such as Justice or Temperance), as its survivors will testify. Medieval peasants accumulated no less “greedily” than do American corporate executives, if on a rather smaller scale. Hume declared in 1742, “Nor is a porter less greedy of money, which he spends on bacon and brandy, than a courtier, who purchases champagne and ortolans [little songbirds rated a delicacy]. Riches are valuable at all times, and to all men.”⁶⁴ Of course.

* * *

I myself regarded myself briefly when a first-year student in college in 1960 as something of a Trotskyist. It was so very romantic, *Ten Days That Shook the World* and all that, supplemented in my case by a Woody-Guthrie sensibility and a guitar. Those were the days, my friend. The romance fits youthful Sturm und Drang. “Trotsky’s idea of permanent revolution,” writes Clive James, “will always be attractive to the kind of romantic who believes that he is being oppressed by global capitalism when he maxes out his credit card” (James 2007, p. 748).

Some marxoid theorizing seems to serve chiefly as an occasion for glittering articles and books talking endlessly about itself. It reminds me of bourgeois economic theory as practiced in such famous outlets as the *Journal of Economic Theory* or *Econometrica*, a self-contained rhetorical world in which university chairs are granted or withheld, and controversies pass from century to century without testing observations of the world. Both rhetorics *appear* to speak of the actual world, and use words like “price” and “trade” apparently drawn from the world, and refer to history that might

62. Weber 1904–1905, p. 17.

63. Quoted in Marx 1867 (*Capital*, vol. 1, p. 171n2). I can’t find the phrase in any of the online editions of McCulloch’s *Principles*. Note by the way the use of the word “capitalist,” which occurs in McCulloch over 100 times (and “capitalism” never). The *Oxford English Dictionary* gives Arthur Young’s *Travels in France* of 1792 as the first English quotation for “capitalist.” Ricardo used the word little. The first quotation in the *OED* for “capital” in the economic sense is 1709.

64. Hume 1777 (1987), p. 276.

have taken place and to places that actually exist. But they speak in fact only of their own terms, endlessly rehandled them, like worry beads. **Insert Naipaul quote**

The left protests inequality, which of course is an admirably “critical” stance. Bravo for the brave Bolsheviks. But the left believes that protesting inequality constitutes a social analysis. It does not – though I admit that frequent expressions of sarcasm against rich people and solidarity with poor people does make one feel good. That “badness causes our woe” is of course a weak theory of social change, and is little better even if one claims unpersuasively if fashionably that that it’s not so much badness as “systemic failures.” Many on the left believe that a “critical” stance is the same thing as a policy actually helpful to the poor. Again and again the left bravely exposes inequality, advocates speaking truth to power, and then orders another espresso and turns to the film reviews in *Le Monde*.

One can do better. Americans are paid more than South Asians. The left believes that the economy, the IMF, the multinational corporation make inequality. The left is mistaken. The inequality – which certainly offends the pre-analytic Christian-socialist sensibility that all of us start with at age sixteen – can be explained by supply and demand. Supply and demand as an engine of analysis is a more fruitful and sensible theory of inequality – see that book on wages by Hicks I mentioned and the massive literature stemming from it – than is “the powerful want people to stay poor,” say, or “international corporations requires sweated labor of the Third World poor to make profits.”

Further, supply and demand as a fact in the world has in the past and will in the future eliminate the inequality. It takes time, but it happens, and in no great stretch of time. The institutions that the left demonizes, such as trade or Western NGOs or the international corporations, enable the poor to escape poverty. In the short run they offer deals that make the poor woman in Mumbai better off by working in a sweatshop making clothes for the French market than she was as a street vendor. She gets dinner tonight.

If the left’s anti-market policies rule, however, she does not eat, because the sweatshops have been closed, and the street vendors are regulated by corrupt officials. A good case is Cuba, with a permanent poverty enforced by leftist ideology, though there are worse cases, such as North Korea or the old Albania or, as a non-Marxist example, Burma before democracy. More significantly, in the long run the institutions of supply and demand, and the respect for innovation signified by them, encourage tested innovations that in fact make the pie larger, and will give the woman’s grandchildren a French standard of living. The anti-institutional policies of the left, such as labor laws and minimum wages and raising employment standards and subsidizing failing industries, perpetuate poverty. In their eagerness to immediately divide the pie more fairly, the policies shrink the pie. Not always; but usually.

The management theorist Sławomir Magala notes that the leftish Bauhaus movement when it moved to the United States became the official architecture of

corporate America.⁶⁵ Yet their leftish roots showed: Le Corbusier and his allies inspired high-rise housing for Algerians and then Moroccans [check] ringing Paris. The housing was disastrous for the poor. Slum clearance, from the nineteenth century to the latest project of urban embourgeoisification, has been disastrous for the same reasons: it denies supply and demand, substituting The Designer's Plan, or the Adolescent's Passion, for spontaneous order.

I note further – to repeat an old but true and fair debating point – that many, many intelligent people have moved from a sophisticated, adult version of Marxism into an equally sophisticated version of anti-Marxist economics of market-and-innovation (thus the Sam Bowles whom Mielants quotes on p. 11; thus even late in life the splendid Bob Heilbroner, whom he quotes in the motto to Chapter One). And we've all heard of people who started in their confused if passionate youths as Marxists who drifted away as they aged and learned more economics and history and got more experience of the world. Entire generations can be characterized this way. Many millions of people. For example, I can. (The same can be said, by the way, of bourgeois high theory, which young men especially favor and then as old men regularly grow disillusioned with, when they find it signifies nothing – though the same cannot be said of the low- and middle-range bourgeois theory that I use.)

In one of Donna Leon's luminous mystery novels, set in Venice in 2010, the middle-aged police *commissario* explains to his wife Paola, a university professor of English, why he brought a book on the Russian Revolution to read on vacation:

"It interests me, the Revolution," he said.

"What interests me is the way so many of us bought it all," she said in a voice that had suddenly grown harsh.

"We in the West, you mean?"

"We. In the West. Our generation. The workers' paradise. Brothers under Socialism. Whatever nonsense we wanted to spout to show our parents that we didn't like their choices in life. . . . To think I voted Communist. Of my own free will, I voted for them. . . . That I could have been so stupid and have been so stupid for so long."

Leon 2010, p. 105.

It is rare indeed to find anyone who once understood exchange and economic history moving *into* Marxism. I can recollect, among a thousand or so economists whose ideological biographies I have some knowledge of, only one, NNN-ing, who went from understanding economics to attacking capitalism, and this in understandable reaction to the horror of Vietnam, regarded as an imperialist war.

Perhaps, dear Terrence, such collective biography is telling us something.

65 Magala 2009. Presentation to the ESADE conference on Management and Rhetoric, Barcelona, March.