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Reviewed work(s):

Source: *The Journal of Economic History*, Vol. 58, No. 2 (Jun., 1998), pp. 297-317

Published by: [Cambridge University Press](#) on behalf of the [Economic History Association](#)

Stable URL: <http://www.jstor.org/stable/2566736>

Accessed: 27/10/2011 16:45

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*Bourgeois Virtue and the History of
P and S*

DEIRDRE N. MCCLOSKEY

Since the triumph of a business culture a century and half ago the businessman has been scorned, and so the phrase "bourgeois virtue" sounds like an oxymoron. Economists since Bentham have believed that anyway virtue is beside the point: what matters for explanation is Prudence. But this is false in many circumstances, even strictly economic circumstances. An economic history that insists on Prudence Alone is misspecified, and will produce biased coefficients. And it will not face candidly the central task of economic history, an apology for or a criticism of a bourgeois society.

A few years ago I was standing by the front desk of Great Expectations, a bookstore in Evanston, talking to the owner. It's a good store, exhibiting bourgeois virtue: by the combined virtue of prudence and courage called Enterprise it keeps obscure university-press books in stock. Mine, for instance. I said, "You know, there are only two important European novels since 1848 that have portrayed businessmen on the job in anything like a sympathetic way. The first is Thomas Mann's tale of his north German merchant family, *Buddenbrooks* (1902). And the second" Here I paused, or rather stuttered, which people sometimes take as pausing for effect. Another customer piped up, "And the second is David Lodge's story of an affair between a university lecturer and a managing director, *Nice Work* (1988)."

Bingo. Those two, at any rate among the canon of the best that has been thought and written, are the only books with virtuous businessmen as heroes. Of course European (including American) literature talks about businessmen incidentally. The share of the talk is less than the share of life taken up in business. Love at home gets more attention in fiction than does loyalty at work. Courage on the battlefield figures more in art and literature than enterprise in the market. Henry James's characters in *The Ambassadors* (1903) are financed in their dalliances abroad by some sort of manufacturing in New England:

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“And what *is* the article produced?”

Strether looked about him as in slight reluctance to say. . . . “I’ll tell you next time.”
But when the next time came he only said he’d tell her later on.¹

And when the scene does shift to men at work the bourgeois man of the past century and a half is pilloried. The novel was a bourgeois creation of the early eighteenth century, with bourgeois writers and bourgeois readers. The middling sort was the topic, often at work, as in *Robinson Crusoe* (1719), and anyway with many sympathetically portrayed men of the bourgeoisie out in the marketplace. (The women of the bourgeoisie were another matter, in their separate sphere.) That bourgeois institution, the market, was looked on with favor. Alessandro Manzoni, the Italian Tolstoy, devoted an entire chapter of his masterpiece *The Betrothed* (1825-26, 1840; Chapter 12) to explaining the dire consequences of interfering with the grain market. You could reprint it for your class in Economics 101.

But the 1840s was the last decade of sympathy for the businessman and his market forces. *Moby Dick* (1851), especially in the first mate Starbuck, can be read as taking a liberal view of business; not *The Confidence Man* (1857). Dickens converted to a political novelist in *Hard Times* (1854), never to return to his earlier geniality about turning a profit. Since the middle of the nineteenth century, from the moment businessmen came into their own, the novelists have not let up. Mark Twain, though himself a businessman, thought of bourgeois men as thieves. Zola’s *Germinal* (1885) and *Ladies’ Paradise* (1883) exhibit the owners of mines and even of department stores as manipulative scoundrels. The theme reaches its height, of course, in Sinclair Lewis’s *Main Street* (1920) and above all *Babbitt* (1922), which still provides some intellectuals with their only acquaintance with the American man of business. And so down to the movies of *Network* and *Wall Street*.

Something similar happened in the other arts and the other writings. Painting in seventeenth-century Holland celebrated bourgeois virtue, a celebration which cannot be found by the time of Picasso and Diego Rivera. The arts-and-crafts movement stirring in the 1860s celebrated workmen, not bosses and machinery. John Ruskin praised the Gothic in architecture as work rather than play, and wrote in 1866, “Let us, then, inquire together what sort of games the playing class in England spend their lives in playing at. The first of all English games is making money.”² In 1910 George Bernard Shaw looked back to a Great Conversion around 1848:

The first half [of the nineteenth century] despised and pitied the Middle Ages. . . .
The second half saw no hope for mankind except in the recovery of the faith, the art,

¹ James, *Ambassadors*, p. 97.

² Ruskin, “Work,” p. 41.

the humanity of the Middle Ages. . . . For that was how men felt, and how some of them spoke, in the early days of the Great Conversion, which produced, first, such books as the *Latter Day Pamphlets* of Carlyle, Dickens' *Hard Times*, . . . and later on the Socialist movement.³

As César Graña argued in 1964 in his brilliant *Bohemian versus Bourgeois*, there is hardly a French intellectual in the nineteenth century who was not simultaneously the son of a bourgeois and sternly hostile to everything bourgeois.⁴ Though the son of a cotton merchant, the poet Arthur Hugh Clough felt he could sneer in 1862 at what he viewed as the businessman's decalogue:

Thou shalt not steal; an empty feat,
When it's so lucrative to cheat. . . .
Thou shalt not covet, but tradition
Approves all forms of competition.⁵

How different from Dr. Johnson a century before: "There are few ways in which a man can be more innocently employed than in getting money."

Something strange has happened since 1848, worth understanding. The cultural superstructure has contradicted the material base. Daniel Bell wrote in 1976 of the "cultural contradictions of capitalism," a theme in Schumpeter's *Capitalism, Socialism, and Democracy* as well.⁶ Whether an inevitable tendency to contradiction or the autonomous force of ideas and accident explains it, this treason of the clerks, the loss of faith in the bourgeoisie at its hour of triumph, had consequences in politics beyond the economy.

In this (and some other matters) I have changed my mind. I began in economic history arguing *contra* David Landes that in my mature opinion a culture was insignificant beside technology and tastes. Age 26 in 1968, recently a Marxist and still a most enthusiastic young transportation economist, I was determined to emphasize the material rather than the spiritual, the forces of price and prudence as against what I called sociology, about which it must be said I knew very little.

I take back none of my earlier calculations, which still seem to me pretty. It is still true that Victorian Britain did not fail in steelmaking, that foreign trade is overstated as an engine of British growth, that the gold standard worked through commodity arbitrage not Lombard Street, and that medieval peasants were prudent in their open fields. I have no more patience now than 30 years ago with suppositions that people ignore gigantic opportunities for profit. As a matter of historical fact they do not. Supposing without evidence

³ Shaw, "Introduction," p. 334.

⁴ Graña, *Bohemian versus Bourgeois*.

⁵ Clough, "Latest Decalogue," p. 1034.

⁶ Bell, *Cultural Contradictions*; and Schumpeter, *Capitalism*.

that they do seems impious towards the glorious dead, treating them in retrospect as idiots. It is even bad sociology. But to explain how markets live, to explain where technology and tastes originate, to explain what symbolic system supported or discouraged the people living in the economies of olden days we need culture, in both the anthropologist's and the aesthete's sense.

A neglected link between the economy and culture is "bourgeois virtue." When I first planned to speak about it, at the Institute for Advanced Study at Princeton, the secretary called me up in Iowa to get the exact title. She laughed. "'Bourgeois virtue'! That's an oxymoron, isn't it?" Which puts the problem well. It will seem disorienting to talk to economic historians about ethics (not that "ethical economic historian" is an oxymoron!). But I think we are not going to get the economy right until we face the virtues and vices of its people, and we are not going to see the virtues until we face the economy.

We have two ancient ways of talking about the personal virtues, and seem stuck on them. One is patrician, what John Casey calls "pagan" virtues. The classical four are those of Odysseus: prudence, temperance, justice, and courage. The aristocrat is honorable, great hearted in hospitality, quick to anger. "You wine sack, with a dog's eyes, with a deer's heart," says Achilles—exhibiting more courage than prudence, temperance, or justice—"Never/ once have you taken courage in your heart to arm with your people."

The other way of virtue-talk is plebeian, the way of St. Paul. The peasant suffers yet endures. "Owe no man any thing, but to love one another." Faith, hope, and love, these three, but the greatest is love. It is a "slave morality," bending to the aristocratic virtues that Nietzsche and other Hellenizers prized.

The two vocabularies of the virtues are spoken in the Camp and Common. Achilles struts through the Camp in his Hephaestian armor, exercising a noble wrath. Jesus stands barefoot on the mount, preaching to the least of the Commoners.

And yet we live mostly now in the Town, we bourgeois, or else we are moving to townly occupations as fast as we can manage, trading the old cow for a car. The aristocracy is gone, though some intellectuals wish not. And the prediction that the proletariat at the other end would become the universal class has proven to be mistaken.

Jobs for the two older classes are disappearing. The very soldiers in bourgeois democracies are shufflers of paper. Half of employment in rich countries is white collar and rising. The proletarian production of things has become steadily cheaper, and therefore has taken few people to do it. A

barber or a professor was not much more productive in 1990 than in 1800, for that matter in 400 B.C. It still takes 15 minutes with a pair of scissors to do short back and sides and 50 minutes with a piece of chalk to convey the notion of comparative advantage. But the farmer since 1800 has become more productive in the United States by a factor of 36. We cannot eat 36 times more food (though some of us try) and so the farmer's share in employment has fallen towards nil. A piece of cotton cloth that sold for 40 shillings in the 1780s sold in the 1850s for 5 shillings and nowadays, in the same values of money, for a few pence. The cheapness led spinning out of the home, then weaving, canning, men's clothing, women's clothing, food preparation. Stanley Lebergott calculated that food preparation fell in a middle-class house from 44 hours a week in 1944 to 10 hours in 1965.⁷ Calculating power itself—adding, multiplying, and carrying—that sold for \$400 in 1970 sold for \$4 in 1990, and pennies now. Workers on the line in American manufacturing peaked at about one-fifth of the labor force after World War II and have since been falling, at first slowly. In 50 years a maker of things on an assembly line will be as rare as a farmer. What is left is hamburger flipping on the one side and bourgeois occupations on the other.

Yet we lack a vocabulary for speaking of the virtues within this encompassing commercial, capitalist, bourgeois society. We insist on measuring temperance, prudence, justice, and courage against the soldier, and faith, hope, and love against the saint. American businessmen speak of their ethical world in sporting terms, one step from the battlefield. Their critics speak in socialist terms, one step from the nunnery. Pagan or Christian, aristocrat or peasant, the ethics we speak suits our condition poorly. We need a discourse of the bourgeois virtues: integrity, honesty, trustworthiness, enterprise, humor, respect, modesty, consideration, responsibility, prudence, thrift, affection, self-possession, prudence. We do not have it in our modern art or literature, or in our scholarship on economic history.

The modern silence is strange because in the eighteenth century the conversation started so well. I regard Hume and Smith, Locke and Montesquieu as articulating an ethical and political vocabulary for a commercial society. Adam Smith's intention was to create an ethical system for the bourgeoisie. Look for example at his very first appearance in print, in 1758, an anonymous encomium to a bourgeois friend:

To the memory of Mr. William Crauford
Merchant of Glasgow

⁷ Lebergott, *Pursuing Happiness*, p. 51.

Who to that exact frugality, that downright probity and plainness of manners so suitable to his profession, joined a love of learning . . . , an openness of hand and a generosity of heart, . . . and a magnanimity that could support . . . the most torturing pains of body with an unalterable cheerfulness of temper, and without once interrupting, even to his last hour, the most manly and the most vigorous activity in a vast variety of business Candid and penetrating, circumspect and sincere.⁸

This is not an encomium to Profit Regardless. It praises a bourgeois virtue.

An "ethic for the bourgeoisie," you see, is not the same thing as an apology for greed. Smith was hostile to the reduction of ethics to greedy interest, which Bentham finally achieved and which was earlier recommended by Epicurus, Hobbes, and Mandeville (whom Smith discussed explicitly and at length). Mandeville's system, wrote Smith, "seems to take away altogether the distinction between vice and virtue" by the simple device of noting that people get pleasure from being thought to be good. "It is by means of this sophistry, that he establishes his favourite conclusion, that private vices [and in particular the vice of Vanity] are public benefits."⁹

The fallacy in the argument, which has not been spotted by modern economists in its grip, was first noted by David Hume, followed by Smith: "It is the great fallacy of Dr. Mandeville's book to represent every passion as wholly vicious [that is, self-interested, a matter of vanity], which is to any degree and in any direction."¹⁰ Thus if I get a little utility from love, it "follows" (say Epicurus, Mandeville, Bentham, and Gary Becker) that love is reducible to utility, and we can abandon any account of separate virtues and vices. But this is silly. I get utility because I love, not the other way around. It does *not* follow that I love entirely because of utility. I may have gotten some amusement from my children, but I did not have them and love them with aching passion down to this bitter day entirely or even largely because they were amusing. And it is therefore not true that virtues such as love, justice, courage, and so forth can be reduced without remainder to utility.

Smith of course by no means approved of every activity of the bourgeoisie. He was suspicious of the rent-seeking of merchants, noting that in contrast to the landlords and workers, the interests of the bourgeoisie are "always in some respects different from, and even opposite to, that of the publick."¹¹ The "clamour and sophistry of merchants and manufacturers easily persuaded [society] that the private interest of a part, and a subordinate part of the society, is the general interest of the whole."¹² Smith was read this way at the time. Hugh Blair wrote on 3 April 1776

⁸ Smith, *Essays*, p. 262.

⁹ Smith, *Theory of Moral Sentiments*, pp. 308, 312–13.

¹⁰ *Ibid.*, p. 312.

¹¹ Smith, *Wealth of Nations*, p. 267.

¹² *Ibid.*, p. 144.

commending him: "You have done great Service to the World by overturning all the interested Sophistry of Merchants, with which they have Confounded the whole Subject of Commerce."¹³ As scholars on the left have noted, Smith was no Margaret Thatcher in drag.

But neither was he hostile to the values of a commercial society, something I wish my friends on the left would admit. Unlike European intellectuals since the Great Conversion, Smith wanted to make a commercial society work, not to sit outside it sneering.

The "ethical system" of Smith was not a search for a general precept of ethics, such as Kant was at the same time perfecting in his walks from home to the office in far-away East Prussia. Rules such as Kant's categorical imperative (well expressed by the bureaucrat denying you an exception: Suppose I allowed everyone to do that?) or Jesus's golden rule or the master instance in modern times, utilitarianism's rule of What's Best For All, are not what Smith sought, or found. He sought and found a system of virtues. He was influenced by classical stoicism, Epictetus the slave and Marcus Aurelius the emperor. An ethic of the virtues has been developed in recent decades by Philippa Foot, Elizabeth Anscombe, Iris Murdoch, Susan Wolf, Rosalind Hursthouse, Annette Baier, Alasdair MacIntyre, John Casey, Bernard Williams, and Martha Nussbaum. (It is the only field of modern philosophy in which women's voices predominate). But it is as old as Aristotle's *Nichomachean Ethics* and is to be set against Plato's (and Kant's and Bentham's) search for the one Good.

By the time of Smith it was conventional to think of the virtues as the four aristocratic or pagan virtues with the three peasant or theological virtues: courage, temperance, prudence, and justice, with faith, hope, and love. The analysis of all virtues into these seven was begun in classical times and completed by Aquinas, though the weight of the tradition is not a knock-down argument for thinking that the seven contain all the virtues one needs to consider. Smith may have been mistaken to adhere to these only—it may be that a bourgeois virtue is hard to discuss in terms once classical or Christian.

Smith left off Faith and Hope. I think he believed that these two of the theological virtues were inappropriate to a bourgeois society. Eighteenth-century doers and thinkers were haunted by the religious wars of the previous century, the excesses of Faith. In Britain, especially after the Gordon Riots of 1780, they were haunted, too, by the excesses of Hope. Faith you can view as backward looking: one sees it, for example, in nostalgia for the Highland clan, such an odd feature of British nation building in the late eighteenth century. Hope is forward looking, utopian in

¹³ Smith, *Correspondence*, p. 188).

the way a saint is utopian. As Edmund Burke noted with alarm, it was embodied in the French Revolution.

If you can stand any more intellectual history in which ideas strut around like actors on a stage, one can see a revival of Faith and Hope as political ideas in the nineteenth century. An astonishing development in Britain, America, and Protestant Germany in the early nineteenth century was evangelicalism among the intelligentsia—something that would have been wholly unexpected by urbane deists such as Smith or Benjamin Franklin, or atheists such as Hume or Gibbon, or even the traditionally Anglican Dr. Johnson. The theological virtue of Hope reemerged in projects of moral reform, especially the abolition of slavery. Eventually Faith and Hope merged in a secular version of Christianity by the name of socialism and a secular version of paganism called nationalism. And all our woe.

The Smithian Five are arranged in effect along a spectrum, thus:¹⁴

<i>Courage</i>	<i>Temperance</i>	<i>Prudence</i>	<i>Justice</i>	<i>Love</i>
masculine	control of inner weather	taking care of yourself	control of outer weather	feminine
<i>phronesis</i>				

It is something like a complete human. (Whatever your local pseudo-Philosopher may have told you, it is not actually a virtue in a social science that it characterize people as single-minded monsters of Prudence or Love.) Smith put Courage and Love on the edges. Not off the edge, like Hope and Faith, but away from the central virtues of a bourgeois society. It is not from the benevolence of the butcher, or the brewer, or the baker that we expect our dinner (that is, not from Love), but from their regard to their own interest (that is, Prudence). (Feminists have pointed out sardonically that someone had to *cook* the dinner, Dr. Smith [it was Mrs. Smith, his Mom], and *that* is a matter of Love.) Smith was indifferent, even hostile, to commercial courage, the virtue of enterprise. He recommended prudential investing, preferably in agriculture. As Vivienne Brown has emphasized in her amazing book on *Adam Smith's Discourse* (1994) he was not enthusiastic for the thrusting, risk-taking entrepreneurs that, say, Marx and Engels praised so. Smith was not a romantic about capitalism, as some modern defenders of it are (Ayn Rand, for example). As Albert Hirschman has said, Love and Courage were more passions than interests. It is little

¹⁴ Smith, *Theory of Moral Sentiments*, pp. 216, "prudence of the great general . . . valour. . . benevolence. . . justice . . . a proper degree of self-command; p. 237, "rules of perfect prudence, of strict justice, and of proper benevolence . . . If it is not supported by the most perfect self-command, [it] will not always enable him to do his duty" (he explains on the next page that "self-command" is Courage and Temperance combined).

wonder that a Scot witnessing the benefits of secularism and peace in a country riven so recently by the passionate virtues would take such a line. He distanced himself from the aristocratic and masculine virtues (above all Courage) and the Christian and feminine ones (above all Love).

And yet the center of the three that remain, Prudence, is not for all its coolness an ethical nullity. Prudence is simply dropped from most thinking about ethics that does not start with the concrete virtues. John Casey notes, "Philosophers here reflect common opinion: to call a judgement 'prudential' [or 'pragmatic' or 'bourgeois'] is taken by many people as meaning that it is not 'moral'." But on the contrary, Casey observes, "We can think of the man of practical wisdom as having moral imagination."¹⁵ *Ethos* in Greek just means "character," and so it is no surprise to find the virtue of Prudence supreme in two out of Eric Erikson's eight stages of maturation, in school (Competence) and in old age (Wisdom). St. Paul in his first letter to the Corinthians says that you may talk with the voices of men and angels but if you have not Love you are as sounding brass and tinkling cymbals. The bourgeoisie answers that you may express Love abiding in all your actions, but if you have not Prudence you are as a runaway truck or an exploding steam engine. Temperance, Justice, and Prudence, these bourgeois three. But the greatest is Prudence.

Something happened between Adam Smith and now. Somehow a view of Economic Man that placed him in a system of virtues and made him out to be a complete character got mislaid. The mislaying was in part an episode in the general decline of ethical philosophy, down to what Mark Johnson has called "the nadir of moral reasoning in this century," A. J. Ayers's emotivism, the notion that ethical opinions are merely opinions: "Ethical concepts are unanalysable, inasmuch as there is no criterion by which one can test the validity of the judgments in which they occur. . . . They are mere pseudo-concepts. . . . If I say to someone, 'You acted wrongly in stealing that money' . . . it is as if I had said, 'You stole that money,' in a peculiar tone of horror."¹⁶ Thus the undergraduate says, "That's just a matter of opinion. It's a free country. Everything's relative. *De gustibus non disputandum est*" (our undergraduate is a bit of a scholar). The earlier and specifically economic version of such ethical nihilism is traceable I think to Bentham, viewed as a hero by recent ethical nihilists such as George Stigler, Gary Becker, or Judge Richard Posner. Bentham's *Principles of Morals and Legislation* (1789) called Prudence by his word "utility," and claimed to prove that "the only right ground of action, that can possibly subsist, is, after

¹⁵ Casey, *Pagan Virtue*, pp. 145, 146.

¹⁶ Ayer, quoted in Johnson, *Moral Imagination*, p. 137.

all, the consideration of utility.”¹⁷ It was proven, as I have noted, by taking a part of motivation for the whole, a synecdochic fallacy.

But what of it? What do economics and economic history lose by being de-moralized? Economics since Bentham has been the science of Prudence Alone, and a wonderfully successful one. I am a Chicago School economist and still an enthusiast for this intellectual program. I once wrote an entire, long book devoted to showing how Prudence can explain, and all my work in economic history has exhibited Prudent men rushing about picking up \$100 bills. But I have realized gradually that it is a scientific mistake to set the other virtues aside *even when you wish to deal mainly with Prudential consequences*. It is often possible to “economize on love,” as an economist once expressed the Mandevillean/Benthamite and anti-Smithian program of modern economics. But in many important cases it is not possible, and lacking in point. And for decent history it must not be attempted.

An example is what is known in economics as the Voting Paradox. It is “paradoxical,” notes the economist, that people bother to vote at all in large elections, because Prudence would keep them at home. No one vote will affect the outcome—unless the election of 1856 was literally an exact tie, a vanishingly improbable event in prospect and false in retrospect. A Prudent man would therefore never vote, if voting had (as it does) the tiniest inconvenience.

And yet people do vote, and did in 1856. Oh, oh. Hmm. Some other motive than Prudence must be explaining this very important piece of behavior. Love, perhaps. Or Justice. As George Santayana said of English liberties in America, “These institutions are ceremonial, almost sacramental. . . . They would not be useful, or work at all as they should, if people did not smack their lips over them and feel a profound pleasure in carrying them out.”¹⁸ *Sic transit* an entirely self-interested theory of voting for the Northern tariff before the Civil War, or the repeal of the British corn laws, or the free coinage of silver, or New Deal spending. It will not do to say, as the late George Stigler said to me in angry rebuttal, that if the “observable implications” of the Prudence Alone model fit, that is all we need to know. Considerations of statistical power and specification error aside, participation in elections is an observation, too, George, an observation that annihilates the anti-Smithian theory before it has had time to speak.

Another and more important example is the so-called Prisoner’s Dilemma. Prudence, argued Thomas Hobbes, would lead men in a state of nature to defect from social arrangements. The Hobbes Problem has misled most

¹⁷ Bentham, *Principles*, p. 146.

¹⁸ Santayana, *Character*, pp. 203–04.

serious thinkers about society since he posed it. The exciting and endlessly formalizable problem is, Will a mass of unsocialized brutes form spontaneously a civil society? Hobbes's answer was, No, not without a leviathan state; otherwise one can expect society to be a war of all against all and the life of man solitary, poor, nasty, brutish, and short. Hundreds of other men have provided their own solutions.

But the Hobbes Problem, when you think of it, is very peculiar. Why would it be interesting to know about the behavior of a mass of unsocialized brutes, when every human being is in fact already socialized, already under the eye in Smith's terms of an Impartial Spectator? Such a query does not occur to most men, such as the political scientist Robert Putnam or the economic historian Douglass North. Women already know that humans, for example, are raised in families, and therefore are always already socialized. Yet men have been fixated on the Hobbes Problem, without making the slightest progress in solving it, for three centuries now. From both the left and the right it is considered clever among men to say, as they used to say in the Party, "it is no accident that" Interest reigns. As Annette Baier puts it, "preoccupation with prisoner's and prisoners' dilemmas is a big boys' game, and a pretty silly one too."¹⁹ Or Carol Rose: "The lapse of community may occur only infrequently in our everyday lives, but this world of estrangement has had a robust life in the *talk* about politics and economics since the seventeenth century."²⁰ In the men's talk.

To accept Hobbes's absurd mental experiment as the frame for answering all questions of why societies hang together is a scientific mistake. Like the Voting Paradox, the Hobbes Problem is contradicted by the facts. People do not always cooperate, but neither do they always defect. The life of man is only sometimes a state of Warre. In actual experiments men and women cooperate far above the level predicted by the Solely Prudence model. (A revealing feature of the experiments is that the only people who do *not* cooperate at such levels, and who do approach the Benthamite economist's level of defection are . . . Benthamite economists.) *Sic transit* all manner of histories of the economy and polity that suppose that all we need to grasp is Prudence.

What is wrong with ignoring the system of virtues can be put econometrically. Suppose we propose to reduce all behavior, *B*—buying, borrowing, bequeathing, birthing—to a linear function of Prudence, *P*, standing for all the variables that economists since Bentham have specialized in loving: Prudence, but also profit, price, payment, property, policy,

¹⁹ Baier, "What Do Women Want?", p. 264.

²⁰ Rose, *Property and Persuasion*, p. 225.

purpose, preferences, pain, punishment, the pocketbook, the Profane. We generously admit that, well, yes, there might be other springs of conduct working at the same time, in cases such as voting or the prisoners' dilemma or the raising of children, the S variables of Solidarity, but also society, sociology, sensibility, stories, speech, sanctions, shame, the soul, the spirit, the subconscious, the self, the sacrament, the Sacred. That is, econometrically speaking, we might specify:

$$B = \alpha + \beta P + \gamma S + \epsilon$$

Very nice, dear. An economist caught in the Benthamite program is going to argue as follows: "Not to worry: you see, even without inquiry into S —I leave that to those idiots over in the Department of Psychology or Sociology, or the College of Law—I can estimate the coefficient on Prudence alone, β . I can take $\gamma S + \epsilon$ as a quasi error term. Isn't *that* clever! And you know with what facility I make metaphysical assumptions about its classical properties! Give me a break: I'm not in the business of explaining all behavior. I propose merely to explain some portion, and in many cases a large portion."

But the economist is taking an econometric misstep. The estimation of the coefficients is unbiased only if the error term is uncorrelated with the included variable, P . But unless God (bless Her holy name) has arranged the world's experiment such that P and S are independent, orthogonal, unrelated in a statistical sense, the quasi error term $\gamma S + \epsilon$ will be correlated with the include variable, P . The coefficient β , the outcome of an empirical investigation that improperly ignores the S variables, will be biased. The estimate will not even be consistent, statistically speaking: large sample sizes will not make any difference, except to make the economist, by the idiocy of statistical significance, unreasonably confident that he has the explanation in P alone.

In many important cases in economic history—the Voting Paradox in 1856 and the Prisoner's dilemma in commercial trust, to take two, but others also, such as the size of coal cars on British railways around 1900, the coming of general limited liability in England, American welfare reform in the late nineteenth century, the profit from Jamaican slavery during the Industrial Revolution, the governance of Bengal after 1761, the policies of Andrew Mellon, the balance of power within the bourgeois family, the buying of public symbols such as monuments and sports arenas, the labor bargain in early Manchester, the economic history of the Wisconsin lumber industry, the Old Poor Law, child labor in the nineteenth century, family survival in the Great Depression, the treatment of slaves, American consumer credit in the 1920s, the high school movement in the North around World War I, the segregated labor markets in the South, British overseas

investment around 1870, rent seeking in prerevolutionary France—the virtues buried in the error term will be correlated with Prudence positively or negatively. If the correlation is substantively large (forget about its merely statistical significance, which is irrelevant scientifically), then the attempt to get insight in the Prudence variables will be substantively ruined. Not always. Sometimes the forces of *P* are so large relative to those of the correlated *S* that the mistake is trivial. Doubtless on the foreign exchanges contemporaneous arbitrage has little to do with *S*. Prudence reigns. But when we think a complete character might be involved, then failing to acknowledge *S* explicitly will leave the experiment not properly controlled.

For example, consider the explosion of ingenuity in the first industrial nation. As Joel Mokyr, Peter Temin, and I have argued, the wave of gadgets was indeed a wave across the British economy in the eighteenth and especially the early nineteenth centuries, not a water spout here or there, as N. F. R. Crafts and Knick Harley believe. Anyway, the attempts to explain it in terms reducible to Prudence have not been great successes.²¹ The history of our discipline in Britain is littered with Prudent Causes that have not worked out: capital accumulation, transport improvement, foreign trade, agricultural prosperity, patent systems. None of them is silly or to be left out of the story. They are right and proper *Ps*. But there is something peculiar about explaining the largest change in circumstances since the Agricultural Revolution in terms of mere, dull Prudence. Were not people prudent before? Were not canals buildable before the Canal Age? Capital accumulation possible in China? Foreign trade expansive in Mogul India?

The wave of gadgets requires *S* variables, not merely as afterthoughts, additional variables for a complete explanation, concessions to the fuzzy-minded among humanists, but as conditioning factors on the operation of the *Ps*. A simple case is trust in commercial undertakings. It is known how little groups of Old Believers or Jews or Quakers or Mennonites took advantage of co-religiosity to enforce contracts. What is remarkable about modern economic life (though not I think unprecedented: it worked in fourth-century B.C. Greece, too) is the extension of such trust to comparative strangers, not Our Crowd. If foreign trade was to expand in the eighteenth century it needed a large expansion of what might be called commercial speech—the trading of reputations and market information, the persuading of Mr. Jones in the far off Chesapeake to undertake a certain novelty in tobacco supplied that would be advantageous to his partner in Glasgow. In other words, commerce depended on virtues of conversation, the keeping of promises, speech acts. A Hobbesian analysis would miss the point that people dealing in the Atlantic economy of 1760 were socialized because it misses the point that people talk and that talk is not always empty. So the analysis of

²¹ McCloskey, "Industrial Revolution."

Prudence would be wrong. The elasticities would be misestimated, so to speak. The variables interpenetrate. A culture is necessary for business.

Albert Hirschman, who has been making this point for some decades, puts it this way:

What is needed is for economists to incorporate into their analysis, whenever it is pertinent, such basic traits and emotions as the desire for power or sacrifice, the fear of boredom, pleasure in both commitment and unpredictability, the search for meaning and community, and so on. . . . When one has been groomed as a "scientist" it just takes a great deal of wrestling with oneself before one will admit that moral considerations of human solidarity can effectively interfere with those hieratic, impersonal forces of supply and demand.²²

The first thing one groomed to be a "scientist" is going to claim is that the *S* variables are hard to measure. Economic historians, who have more acquaintance with measurement than the average economist or the average historian, will laugh out loud at such a claim. It is less, not more, difficult to measure gender, family background, education, social class, churches attended, newspapers read, and many, many *S* variables than the magnitude of labor-saving technical change in the United States, the British cost of living c. 1820 including services, the rent of land in Arthur Young's England, the interest rate in eighteenth-century China, the wage gap between men and women since 1890, and many, many other *P* variables.



It is easy to see how *P* depends on *S*, and many dissertations in economic history could be written making the point in detail. But *S* also depends on *P*, and dissertations should be written on that subject, too. Who we are depends on what we do, our ethics depend on our business. Commerce is a teacher of ethics. The growth of the market promotes virtue, sometimes. Most intellectuals since 1848 have thought the opposite: that the market and the ethic of the bourgeoisie always erode virtue. As James Boyd White puts it in his otherwise admirable *Justice as Translation*, bourgeois growth is bad because it is "the expansion of the exchange system by the conversion of what is outside it into its terms. It is a kind of steam shovel chewing away at the natural and social world."²³ White is here stuck back with Dickens in *Hard Times*: "It was a fundamental principle of the Gradgrind philosophy," wrote, "that everything was to be paid for. . . . Gratitude was to be abolished, and the virtues springing from it were not to be. Every inch of the existence of mankind, from birth to death, was to be a bargain across a counter."²⁴

²² Hirschman, *Essays in Trespassing*, pp. 303–04.

²³ White, *Justice*, p. 71.

²⁴ Dicken, *Hard Times*, p. 212.

On the contrary, the virtues of the bourgeois are those necessary for town life, for commerce and self-government. The virtue of tolerance, for example, can be viewed as bourgeois. Its correlations in European history, such as between Spain and Holland, suggest so. The experience of uncertainty in trade creates a skepticism about certitude--the arrogant and theoretical certitude of the aristocrat or the humble and routine certitude of the peasant. As Arjo Klammer has pointed out, "the dogma of doubt" is bourgeois, an attitude suited to the vagaries of the marketplace. On the town hall of Gouda in the Netherlands is inscribed the bourgeois motto, "*Audite et alteram partem*," "Listen even to the other side."

Bourgeois charity, again, if not the "charity," meaning love, of the English bibles, runs contrary to the caricature of greed. More than the peasant or aristocrat the bourgeois gives to the poor—as in the ghettos of Eastern Europe or in the small towns of the United States. Acts of charity follow the bourgeois norm of reciprocity. Jonathan Israel points out that 1616 the city of Amsterdam helped support over 10 percent of its population from the public purse.²⁵ The American Gospel of Wealth, founding hospitals, colleges, and libraries wherever little fortunes were made, is a bourgeois notion, paying back what was taken in profit. Walter Annenberg gives \$500 million to schools in one jolt and we are not astonished. Middle-class people in the nineteenth century habitually gave a biblical tenth of their incomes to charity. The intrusion of the state into charity deadened the impulse, remaking charity into a *taille* imposed on grumbling peasants: I gave at the office.

The market spreads American habits of cooperation with strangers. In the United States, noted Santayana, "co-operation is taken for granted, as something that no one would be so mean or short-sighted as to refuse," and it is "private interests which are the factors in any co-operation." He does not here mean that Prudence Alone makes for cooperation: "When interests are fully articulated and fixed, co-operation is a sort of mathematical problem," in the manner of Hobbes; but Santayana saw much more arising from "a balance of faculties."²⁶

Above all the causal connection between *P* and *S* in the bourgeois society is a matter of rhetoric. (There: I've used the *R* word!) A source of bourgeois virtue and a check on bourgeois vice is the premium that a bourgeois society puts on discourse. The bourgeois must talk. The aristocrat gives a speech, the peasant tells a tale. But the bourgeois must in the bulk of his transactions talk to an equal. It is wrong to imagine, as modern economics does, that the

²⁵ Israel, *Dutch Republic*, p. 360. The population of Amsterdam was about 100,000 at the time (p. 328). Israel quotes R. B. Evenhuis as giving a figure of 2,500 families, about 10,000 souls, which is where Israel gets his 10 percent. He reckons that an equal number were "supported" by churches and guilds, which would mean that inhabitants "receiving charitable assistance from one source or another" were 20 percent of Amsterdam's population, not 10 percent.

²⁶ Santayana, *Character*, pp. 196, 226, 223, 222.

market is a field of silence. "I will buy with you, sell with you, talk with you, walk with you, and so following. . . . What news on the Rialto?"

The aristocrat does not deign to bargain. Hector tries, and Achilles answers: "argue me no agreements. I cannot forgive you./ As there are no trustworthy oaths between men and lions,/ Nor wolves and lambs have spirit that can be brought into agreement." The Duke of Ferrara speaks of his last, late duchess there upon the wall, "Even had you skill/ In speech—(which I have not)—to make your will/ Quite clear to such an one . . . / —E'en then would be some stooping; and I choose/ Never to stoop." The aristocrat never stoops; the peasant stoops silently to harvest the grain or to run the machine; the bourgeois stoops metaphorically to make his will quite clear, and to know the will and reason of the other. The aristocrat's speech is declamation, and his proofs are like commands, which is perhaps why Plato the aristocrat and some Western intellectuals after him loved them so. The proof of the irrationality of the square root of 2 convinces (*vincere*, to conquer). The bourgeois by contrast must persuade, sweetly ("*suadeo*," from the same root as English "sweet").

The bourgeois goes at persuasion with a will. About a quarter of national income nowadays in rich countries is earned from merely bourgeois and feminine persuasion: not orders or information but persuasion.²⁷ One thinks of advertising, but in fact advertising is a tiny part of the total, one-and-a-half percent of national income. Take instead the detailed categories of work and make a guess as to the percentage of the time in each job spent on persuasion. Out of the 115 million civilian workers it seems reasonable to assign 100 percent of the time of the 760,000 lawyers and judges to persuasion; and likewise all the public relations specialists and actors and directors. Perhaps 75 percent of the time of the 14.2 million executive, administrative, and managerial employees is spent on persuasion, and a similar share of the time of the 4.8 million teachers and the 11.2 million salespeople (excluding cashiers). Half of the effort of police, writers, and health workers, one might guess, is spent on persuasion. And so forth. The result is 28.2 million person-years, a quarter of the labor force, persuading.

The result can be checked against other measures. John Wallis and Douglass North measure 50 percent of national income as transaction costs, the costs of persuasion being part of these.²⁸ Not all the half of American workers who are white-collar talk for a living, but in an extended sense many do, as for that matter do many blue-collar workers persuading each other to handle the cargo just so and pink collar workers dealing all day with talking customers and cooks. Of the talkers a good percentage are per-

²⁷ The calculation is given in more detail in McCloskey and Klammer, "One-Quarter of GDP is Persuasion."

²⁸ Wallis and North, "Measuring the Transaction Sector."

suaders. The secretary shepherding a document through the company bureaucracy is called on to exercise sweet talk and veiled threats. The bureaucrats and professionals who constitute most of the white-collar workforce are not themselves merchants, but they do a merchant's business inside and outside their companies. Note the persuasion exercised the next time you buy a suit. Specialty clothing stores charge more than discount stores not staffed with rhetoricians. The differential pays for the persuasion: "It's you, my dear" or "The fish tie makes a statement." As Adam Smith said in his lectures on jurisprudence, "every one is practising oratory . . . [and therefore] they acquire a certain dexterity and address in managing their affairs, or in other words in managing of men; and this is altogether the practise of every man in most ordinary affairs. . . , the constant employment or trade of every man."²⁹ Not constant, perhaps, but in Smith's time a substantial percentage and in modern times fully 25 percent.

Is the persuasive talk of the bourgeoisie "empty," mere comforting chatter with no further economic significance? No. It can not be. If that was all it was then the economy would be engaging in an expensive activity to no purpose. By shutting up we could pick up a \$100 bill (or more exactly a \$1,750,000,000,000 bill). A quarter of national income is a lot to pay for economically functionless warm and fuzzies. The fact would not square with the most modest claims of economics. *S* matters, but if gigantic amounts of *P* are supposed to be sacrificed for what looks like a small gain in *S* the economist is right to complain. The businesspeople circling La Guardia on a rainy Monday night could have stayed home. The crisis meeting in the plant cafeteria between the managers and the workers would lack point.

Adam Smith as usual put the matter well. The division of labor is the "consequence of a certain propensity . . . to truck, barter, and exchange. . . [I cannot pause here to consider] whether this propensity be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech."³⁰ *The Wealth of Nations* did not again mention the faculty of speech in a foundational role, though Smith, who began his career as a freshman English teacher, did remark frequently on how business people and politicians talked together. In *The Theory of Moral Sentiments* he called speech "the characteristic faculty of human nature."³¹

Half of the Smith formula, the faculty of reason, became in time the characteristic obsession of economists. Smith himself did not much pursue it. Economic Man, restlessly seeking, is not a Smithian character. It was later economists, especially Paul Samuelson during the 1940s, who reduced

²⁹ Smith, *Lectures on Jurisprudence*, p. 352.

³⁰ Smith, *Wealth of Nations*, p. 25; cf. *Lectures on Jurisprudence*, pp. 352, 493.

³¹ Smith, *Theory of Moral Sentiments*, p. 336.

economics to the reasoning of a constrained maximizer, Seeking Man, *Homo petens*. Samuelson's seeking has a peasant cast to it: the maximization of known utility under known constraints sounds more like Piers Ploughman than Robinson Crusoe. The utilitarian reduction of all the virtues to one maximand makes all virtues into Prudence. The wind-up mice of modern economic theory know nothing of humor, affection, integrity, and self-possession. Smith's notion of *Homo loquans*, Speaking Man, squares better with the varied virtues of the bourgeoisie.

The world of the bourgeoisie is jammed with institutions for making relationships and declaring character, from credit bureaus to business schools. The aristocracy and the peasantry got their characters ready-made by status, and in any case did not need to persuade. Tom Buddenbrook bitterly scolds his unbusinesslike brother, a harbinger of bohemianism in the family: "In a company consisting of business as well as professional men, you make the remark, for everyone to hear, that, when one really considers it, every businessman is a swindler--you, a business man yourself, belonging to a firm that strains every nerve and muscle to preserve its perfect integrity and spotless reputation."³²

The bourgeoisie works with its mouth, and depends on word of mouth. Tom most enjoys "trade he came by through his own personal efforts. Sometimes, entirely by accident, perhaps on a walk with the family, he would go into a mill for a chat with the miller, who would feel himself much honoured by the visit; and quite *en passant*, in the best of moods, he could conclude a good bargain."³³ The firm's motto, challenged in the nineteenth century by Greed and Art, is, "My son, attend with zeal to thy business by day, but do none that hinders thee from they sleep at night."³⁴ Doing well by talking well, and doing therefore good.

A change is overdue. To admire bourgeois virtue is not to admire greed. Capitalism needs encouragement, being the hope for the poor of the world and being in any case the practice of what we were and who we are. But capitalism need not be hedonistic or monadic, and certainly not unethical. An aristocratic, country-club capitalism, well satisfied with itself, or a peasant, grasping capitalism, hating itself, are both lacking virtue. And neither works in town. They lead to monopoly and economic failure, alienation and revolution. We need a capitalism that nurtures communities of good townsfolk, in South Central Los Angeles as much as in Iowa City. We encourage it by taking seriously the bourgeois virtues.

³² Mann, *Buddenbrooks*, p. 262.

³³ *Ibid.*, p. 222.

³⁴ *Ibid.*, p. 146 and throughout.

One can think of people and countries to stand as models. Benjamin Franklin and the United States lead the pack. Graña recounts the venom against Franklin in the writings of D. H. Lawrence, Stendhal, and Baudelaire: "a knave in Franklin's style," writes Baudelaire, was part of "the rising bourgeoisie come to replace the faltering aristocracy," which otherwise a new aristocracy of intellectuals would resupply. It is natural to think of millionaires in imagining an ideal bourgeois, the "vital few," as Jonathan Hughes put it: Henry Ford, for example, or Sam Walton of Walmart or Bill Gates of Microsoft. But it is not necessary: Franklin, Macaulay, Whitman, Lincoln, Twain, Frost, Orwell were bourgeois, and in their best moods unashamed of it. Being ashamed of being bourgeois has for a long time amounted to being ashamed of America. Scratch a pro-American and you find a pro-bourgeois. The sneerers at Franklin like Baudelaire and Lawrence were antidemocrats and anti-Americans. Dickens came to detest the United States as much as he came to detest businessmen.

A myth of recency has made the virtues arising from towns seem those of a shameful parvenu, such as Franklin and the United States. In economic history dependent on Marx, such as Weber's *General Economic History* or Karl Polanyi's *The Great Transformation*, the market is seen as a novelty. "Market economy," claimed Polanyi on little evidence, "is an institutional structure which, as we all too easily forget, has been present at no time except our own."³⁵ From this historical mistake arose the fairytales of lost paradises for aristocrats or peasants, and a reason for ignoring the bourgeois virtues.

It has taken a century of professional history to correct the mistake. The late David Herlihy put it this way in 1971: "research has all but wiped from the ledgers the supposed gulf once considered fundamental, between a medieval manorial economy and the capitalism of the modern period."³⁶ Medieval men bought and sold everything from grain to bishoprics. The Vikings were traders, too. Greece and Rome were business empires. The city of Jericho dates to 8000 B.C. The emerging truth is that we have lived in a world market for centuries, a market run by the bourgeoisie. Time to recognize the fact—to study a bourgeois virtue, and recognize its tangled history of *P* and *S*.

³⁵ Polanyi, *Great Transformation*, p. 37.

³⁶ Herlihy, "the Economy of Traditional Europe," p. 155.

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