

- LECTURE -

**Bourgeois Equality: How Ideas, Not Capital, Enriched the World**

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*History of Capitalism Series*

16 September 2015

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

There is a long answer to this question that can be found in my trilogy, *The Bourgeois Era*.<sup>1</sup> In this trilogy, I explain three things.

Firstly, how the commercial bourgeoisie—the middle class of traders, dealers, inventors, and managers—is good, not bad.

Secondly, that the modern world was not made by the usual material causes, all of which have been widespread in other cultures and at other times. It was caused by both technical and institutional ideas among a uniquely revalued bourgeoisie, at first peculiar to northwestern Europe.

Thirdly, that a new way of looking at the virtues and bettering ideas in this area sprang from a novel liberty and dignity enjoyed by all commoners, and from a startling revaluation by society as a whole of the trading and betterment in which the bourgeoisie specialized.

The revaluation, called ‘liberalism’, in turn derived, not from some ancient superiority of the Europeans, but from egalitarian accidents in their politics. What mattered were two levels of ideas: the ideas in the heads of entrepreneurs for the betterments themselves (the electric motor, the airplane, the stock market); and the ideas in society at large *about* the business people and their betterments (this liberalism). What were *not* causal were the conventional factors of accumulated capital and institutional change. They happened, but they were largely dependent on betterment and liberalism.

The upshot since 1800 has been a gigantic improvement for the poor, yielding equality of real comfort in health and housing, such as for many of your ancestors and mine; a promise now being fulfilled with the same result worldwide—a Great Enrichment for even the poorest among us.

These are controversial claims. They are, you see, optimistic. Many of the left, such as the economist and former finance minister of Greece, Yanis Varoufakis, or the French economist Thomas Piketty, and some on the right, such as the American economist Tyler Cowan, believe we are doomed. Varoufakis thinks that wealth is caused by imperial sums of capital sloshing around the world economy. He thinks, in a Marxist and Keynesian, way that the economy is like a balloon, puffed up by consumption, and about to leak. I

think that the economy is like a machine making sausage. If Greece or Europe want to get more wealth they need to make the machine work better—honoring enterprise, for example, and letting people work when they want to.

Piketty thinks that the rich get richer, always, and that the rest of us stagnate. I think this is not true, even in his own statistics, and certainly not in the long run. What has mainly happened in the past two centuries is that the sausage machine has got tremendously more productive, benefiting mainly the poor.

Cowan thinks that improvements in the sausage machine are over. There is little evidence of technological stagnation, and for at least the next century the poor of the non-Western world will be catching up, enriching us all with their own betterments of the sausage machine.

In other words, I do not think that we are doomed. I see over the next century a world-wide enrichment, both materially and spiritually, that will give the wretched of the earth the lives of a present-day, bourgeois Dutch person.

For reasons I do not entirely understand, the clerisy after 1848 turned towards nationalism and socialism, and against liberalism. It came also to delight in an ever-expanding list of pessimisms about the way we live now in our approximately liberal societies: from the lack of temperance among the poor to an excess of carbon dioxide in the atmosphere. Anti-liberal utopias believed to offset these pessimisms have been popular among the clerisy. Its pessimistic and utopian books have sold millions.

But the twentieth-century experiments of nationalism and socialism; of syndicalism in factories and central planning for investment, of proliferating regulation for imagined but not factually documented imperfections in the market, did not work. Most of the pessimisms about how we live now have proven to be mistaken. It is a puzzle. Perhaps you yourself still believe in nationalism or socialism or proliferating regulation. Perhaps you are in the grip of pessimism about growth or consumerism or the environment or inequality.

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

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

A crucial point is that the greatly enriched world cannot be explained in any deep way by the accumulation of capital, as economists from Adam Smith through Karl Marx to Yaroufakis, Piketty, and Cowan have on the contrary believed and as the very word “capitalism” seems to imply. This word

embodies a scientific mistake. Our riches did *not* come from piling brick on brick, or piling university degree on university degree, or bank balance on bank balance, but from piling idea on idea. The bricks, degrees, and bank balances—the capital accumulations—were of course necessary. But so were a labor force and water and the arrow of time. Oxygen is necessary for a fire. But it would be unhelpful to explain the Chicago Fire of October 1871, by the presence of oxygen in the earth’s atmosphere. A better explanation might be: a long dry spell, the city’s wooden buildings, a strong wind from the southwest, and, if you disdain Irish immigrants, Mrs. O’Leary’s cow.

The modern world cannot be explained by routine brick-piling, such as the Indian Ocean trade, English banking, canals, the British savings rate, the Atlantic slave trade, natural resources, the enclosure movement, the exploitation of workers in satanic mills, or the accumulation in European cities of capital, whether physical or human. Such routines are too common in world history, and too feeble in quantitative oomph, to explain the thirty- or hundred-fold enrichment per person unique to the past two centuries.

This last fact, discovered by economic historians over the past few decades, is crucial and astonishing. Between 1800 and 2000, trade-tested goods and services available to the average person in Sweden or Taiwan rose by a *factor* from 30 (the lowest estimate) to 100 (the highest). Not by 100 percent—a mere doubling—but according to the highest estimate, by a factor of 100, so nearly *10,000 percent*. According to the lowest estimate this increase was by a factor of 30, so 2,900 percent. The Great Enrichment of the past two centuries has dwarfed any of the previous and temporary enrichments. Explaining this fact is the central scientific task of economics and economic history, and it matters for any other sort of social science or recent history.

So what does explain it? The causes were *not* (to pick from an apparently inexhaustible list of materialist factors promoted by economists and economic historians) coal, thrift, transport, high male wages, low female and child wages, surplus value, human capital, geography, railways, institutions, infrastructure, nationalism, the quickening of commerce, the late medieval run-up, Renaissance individualism, the First Divergence, the Black Death, American silver, the original accumulation of capital, piracy, empire, eugenic improvement, the mathematisation of celestial mechanics, technical education, or a perfection of property rights.

Such conditions had been routine in a dozen of the leading organised societies of Eurasia, from ancient Egypt and China down to Tokugawa Japan and the Ottoman Empire, and not unknown in Meso-America and the Andes. What has been routine cannot account for the strangest secular event in human history. This event began with bourgeois dignity in Holland after 1600, gathered up its tools for betterment in England after 1700, and burst on northwestern Europe, and then the world, after 1800.

The modern world was made by a slow-motion revolution in *ethical* convictions about virtues and vices, in particular by a much higher level of toleration for trade-tested progress—letting people make mutually advantageous deals, even admiring them for doing so, and especially admiring them when, Steve Jobs-like, they imagine betterments.

Please note: the crux was not psychology—as Max Weber claimed in 1905—but sociology. Toleration for free trade and honored betterment was advocated first by the bourgeoisie itself, then more consequentially by the clerisy, which for the century before 1848 admired economic liberty and bourgeois dignity. After 1848, in places like the United States and Holland and Japan, the bulk of ordinary people came slowly to agree. By then, however, much of the *avant garde* of the clerisy worldwide had turned decisively against the bourgeoisie, on the road to twentieth-century fascism and communism.

Yet in luckier countries, such as Norway or Australia, the bourgeoisie was for the first time judged by many people to be acceptably honest, and was, in fact, acceptably honest, under new social and familial pressures. By 1900, and increasingly since then, the Bourgeois Revaluation had made most people in quite a few places, from Syracuse to Singapore, very rich and pretty good.

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

The change, the Bourgeois Revaluation, was the coming of a business-respecting civilization, an acceptance of the Bourgeois Deal: “Let me make money in the first act, and by the third act I will make *you all* rich.” Much of the elite, then also much of the non-elite of northwestern Europe and its offshoots, came to accept, or even admire, the values of trade and betterment. At the least the polity did not attempt to block such values, as it had done energetically in earlier times. In particular, it did not do so in the new United States. Subsequently likewise, elites and then common people in more of the world followed, including now—startlingly— China and India. They undertook to respect—or at least not to utterly despise, overtax and stupidly regulate—the bourgeoisie.

So why, and why then, did the Bourgeois Revaluation come about? The answer lies in the surprising, Black Swan luck of northwestern Europe’s reaction to the turmoil of the early modern period: the coincidence there of successful Reading, Reformation, Revolt, and Revolution: “the Four Rs.” The dice were rolled by Gutenberg, Luther, Willem of Orange, and Oliver Cromwell. Their payoffs, by lucky chance for England, were deposited in that formerly inconsequential nation, in a pile, late in the seventeenth century. None of the Four Rs had deep English or European causes. Any of these dice could have rolled the other way. They were bizarre and unpredictable. In 1400, or even in 1600, a canny observer would have bet on an industrial revolution and a great enrichment (if she could have imagined such freakish events) in technologically advanced China, or in the vigorous Ottoman Empire; not in backward, quarrelsome Europe.

A result of Reading, Reformation, Revolt, and Revolution was a fifth R, the crucial Revaluation of the bourgeoisie, first in Holland and then in Britain. This Revaluation was part of an R-caused, egalitarian reappraisal of ordinary people. The hierarchy—that conviction that the political authorities that exist have been instituted by God—began slowly and partially to break down.

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

Not everyone accepted the Bourgeois Deal, even in the United States. It is not complete, and it can be undermined by hostile attitudes and clumsy regulations. In Chicago you need a \$300 business license to start a little repair service for sewing machines, but you can't do it in your home because of zoning, arranged politically by big retailers. In Rotterdam the obstructions are worse. Anti-bourgeois attitudes survive even in bourgeois cities like London, New York, and Milan, expressed around neo-aristocratic dinner tables and in neo-priestly editorial meetings. A journalist in Sweden noted recently that when the Swedish government recommended two centimeters of toothpaste on one's brush no journalist complained:

[The] journalists . . . take great professional pride in treating with the utmost skepticism a press release or some new report from any commercial entity. And rightly so. But the big mystery is why similar output is treated differently just because it is from a government organization. It's not hard to imagine the media's response if Colgate put out a press release telling the general public to use at least two centimeters of toothpaste twice every day.<sup>iii</sup>

The bourgeoisie is far from being ethically blameless. It has regularly tried to set itself up as a new aristocracy to be protected by the state, as Adam Smith and Karl Marx predicted it would. In the em-bourgeois-ifying lands on the shores of the North Sea, the old hierarchy, based on birth or clerical rank, did not simply disappear on January 1, 1700. Tales of pre- or anti-bourgeois life strangely dominated the high and low art of the Bourgeois Era. Flaubert's and Hemingway's novels, D'Annunzio's and Eliot's poetry, Eisenstein's and Pasolini's films, not to speak of a rich undergrowth of cowboy movies and spy novels, all celebrate peasant/proletariat or aristocratic values. A hard coming we bourgeois have had of it.

A unique liberalism was what freed the betterment of equals, starting in Holland in 1585, and in England and New England a century later. Betterment came largely out of a change in the ethical rhetoric of the economy, especially about the bourgeoisie and its projects.

You can see that 'bourgeois' does not have to mean what conservatives and progressives mean by it, namely, "having a thoroughly corrupted human spirit". In 1843, Thomas Carlyle, the Romantic Scottish conservative, viewed the typical bourgeois as an atheist with "a deadened soul, seared with the brute Idolatry of Sense, to whom going to Hell is equivalent to not making money". From the other side, Charles Sellers, an influential leftist historian of the United States writing in 1996, described the new respect for the bourgeoisie in America as a plague that, between 1815 and 1846, would "wrench a commodified

humanity to relentless competitive effort and poison the more affective and altruistic relations of social reproduction that outweigh material accumulation for most human beings<sup>iv</sup>. Contrary to Carlyle and Sellers, however, bourgeois life is in fact mainly cooperative and altruistic, and when competitive it is good for the poorest among us. We should have more of it.

The Bourgeois Deal does not imply, however, that one needs to be fond of greed, or that one needs to think greed suffices for an economic ethic. Such a Machiavellian theory, “greed is good”, has undermined ethical thinking about the Bourgeois Era. It has done so especially during the past three decades in smart-aleck hangouts such as Wall Street or the Department of Economics. Prudence is a great virtue among the seven principal virtues. But greed is the sin of prudence *only*—the admitted virtue of prudence when it is *not* balanced by the other six, becoming therefore a vice. This is the central point of the first in my Bourgeois Era trilogy, *The Bourgeois Virtues*, and for that matter of Adam Smith’s *The Theory of Moral Sentiments*, of 1759.

Nor has the Bourgeois Era led to a poisoning of the virtues. In a collection of mini-essays asking “Does the Free Market Corrode Moral Character?”<sup>v</sup> the political theorist Michael Walzer replied “Of course it does”. But then he wisely adds that *any* social system corrodes one or another virtue. That the Bourgeois Era surely has tempted people into thinking that greed is good, wrote Walzer, “isn’t itself an argument against the free market. Think about the ways democratic politics also corrodes moral character. Competition for political power puts people under great pressure ... to shout lies at public meeting, to make promises they can’t keep”. Or think about the ways even a mild socialism puts people under great pressure to commit the sins of envy or state-enforced greed or violence or environmental imprudence. Think about how the alleged affective and altruistic relations of social reproduction in America before the alleged commercial revolution put people under great pressure to obey their husbands in all things and to hang troublesome Quakers and Anabaptists.

Any social system, if it is not to dissolve into a war of all against all, needs ethics internalized by its participants. It must have some device—preaching, movies, the press, child-raising, the state—to slow down the corrosion of moral character, at any rate by the standard the society sets. The Bourgeois Era has set a higher social standard than others, abolishing slavery and giving votes to women and the poor. For further progress, Walzer, the communitarian, puts his trust in an old conservative argument: an ethical education arising from good-intentioned laws. It may be doubtful that a state strong enough to enforce such laws would remain uncorrupted for long, at any rate outside of northern Europe. In any case, contrary to a common opinion since 1848, the arrival of a bourgeois, business-respecting civilization did *not* corrupt the human spirit, despite temptations. Mostly it elevated the human spirit. Walzer is right to complain that “the arrogance of the economic elite these last few decades has been astonishing”. So it has been. But this arrogance comes from the smart-aleck theory that greed is good and not from the moralized economy of trade and betterment that Smith and Mill and later economists saw around them, and which continues even now to spread.

The Bourgeois Era did not thrust aside lives “of enduring human values of family, trust, cooperation, love, and equality”, as Sellers elsewhere claims while rhapsodizing about the world we have lost. Good lives such as these can be and actually are lived on a gigantic scale in the modern, bourgeois town. In Alan Paton’s *Cry, the Beloved Country*,<sup>vi</sup> John Kumalo, from a village in Natal, and now a big man in Johannesburg, says, “I do not say we are free here”. A black man under apartheid in South Africa in 1948 could hardly say so. “But at least I am free of the chief. At least I am free of an old and ignorant man.”

The Revaluation, in short, came out of rhetoric—what the Dutch economist Arjo Klamer calls the “conversation”—that would, and will continue to, enrich the world. We are not doomed. If we have a sensible and fact-based conversation about economics and economic history and politics we will do pretty well, for Rio and Rotterdam and the rest.

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<sup>i</sup> *The Bourgeois Virtues: Ethics for an Age of Commerce*, University of Chicago Press, 2006  
*Bourgeois Dignity: Why Economics Can’t Explain the Modern World*, University of Chicago Press, 2010, and *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World*, University of Chicago Press, 2016

<sup>ii</sup> *ibid*

<sup>iii</sup> Ola Tedin, *The Local Se*, 25<sup>th</sup> May 2012

<sup>iv</sup> Charles Sellers, *The Market Revolution: Jacksonian America, 1815-1846*, Oxford University Press, 1996

<sup>v</sup> Bhagwati, Gray, Kasparov, He, Novak, Walzer, Levy, Hymowitz, Cowan and otrs. *Does the Free Market Corrode Moral Character?*, John Templeton Foundation, 2008

<sup>vi</sup> Alan Paton, *Cry, the Beloved Country*, Jonathan Cape, 1948