

Virtues in Economic Life and Thought: *The Bourgeois Virtues*

Jonathan S. Feinstein*

What human motivations and social-cultural conditions does capitalism depend upon? For many economists the answer to this question is deceptively simple: capitalism rests upon the self-interested activity of economic agents, who rationally plan and strive to execute their plans, within a world of stable, well-enforced property rights and considerable individual freedom, at least in the economic sphere.

A different tradition of thought argues that capitalism rests upon a set of character traits and moral virtues that motivate and guide individuals engaged in capitalist activities, without which the capitalist system could not be sustained. The most famous argument along these lines is Max Weber's. In his classic work *The Protestant Ethic and the Spirit of Capitalism* Weber argues that modern capitalism emerged through the "worldly asceticism" of individuals adhering to the religious principles of certain forms of Protestantism. These individuals engaged in their profession or trade as a "calling" and were driven to work hard ceaselessly, never wasting money or time, thus accumulating wealth, yet living frugally, not consuming excessively, thus saving what they earned and reinvesting it in their business. They did this, not from economic motives, but rather to live in accordance with God's Will, which according to their Protestant theology demanded from men productive activity with no lapses and no squandering of resources or self-indulgence, demonstrating their worthiness to be among the elect few who will be saved after this life. It was these motives, Weber argues, not the drive to make and spend money, which after all has been a common element of human life and economic activity for millenia, that were crucial to the emergence of capitalism.¹ Adam Smith also recognized the importance of virtues. His first book *The Theory of Moral Sentiments* is about the basis for moral conduct. Its sixth part is entitled "Of the CHARACTER of VIRTUE" and focuses on the virtues of benevolence and self-command. Most modern scholars take the view that while Smith championed the importance of self-interest in the market and other social contexts, he believed that this motive is set in a broader social context in which virtues are vital elements in regulating behavior.

Virtues have a rich heritage in Western thought. They are central in the classical philosophy of Socrates, Plato, and Aristotle, were vital for the Romans who were greatly

* Yale School of Management

¹ Weber discusses a number of distinctive features of capitalism. A second crucial one is the rational organization of free, paid labor. He also is clear that capitalism no longer depends on the Protestant religious values he describes, but rather emerged in part from them. Indeed Weber begins his essay with quotations from Benjamin Franklin in which Franklin describes virtues that are quite similar to (and, Weber believes, rooted in) the values of worldly asceticism Weber later describes as based in a particular branch of Protestant theology, but which Franklin sets forth for utilitarian purposes. More broadly, Weber studied the relationship between religious values and social systems comparatively. In *Ancient Judaism* he describes the character and moral qualities of the prophet and the prophet's role in the Jewish nation in the first millennium b.c. In *The Religions of India* and *The Religion of China* he describes the relationship between religious systems of thought and attitudes and social, political, and economic systems in these two civilizations.

concerned with civic virtues, and were at the heart of middle ages Christianity. After a proloner period of relative neglect, in recent years there has been a resurgence of interest in virtues in philosophy, sparked especially by Alasdair MacIntyre's *After Virtue*. Meantime virtues are also an established topic in psychology, in positive and humanistic psychology, and among social and personality psychologists. Virtues are alive and well in all these fields, recognized as normative guides to conduct that are and should be important in guiding individual behavior in many contexts.

To date this rekindling of interest in virtues as essential elements in human character and conduct has not reached economics. A few specific virtues have been discussed in the economics literature, such as benevolence or altruism. The neoclassical model of rational choice in general is consistent with the virtues of foresight and self-control (temperance). Virtues arise in specific economic contexts, such as the question of what is proper conduct of an agent in relationship with a principal and in the view that the behavior of individuals who voluntarily pay their taxes is rooted in virtues of honesty and civic-mindedness. But, speaking in broad terms, no general theory of the virtues of capitalism or empirical literature on virtues has developed in economics, and discussion of virtues as well as Weber's thesis exist relegated to the periphery of modern economics.² A focus on virtues, should it emerge, would connect naturally with behavioral economics, for example in the study of strategies for self-control. Virtues lie also in the intersection of economics and culture, an area which, like the virtues themselves, has remained relatively under-studied and may blossom in future.³

Deirdre McCloskey's new book *The Bourgeois Virtues* is a clarion call for economists to recognize the importance of virtues in capitalist society and bring them into economic analysis. Ms. McCloskey brings together a wealth of material from the Western tradition and modern philosophic currents of thought and links this, albeit in loose and not always convincing ways, with critical commentary about neoclassical economics. The breadth of sources she draws upon is impressive, and many readers will find the way she weaves together ideas and quotations from diverse sources interesting and valuable. Her narrative is rather kaleidoscopic, however, often linking one quote to the next without much interpretation, which makes the book frustrating in many places, and the details don't seem to cohere easily into a tight structure of argument. Thus her work has its greatest value in bringing the notion of virtues into the world of economics, but stops short and leaves critical work ahead to integrate virtues into economic thinking.

Beyond arguing generally for the importance of the virtues, Ms. McCloskey has two more specific aims. One is to demonstrate that the fundamental virtues in modern capitalist society are in fact the seven cardinal virtues that have been viewed as fundamental in Christianity and Western culture for centuries. These seven cardinal virtues are Faith, Hope,

² A search on the web of science database reveals approximately 85 sources citing MacIntyre's book in 2005-06 and not one is an article in the field of economics. There are several cites in the fields of organizational behavior and accounting in the area of ethics.

³ In contrast to the relative neglect of virtues, ethics, the study of what are good or proper rules of conduct, has had a significant role in modern economics, for example in the study of rules of fair division and principles for redistribution.

Love, Wisdom, Courage, Prudence, and Temperance. Her argument here is thus largely opposed to Weber's, and inherently conservative, trying to claim for the seven cardinal virtues a place in the modern world equal to what they historically had, thus that there is a tight line of connection, in terms of virtues, from earlier periods of Western civilization to our own, whereas Weber believed that there was a discontinuity in the rise of Protestantism and the development of modern capitalism. Her other aim is to call to attention to the sterility of the standard economic description of human behavior – what she calls “Max U” – and start us on the road to flushing it out through incorporating virtues as drivers of behavior. This idea interfaces in an interesting way with behavioral economics and the quest to develop richer models of human conduct.

Ms. McCloskey's desire to make both points makes her book sometimes confusing, and in the end I think she is not fully successful with either, especially the former. As determined as she is to forge an identity between the virtues of modern capitalist life and the virtues of the classical and Christian tradition, and as interesting a thesis as this is, it is problematic. Her polemics against current economic modeling of human nature often get lost in ire at the expense of providing clarity about how to go about incorporating virtues into economic models. Nonetheless her work is thought-provoking and in stretches fascinating and will surely spark further debate.

It should be noted that this book is the first of an ambitious planned four volume set. An outline of the succeeding three volumes is provided at the end of this one and makes for interesting perusing. In succeeding volumes it appears Ms. McCloskey will take up her two aims separately, and it is to be hoped a bit more systematically, and thus provide a more fully developed and grounded argument for each.

In the remainder of this review I describe some ways of thinking about and defining virtues, discuss and critique Ms. McCloskey's focus on the seven cardinal virtues and present an alternative list of virtues, discuss the notion of a practice, and finally discuss psychological channels through which virtues act and how they might be modeled.

Defining Virtues

Aristotle defines virtues to be characteristics that can be voluntarily cultivated and which are enabling of man achieving his ultimate end or aims of life. For Aristotle the ultimate end or aim (*telos*) involves living as a good citizen actively engaged in the life of the *polis*, and attaining a state of happiness, which means both to have lived a good life in conformity with virtue and to live in a state of well-being.⁴ Thus virtues are both a means to a greater end but also essential to achieving that end – a man cannot be said to be happy in his life if he does not act virtuously, regardless of his success.

⁴ Aristotle, *Nicomachean Ethics*, translated with introduction and notes by Martin Oswald (Indianapolis: Bobbs-Merrill, 1978), Books 1, 2, and 3. Aristotle paraphrases the common view, which his definition somewhat follows, as (this is Mr. Oswald's translation) “living well” and “doing well” (p. 6).

Aristotle emphasizes that virtues are the basis for action and that a man is said to possess a virtue only when he acts in conformity with it. It is not enough to learn about a virtue and believe in it abstractly, one must act on it. He also emphasizes that to act virtuously is a volitional act, that a man cannot be said to act virtuously when he takes a virtuous action by accident or through innate predisposition, but only when he acts volitionally guided by a conception of virtue.⁵

We can contrast Aristotle's position with the modern utilitarian tradition which economic thought by and large lies within. In the utilitarian view a person's overall happiness is evaluated as his lifetime utility, perhaps incorporating some measure of the utility of others he cares about. According to utilitarian logic a person should strive to act virtuously to the extent doing so enables him to achieve greater ultimate utility. An individual should be honest, courageous, and generous because by acting that way he will maximize his lifetime expected utility – and he should strive to act according to these virtues only to the extent they help him achieve higher utility, for being honest or generous or courageous has no further benefit beyond its contribution to utility. A classic example is an economic agent acting honestly because “honesty is the best policy” in the long run.

The utilitarian view of the virtues is associated with Benjamin Franklin and his precepts for good living. Franklin recounts in his *Autobiography* how he came to form a list of thirteen virtues and states that his own “constant felicity” of life, including health, wealth, and reputation, was due to striving to live his life in accord with these virtues. Be virtuous, he believed and restated many times, and you will have a happy, successful life.⁶ This utilitarian view is probably the one shared by most of those among modern economists who believe that agents behave virtuously. It also fits with the general approach of evolutionary psychology – the idea that cultures have evolved virtues as constructs that help the members of society achieve greater ends, as well as the working hypothesis that there may be an evolved biologic predisposition towards acting in accord with some virtues.

To develop this instrumental, utilitarian view of virtues further requires understanding why adhering to a virtue and striving to act in a manner consistent with it is instrumentally beneficial, and building models to show how this process works in economic and social

⁵ It is worth noting, though not essential to my discussion, that Aristotle focuses, famously, on virtues which represent the mean between two extremes. For example, generosity or the correct attitude in regards money is the mean between stinginess and extravagance, and courage is the mean between cowardice and excessive confidence or recklessness. He recognizes that some actions are viewed as wrong and the corresponding virtue is not a mean but an absolute prohibition, but does not focus on these.

⁶ In fact this is probably an oversimplification and misstatement of Franklin's own views, at least as a mature adult. Franklin believed in God, and believed that to be virtuous was to follow God's way. In describing how he came to write his list of thirteen virtues and develop a scheme for living in accord with them he writes that he conceived the project as a way to arrive at “moral perfection.” “I wished to live without committing any fault at any time,” he writes. This type of reasoning is not marginalist, involving being virtuous only to the degree that and situations in which it is beneficial. Rather it involves a commitment to be virtuous for its own sake. In addition he states that in the notebook in which he traced his progress in acting in accord with the virtues he had this quote from Addison's *Cato*: “ ‘Here will I hold. If there's a power above us // (And that there is all nature cries aloud // Thro' all her works), He must delight in virtue; // And that which he delights in must be happy.’ ” Benjamin Franklin, *The Autobiography and Other Writings of Benjamin Franklin*, with illustrations and commentary by Frank Donovan (New York: Dodd, Mead & Company, 1963 (*Autobiography* first published in 1818 (not complete), complete version published in 1868)), p. 89-98, quote p. 94. This is utilitarian in some sense, but through a religious path of interpretation.

systems.

One important step in addressing this issue is understanding how cultivating virtues and striving to act according to them influences behavior, and modeling this process. There are in fact two distinct psychological pathways through which virtues can influence our behavior. One is cognitive: virtues provide ideal models that guide us, that we strive to emulate. The other is motivational: we want to act in accordance with virtues, to feel that we are virtuous and act virtuously. The stories of virtuous behavior that are so important to cultivating virtues and transmitting them culturally – courage transmitted through stories of great heroism, exemplified say by John F. Kennedy’s *Profiles in Courage*, wisdom in the story of Solomon – provide both ideal images of virtue in action and are highly motivating in providing exemplars that one can associate oneself with by emulating the virtuous conduct depicted. To incorporate the logic through which virtues influence behavior into economic models in a convincing, well-grounded way requires incorporating these psychological pathways into models describing human conduct, a more psychologically-based approach than is manifest either in *The Bourgeois Virtues* or in traditional economic modeling. I discuss this further in the last section.

The next step is to build models describing how virtues are transmitted culturally, an issue I touch on below, and the last step is the construction of models of the influence of virtuous conduct on economic and social outcomes. This last step is the one that economics in its current form is most well-suited to, and indeed there are many specific examples of analyses studying the impact of virtuous behavior, such as honesty – for example in models of reputation and models of compliance.⁷ A more general framework, in which there are several virtues, each having its own sphere of influence, in a larger general equilibrium environment, has not yet been developed, but, following the logic of Ms. McCloskey’s work, can be envisioned.

I note to conclude this section that there may be room for Aristotle’s view that being virtuous itself contributes to happiness in the utilitarian view, through incorporating virtues into a utility function. His stronger argument that being virtuous is necessary for happiness could perhaps be captured through a Leontief-style *min* utility function defined over a set of virtues and a bundle of all other goods: for example (this is just a sketch of an idea), $U = \text{Min}(v_1; v_2; \dots; v_q; G(x_1; x_2; \dots; x_n))$.⁸ Here virtuous conduct gives its own reward, which may be (but does not have to be fully) separate from other components of utility.

Virtues of Modern Capitalism

There are two main issues to address in considering virtues in relation to modern capitalism.

⁷ In the classic reputation model of Kreps and Wilson there are two kinds of agent, honest and not inherently honest. Thus some agents act virtuously. See David Kreps and Robert Wilson (1982), “Reputation and imperfect information.” This model has had wide application. An example exploring the impact of honesty and social outcomes is my work with Brian Erard (1994), “Honesty and evasion in the tax compliance game.”

⁸ If a person derives utility from acting in accord with a bundle of virtues the model can be expanded to define utility over sets of virtues.

- (1) Do virtues have a significant role in capitalism? This has two parts:
 - (A) Are virtues crucial in underpinning capitalism, in regulating the behavior of individuals in economic transactions and capitalist enterprises?
 - (B) Is modern capitalist life conducive to the flourishing of virtues – does it encourage or lead individuals to be virtuous?
- (2) Given an affirmative answer to (1), what specific virtues are most important for modern capitalist society?

Ms. McCloskey clearly believes the answer to (1), both parts, is a resounding yes. *The Bourgeois Virtues* is peppered with examples in which economic agents act virtuously, or at least strive to, thus are guided by a conception of virtue. We read of Joe, who takes pride in being able to fix every piece of equipment in his factory and relishes the challenge of fixing a machine that isn't working, is not guided by any kind of marginalist maximum utility principle but by the virtue of doing his job as well as possible (p. 470). We are treated to a description of the Royal Palace on the Dam Square in Amsterdam, built in the Dutch Golden Age of mercantilist capitalism, with its 4 statues representing the four pagan virtues of justice, prudence, temperance, and, substituting for courage, vigilance (p. 290-2). We are told that for the most part “honesty is the best policy” rules in the business world. For example, Donald Macaulay's findings presented in a 1963 paper about firms doing business in Wisconsin are presented as evidence that generally business depends on mutual trust, not narrowminded legalism (p. 129). We learn about the values of the Dutch middle class – that the same word is used in Dutch to connote both *clean* and *beauty* and the Dutch take enormous pride in the cleanliness of their homes. To be sure, some counterexamples are provided, such as the ruthless mentality of traders in the pit of the Chicago Mercantile Exchange (p. 29) and the excess greed of CEO's.⁹ But these are treated as exceptions that prove the rule, and Ms. McCloskey's view seems to be that there will be unvirtuous behavior in all systems and these cases hardly make capitalism less virtuous than other economic systems.

The idea that many economic agents behave in a trustful and trusting manner, take pride in their work, and exhibit a variety of other virtuous behaviors is not news. Many economists are undoubtedly open to the possibility that this is true, that virtues matter, even if they remain not fully convinced. Ms. McCloskey's scattershot examples on this point, while often interesting and edifying, don't advance the discussion much, and she falls well short of the kind of systematic empirical inquiry that would be convincing to those who are not already convinced. A more thorough investigation should consider a broad range of different contexts of modern capitalism. Indeed developing a taxonomy of contexts vis-à-vis virtues would be useful. For each context, the relevant virtues need to be identified, then an empirical investigation (and perhaps experiments as well) conducted to investigate whether

⁹ Indeed Chicago (not to mention the Chicago School of economics) is given some tough treatment. Ms. McCloskey lauds the trusting environment of life in Iowa as compared with the more mercenary, less trusting economic world of the big city (pp. 130-2). This seems to run counter to her main argument.

individuals who participate in this business context articulate virtues for their roles and strive to act according to them.

Believing in the truth of (1) is consistent both with the Aristotelian view that it is intrinsically valuable as well as important for achieving happiness in life to act in accord with the virtues and also with the instrumental, utilitarian view that acting virtuously is the surest, most direct way to achieve high lifetime utility. Many economists who believe economic agents act virtuously probably take the second view, believe that agents act virtuously because it is in their own long-term self-interest to do so. Ms. McCloskey believes that economic agents strive to act virtuously not only from the viewpoint of their long-term success in the capitalist world, but also so they can feel they have lived a virtuous life, thus follows Aristotle and a long tradition. She not only puts forth this view directly, but it is also present in the religious undertones in her book – she calls herself one who has recently discovered (or rediscovered) Christianity. However her examples are not sufficiently carefully presented to clearly distinguish between the Aristotelian and utilitarian positions. Surprisingly many of her examples are fictional – drawn from the books of Jane Austin, Shakespeare, movies, contemporary novels – thus we must believe are at least in part didactic and meant to illustrate the importance of living virtuously. The examples of actual people tend to be relatively brief vignettes without much context, for which we cannot be sure a clever utilitarian can't come up with a rationale for the apparently exemplary virtuous behavior that is described. To make the point Ms. McCloskey really wants to make – that most people live virtuously for its own sake – requires building a much more careful and extensive empirical case, focusing especially on cases in which the virtuous action and narrowly self-interested action do not, as far as can be determined, coincide. Citing more of the scientific evidence on this, for example on altruism, would strengthen her argument, but for the more specific argument that economic agents strive to be virtuous in their roles in the economy I think far more needs to be done.

The more interesting aspect of (1) is (B), the possibility that market activity is conducive to the development of virtues. Ms. McCloskey's view here, which resonates with earlier ideas of Albert Hirschman and others writing at the intersection of economics and sociology (and often history), is that market activity supports civility and “small acts of virtue every day” (p. 31), in contrast perhaps to grand heroic acts, which virtue theory is sometimes too focused on. People who trade with each other are less likely to go to war against each other, more likely to respect each other. Engaging in economic activity engenders charity, trust, recognition of the other's point-of-view, builds the sense of hope that goes with investing for the future, and helps develop many other positive, virtuous qualities.¹⁰

Ms. McCloskey gives three main reasons why capitalism is conducive to the flourishing of at least many virtues, if not all. One is a wealth effect: greater prosperity offers more opportunities for more people to have a more meaningful life. Poverty is definitely not a

¹⁰ Albert O. Hirschman (1982), “Rival Interpretations of Market Society: Civilizing, Destructive, or Feeble?”

source of virtuousness in Ms. McCloskey's world, but rather makes people mean, money-grubbing, more pressured, thus less able to develop fully and virtuously. Part of the wealth effect is the greater longevity that economic development brings, which offers a person more time to develop himself or herself in multifarious ways, which Ms. McCloskey believes generally leads to the gaining of virtue. A second reason why capitalism is virtuous is that it is linked to the breaking of traditional social and cultural constraints. The opening of markets is associated with the weakening of strong, traditional ties that pin people to very specific roles which straitjacket them, for example working in the family trade and living in a particular place. These forced requirements stunt human development, therefore reduce virtuousness for Ms. McCloskey. In capitalist society people are freer to construct their own ties, especially the many weak ties that are constitutive of so much of modern life, and construct their identities for themselves. While in philosophy there are different views about whether this is or is not conducive to human flourishing and virtuous behavior, Ms. McCloskey is firmly of the view that constructing one's own life makes one more able and willing to pursue the development of virtue. The third reason why capitalism is virtuous Ms. McCloskey offers is that day-to-day life in capitalism is conducive to learning to treat others with respect and fairly, and in general to cultivation of at least some virtues, such as prudence (good forward-looking decision-making) and temperance (learning self-control in the face of all those tempting choices) and at least some kinds of benevolence and a sense of fairness (in regards business transactions, wages, and prices). This argument hearkens back to 1(A) – one learns these virtues because it is through them that one can succeed in the capitalist world.

These arguments are all interesting and in a general way they are all familiar. Ms. McCloskey's special contribution is to link the general discussion with virtue. Her basic line of argument is that greater opportunity, more freedom to choose one's life, more need to deal with a wide range of others, and the living of longer life of lesser deprivation all lead people to become more virtuous. This is an interesting thesis, but one that needs empirical evidence to support it, while Ms. McCloskey offers no more than scattered anecdotes. Further, virtue needs to be operationalized in some way in order to pursue this line of inquiry. How can we tell how virtuous a person is? Should we ask others who know him? Should we assess his virtuousness based on his known actions?

Also, there are surely downsides to capitalism from the viewpoint of the development of virtues, which need to be considered. What happens to those who fail in the open, competitive, less role-encumbered world of capitalism, either because they do not have abilities that are rewarded in the capitalist system, or fail in certain key virtues, for example fail to be prudent or temperate or are unable to forge good working relationships? It seems there is a need in capitalism, if the goal is to enhance virtue, for some mechanism in the system to provide for second chances and mercy, itself a virtue which may or may not be cultivated by capitalism. And how virtues are cultivated needs to be spelled out.

As interesting as this general discussion of virtues in capitalism is, much of the real meat of *The Bourgeois Virtues* concerns issue (2), the question of which specific virtues are fundamental for modern capitalism. Ms. McCloskey has a strong opinion about which virtues are important. She believes that the seven cardinal virtues, at the heart of Christianity and the classical Western tradition, are the key virtues for capitalism, as for all human life, and should be the focus of analysis.¹¹ This is an interesting thesis, and may well be original, and is worthy of consideration and further examination.¹² As I noted at the outset, to the extent virtues have been discussed at all in economics, it is generally piecemeal, with no real system in mind or larger framework to guide the discussion in terms of nomenclature and what are the fundamental virtues to focus on. Ms. McCloskey has taken things to a new level, where systems of virtues can be set forth, explored empirically, and argued about.

Ms. McCloskey's theoretical position in terms of virtues is rooted in Western culture and perhaps most closely the thought of Thomas Aquinas. She quotes from Aquinas in defense of the seven virtues as foundational: "The cardinal virtues," Aquinas notes, "are called more principal, not because they are more perfect than all the other virtues, but because human life more principally turns on them and the other virtues are based on them."¹³ "The seven virtues of the Western tradition... are ethical primary colors," she claims, all other virtues are subsumed under them or combinations of them. Her argument is not just that these virtues are foundational, but also, following a long tradition, that one is truly virtuous when one acts in accord with the full set or a large subset of them, not any single one. Indeed acting in accord with one virtue and not the others is often akin to vice – for example being courageous but not prudent is foolish, and temperance and prudence without love can be miserly. And her argument is not just about making manifest that the virtues are the bedrock of modern life, but also about critiquing modern economic thought, which in her view rests on a single virtue, prudence ("Max U"), and thus fails to capture the inherently multi-faceted nature of human conduct.

Ms. McCloskey describes the seven virtues in 22 consecutive chapters over 200 pages, providing a rich tour of historical sources, contemporary discussions, and diverse contexts in which the virtues matter. The seven are divided into the four classical virtues: justice, courage, temperance, prudence; and the three Christian virtues: love, faith, and hope. Ms. McCloskey takes up each set in turn, beginning with the Christian virtues. Her sources range from philosophy, feminist thought, and sociology to classical works, artists (Vincent van Gogh gets a chapter), novels, and movies (*Jerry Maguire* and *Shane* get notice, among many others). No one can doubt her expertise in the field of economic history, and she evinces considerable knowledge of feminist ethics. The Netherlands comes in for special treatment, and there is discussion of Japanese culture and society, though Ms. McCloskey

¹¹ She writes that she seeks "to enfold" discussion about virtues in modern life "into the seven virtues of the classical and Christian world" (p. 65), and describes her project as "finding how the classical virtues lie down on capitalism" (p. 317).

¹² One author Ms. McCloskey cites who has plowed some related fields is Michael Novak.

¹³ Page 361 in *The Bourgeois Virtues*. Original from Thomas Aquinas, *Disputed Questions*, 1269-72, "The Cardinal Virtues," Art. 1., p. 112, as cited in *The Bourgeois Virtues*.

acknowledges she is not an expert in this field.

Love is the virtue Ms. McCloskey discusses first and in greatest detail, and the nature of her approach and its limitations are well-exhibited by her discussion of this virtue. She begins her discussion with this statement: “Love can be thought of as a commitment of the will to the true good of another.” By love she means not the love of desire but the love of genuine caring, concern, and appreciation for another. She means the love of domesticity and good society, referring as an example to the concept of love in Jane Austin – a kind of ethical goodness that is central for being a good person.¹⁴

A major peeve Ms. McCloskey has, here and throughout the book, is the reduction of virtue to utility. In her view love cannot be reduced to an altruistic term included in utility, the way for example Gary Becker and many economists would like to proceed. Doing this, she says, is invalid because this definition makes love inherently self-interested, since one is obtaining utility through loving another and thus through the other’s good fortune one obtains utility for oneself. In addition to not being, so she argues, what we mean by love, this violates a basic principle of ethics in making another person a means rather than an end in herself – thing back to Kant’s categorical imperative and *Critique of Practical Reason*. Rather, as Ms. McCloskey develops it through citing the work of a string of philosophers, love is disinterested and is inherently manifested as a constraint on one’s will in such a way that one respects the will and being of another; and love is an appreciation for another shown as an attentiveness to the other simply for the sheer love of that person, with no further good to be gained. These distinctions have merit. Yet, without disagreeing with the conceptual definitions Ms. McCloskey offers, I was not convinced that love thus defined cannot be represented with a mathematical function that guides a person in his decisions and actions, regardless of whether or not we call it utility. Perhaps the function guiding decision-making and action needs to have two parts, one utility, the other virtue-based. These two parts may be separate or more likely linked through the notion that right conduct requires attending both to one’s own needs and those of others. If constraint is central to love then love should be incorporated as constraints on will or actions. If appreciation and attention are central these should be incorporated, perhaps in models of limited attention. Thus the discussion offers useful perspectives but leaves the door open for modeling love in a way that can incorporate it into economic thought.

Ms. McCloskey’s second point is that the kind of love she means – ethical caring, respect, and appreciation of the other – is central to the workings of economic systems of capitalism. Look at the way individuals paired in business transactions trust each other, without any formal legal protection, and sometimes with no long-term relationship - think of the example of leaving a tip in a restaurant in an exotic foreign country one will never visit again. Consider the way coworkers show genuine concern for one another, so important in sustaining the camaraderie and teamwork needed for an organization to function properly.

¹⁴ In her religious worldview this love is rooted in love of God and comes from God (Chapter 5 of *The Bourgeois Virtues*). She also notes that acting on love alone is not virtuous – love must be combined with other virtues, like justice and prudence, for true virtue.

Consider the not-for-profit world and the commitment individuals make to helping others as part of socially responsible business. These are all, on her view, actions rooted in love, and the failure to recognize the importance of love as integral in the fabric of modern economic life is a glaring deficiency in modern economic thought, one she traces in part to the male bias of the profession.

The point Ms. McCloskey is making is surely sensible; and it is useful to push economists to broaden and enrich their conceptual frameworks to explore the relevance of love in economic life. Her work is helpful in sketching how to think about the virtue of love and its potential roles in economic contexts.

Her approach has significant failings, however. Starting from the fixed list of seven traditional virtues creates a very rigid structure into which all the variety of moral states and feelings relevant to modern economic life must be crammed. The result is a good deal of word-stretching and a loss of subtlety of description. The variety of feelings and behaviors grouped as all falling under the single virtue love illustrates this. Ms. McCloskey begins with love as in the ethical caring and mutual respect in a good marriage à la Jane Austin. She moves on to love of God, then to love of parents for children. Only after all of this does she finally come round to the economic sphere, at which point she argues that this same principle of love that is the basis for a good marriage, love of God and love of children is the basis for many behaviors we see in the economy, such as the comradeship of coworkers and treating customers as people and not just potential sales. This identification of domestic and transcendent love with relationships in the business world seems forced. None of these business relationships has the same intensity of commitment – which, Ms. McCloskey argues, recall, is basic to the definition of love – as is typical between parent and child or in the spiritual commitment to God. The level of self-sacrifice, especially thought of as ongoing and long-term, is just a lot lower in helping out a customer than in meeting the daily needs of children. Further, the feelings that are associated with these different forms of relationship are different – love for my child is qualitatively different than that associated with friendship with a coworker – which for that matter is different than the feeling associated with a close personal friendship. One cannot help feeling that in equating these different forms of relationship Ms. McCloskey has ended up in a position closer to what many traditional economists with their “Max U” models do than what many philosophers whose ideas Ms. McCloskey has otherwise embraced feel comfortable with.

Further, grouping all of these different kinds of relationships and caring for others under the single term love just to emphasize a rather rigid cultural continuity strikes me as counterproductive. Ms. McCloskey’s position seems to be the very conservative one that, when it comes to virtues, they have already been mapped out, long ago, and we need only follow the ancients. One of the points of *Habits of the Heart*, a book which comes in for some criticism in Ms. McCloskey’s book, is that our vocabulary for describing our personal values is depleted, so that we are not very good at articulating the meaning we seek in life or our reasons for why we live the way we do, including the virtues that are most

important and we seek to cultivate. While such articulation may not be necessary – one of Ms. McCloskey’s points – it hardly seems useful to develop a theoretical framework that is so limited in the number of distinct virtues, but rather better to open up the vocabulary and give more choices – choice is good here as in other realms of life. Why not recognize that there are certain virtues specific to economic life, indeed to modern capitalism, as Max Weber believed, such as (Weber did not pursue this line) the special sense of friendship and willingness to help that coworkers in an organization feel who share common goals and office space, while also realizing that their friendship is grounded in this setting and does not, in most cases, transcend it. And rather than calling this love, give it its own term, such as “working friendship and solidarity.” This particular quality is undoubtedly cultivated through particular channels, like work experiences, that are distinct from those through which domestic love is cultivated, and it is surely possible for an individual to be highly virtuous in his treatment of coworkers but not loving at home, or vice-versa. The advance of analysis here requires making more distinctions, not fewer.

This same grouping and word-stretching occurs with much of Ms. McCloskey’s discussion of the other virtues. Is faith rooted in God and the belief in ultimate salvation the same as the faith an entrepreneur has that he will launch a successful business? Here I think culturally we do more commonly use the same word for both, but perhaps that points more to an impoverished vocabulary than to the idea that these are the same personal qualities.¹⁵ As a considerable literature in modern philosophy has discussed, justice is a word used to describe a wide range of different decision rules and circumstances. Thus again we should think carefully about whether we want to equate the commitment to fair dealing and *quid pro quo* in business with our view about what is just punishment for murder. Other virtues work better. For example, I found Ms. McCloskey’s discussion of humility (Chapter 14; considered by her as part of temperance) and its relation to activities like listening to the customer quite persuasive - here a single moral quality seems common across a span of activities (but of course this may simply reflect my own bias and a lack of careful empirical studies). Likewise honesty may well be a fundamental virtue common across many activities. But a partial match is not sufficient: Ms. McCloskey states that her program is “finding how the classical virtues lie down on capitalism” (p. 317), that is the full set of seven, and they don’t seem to lie down all that neatly.

A different, more empirical approach would be to observe individuals closely at work (and play) in the capitalist system, see what virtues they exhibit in their business behavior, and ask them what virtues they view as important for their work life, that their business practices rest on and in turn cultivate. From this empirical base one could develop a list of virtues, which could in turn be subject to further scrutiny and testing.

Leaving this empirical approach for subsequent research, what do other researchers and observers have to say about the virtues important for capitalism? In the Introduction

¹⁵ Faith also has a psychological basis. Erik Erikson roots it in the basic trust that develops in infancy – see his *Childhood and Society*.

I have listed some of the virtues Max Weber thought were central. His list is more focused than Ms. McCloskey's, and clearly not encompassing. Modern psychology offers a quite rich menu of alternatives that is definitely worthy of consideration, and which I hope Ms. McCloskey herself will consider more seriously as she continues her research. The book *Character Strengths and Virtues: A Handbook and Classification*, viewing virtues from the perspective of positive psychology, is organized around this template of virtues:

Wisdom and Knowledge: creativity, curiosity, open-mindedness, love of learning, perspective.

Courage: bravery, persistence, integrity, vitality.

Humanity: love, kindness, social intelligence.

Justice: citizenship, fairness, leadership.

Temperance: forgiveness and mercy, humility and modesty, prudence, self-regulation.

Transcendence: appreciation of beauty and excellence, gratitude, hope, humor, spirituality.¹⁶

One evident difference from the traditional seven cardinal virtues is in the first category, the cluster of creativity, curiosity, and open-mindedness. These qualities seem especially important in the context of discussing the virtues associated with capitalism, which is distinguished by its extraordinarily dynamic nature – waves of new innovations and enterprises that arise and overwhelm existing businesses and established practices and technologies, with the continual opening of new markets and ceaseless expansion, penetrating into more and more realms of human life. The virtues that accompany this dynamism include openness to change, creativity, tolerance for diversity, and flexibility, which is connected to the notion of being able to take the perspective of others (also important for the negotiating that is so pervasive a part of business), the last term in this category.

The last category, transcendence, is also one that does not show up in the traditional seven virtues, though it can be argued it is part of love and faith. In regards capitalism I think transcendence is most relevant in the notion of personal development in a free society – the intrinsic value we place on an individual being able freely to fashion his or her own life, to become a unique person – in other words, the value of individualism. Transcendent individualism is partly a heritage of Romanticism. Ms. McCloskey argues that Romanticism was largely anti-capitalist and anti many of the values and virtues she holds dear, but I believe that is wrong. Romanticism is in fact historically linked with the Enlightenment and the rise of modern society, and was crucial to the rise of individualism, which is a cornerstone of the free enterprise system, especially in its American form.¹⁷

¹⁶ Christopher Peterson and Martin Seligman (2004), *Character Strengths and Virtues: A Handbook and Classification*. McCloskey discusses this book in Chapter 27, but the chapter is only six pages and seems an afterthought. In general, a stronger engagement with psychology would be helpful.

¹⁷ Some argue that Romanticism was one root of fascism and thus implicated in the atrocities committed by the Nazis. The fact is that early capitalism had barbaric elements within it, notably the plight of the urban poor – the focus of so much of Charles Dickens' writing, roots from which sprang socialism and communism. Thus both ideologies are linked to social movements that had dire social consequences; but both also are the root of our modern life.

It is worth noting that not only have the more traditional virtues that Ms. McCloskey focuses on been neglected in economic thought, which is the point of her book, but there is also a striking lack of tradition in terms of theorizing about creativity and individualism in economics. I am engaged in such an enterprise, which I believe involves constructing different, richer models of human nature and our conceptual worlds.¹⁸

Surely many other virtue lists could be produced, each somewhat different and having some interesting insight about modern life. But to go further and construct a list specifically focused on capitalist enterprise would be a novel and worthwhile endeavor.

The Notion of a Practice: A Context for Virtues

In *After Virtue* Alasdair MacIntyre emphasizes that virtues are defined in the context of practices. A practice is a socially constituted activity that has internally defined standards of excellence that individuals engaged in the practice strive to achieve, and that is an ongoing, open-ended activity that is continually being modified, improved, and extended. The key feature of a practice as MacIntyre defines it is that there are goods *internal* to the practice, e.g. standards of excellence in performance, and at the same time *external* goods like resources and fame are attached to the practice, accruing to individuals engaged in it, and thus impinge upon it. A nice example is baseball: there are standards for what is excellence in baseball, for example the way a pitcher controls his pitches and sets up a specific pitch to strikeout a batter, and to be recognized as an excellent baseball player is to be recognized as having achieved excellence in regards these standards. At the same time, external goods – fame and money – are clearly part of professional baseball and impinge upon it. A virtue, in MacIntyre’s definition, is “*an acquired human quality the possession and exercise of which tends to enable us to achieve those goods which are internal to practices and the lack of which effectively prevents us from achieving any such goods.*”¹⁹ One must act in accord with the virtues to achieve the goods internal to practices. Thus, it is not simply a question of success, for example winning the game, but rather how one plays also matters. If a pitcher strikes out a batter to win a game by scuffing up the ball he has acted against the rules of baseball and regardless of what external goods he thereby gains cannot be viewed as having attained excellence in the playing of baseball.

It would be interesting to consider how this concept of virtues embedded in practices works for capitalist activities. A small literature has developed recently exploring this idea

¹⁸ Jonathan S. Feinstein (2006), *The Nature of Creative Development*, especially the Epilogue. Individualism seems to have been lost from the tradition, split off from the mathematical approach that became the hallmark of economics from the late nineteenth century to neoclassical economics. An example of this splitting is John Stuart Mill’s work – his essay *On Liberty* is one of the great statements of personal freedom of individualism, yet in his *Principles of Political Economy* he never mentions these principles; thus his thought seems split. One can detect the split in the work of Alfred Marshall as well. He is famous for his *Principles of Economics*, which develops the abstract market model in which all individuality is suppressed; but the planned second volume of this work, which was eventually published as *Industry and Trade* has a long section on the chains of innovations made by specific individuals in key industries, showing his recognition of the importance of individual enterprise. In the Twentieth Century the split shows in the divide between Friedrich Hayek’s approach, exemplified in *The Constitution of Liberty*, and the highly mathematical neoclassical school, which has been dominant.

¹⁹ Alasdair MacIntyre), *After Virtue: A Study in Moral Theory* (Notre Dame, IN: University of Notre Dame Press, second edition, 1984), Chapter 14, pp. 181-91; the quote is on p. 191 and is in italics in the original.

for organizational practices.²⁰ Of course for capitalism the “external” goods are in a sense internal: making money is in the spirit of capitalism. But for a host of specific practices, including management & business leadership, manufacturing, and transactions (“the art of the deal”) there may well be internal goods or standards for which specific virtues are crucial.

Modeling Virtues

There are two basic behavioral processes that need to be modeled in order to incorporate virtues into economic modeling. One is how virtues are learned and internalized. As Ms. McCloskey discusses in her book, we learn virtues mainly through stories in which individuals exhibit specific virtues, like courage or love, to the highest degree, thus are exemplars of these virtues – think of Jesus, Solomon, Martin Luther King or, in the world of capitalism, Warren Buffet. Virtues are cultural constructs, and passed on in culture, like memes or broader concepts.²¹ In terms of modeling, in an overlapping generations framework, individuals learn virtues through the stories they hear describing virtuous behavior of members of earlier generations. To the extent we learn virtues not just from a few famous exemplars, but also from our parents and other adult models, the virtues and virtuousness of the previous one or two generations may be an important factor in the development of virtue in the current generation.

The other process, at the heart of any social science model of the virtues, is the process through which individuals draw upon their sense of virtue and act virtuously: the behavior virtues lead to. If an individual has internalized a virtue and values acting virtuously, then a sensible model is that he evaluates each possible action or decision in a given situation in terms of how close it comes to the ideal behavior the virtue calls for. He then weighs this distance as one factor in his decision, presumably together with other, more traditional utility factors. When multiple virtues are involved, as is typically the case, he would evaluate the distance of each possibility from these virtues using a metric of some kind.

As simple and natural as this process seems, deeper issues are at stake. The procedure I have outlined is based on a cognitive model in which individuals evaluate the virtuousness of acts by reference to ideal points – for virtues are inherently ideals. Thus we must ask why this approach is preferred to simply evaluating each act in terms of its virtuousness without any ideal point serving as a benchmark. Indeed in economics, rooted, as Ms. McCloskey points out often, in the single virtue of prudence, which itself in its modern form at least is viewed as tied to calculation of the benefits and costs of various courses of action, ideals are really not the basis for decisions and actions. The optimal decision or action generally trades off different benefits and costs and is generally not an extreme or ideal point.²²

²⁰ See for example R Chun (2005), “Ethical character and virtue of organizations: An empirical assessment and strategic implications,” and the special issue of *Organization Studies* (2006), *Special Issue on Organizational Virtue and Moral Agency in Organizations*.

²¹ Susan Blackmore, *The Meme Machine*, Oxford University Press, 1999; Jonathan Feinsein, *The Nature of Creative Development*, Chapter 17.

²² A virtue is an absolute standard such that an individual acting truly in accord with a virtue is not adjusting his action to equate some marginal benefit of action with marginal cost. Rather, he is striving for purity of action, for that is what it means to be virtuous. The philosopher who comes to mind is Kierkegaard.

Why then are virtues, inherently ideals, so important? It may be that we learn virtues best as ideals, so that the use of the ideal is really rooted in the process of internalization. Alternatively, it may be that cognitively having an ideal available is the best way to calibrate virtuousness. Following this logic, it is plausible that an important value virtues have in guiding behavior is rooted in bounded rationality. The virtuous course of action in a given situation may be relatively simpler to determine, assuming one possesses a well-internalized, well-formed understanding of the relevant virtues, whereas trying to balance competing interests may be too difficult. Thus it may be relatively easy to understand what is the honest or courageous action, whereas figuring out the costs and benefits to all interested parties, including oneself, so as to determine the action that maximizes some sense of social welfare may be very difficult. Similarly following a concretely defined principle of fairness in a particular circumstance, such as equal division, is likely to be simpler than trying to weigh all potential costs and benefits, including those far in the future. Virtues are applicable across a wide range of situations – for example, in the world of business, standards of good conduct in business dealings apply across a wide spectrum of business transactions and contexts, thus cultivating virtues is an efficient way for an individual to prepare himself to act appropriately in a diverse range of situations he may confront. Finally, another reason virtues as ideals may be so important is that virtuous ideals are important not only in guiding individuals cognitively, but also in motivating them: inspired by the ideal of virtue and the exemplars we know, we are motivated to behave virtuously. If this third possibility is correct virtues influence behavior through both cognitive and motivational pathways, as I have discussed above in “Defining Virtues,” and for this dual role virtues as ideals are an efficient, powerful construct.²³ This last, motivational factor is clearly related to the issue of commitment. In a situation where it is hard to commit to the right attitude or action having a strong sense of relevant virtues may help one commit. Developing formal models based in these ideas of how virtues influence individuals in their behavior is a challenging and potentially quite important task to be undertaken.

These arguments have analogs at the social level. Thus, just as virtues may be an efficient model for an individual to try to follow, virtues and stories of virtuous behavior seem to be a very efficient way to transmit information about socially appropriate behaviors in a wide range of situations. In particular, it is impossible in transmitting culture to imagine or teach individuals about all possible situations they may find themselves in. Virtues are a powerful social-psychological construct that can guide and motivate individuals across a wide range of situations to act in a socially beneficial manner, thus may be culturally very adaptive.

Conclusion

The Bourgeois Virtues is a significant contribution to the study of the moral basis of

²³ These different possibilities are of course not mutually exclusive – all three may factor into the way virtues influence behavior.

economic life and thought. Ms. McCloskey has woven many sources and a number of traditions together to provide the beginnings of an argument and discussion of the role of virtues in economic life. Her approach intersects with, but also challenges, ongoing streams of research in the areas of behavioral economics and social, cultural, and institutional economics, and her vision is original. Both empirical and theoretical work will be needed to develop her thesis, evaluate its importance, and shape it to fit the contours of modern capitalist life.

I have argued that focusing on the classical seven virtues is possibly not the best way to proceed in bringing virtues into economics, rather that a more tailored set of virtues should be developed, rooted in careful empirical research. I have sketched a few approaches for modeling virtues in ways that may fit with economic methodology, but I am confident that if theoretically oriented researchers take up the challenge a number of approaches may be explored and developed.

Virtues have truly been neglected, and the further development of this topic can only enrich and improve economics. Virtues should be recognized as important constructs for individual behavior and brought into economic models of individual behavior. They are also important as cultural constructs, and exploring their role in modern economic life and economic modeling can contribute towards the development of an interface between economics and cultural studies, important for many fields of economics, including economic development and cultural change.

REFERENCES

Aristotle. 1962. *Nicomachean Ethics*. Translated, with introduction and notes, by Martin Oswald. Indianapolis, IN: Bobbs-Merrill Educational Publishing, The Liberal Arts Press.

Bellah, Robert N., Richard Madsen, William N. Sullivan, Ann Swidler, and Steven M. Tipton. 1985. *Habits of the Heart: Individualism and Commitment in American Life*. Berkeley: University of California Press.

Blackmore, Susan. 1999. *The Meme Machine*. Oxford: Oxford University Press.

Chun, Rosa. 2005. "Ethical character and virtue of organizations: An empirical assessment and strategic implications." *Journal of Business Ethics*, 57: 269-84.

Erard, Brian and Jonathan S. Feinstein. 1994. "Honesty and evasion in the tax compliance game," *RAND Journal of Economics*, 25: 1-19.

Erikson, Erik H. 1950. *Childhood and Society*. New York: W.W. Norton.

Feinstein, Jonathan S. 2006. *The Nature of Creative Development*. Stanford, CA: Stanford University Press.

Franklin, Benjamin. 1963 (*Autobiography* first published 1818 (not complete), 1868). *The Autobiography and Other Writings*. Illustrations and commentary by Frank Donovan. New York: Dodd, Mead & Company.

Hayek, Friedrich A. 1960. *The Constitution of Liberty*. Chicago: University of Chicago Press.

Hirschman, Albert O. 1982. "Rival Interpretations of Market Society: Civilizing, Destructive, or Feeble?" *Journal of Economic Literature*, 20: 1463-84.

Kant, Immanuel. 1989 (First edition 1956. Work first published 1788.) *Critique of Practical Reason*. New York: MacMillan Publishing Company.

Kennedy, John F. 1956. *Profiles in Courage*. New York: Harper.

Kreps, David M. and Robert Wilson. 1982. "Reputation and Imperfect Information." *Journal of Economic Theory*, 27: 253-79.

MacIntyre, Alasdair. 1984. *After Virtue: A Study in Moral Theory*. Second Edition. Notre Dame, IN: University of Notre Dame Press.

Marshall, Alfred. 1919. *Industry and Trade; A Study of Industrial Technique and Business Organization; and of Their Influences on the Conditions of Various Classes and Nations*. London: MacMillan.

Marshall, Alfred. 1961 (First edition 1890). *Principles of Economics*. In two volumes. London and New York: MacMillan.

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

Mill, John Stuart. 1978 (First published 1859). *On Liberty*. Indianapolis: Hackett Publishing.

Mill, John Stuart. 1987 (First published 1848). *Principles of Political Economy*. Fairfield, NJ: Augustus M. Kelley, Publishers.

Organization Studies. 2006. *Special Issue on Organizational Virtue and Moral Agency in Organizations: 27* (Issue 3, March).

Peterson, Christopher and Martin Seligman. 2004. *Character Strengths and Virtues: A Handbook and Classification*. New York: Oxford University Press.

Smith, Adam. 1982 (based on 1776 edition; first published in 1759, sixth revised edition 1790). *The Theory of Moral Sentiments*. Edited by D.D. Raphael and A.L. Macfie. Indianapolis, IN: Liberty Press.

Weber, Max. 1967 (first edition published 1952; published in German 1920-22 as part of larger collected volume). *Ancient Judaism*. New York: The Free Press.

Weber, Max. 1958 (First published 1904-05). *The Protestant Ethic and the Spirit of Capitalism*. Translated by Talcott Parsons. New York: Charles Scribner's Sons.

Weber, Max. 1968 (first edition published 1951; published in German 1920-22 as part of larger collected volume). *The Religion of China*. New York: The Free Press.

Weber, Max. 1992 (first edition published 1958; published in German 1920-22 as part of larger collected volume). *The Religion of India*. New Delhi: Munshiram Manoharlal Publishers.