

## **Dialectical libertarianism: the unintended consequences of both ethics and incentives underlie mutual prosperity**

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In *Bourgeois equality*, Deidre Nansen McCloskey argues, as advertised in the book's subtitle, that "Ideas, not capital or institutions, enriched the world" (2016). This ambitious historical project takes its position in opposition to the political left and right. McCloskey understands the left to reflect the opinion that accumulated capital enriched the bourgeois class by exploiting the working class who will only be included in the capitalist vision of perpetual accumulation as a result of state mandated redistribution. She understands the right to be the contemporary neo-institutionalists who argue that economic growth will be achieved with the appropriate incentives to reward rational action. McCloskey's argument is primarily historical. It spans the seventeenth through twentieth centuries, focusing on the European invention of capitalism and what she argues are the attendant bourgeois virtues of prudence, temperance, and justice (p. 189). The strength of the project is its re-visitation of the ideals and development of classical liberalism. Its weakness is McCloskey's failure to engage with or recognize that markets and rationality are historically contextualized cultural forms. Hence latter day late-twentieth century political economy represents a different set of challenges to an advocate of "bourgeois liberalism" than did early modern nobility. The preeminence of rational choice social science threatens the "bourgeois equality" that McCloskey seeks to defend as the basis for a prosperous capitalist global order and it provides the most compelling contemporary rationale for markets and politics.

In view of the current preeminence of neo-institutionalism and game theory, I find *Bourgeois equality* particularly illuminating for reminding

readers of the theoretical principles characterizing modern liberal market theory such as those evident in Adam Smith's *Theory of modern sentiments* (1982 [1759]). Thus, in focusing critical attention on contemporary neo-institutionalism, McCloskey provides the means to clarify the distance between contemporary markets and their classical liberal predecessors. One reward for achieving this understanding is to grasp the significant differences between contemporary market ideology and that of early liberalism. Another is to fruitfully pose the question of whether McCloskey is correct: perhaps, beyond incentives, the motivating ideas and animating virtues of agents are directly correlated to whether a market society generates inclusive prosperity?

In this review, I quickly rehearse McCloskey's historical argument that modern capitalism is best understood as a period of 'Great Enrichment'. I discuss her core thesis that ideals concerning human dignity are fundamental to inclusive economic growth. After this I address McCloskey's particular intervention in rejecting what she takes to be the left's assertion that redistribution is essential (e.g., Thomas Piketty), and the right's focus on institutional structures to facilitate economic growth and inclusive prosperity (e.g., Douglass C. North). I make the following points. First, I agree that McCloskey is correct in arguing that the neoliberal institutionalists concentrate on incentives to the exclusion of ethical reasons for action. Second, I suggest that the neoliberal institutionalists are more accurately viewed as extending from the right to the left sides of the political spectrum. Finally, I investigate whether perhaps the position McCloskey develops may best be characterized as 'dialectical libertarianism' because both ethical ideals and prudential incentives are fundamental to inclusive free market prosperity. Thus, I invite McCloskey to consider whether on the one hand theorists from both the left and right could endorse ideals alongside with prudential incentives. On the other hand, I ask McCloskey to take a position on whether ideals should be accompanied with a commitment to a minimal safety net, to ensure the inclusion of the least well-off in the opportunities for development.

### **THE GREAT ENRICHMENT AND THE IDEALS FACILITATING IT**

McCloskey's initial task is to convince readers that economic growth under modern capitalism, dating from late-eighteenth century, was spectacular and resulted in a world in which "many of us shot up the blade of a hockey stick" (p. 21). By this she means that a period of Great

Enrichment characterizes the nineteenth and twentieth centuries so that many people worldwide experienced abundance to an extent unimaginable and unachievable in the previous centuries. McCloskey has much invested in convincing readers that the free market tempered by bourgeois virtues has been successful in generating phenomenal and *inclusive* wealth over the past two centuries. Her writing is imaginative and blunt, seeking to persuade more by carefully dispersed facts and rhetorical flourish than a comprehensive numeric defense. Some will find this frustrating, and others will find the path through the book's argument trajectory a welcome relief from arid academic prose. Evidence includes observations such as that "The upper middle of the present-day seven billion—perhaps two billion, double the population of the world in 1800—live in countries in the mold of Greece or Taiwan or Israel" where the income is over \$80 per day, over two and a half times the world average, and 26 times the average from 1800 (p. 23). People have electric dyers, or at least about "half a billion worldwide, a group growing rapidly each year in number and in share of the world population" (p. 24). The Great Enrichment sponsors "mass-produced food and mass-produced education" that have mainly "elevated modern life" (p. 25). For those unconvinced of the broadly spread enrichment of modern capitalism, McCloskey goes on to point out that "The English colonists in North America at first lived on \$2 a day [...]. Yet by 2011 the average resident of the United States consumed, correctly for inflation, \$132, sixty-six times more housing, food, education, furniture than in 1690", which she assesses to be a betterment in living quality of 6,500 percent (p. 34). And if we still harbor doubt, we are invited to "Open, then, your own closet", and to "compare it with the volume and quality of clothing possessed by even the richest woman in Plimouth in 1620, or for that matter the above-average woman in Amsterdam in 1800, or all but the extremely well-off in London in 1900" (p. 35). But beyond those who are presumably members of the middle, bourgeois class, living in countries she calls bourgeois, the Great Enrichment also has consistently led to falling rates of poverty in less well-off countries (p. 43).

Here I wish McCloskey had either acknowledged that capitalism is only statistically better on average, and that some people pay the price for economic growth (Hont and Ignatiev 1983), or that she fully accepted the challenge of arguing that *the free market is the best system beyond mere statistical argumentation*. Otherwise it remains unclear whether

she has fully endorsed a version of capitalism in which no set of individuals is called on to fuel economic growth via the suppression of their human rights. This is a crucial point because, for example, arguably the gross injustices experienced by enslaved African-Americans in the nineteenth-century trans-Atlantic trade triangle contributed to the hockey blade's meteoric ascent (Sherwood 2007; Baptist 2014). In a perfect world, free markets would maintain the freedom of all participants, thus condemning the practice of either chattel slavery or contemporary human trafficking. Yet, what if, as during nineteenth-century capitalism under legalized slavery, growth results from some individuals profiting while others shoulder the burden?

In seeking to claim that modern wealth generation has been and is inclusive, it is important to McCloskey to repudiate the position developed by Karl Marx and furthered by the political left that even if economic growth is conceded for some members of bourgeois nations, prosperity was generated by the working class whose surplus labor value was stored in capital and profit owned by the capitalist class. In turn, the left's argument goes, the least well off, including the working poor, only benefit—if at all—by the “trickle down of expenditures from rich people” (p. 40), suggesting that these less-well off individuals will only be on the periphery of the Great Enrichment. Thus she proposes instead the Schumpeterian mechanism that in “the long-run [...] open competition of betterments among the temporarily rich in Riverside orange groves and Manchester cotton mills and Chicago apartment developments and Swedish furniture stores [...] radically cheapens food and clothing and housing and furniture” (p. 41). In essence, McCloskey argues, the cost of living goes down for everyone regardless of socio-economic status due to the efficiency of production in a free market system. The world's least well off do not just benefit from scraps cast down from the tables of their richer brethren, but rather directly benefit by living in a more affordable post-scarcity political economy.

It is further important to McCloskey that the rise in material wealth, once we accept its existence and inclusive quality, also has a spiritual dimension because she attributes the underlying motive force of modern capitalism to be “the expanding ideology of liberty and dignity that inspired the proliferating schemes of betterment by and for the common people” (p. 21). Furthermore, material prosperity not only permits people to rise from “want to security”, (quoting H.L. Mencken)

but also affords people the time to contemplate the meaning of human life (p. 70). She writes,

The sacred and meaning-giving virtues of hope, faith, transcendent love for science or baseball or medicine or God are enabled by our riches in our present lives to bulk larger than the profane and practical virtues of prudence and temperance necessary among people living in extreme poverty (p. 70).

Thus a component of the argument seems to be that higher motives fuel free market liberalism, because “Capitalist ideology entails, most fundamentally, the attribution of value to capitalist activity: minimally, as valuable to ends greater than itself as significant to virtue; perhaps as valuable in its own right; finally, even as value creating” in a non-instrumental sense (p. 503, quoting Michael McKeon). Thus the ideals of human dignity are prior to the market. These ideals provide the inspiration for the animus driving capitalism and give rise to the rule of law protecting individuals’ rights upon which market exchange depends. In turn, this market form provides people with the leisure time to contemplate and generate ideas including liberty, dignity, and science, that in turn fuel prosperity. Bourgeois equality rests on the premise that all people are equal in human dignity, which must be respected in formal equality under the law.

#### **WHAT THE INSTITUTIONALIST RIGHT (AND LEFT) MISSES: NOT ONLY INCENTIVES MOTIVATE**

I appreciate McCloskey’s defense of idealism in the form of ethical principles, as opposed to Marxist materialism, or a conservative realism deferring to brute power as a way of dominating world affairs. Hence she seeks to recapture the role of ethics and innovation as ends in themselves that cannot be reduced to or transformed into a profit motive or incentives characteristic of the contemporary neoliberal practice. Although she equally challenges the social welfarist left and what she defines as the neo-institutionalist right, her critique of the former targets earlier twentieth-century debates, while her argument with the latter addresses contemporary theory. By the “neo-institutional” school she refers to the rational choice approach developed by Nobel Laureate economist Douglass C. North, although other contributors are fellow Nobel Laureates Thomas C. Schelling and Gary S. Becker. According to this view, agents maximize expected utility,

and nothing else (p. 115). Effective institutions impose the appropriate incentive structures to drive economic growth through mutually beneficial transactions. This structure seems to mimic classical liberalism's rule of law, wherein the appropriate institution simply is the correct set of laws to realize efficient markets. However, here McCloskey observes that "The neo-institutionalist economists have not really taken on the idea that ethical ideas can matter independently (sometimes) from incentives" (p. 119). She specifies that key concerns are "sound, pretty favorable ethical ideas about other people acting in voluntary trades and proposing betterments" (p. 120).

On this point McCloskey's position resonates with Adam Smith's *Theory of moral sentiments*, which she engages in detail (pp. 172-209). One way of understanding the philosophical position that ethics cannot be reduced to incentives is to view human action as more complex than satisfying preferences arranged on a single scale. This recognizes that non-consequentialist forms of action, including rule-following, commitment and promising, loyalty and trust, depend on reasons for action independent from satisfying preferences according to an instrumental logic (Sen 1985; Heath 2011; Hausman 2012). Alternatively, although actors combine desire and belief to form reasons for action, preferences may be considered from multiple perspectives such that an ethical stance may contradict and trump mere self-gratification; these preferences exhibit inconsistencies from the perspective of rational choice (Sen 2002, 158-205). Although not engaging in the intricacies of the contemporary debates on this topic, McCloskey acknowledges that deep issues arise. She notes that North concedes that ideas matter, but adds that for him ideas can be reduced to "brain science" because he "takes the mind to be the same thing as the brain, which is the central error of the new phrenology of certain schools of brain science" (p. 121).

Thus, McCloskey firmly holds that materialism, or physicalism, does not do justice to the nature of humans, the power of their mental lives to transform physical reality, or the role of the self-recognition of human dignity to animate an ethical quest for self-betterment. She points out that "Game theory in economics is the claim that we can do without language and language-created meanings" (p. 123). In her challenge of the implications of the rational choice approach, she effectively clarifies that game theory reduces language to signaling. Two points follow. First, game theory ignores the intersubjective role language plays in establishing the context for action. Second, game

theory fails to recognize that meaning is distinct from the physical instantiation of symbols on paper, such as the figure twenty stamped on a piece of paper used to signify \$20. Here she references the philosopher John Searle who developed the concept of a “status function” which conveys the idea that “X is treated as Y in the context C” (p. 123; Searle 2010). This reflects the ability of an individual or object to perform a function over and beyond its mere physical essence because people jointly invest the person or thing with that power. Thus, decomposing a \$20 bill and examining it under a microscope, or explaining its existence according to the laws of physics, will not help us to understand why people will pick it up from the ground more eagerly than a discarded tissue. The role of meaning, along the lines that Searle proposes, is not reducible to demarcated symbols, or preference satisfaction of biological desires potentially visible on CAT scans. Status functions, or the means by which human society ascribes roles to individuals or objects irreducible to the laws of physics, both establish the deontological power of “ought” in institutions, such as marriage or official roles of office, and provide reasons for action that are independent from consequentialist rewards or incentives. McCloskey explains,

Language establishes the meaning of the world ‘bachelor,’ but the extralinguistic context, C, creates the powerful consequences—that only a bachelor, who is treated so under the linguistic convention of the definition of ‘bachelor,’ can marry a woman [...] If he is already married [...] he commits bigamy (p. 124).

Thus, McCloskey’s debate with the neo-institutionalists, which is a significant part of her argument, treads into dense theoretical contestation with the economic mainstream who confine their methodology to rational choice theory. Having identified the power of language to inter-subjectively establish a world of meaning, not interchangeable with mere symbols, she attempts to articulate the role of communication and ideas to transform the world in terms of the Great Enrichment. She refers to this role of language as “sweet talk” in apparent opposition to the reduction of language to “cheap talk”, typical in game theory. The best way to understand this deontic power of communication to convey meaning, rather than the diminished view of economists in which “prelinguistic desires and beliefs” motivate all action (p. 123), is to see how it permits establishing a shared world of

understanding conveying the particular ideas and virtues unique to Adam Smith's bourgeois system of natural liberty (Amadae 2003, 205-212). The argument is that rather than strategic goal seeking preexisting language and relations, instead the common ground underlying communication and exchange are a precondition for purposive action. Therefore, McCloskey argues, "the belief in (that is loyalty to) science, progress [increasingly bettering the conditions of individuals' world wide], equality [in human dignity], individual liberty [unexplained], social dignity, having a go" (p. 506) provides the motive force for market society. By sweet talk, McCloskey refers to various professional roles that produce no value captured by the laws of physics, but animate human social life through law, making contracts, conducting research, and developing a world of culture and literature. Here McCloskey sounds close to, although does not cite, Jürgen Habermas' argument that not only is communication a prerequisite for individuals to form desires and beliefs and engage in strategic competition (Habermas 1984-1987), but moreover that the life-world of dense intersubjective relations and meanings provides the basis for making possible the rule of law, human dignity, exchange, and science possible.

However, this entangled, chicken-and-egg, basis for Great Enrichment is precarious because of the circular relationship between the prerequisite of the post-scarcity leisure time necessary for people to appreciate the significance of human life, and the dependence of economic prosperity on this realization of human dignity. Hence, people with misguided ideas can thwart the institutional framework conducive to mutual prosperity. These leaders could fail to recognize the non-instrumental priority of human dignity on the one hand, and refuse on the other to accept

the Bourgeois Deal of commercial profit and dignity, rejecting tribal protectionism, resisting the temptations of reasonable-sounding 'planning' or 'regulation,' disbelieving the populist/Keynesian claim that free lunches abound, and embracing an ideological revolution toward equality for women and the poor and low-status castes that traditional societies and parts even of the modern societies resist (p. 135).

Thus, according to McCloskey, mutually beneficial exchange requires both proper respect of human dignity and individuals' initiative to better their own conditions within an appropriate institutional framework rewarding work.



So far I find little to argue with in McCloskey's *Bourgeois equality*, beside my wish for her to clarify whether some members of society must pay for economic growth by experiencing the insecurity of unemployment and insufficient resources to rise above poverty. When eventually, for example, Uber replaces the decades old taxi industry in cities around the world with its reconfigured driverless system of transport, it is too easy to argue that the displaced drivers seek a 'free lunch' by lobbying for their industry.

### DIALECTICAL LIBERTARIANISM: BEYOND MATERIALISM AND IDEALISM?

In the remainder of this review, I invite McCloskey to reconsider whether the game theoretic neo-institutionalist school is better understood to range across the political spectrum from right to left, and whether her position could accurately be described as 'dialectical libertarianism'. Let us consider a two by two matrix, with left vs. right as columns, and materialism vs. idealism as rows.

	Left	Right
Materialism	K. Marx Welfarism	D. North Institutions
Idealism	M. Ghandi Ascetism	Fukuyama Neoconserv.

McCloskey describes the Marxist and social welfarist left as being materialist, and the neo-institutionalist game theoretic economists as the right-leaning materialists. She suggests that the idealist left would be a position akin to Mahatma Gandhi whose principles led him to disdain technology and economic growth in favor of ascetic withdrawal (p. 55). The ideational right could include, although it is hard to determine for certain, neoconservatives entirely driven by ideals with less regard for economic realities (Fukuyama 1992). McCloskey is a self-described Christian (p. 530) and classic libertarian, although, especially given her embrace of Adam Smith, she seems to suggest that her position would be acceptable to secular libertarians. In view of her acknowledgement of the crucial importance of ideas rather than economic incentives to be the prime mover in human progress toward

inclusive betterment, perhaps it is best to refer to her position as one of dialectical libertarianism. This follows because McCloskey realizes the necessity of achieving the minimal basis of economic and political security for unleashing the power of ideas, but also argues that the correct virtues of temperance, prudence, and justice in accordance with the historic bourgeois ideal, will lead to raising standards of living around the world.

I am sympathetic to McCloskey's position revealing the insufficiency of game theory's instrumentalism. I have argued that not only incentives and preference satisfaction motivate the actors in Adam Smith's classical liberalism (Amadae 2008), but that, moreover, the contemporary game theoretic approach locks us into a view that only incentives matter, that they precede language and meaning, and that this view negates classical liberal theory and practice (Amadae 2016). I also agree with McCloskey that the game theoretic approach even implies the view that meaning is reducible to symbols, and that game theoretic actors are amoral and can be programmed into artificial intelligence devices. However, McCloskey's identification of the left and right, and her literary dismissal of surgically honing in on the key points of contemporary debate in favor of recounting the history of capitalism, make it difficult to distill from her argument a blueprint for action. Thus, since neoliberal institutionalism spans the left, insofar as Thomas Schelling served under Presidents J.F. Kennedy and L.B. Johnson, and Larry Summers served as the Director of the US National Economic Council for President Barack Obama, and other game theoretic inspired economics including James M. Buchanan are further to the right than Douglass North, arguably it is possible to construe neoliberal institutionalism as an approach that has adherents on both the left and right of the contemporary political landscape. McCloskey ultimately rejects what could be construed as the physicalist or instrumentalist approach to building institutions with the correct incentives that could be advanced by either the left or right.

Similarly, in McCloskey's dismissal of the 'welfarist left' she seems to impugn John Rawls' *Theory of justice* (1971). Yet, at the same time she acknowledges that a minimal social safety net is consistent with classical liberalism: economic security is necessary for human dignity and the right of personhood, a point recognized by John Locke in his argument that property rights are only just insofar as they leave enough in common for those without (1980 [1690], chap. 5, sec. 27). Moreover,

Rawls also concurs with McCloskey, counter to rational choice and neo-institutionalism, that commitment to and voluntary compliance with constitutional rules that one agrees underlies economic prosperity. In this way, I argue that Rawls is much closer to classical liberalism than is the contemporary game theoretic neo-institutionalist approach, a point that McCloskey obscures by her definition of and pursuant arguments against the left and right.

McCloskey thus seems to acknowledge that classical liberalism is permissive of a social safety net, or at least not opposed to it, because it is in line with the idea that individuals are only free if they have minimal economic security. Also, McCloskey acknowledges “the wish of every honest [that is, honorable] man [...] to assist in lifting up those below him” (p. 47). It is true that she opposes redistribution, yet at the same time one could read into her argument as an endorsement of normative bargaining, in which individuals reach agreements according to mutual respect and recognition, rather than via coercive bargaining by de facto threat advantage more typically endorsed by game theory (Binmore introduction to Nash 1996). Game theory normalizes that individuals profit by externalizing costs, hence they impose ‘externalities’ on others, even on those they engage with in interaction (Schelling 1973).

I think McCloskey recommends instead an individual ethos according to which individuals seek self-betterment without imposing costs on others in keeping with the neoclassical economic concept of the Pareto principle. The original concept of classical liberalism to unleash individuals’ power of self-betterment to transform the world from rags to riches depends on every individual’s commitment to uphold the perfect duty of refraining from harming others, or making others worse off. This concept was refashioned into the neoclassical Pareto principle which stipulates as a condition of market exchange that every interaction should make at least one person better off and no one worse off. A primary distinction between classical liberalism and neoliberal institutionalism is that where the former holds individuals accountable to the elementary no-harm principle, under strategic competition every actor promotes self-gain without constraint, regardless of whether others are harmed. Even if one is not always perfectly clear on what the line of harm is (see Nozick 1974, 26-53, vs. 175-182), the point is that in the classical liberal world at least actors act with the intention not to harm others and thus seek to establish what this commitment entails. With this in place, then likely McCloskey

can successfully argue that everyone will advance because in every interaction at least one person's condition is improved and no one's is impaired. Thus she opposes the neo-institutional prisoner's dilemma argument for governance that requires a strong state or vigilant norm-enforcers to apply the correct incentives to counter the fact that strategic rational actors most prefer to free ride and cheat rather than voluntarily keep agreements made and contribute their fair share to common goods (e.g., Mueller 2003, 9-12). Moreover, a social system that functions according to the logic of coercive bargaining, as opposed to normative bargaining consistent with the no-harm principle, permits a retrogressive social contract because coercive force can be used to enforce any terms of exchange (Amadae 2016, 175-192). Given a system of justice that respects individuals' rights and an inclusive safety net, all will benefit through the indirect impact of lower prices, higher levels scientific and cultural goods, in addition to the direct mechanism of having enhanced opportunities for development and contribution.

At times McCloskey's appears to share ground with Rawls. This she may deny given her apparent support of Robert Nozick (1974) and his rather thin reading of John Locke's proviso, that property rights must leave enough in common for those without, but only at the point of the extreme emergency of famine or other immanent death (p. 50). Perhaps McCloskey will clarify if she favors any type of safety need or elementary access to basic goods and services for individuals in a state of destitution. However a more worrying concern is that Rawls had to renege on his position in *Theory of justice* because, in view of the prevailing strength of game theory, he was unable to defend political obligation to principles of government consented to (fair play) (Amadae 2003, 258-273). Rawls developed a rescinded position in *Political liberalism* (2005) that yields universalist claims in favor of suggesting that each community will develop its own self-vetted principles of justice which could diverge from the familiar western bourgeois ideal favored by McCloskey. Indeed, the rational choice position that morals and ethics, if they exist, are part of individuals' preferences over outcomes currently prevails among economists (Hausman 2012, 34). This is the position McCloskey attributes to the neo-institutionalists and seeks to counter with Searlean social ontology and commitment to the virtues and ideals she sees as giving rise to the rule of law and serving as the basis of free markets. If McCloskey's goal is simply to make clear

the differences between her and the neo-liberal institutionalists, then I applaud her effort.

However, if her alternative ‘dialectical libertarian’ vision is correct in accounting for the rise in prosperity as she claims, then it would be useful to have a template for action in addition to a rich text revealing differences. Here I worry that McCloskey is insensitive to the rising economic insecurity of the middle and lower socioeconomic classes that, as she argues, must have minimal security to have the latitude to be animated by ideals over and beyond pursuing the physical amenities necessary for economic survival in the twenty-first century. Thus, while elites achieve if not the deontic, then surely the de facto, power of property rights over increasingly disparate shares of earth’s resources and society’s wealth, McCloskey does not explain how they, and all levels of society for that matter, will be inspired by the “bourgeois deal” and values. In fact, toward the end of her six-hundred page exposition on the power of ideas, while defending inegalitarian pay and the hierarchical structure of capitalism, she makes the case that unequal pay is necessary to send the correct signals about individuals’ worth (p. 578). However, this admission seems to fall into the hands of the neo-institutionalists who view preference-satisfaction as the function of life, and individuals’ economic value to be equal to their lifetime earnings potential. By this account, those who are higher paid have added more value and merit more earning power because they satisfy others’ preferences to a multiple-digit order of magnitude more than others. This form of preference satisfaction, leaving no independent compass for ethical action, seems to foreclose on respecting human dignity equally, and ensuring that every action is in line with the Pareto principle of making at least one person better off *and no individual worse off*.

While McCloskey’s argument may be incomplete for not fully defining or explaining “liberty”, or human dignity, it is possible to imagine what some satisfactory steps in this direction may be. Let us suppose, for the sake of argument, that intersubjective, linguistically mediated, ‘I-You’ relationships that instill meaning and deontic powers to individuals, relations, actions, and objects are more fundamental than market exchange which must exist within the context of a stable society with a legitimate (mutually acceptable) rule of law to ground mutual prosperity and Great Enrichment. Let us accept that institutions operate both on the basis of incentives, or individuals’ motive to pursue ends,

and in accordance with norms that are not the product of obtaining preferred outcomes but provide reasons for acting. In this way we can understand the norm of accurately counting money or ballots in an election despite participants' perpetual incentive to 'count in their favor'. The rules of counting ballots establish a correct answer, but this outcome may not align with individuals' interests. By Adam Smith's analysis, individuals have two principles operating, both the impulse to self-betterment that is associated with prudence; and the propensity to have sympathy toward others who are wronged, even though this sympathy does not promote the ends of the one who sympathizes. Economists, including Smith, tend to endorse methodological individualism that attributes micro-motives to individuals' behavior, and as Thomas Schelling argues (1978), these result in macro-behavior, or collective outcomes, that are not intended by the individual actors. Adam Smith's invisible hand is often thought of as this type of explanatory device. Economists study, and model, how these micro-motives lead to unintended collective outcomes (Aydinonat 2008).

What Smith, and I think McCloskey, suggest is that individuals are observed to have a moral compass that also can be coherently incorporated into individual decision-making but along the lines of non-consequentialist ethical judgment. Magnified across an entire society this internalized ethical compass reflecting a commitment to human dignity can have systematic unintended macroscopic outcomes germane to the global functioning of a society. Whereas game theorists appreciate the unintended consequences of myopic strategic action, they do not acknowledge that there could be a global impact of the unintended consequences of localized expressions of ethical judgment. Smith argues that there are two principles at work in evaluating individual action. One is the ability to serve as an impartial judge of the rightness and wrongness of others' actions according to a non-arbitrary standard that boils down to the no-harm principle, and the other prudential respect for one's own good. He argues that the former underlies the rules of justice, and the latter the propensity of exchange to lead to mutual prosperity. Both can serve as micro-motives that lead to macroscopic patterns, and neither basis for action is reducible to the other.

McCloskey seeks to argue the case that both individual ethics and the motive of self-betterment ground the Great Enrichment. Thus, she proposes a dialectical structure that places both ethics and tangible self-

betterment on a complementary footing. It will be up to the reader to decide whether, over the course of her argument, she provides sufficient evidence for both the unparalleled *and inclusive* rise in prosperity around the globe during the two centuries of modernity. As well, readers must determine if she offers a compelling case that the existence of “the rules, habits, operations, knowledge, [and] institutions [...] material and spiritual” complement prudence and incentives to account for how modern capitalism succeeded (p. 648).

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