

The Spread of Pro- and Anti-Capitalist Beliefs

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I

In this paper I wish to describe the reactions of those people who experienced the changes brought about by the onset and development of capitalism—why some thought it was “a good thing,” but others believed equally strongly that it was “a bad thing,” and what advocates of either position felt should be done to either further improve or correct the problems that were created, and what desired alternatives were to be considered. It is thus intended to be more a history of ideas than a history of the economic changes.

II

It is widely accepted that the rise of capitalism really began in the eighteenth century, first in the Netherlands and then in Britain, and after that elsewhere in Western Europe and in the European offshoots in the Americas. There were earlier aspects of economic life that had some aspects of capitalism, but those did not shape society as was to happen later. Capitalism brought about economic, political, and moral changes and had impacts not only on those directly affected but also on the many not directly affected by these changes. Because of its broad scope and widespread effects, it has become a widely discussed and debated movement, generating an extensive amount of controversy.

This paper will discuss several different aspects of this controversy, since there are many different questions and different types of approaches and evidence that have been central to the debate. Some of the concerns relate to empirically-based arguments about the actual changes brought about by capitalism, and of the actual impacts of the economic and policy changes introduced in its aftermath. There are debates about the theoretical underpinnings of different

economic systems, if they were to operate in terms of their underlying logic, based on some theoretical models. Linking the empirical and theoretical discussion is the ideology that emerges in describing and evaluating the different economic systems, and understanding the relation between its many overall changes. The belief in a particular ideology can, at times, lead to incorrect or clouded ideas, either because people actually believe these ideological arguments or, in other cases, the propositions reflect mainly the requirements of the debate and are used mainly in an attempt to convince others. In general, ideologies can influence belief and behavior if they lead to firm beliefs as to what happened, whether or not correct. Because of the broad range of attitudes and criticisms possible, there are a number of quite different issues involved in the evaluation of changes due to capitalism.

Capitalism is a term that often is meant to describe a large number of somewhat different social, political, and economic changes. Any evaluation of capitalism is inevitably controversial given its major, far-reaching influences on all aspects of the human condition. Some aspects of the changes capitalism has generated have been considered to have led to unique and large benefits to society, while others have been seen as imposing large if undesired costs. To reach one answer, plus or minus, is seemingly impossible to attain. Some costs may seem to be avoidable with appropriate economic or political actions, while others appear to be inherent in the nature of the capitalist system and thus not avoidable without having a different economic and political system. The comparison of capitalism with other economic systems—such as feudalism, mercantilism, fascism, socialism, and communism—is complex given the many aspects that are to be considered. It also depends upon whether the comparisons of alternatives are based upon theoretical considerations or upon a study of the actual behavior, in such systems. Thus, some comparisons cannot be made since the alternatives have not yet been tried.

III

These changes in the major ways of life and belief systems that influenced human well-being raise questions that most people do care about and thus have led to frequent heated attacks on, and defenses of, capitalism. Changes in the belief system accompanying the economic changes, as well as changes in the preferred role of the government, provide some explanation for the ensuing controversies. It is of interest that anti-capitalism has been an argument made not only by those apparently hurt by the effects of capitalism, but are quite frequently made by those who apparently have benefited from capitalistic growth, but are seemingly concerned with issues of altruism, cultural life, morality, and equity, and are concerned with the impact upon others. Those who attack capitalism on moral grounds are often of the belief that people's desire for money-making is not always a good thing, based on moral or psychological grounds. Many major advocates of capitalism, such as Mises and Schumpeter (1950) regard intellectuals as major proponents of an "anticapitalist bias," whose hostility increases, instead of diminishing, with every achievement of capitalist evolution.¹ These very heated debates began with the initial development of capitalism and have continued into the present day, often with similar arguments presented over time even though the nature of capitalism, has changed. There are, however, some newer arguments as capitalism evolves. Some attacks are concerned only with some specific aspects of the developmental outcome of the system, while others are related to the overall nature of the system. Defenders sometimes deal with only part of the outcome of the system while others concern themselves mainly with the broad system in all its aspects.

IV

There are several different comparisons of capitalism with other economic systems that have figured in recent debates. Within Europe the attack on capitalism has come from the right

as well as the left, from religious-based beliefs as well as from secular ideologies. Anti-capitalist ideology developed among Catholics in the late nineteenth century as well as twentieth-century Fascists. The success of Fascist ideology probably peaked in the 1930's with the then apparent greater economic success in twentieth-century Fascist Germany and Italy than in the West in recovering from the depression of the 1930's.² Central to the belief of most variants of Fascism were the advantages of a form of corporatism and centralized political and economic control. There was also a broad attack on individualism and liberalism, based upon a strong belief in the nation-state and the value of a collectivist society. Private property was accepted, but it was required to conform to the goals of the state or the church. The Catholic Church, after the *Rerum Novarum* of Pope Leo XIII, in 1891, was concerned with the conditions of labor. It still, however, believed in private property, but argued that relations in the economy should be set by the moral concerns of Christian charity, not by those of an unfettered free market. The post-World War II Christian Democrats in Europe carried forward similar beliefs. Another important argument by conservatives was the attack on capitalism's negative impacts in debasing society's culture and in its deleterious effects on individual belief and behavior.

The more frequent critique of capitalism has come from the left. The rise of communism led to extended debates in the twentieth century on the role of planning and central control of an economy as a way to increase and stabilize growth. This argument was often based on theoretical arguments but, at times, it drew upon empirical arguments with compilations of statistical data. In many cases, however, these data were themselves controversial and their usefulness dismissed. A non-communist liberalism attacked capitalism based on its presumed negative effect on economic growth, and, also frequently, on the creation of a large number of people living in poverty (however defined). Another critique, not as obviously political, was a

religious-based bias against the seeking of wealth by individuals rather than their pursuing a “good life,” by which is meant acceptance of a more communal and religious way of life. This religious critique of the effect of capitalism in generating immorality was frequent in the early days of the rise of capitalism, and this view, with a more secular component, still has adherents today. Recently, religious movements have led to widespread discussion of social reform, which have influenced the nature of the capitalist economy.³

V. Changes via Capitalism

In describing pro-and-anti capitalist beliefs, it will be useful to understand exactly what the nature of the comparisons of capitalism and non-capitalist society that are being made. These will influence the judgments made regarding the benefits and costs of capitalism. There are three basic comparisons that have been made, which are based on quite different counterfactuals, as well as possibly present different arguments for different time periods.

1. Did capitalism create new negative features in society that did not exist before?
2. Did capitalism mainly continue, or, perhaps, even exaggerate, some earlier evils from pre-capitalist societies?
3. Was capitalism considered evil because, even though it generated higher incomes and other benefits, these did not mitigate or eliminate early evils, and its economic success, moreover, brought attention to existing evils?

Capitalism is consistent with, if not the cause of, the occurrence of dramatic changes in occupations, incomes, and locations, as well as changes in the relative importance of different economic and political sectors.⁴ These inevitably led to changes in relative and absolute political and economic status, upsetting elites from the previous society, and as Engels claimed, also could lead to a deterioration in living and working conditions for laborers. The development of

machine production and the rise of factories led to a shift in the nature of employment of labor and in the structure of asset ownership, away from the earlier importance of land ownership towards financial assets, a shift from rural to urban locations, and, possibly, changes in the degree of inequality in society.⁵ The extent of inequality has changed over time, as suggested by the so-called Kuznets curve or by some other descriptions of the time pattern of inequality. The Kuznets Curve posits the frequency of rising inequality in the early stages of economic growth, followed by a reversal of the trend with the continuation of economic growth. Recent works by Piketty and others have argued that inequality may possibly increase as economic growth continues.⁶ Whether a shift in political and economic power is to be seen as a social benefit and to whom, may be unclear since it could lead either to a greater control by the wealthy elite, or else to a shift that ultimately increases the power of previously lower classes. Over the long-term in most capitalist societies the benefits of political actions have generally become more favorable to those previously excluded. This did not necessarily mean, however, a shift in the power of decision-making. The initial, and perhaps later, changes with the rise of capitalism may, however, have strengthened the ruling elite.⁷

There are some historical aspects of material changes due to capitalism that are agreed to by many, though not all, scholars. It is often argued that capitalism had been economically productive in leading to substantial, and persistent, higher rates of growth of income, capital, and consumption than had been the case in early centuries, as well as greater growth than in most non-capitalist nations. The early, and leading, critics of capitalism, Marx and Engels, commented in 1848 that the growth in capitalistic economies exceeded that of earlier generations, despite its increased variability and the immiseration of factory workers (and, more generally, the working class).⁸ Rapid growth and structural changes were major features of

capitalist economies. This growth came with some related economic and demographic benefits—higher incomes, enhanced life expectation, lower infant mortality, increased stature, and a larger population and labor force, although the greater population may itself have created some negative effects in reduced per capita income. This higher average per capita income did not necessarily mean increases for all in the population, but could have left, or created, some impoverishment. It is possible, however, that all members of society will have a higher absolute standard of living even when the relative distribution of income worsens and disparities among individuals increase.⁹

At issue, also, is the question of how long the increased economic growth of capitalist economies can be sustained. Many economists, including Malthus, Marx, Mill, Marshall, Weber (1961), Hansen, Schumpeter, and Olson, have argued that capitalist growth would, at some time, come to a halt, due to a limited potential for further technological change, increased bureaucracy, over-population, decay of the entrepreneurial spirit, class warfare, or the disappearance of needed natural resources.¹⁰ To many, it was believed that the cessation of growth would lead to social collapse and chaos, with class warfare and social upheaval, and ultimately to socialism or communism, but Mill, for example, thought that although growth rates would ultimately decline, the resulting stationary state would have major advantages.¹¹

There has also appeared some correlation of capitalism with a generally more democratic society and with increased freedom of political and economic choice by individuals. This is not an inevitable correlation, and clearly democracy does not mean “full freedom.” There are limitations due to the nature of labor contracts and societal rules reflecting communal decisions. There are constraints imposed by natural conditions, issues related to various forms of competition between individuals (including envy), and limitations on income due to differences

in talent and productivity which can generate unhappiness and make individuals consider themselves unfree, at least relative to others and to their aspirations. The relation of expanded voting and education to capitalism has a long history. The increased role of individuals as consumers, able to make their own purchasing decisions, has often been seen as a central result of capitalistic development, which some regard favorably, while others stress its negative aspects in the presumed degrading of individuals and society.¹²

Capitalism is based on there being a greater proportion of free, not slave nor serf, labor, with each individual free to make geographic and occupational decisions regarding mobility and work choices, and the freedom to respond to changing wage rates and working conditions. There is also, traditionally, in capitalist societies, relatively freer markets, freer trading in goods and services, and freer capital flows, internally as well as internationally. While the markets for goods, services, and factors of production are seldom completely free under capitalism, they are generally freer than they are in other types of economic systems, particularly those with centralized planning and powerful controls over individuals.

The shifts in political power stemming from the development of capitalism can take quite different forms. These differences reflect the nature of resource and factor endowments and economic institutions, as well as the nature of the production process. These changes will be influenced by population density and whether the area has been long settled or has been relatively newly colonized by foreign powers. Engerman and Sokoloff argue, for example, that political power in the American colonies was influenced by climate, resources, and the size of the population which determined which crops would profitably be grown.¹³ Since the scale of production varied by crops, the ratio of landowners to agriculture workers varied in different parts of the Americas. Those areas, such as Latin America and the Caribbean which produced

and exported sugar and mining products, tended to have large-scale producing units and highly concentrated political and economic power. Those regions producing grains, such as those on the North American mainland, tended to have small landholdings and a high ratio of landholders to agricultural laborers. These latter regions tended to have a broader dispersion of political power and more equality of economic conditions.

There are other possible causes of changes in political and economic power related (or unrelated) to market conditions. Although serfdom on the European continent formally ended in the mid-nineteenth century, at a time of expanding capitalism, serfdom had ended earlier in England, in the fourteenth century, probably as a result of the population decline caused by the Black Death. With the ensuing labor scarcity and the competitive bidding by landowners for the reduced number of agricultural laborers, those formerly enserved were able to gain their freedom. Yet an increased land-labor ratio did not always lead to enhanced freedom, as it had in England, as seen by the role of labor scarcity in leading to the “second serfdom” in Eastern Europe, also after the Black Death. Labor scarcity was also a major factor in the economically successful (for the Europeans) enslavement of Africans in the Americas.

There was a major shift of political power in nineteenth-century England, with an increased political power of the merchant middle class and manufacturers in contrast to the landed gentry. This was argued, at the time, by Marx and Engels (2002):

The bourgeoisie has at last, since the establishment of Modern Industry and of the world market, conquered for itself, in the modern representative State, exclusive political sway.

This reflected changes in the structure of demand and supply for output, with the declining importance of agriculture and the shifting locational and industrial composition of the labor

force. The outcome of the change was seen most clearly in the Parliamentary debates on the Corn Laws in the 1840s, with the shift to freer trade. Similar types of changes occurred elsewhere within Europe, leading to shifts in political power and in the distribution of income and wealth. This political shift became a source of an anti-capitalist attack, an attack based more on the changing rank-ordering and levels of income and political power than they were attacks based on the evil aspects of commercial behavior and the lifestyles of the wealthy.

VI. Capitalism and the Role of Government

One of the problems in agreeing on the definition of capitalism concerns the nature and magnitude of the role assigned to the government. For some, the appropriate concept of laissez-faire capitalism would mean a complete absence, or a very limited role, of government. Others will consider it to be capitalism even with a relatively large government as long as there are basically unfettered markets for labor, for goods, and for capital. Today's capitalism differs in many regards from what many economists, following their interpretation of Adam Smith, conceived as capitalism.

An important characteristic of late nineteenth and twentieth century capitalism had been its association with expanded suffrage, higher government expenditures on public goods and infrastructure, higher taxation, and increased government regulation of the economy, changes which provided for further shifts in economic and political power.

The issue of the government role in the economy is significant in defining the importance of what some might call laissez-faire capitalism at any time. Some governmental role can be seen as important and necessary for a capitalist economy to emerge, persist, and spread. The basic question is not whether the government exists and plays a role in the economy, but what, precisely, does the government do and who benefits from the government activity. Do

government measures help to spur economic development and/or equity or are they just reflections of rent-seeking activities benefiting only the ruling class?

Two examples will indicate that some government role is consistent with what its advocates definitely still regarded as capitalism. This can be seen by examining the beliefs of two mid-nineteenth century advocates of capitalist economic growth, Henry Carey in the U.S. and Friedrich List in Germany.¹⁴ Both were strong believers, among other interventions, in the importance of tariffs. List also advocated that the state build an extensive railroad network. Carey argued for the benefits of a restrictive land policy to take advantage of the benefits of scale economies and urbanization in the earlier-settled areas of the United States.

The classic work on public finance by Richard A. Musgrave (1959), divides the role of the government into three parts: stabilization (over the course of the business cycle), redistribution, and allocation.¹⁵ Redistribution can be done via a direct transfer of private or government collected funds, or else as part of the tax-expenditure pattern providing goods and services in a manner different from the burden of taxation.¹⁶ Allocation refers to the government provision of goods and services desired by the public. These can include a broad variety of goods and services: defense, education, infrastructure, etc. Stabilization reflects the role of the government in avoiding business cycles, reducing unemployment, and holding down the rate of inflation, all by means of monetary and fiscal policies. Stabilization policies will also have important implications for allocation and redistribution, which, however, may politically serve to constrain stabilization.

It is no doubt a frequent desire of those with low (or high) incomes to have more, whether absolutely or relative to the shares of the wealthier. More income is desired to achieve higher levels of consumption of necessities, as well as to obtain higher levels of consumption of

luxuries. Redistribution of incomes could be accomplished by a differential tax and expenditure policy, as voted on by the national legislature or imposed by the executive. Presumably the relative numbers of below (and above) average incomes will influence the voting on the amount of redistribution attempted. And, in general, the higher the rate of overall taxation the greater the possibilities for redistribution via a progression in the tax schedule.

The debate regarding the allocation function of government concerns the type of goods that are considered to be better provided by the government than by the private sector, so-called public goods. The most important of these public goods have, traditionally, been defense, transportation, and education. The first two of these are generally (at least in the U.S.) provided at the national level, while education is provided on the state and local level. At times the government may also provide economic goods and services that could otherwise be considered private goods, such as banks and internal improvements, or even some manufactured goods.

There are other functions of governments that involve relatively small expenditures but which can have significant effects on the economy, such as the role government regulation of labor and product markets in the interests of business, workers, and/or consumers. This is usually done by specific agencies of the government with the granted power to interfere with private businesses. Another important government function is the development of the legal system, which sets the range of permissible behavior.

The role of the government in the economy can obviously vary over time, based on the nature of the political circumstances and perceived economic needs. While some of the early theoretical debates on the role of the government in the economy appeared to advocate an almost completely laissez-faire economy, with no government role, compared with an economy with heavy government involvement. This was basically an inappropriate comparison. Rarely is it

argued that the government should play absolutely no role in the economy since, at the least, someone has to set and enforce the overall rules of the game. Rather, as Lionel Robbins pointed out in his discussion of the economic policy concerns of the English classical economists, the disagreement was about what precisely should be the role of the government and what should be its limits vis-à-vis the private sector. He pointed out that “what distinguishes the Classical outlook from the authoritarian system is not a denial of the necessity for state action on the one side and an affirmation on the other, but rather a different view on what kind of action is desirable.”¹⁷ Thus, an extended role of regulation and control by the government can be consistent with what some definitions of the essential characteristics of a capitalist system. Thus, tariffs on imported goods and introduced restrictions on immigration may exist, yet these be relatively free internal labor and product markets. To many this could still be regarded as basically capitalism. Indeed flexibility and adaptability of the government role may be essential for the survival of any form of capitalism.

The early stages of capitalism may have meant limited government activities, particularly in the cases of England and France. In some measure the decline in the government role reflected the transition from mercantilism to freer trade. Nevertheless, by the 1840's, in England, there was still a large range of government involvement with economic policies, and this was also the case at this time for the U.S. and other European nations. Tariffs had long been considered a policy consistent with so-called laissez-faire capitalist societies, which also had laws dealing with property rights, patents, labor standards, immigration, and related items. L.M. Hacker, describing primarily England in the 1840s, stated that “the idea of laissez-faire is a fiction. For the state, by negative action—that is, by refusing to adopt certain policies can affect economic events just as significantly as when its interaction occurs.”¹⁸ England, in the

eighteenth century, saw the expansion of tariff protection for certain key industries, which continued through the middle of the nineteenth century. There was an expansion of government spending by the British during the Napoleonic Wars, a rise in the government share of GNP to over 20 percent, mostly for military purposes. Despite his arguments which aimed to limit the number of government regulations, Adam Smith supported the Navigation Acts and government provisions of infrastructure, and argued that “defense is more important than opulence.”¹⁹ The main issue was not whether the government should play any economic role but, more precisely, what exactly should be the role of government. Today, there has been a widespread acceptance of a larger share of government taxes and expenditures in most economies, although the magnitude and precise nature of the desired governmental role does vary with particular nations and advocates.²⁰

VII. Pre-Capitalist Evils

Certain negative social and economic aspects whose existence come with capitalism did not, however, originate with capitalism, but often go back a long time, much before the emergence of capitalism, and they are present in contemporary societies that are not considered to be capitalist. Discussions of capitalism often point to its presumed role in generating poverty, income inequality, wars, imperialism, famines, and slavery, but they often do so without studying whether these conditions may have existed earlier, or whether they exist, at present, under alternative systems.

Alfred Marshall (600-601) pointed out that:

There is the need to guard against the temptation to overstate the economic evils of our own age and to ignore the existence of similar and worse evils in earlier ages; even though some exaggeration may for the time stimulate others, as well

as ourselves, to a more intense resolve that the present evils still no longer be allowed to exist.²¹

Even before the advent of capitalism, characteristics such as markets for trade among different individuals and groups, over short or long distances; responses to changing relative prices affecting individual production decisions, and the hiring and control of labor, legally free or coerced, have long existed in many societies, as did an interest in obtaining wealth and/or power. The existence of these patterns of economic behavior did then seem as central to society's economic or political behavior. Weber (1966, 207-270) pointed to aspects of capitalism that long preceded its contemporary variant, but it was the increased rationality that came with capital accounting, formal rules of trade, free labor, and the development of trust, that came to be considered the basis of emerging capitalism.

There were earlier stages of so-called commercial or financial capitalism, but, as noted above, the customary dating of the rise of modern capitalism is the emergence, in the late eighteenth century, of capitalism in the Netherlands and in England. Capitalism came with developments, particularly in England, of early industrialization and capitalist agriculture, in the period generally referred to as the Industrial Revolution. Over the next half to three-quarters of a century the system of industrial capitalism spread to the United States, particularly to the northern states, and then to the nations of Northwestern Europe—particularly Belgium, France, and Germany. Ultimately it spread to other parts of the world, with the geographic extension of industry based on what some might call the modernization of the means of production, and, more recently, globalization. in the world economy.

The spread of capitalism, especially after the European Revolutions of 1848 brought new perspectives to bear in the characteristics of markets, property rights, and controls over labor, as

well as establishing the basis for the legitimacy of the ruling class. In some arguments (e.g., by Marx and Engels) this period saw a seeming worsening of laboring conditions, but, others (e.g., Ashton), argue that it was more of a heightened awareness of past and present problems than the generation of new difficulties.

Engels, in *The Condition of the Working Class in England* argued that capitalism created new social evils resulting from the drawbacks of urbanization and industrial changes. T.S. Ashton's response to this claim was to argue that inferior housing had long been a problem in England. Ashton did not deny that urban housing conditions in the 1800's were wretched, but he claimed that they were not deteriorating, a point earlier made, in 1830, by T. B. Macaulay (146).²²

There are some broader indictments of capitalism based on various negative developments. Many of them, however, had a long history and did not emerge only with the rise of capitalism,²³ Empires and wars have long been part of human history, and some of the more brutal wars clearly preceded the development of capitalism. These wars include the several Crusades and the military adventures of the Mongols under Genghis Khan and Tamurlane, all of which involved quite high mortality. Genghis Khan, for example, killed an estimated five percent of the world's population in the early thirteenth century, while Tamurlane's subsequent geographic expansion in the late fourteenth century led to possibly the largest landed empire in history.²⁴ Among the many Empires before capitalism, pointed to by Burbank and Cooper in their book, *Empires*, were: Egyptian, Roman, Chinese, Greek, Byzantine, Islamic, Carolingian, Mongol, Persian, Ottoman, Spanish, Hapsburg, Aztec, and Inca, as well as those of the British, French, and Russian. Schumpeter's chapter on "Imperialism in Practice," begins with the histories of the Egyptian, Assyrian, and Persian empires. Some of these empires lasted a long

time—Burbank and Cooper state that the Ottoman Empire lasted 600 years; a succession of Chinese dynasties had lasted for over two thousand years; the Roman Empire in the west lasted some 600 years, and the Byzantine empire in the east lasted about another millennium.

Schumpeter (1951) denies a link between capitalism and imperialism, describing imperialism as “atavistic in character,” a point repeated by Hirschman.²⁵ Davis and Huttenbach have argued that imperialism was not financially a profit-making proposition for the British colonizers, being mainly a form of internal redistribution from British lower and middle classes to their upper classes,²⁶ a point earlier made by Marx in Marx and Engels, (1968, 165-172): “it may well be doubted whether, on the whole, this dominion does not threaten to cost quite as much as it can ever be expected to come to,” and “it is evident that the advantage to Great Britain from her Indian empire must be limited to the profits and benefits which accrue to individual British subjects, [which] are very considerable.”

Wars, too, have a long pre-capitalist history. Keeley argues that early North American Indian societies were frequently at war with each other. Only 4 percent of the 157 tribes in the U.S. studied were considered to be truly peaceful, and these wars often had mortality rates often higher than those experienced in capitalist warfare. In the three centuries between 1500 and 1815, ending with the Pax Britannica, the major northwestern European powers were at war about three-quarters of the time, and these led to about ten million deaths, five million of them French, a figure comparable to the numbers of Africans brought to the Americas in the transatlantic slave trade. It may seem curious that it was about 1400 that the Europeans ended the enslavement of other Europeans, due perhaps to the developments in European religions. This ending of the enslavement of Europeans but with the emergence of the enslavement of Africans might be explained by the racism that later came to characterize the period. What,

however, is difficult to understand is the acceptance of wartime murder, rape, pillage, and related war crimes, made acceptable by the new “just war” arguments, at a time when enslavement of Europeans (but not their killing) was forbidden.²⁷

Twentieth-century warfare among states in Africa and in Asia have occurred in societies not generally considered capitalist. The sixteenth-century Aztecs were noted for their warlike behavior, slavery, imperial conquest, and, as in some other early societies, human sacrifice. With technological changes wars may have seemed to become more deadly, but warfare with high death rates clearly antedate the onset of capitalism²⁸

Similarly, slavery has been one of the longest lasting and most ubiquitous of all human institutions. Even in the years when the capitalist societies had slavery, the numbers of their slaves was sometimes smaller than the numbers in non-capitalist slave societies at the same time.²⁹ Ancient societies, such as Greece and Rome, as well as numerous others, had large numbers of slaves, and slavery had long-existed in Africa and Asia, both before, as well as after, legal slavery was ended by the European capitalistic nations. Indeed, one of the reasons that the transatlantic slave trade had expanded so rapidly after European contact with Africa was that the Europeans tapped into ongoing African trading relations, with its extensive internal trade as well as external slave trades with North Africa and the Middle East. It has been argued that the New World slavery of the European powers, based on capitalist agriculture, was harsher than slavery elsewhere, but it remains the case that it was European capitalist societies that were the first major areas to end the slave trade and slavery. This was done by political action in the colonizing nations, except for the case of Haiti. Even before that, however, the economic success of capitalism had, in places, led to an end to internal slavery in Europe by reducing the number of instances of famine and threatened starvation which had led to the practice of

voluntary slavery as a means of survival. Blackstone suggested that wealthy nations were the first to end voluntary slavery, as they provided poor relief by the government and by wealthy individuals. Another factor reducing voluntary slavery was the reduction in violence, reducing the number of captives to become slaves, as well as making less important the need for slavery for protection and safety.

A decline in the number and extent of famines occurred after the onset of capitalism, and subsequently the most deadly famines have occurred in non-capitalist societies as has been detailed by O'Grada.³⁰ O'Grada dates the last famine in England to the mid-eighteenth century. Perhaps the greatest historical population decline was the estimated 80 percent decline in the Americas, due mainly to diseases brought over by Europeans. This decline has, by some, been attributed to imperialism, but whether this geographic imperialism can be attributed to the presence of capitalism at that time is less clear.³¹

Other problems that exist under capitalism but which had existed prior to the emergence of capitalism as well as persisted in non-capitalistic societies include forms of coerced labor such as unregulated indentured labor, contract labor, debt bondage, sharecropping, and today's sex slavery. Serfdom throughout Europe was finally ended by 1864 as a result of European state actions. Environmental destruction, due to economic and political expansion, was a marked characteristic of Soviet Russia's drive for economic betterment, leading to several major disasters that, it is argued, is not too dissimilar from those in the capitalist United States. As described above, while modern capitalism led to the expansion of colonization, the geographic movement by more powerful states to capture weaker areas similarly has had a rather long history, and characterizes non-capitalist societies at the present day.

Similarly, earlier societies had their share of immiseration and absolute and relative for poverty. Agricultural work has always been difficult, time-consuming, and physically exhausting, and in the past there were frequent cyclical fluctuations due to harvest failures and to famines, as well as major uncontrolled outbursts of diseases and epidemics. The Black Death of the fourteenth century reduced European population, by some estimates, by between 25 to 50 percent. As noted above, the large-scale decline of native-Americans after 1500 provided for even a larger decline. The pre-modern world was characterized by numerous epidemics due to various diseases, a number of which have now disappeared. These major epidemics, famines, and wars, with large-scale losses of life had major effects on social and political structures, with significant impacts on the nature of the culture and community where they occurred in addition to their human and economic costs. This was true even when their occurrence could not be attributed, directly or indirectly, to the existence of capitalism, and, the medical and pharmaceutical gains provided by capitalist innovation has resulted in declines in deaths and increased life expectancies.

It could be argued that the greater wealth of capitalist societies and a greater centralization of political power may have raised the expectations of the population about the ability of capitalist societies to solve various problems by expanding such policy measures as poor relief, highly progressive taxation, and other means of income redistribution. Also to be considered is whether the belief that these problems could now be solved by heightened attention to these difficulties and led to disappointment with the consequences resulting from the interventions. People had hoped to see a more successful resolution of these problems since they could now be handled by human intervention, an outcome that people could not have hoped for in the past.

VIII. Globalization and Capitalism

The expansion of world economic relations to a greater extent than had occurred in earlier centuries has come with the development of what some call the New Globalization. This has been influenced by the important role played by the IMF and the World Bank, controlled by the western powers. Therefore, it has been argued that capitalism has led to greater inequality among nations. It has long been claimed that the imperialism of the richer, more powerful economic powers at the expense of poorer colonies had served to restrict the economic development of the poor nations. The explanation for imperialism's leading to increased inequality among nations has gone through two stages, both applied to Africa, Asia, and Latin America. Initially, it had been argued that exploitation was the result of Europeans charging high prices for their exports while paying low prices for their imports from Africa. This argument was questioned after the calculation of the British terms-of-trade by Imlah in the late 1930's, which demonstrated that the terms-of-trade had turned against Britain and in favor of those African nations that it traded with.³² There was then a different mechanism argued to explain the exploitation of colonies and other low-income nations, a mechanism that has been described as dependency theory: the Europeans were now seen as charging low prices for its exports, to discourage colonial production of manufactured commodities, such as textiles and iron, while higher prices were paid for slaves exported from Africa, to provide incentives for Africans to devote resources to capturing and exporting slaves, rather than to industrial production.

There is, however, a counter-argument that has recently made about the possible drawbacks of globalization, difficulties not to the developing nations, but to the developed nations. It has been argued that the outsourcing of manufacturing output to the less developed

nations has reduced employment in the developed nations, and reduced their share of industrial production.

The presumed deleterious aspect of world trade patterns has been developed into a critique of capitalism's world-wide impact as part of continuing a quite long debate over the affects of trade policies among nations. It is claimed that the possibilities for economic growth in the less developed world would be greater if poorer nations could regulate their own trade by imposing restrictions on foreign trade and permitting themselves greater self-sufficiency, rather than to have free trade with the developed nations. In the post WWII era this led to arguments about the role of the so-called ISI policy of import substitution in less-developed nations. Earlier in the twentieth century, after the Russian Revolution, there was a world-wide contest between communism based on central planning (among its other characteristics,) compared with capitalism, which was centered on the question of the relative ability to generate prolonged economic growth as well as to provide political freedom. In retrospect the answer to the economic (and political) contest may now, at least to some, seem clear, to the advantage of capitalism, but the long debate and the heat generated on both sides did occupy over one-half of the twentieth century. The debate has recently reappeared with the discussion of whether the Chinese economic system is to be considered a variant of capitalism or rather a new and unique economic system, and also whether China's economic expansion can continue.

IX. Pro-Capitalist Ideology

There were several early economic writers in Britain and in northwestern Europe who presented ideas that can be regarded as precursors of the pro-capitalist argument, although the term capitalism, according to the *Oxford English Dictionary*, was not introduced until 1854.³³ One conventional timing of the historical starting point for dating capitalism is the 1776

publication of Adam Smith's *Wealth of Nations*. Smith advocated free trade, free markets, and limited government, mainly as he believed these to be an advance over the policies of mercantilism with its control over international trade. Smith pointed to the role of individual choice in decisions regarding working and consumption, and attacked the belief in the superior productivity of slavery and serfdom. Economic freedom, it was argued, would lead to higher rates of economic growth as well as greater individual utility. Smith's belief in laissez-faire did have some limits as compared to some previous writers, as he accepted a government role in providing public goods, such as infrastructure and defense, but he clearly advocated a more limited role for government control, particularly regarding the use of tariffs to regulate international trade, than did many previous writers.

Smith's beliefs were echoed, with some modifications, by most of the leading figures of the English Classical School, generally with the belief in low or no tariffs and a broad belief in allowing individual consumption decisions.³⁴ Not all believed, however, that capitalism could last indefinitely, but for quite different reasons. Malthus argued that population growth would mean diminishing returns in agriculture, the dominant economic sector at the time, and this would ultimately bring an end to economic growth due to problems of subsistence. Marx and Engels believed that the end of capitalism was "inevitable," with the actions of the newly formed modern revolutionary working class leading to political change and upheaval, and the onset of socialism. Weber believed that decline would set in because of the development of bureaucracy and rigid institutions, a point later made by Schumpeter and by Olson. Schumpeter presented an alternative scenario for the decline of capitalism, based on its success and the loss of a strong belief in capitalism's values by its advocates. Hansen, in the 1930's, believed that a decline in

the rate of innovation, the slowing of population increase, and the closing of the U.S. frontier meant that U.S. economic growth would slow down or stop.³⁵

Arguments about diminishing returns were quite frequent in the nineteenth century, with many economists (and others) combining a pro-capitalist sentiment with a belief in some ultimate time limit to capitalism (and also to other economic systems), but generally with no definite forecasts of the time horizon, or a statement of what would be the nature of the successor system. An exception on dating was W. Stanley Jevons, who in 1865 argued that British growth and economic success would end with the exhaustion of the coal fields, which he did not expect to occur sometime before 100 years.³⁶

Given the existence of New World slavery in the U.S. South, and the various colonies of the European powers into the nineteenth century, there was a long debate on the relative productivity of capitalist free labor and slave labor in producing output. The basic argument in England and in the northern states of the U.S. pointed to the benefits of free labor and the economic weaknesses of slavery and serfdom.³⁷ These pro-capitalist arguments posited the importance of incentives for free labor workers in generating greater output and promoting a greater opportunity for entrepreneurship and innovation among businessmen. Hume, however, claimed that it could be the incentives provided by necessity and hunger that provided for the exceptional benefits of free labor.³⁸ It was the argument about the effect of incentives on relative productivity that is now regarded as more ideological than empirical. Nevertheless, the claims about the relative productivity of slave and free labor were important in the debates that influenced the ending of slavery and serfdom in the Western world.³⁹

The twentieth century saw several important advocates of capitalism among economists. Joseph Schumpeter pointed to the dynamic economic role of capitalism, and its “creative

destruction.” in leading to continued growth. To Schumpeter capitalism meant dramatic changes in the sectoral composition of output and in economic leadership. Schumpeter was a firm advocate of the role of capitalism and of monopolies and big businesses in spurring growth, and providing for dynamic efficiency.⁴⁰ Thus he did not believe in antitrust laws. Nor did he believe that it was capitalism that generated imperialism, given that imperialism had always existed and that it was a relic from the past. A major proponent of the virtues of capitalism, Schumpeter did, however, believe that the very success of capitalism would lead to a decline in the belief in the intellectual arguments made by its advocates leading to a weakening of the defense of the system, and ultimately, “The March into Socialism” in some future year, aided by the persistence of inflation.

The Austrian economist, Friedrich Hayek, following the ideas of his teacher, Ludwig von Mises, similarly advocated capitalism’s advantages. He believed that increased control by government would be *The Road to Serfdom*, and expressed strong doubts about the ability of a non-capitalist system to solve the major economic problems of resource allocation. Hayek was a key figure in establishing and expanding the Mont Pelerin Society after the Second World War, a European and American organization with political concerns and ideological views that had been influential in offsetting the arguments for state control, particularly in Europe.⁴¹

Several decades later, the University of Chicago economist Milton Friedman published a pro-capitalist polemic, *Capitalism and Freedom*, that emphasized both the economic and the political benefits of capitalism, and the political and economic drawbacks of non-capitalist systems. This quickly became the major basis for contemporary pro-capitalist arguments, along with a book that Friedman co-authored with his wife, Rose, *Free to Choose*.⁴²

Another influential twentieth-century economist who discussed the benefits and drawbacks of capitalism was the distinguished British economist John Maynard Keynes. Keynes supported capitalism as necessary and desirable for freedom and progress, but he did point to many problems, including economic, created by capitalism. There was a need for government policies to offset those tendencies generating economic instability. It was also important to overcome the moral problems arising from “the principle of valuing all things in terms of money,” and he provided a “condemnation of moneymaking as an end in itself.” He felt, nevertheless, that capitalism was the “best alternative available,” and that its continuous evolution made for continued benefits.⁴³

The basic pro-capitalist arguments were somewhat similar over time. Capitalism was seen as a productive system that led to higher per capita incomes for most of the population. This followed from the incentives given to laborers as well as those provided to businessmen to invest and innovate. The incentives to labor based on higher wages and freedom of choice in economic decisions, included the laborer’s choice between consumption and leisure.⁴⁴ This has also permitted individuals to benefit from diversity in working and consuming decisions.⁴⁵ The link of liberty and capitalism, while it may not be inevitable, appears to have been widespread, another of the benefits of capitalism, and, some would argue, a benefit independent of its economic benefits. Other non-economic benefits of capitalism were claimed by the German sociologist Simmel, who contended that the money economy “is able to increase individual liberty” and would also provide for other favorable conditions of life, including to “provide a civilizing influence to society,” although these remain controversial points.⁴⁶

X. Anti-Capitalist Ideology

Given that capitalism meant not only economic changes, but also changes in many other aspects of social and political life, there are a broad range of issues covered by the anti-capitalist argument, not all of which, however, can be regarded as consistent in their implications. There are broad economic claims at issue, and also questions of the political and psychological impact of the market, such as the presumed degrading cultural aspects resulting from the importance of money as a measure of value, and the role of capitalism in negatively influencing individual psychology, communal relations, and the culture of society. These are presumably the result of the nature of market interactions and the evil role of the “cash nexus”—the fact that tastes and transactions were being influenced by the money values of things and not their inherent value in contributing to human welfare (however defined). This, it was argued, led to a deterioration in the quality of life and to increased discontent in the population, but this could be changed by limiting the role of capitalism and the importance of the individual drive for economic progress.⁴⁷ Many of the arguments that point to the desire to limit capitalism, however, do not describe the mechanisms with which this desired end can be achieved, whether by coercion or by moral suasion, nor do they estimate the costs (if any) to individuals and to society of limiting the operation of the market system. Thus, do we wish progress in medical care to end in 1850 with a life expectation of 38.3 or in 1992 with a life expectation of 72.8, with large gains at all levels of income. How do we define necessities (which cannot be reduced) as opposed to luxuries (which might be considered expendable).

The most famous of the early critiques of capitalism were in the writings of Marx and Engels, who argued that capitalism led to the immiseration of workers, and forced them into unhealthy living and working conditions, even while it was contended that capitalism had

generated high rates of economic growth. Thus, while capitalism would lead to higher rates of economic growth than did slavery or feudalism, it generated instability and class conflict, and this would (hopefully for them) lead to a movement to socialism in the future. Engels's *Condition of the Working Class* raised several points regarding the standard of living of the workers, going beyond the measurement of real wages. These complaints include the adulteration of food, the deterioration of housing, increases in the number of hours worked as well as in the intensity of work, a shifting pattern of family structure, and a general deterioration in the quality of life. Boyer (1998) argues, however, that the claims of Engels were based on a narrow geographic and industrial basis, primarily the cotton textile industry in South Lancashire in the 1830's.⁴⁸ The arguments of Engels have been the basis of several heated debates on the standard of living in the Industrial Revolution, with notable contrasting contributions by Hobsbawm and Hartwell, and more recently, Williamson and Feinstein. Attention was also given to the periodic declines in income that occurred during economic cycles, which were often linked to difficulties that resulted from the impact of foreign trade, the involvement with other nations, and difficulties in financing and business activity. The basic response to these charges by the pro-capitalist advocates was to argue that capitalism may have reduced the costs of such fluctuations given that these also had occurred frequently in the pre-capitalist era.

There were numerous other criticisms of capitalism, some based on the contention that the pro-capitalist belief in "laissez-faire" meant a limited government role, leading to high costs paid by individuals and society. Writing in the late nineteenth century, members of the German Historical School emphasized the importance of the government role in overcoming poverty, by providing public aid and welfare, to limit the costs of individualism.⁴⁹ At roughly the same time a similar critique was made by the members of the English Historical School, particularly by

Arnold Toynbee, whose book, *The Industrial Revolution*, was as much the work of a social reformer as of a historian.⁵⁰ Nineteenth-century economists, such as Sismondi and Saint-Simon had also criticized capitalism's affect on income distribution and economic stability. More recent has been the extended critique by Karl Polanyi, in his *The Great Transformation*, which begins with an attack on what he regards as market-created individualism. This he regards as the cause of the possible destruction of society, since a self-adjusting market could not exist for long "without annihilating the human and natural substance of society." Polanyi argued for the need for a much greater role of government in undertaking economic actions, and attacked the policy tools of the pre-1920 economy, such as the international gold standard, which he saw as an attempt at a worldwide self-regulating market, which he regarded as the basic cause of the economic collapse of the 1930's. This failure was caused, he argued, by a broad attempt to avoid any economic role for governments.⁵¹ Polanyi further argued, based on his perception of African trading patterns, that societies could develop without a market system with fluctuating prices, and he advocated such a system be adopted by all societies.⁵²

XI. Capitalism and Culture

An important critique of capitalism, going beyond its economic aspects, has been the impact of capitalism on communal life and the nature of society's culture. These have recently been developed by Daniel Bell, and emphasized by Joyce Appleby, who describes the "vulgarity and ugliness of the pursuit of property."⁵³ These arguments have implications that need more exploring. In part, the nature of urbanization and of increased population density with their presumed negative effects, has been caused by the growth in population that came with the onset of capitalism, generating a problem that had not previously existed on such a frequent and prolonged basis. The negative effects on culture and on individual psychology are often

attributed to the “cash nexus” and the desire of individuals to achieve more consumption, presumably due to the pressures of the market system (and different from that in other economic systems). What is of interest is that many of these anti-growth and anti-materialism arguments that claim that people should not be interested in obtaining more goods generally come from individuals near the top of the income and wealth distributions. They are seldom heard from those at lower, poverty level incomes. While this attempt to limit growth has been advanced as a measure to limit inequality, it might have some effect serving to maintain the status quo and the current level of inequality.

The impact on the cultural achievements in society has been attributed to the larger size of the population which, because of the new relatively fewer talented people and a presumed need to lower the average quality of artistry to appeal to a larger market, leads to declines in levels of artistic accomplishment. This also, it is argued, limits the number of those capable of superior achievements. It is not clear, however, that the growth of mass markets has limited cultural achievements by symphony orchestras, opera, ballet, and live theatre. In the past, cultural achievements had generally been financed and viewed only by wealthy and politically important patrons. With the advent of movies, radio, TV, records, the internet, and related forms of media that make cultural activities more accessible to the people, it is probable that more individuals and a greater proportion of the population now have been exposed to cultural endeavors than had been the case in the past, having a greater influence.

XII Other Problems with Capitalism

Financial market failures and collapses have been given much attention, particularly in recent years, as have the role of inflation and cyclical downturns.⁵⁴ The decentralized market has been considered inefficient relative to a centrally imposed decision-making economy, a

proposition that seems somewhat overstated, given the difficulties experienced by recent centrally-organized economies. And while attention has been given to instability in the market system, studies of centrally planned economies have revealed similar types of cyclical difficulties in economic performance. Large economies, whatever the basic economic system, appear to have similar varieties of difficulties in coordination. These difficulties are often found in the organization and operation of large factories and other business establishments even without private ownership. The past difficulties of non-capitalist societies, such as the USSR and the nations of Eastern Europe, indicate that some similar economic problems exist in other types of economies, whose record of growth and distribution have not been superior to those of capitalist nations.

Another critique of modern capitalism is that the nature of the political power shift that comes with the development of a wealthy elite under capitalism that effectively reduces the political influence of the lower classes. The nature of this comparison is unclear, since the rise of capitalism was associated with an increase in the shares of population voting and a marked level of benefits for lower classes. Some of these have no doubt been initiated by the elites for their political reasons, but these have continued for long periods. While wealth may give disproportionate political influence, the ability of a larger proportion of the population to vote might have some offsetting impact in equalizing political decision-making power. Most non-capitalist political systems have had a more restricted ruling elite, with limited provision for the turnover of leadership.

XIII. Concluding Remarks

Dissatisfaction with capitalism and its outcomes has had a long and vigorous history, as had its advocacy. In some measure this has to do with the very broad nature of the issues

relating to capitalism which are considered, and the many different aspects of economic, social, and political concern that are being evaluated. Thus these long-standing debates will no doubt continue into the future, as seen in the 2011 emergence of the seemingly short-lived "Occupy Movement," a movement whose concerns ranged from the forgiveness of student loans to the size of CEO salaries, but as often has been the case, there seemed to be no systematic policy advocated to replace capitalism by any alternative system. Rather, it was seemingly concerned with handling the specific complaints raised, some of which have been handled within the basic framework of capitalism. What seemed at issue were what some may consider to be marginal changes within the basic structure of what would still be considered a capitalist society. Similarly the expanding role of the state in capitalism argues for the continued development of state-owned and operated industries within a basically free enterprise society.

The current discussions of the role of capitalism have become rather murky. With the demise of communism there seems no basic alternative to the basically free consumer choice society, a system consistent with quite different degrees of state control, religious restrictions, and levels of the distribution of income and wealth. While there are obviously no completely laissez-faire economies, the role of free-market and consumer choice has spread to many nations, and the role of the broader political freedom that seems to come with economic freedom has become somewhat of a world-wide phenomena. A wide range of policies and beliefs are now considered consistent with some form of capitalism, generally with the presence of some qualifying adjective. The system, as well as the term, has shown remarkable adaptability. While no doubt not quite the form of capitalism some believe was advocated by Adam Smith, the major feature of modern capitalism resembles neither 19th century capitalism nor today's non-capitalist systems.

Endnotes

¹ Mises, 15-21, Schumpeter (1950, 143-155).

² See E. Weber and Cohen, on Italy.

³ See the recent discussion of the role of religion by Fogel. There are important arguments of the role of religion in the onset of capitalism, be it Protestantism (Weber) or Judaism (Sombart). For a discussion of the debates on the role of religion in the emergence and development of capitalism by Simmel, Weber, and Sombart, see Muller (45-61). See M. Weber (1968, Ch. XV), on the role of Judaism and Christianity. Weber also pointed to the institutions of Asian religions in promoting (or rather not promoting) growth. After centuries of arguments that Confucian belief was inconsistent with Chinese economic growth, in recent years that argument has been reversed. For an argument that, contrary to earlier opinions, Islam is consistent with capitalism, see Rodinson who argues that Islam does not have the effect of retarding capitalism, and that both Islam and Western religions have been consistent with capitalism.

⁴ This is a point stressed, strongly and influentially, by Marx and Engels (1848, 219-122), among others.

⁵ Nevertheless, according to Crouzet, the major wealthholders in nineteenth century England were still the landed classes. See also Rubinstein.

⁶ Kuznets, (1955), although some have questioned whether this curve would apply to other of growth. See Picketty (2013). Plato (214-215) argued that “extreme poverty and wealth must not be allowed to arise in any section of the citizen-body, because both lead to disaster.” Anticipating some recent discussions, Plato prescribed an acceptable ratio of the lower limit of poverty to a maximum holding, and argues that if anyone exceeds this amount “he should hand

over the surplus to the state and its patron deities, thereby escaping punishment and getting a good name for himself.” Polybuis (235-238) writing in the second century, argued that too great inequality would lead to “mob-rule” and the destruction of society. John Stuart Mill and Alfred Marshall were particularly concerned with the effects of inheritance. Mill’s proposal was to let the deceased pass on their wealth as a whole, but to limit the size of any individual inheritance to only enough to provide a comfortable independence, the rest to go to objects of public usefulness or spent among a larger number of individuals.

⁷ See Engerman and Sokoloff for a comparison of South America, where the initial elites were able to maintain power for several centuries, with Canada and the United States where conditions favored the non-elite and there was a rather early shift to politically benefit the non-elite. This meant long-term differences in income levels and the provision of public goods, such as education and internal improvements. For a related argument see Acemoglu, et al.

⁸ Marx and Engels, (1848, 224). See also Marx (405-556). See, however, Weber on the “democratization of luxury,” (1961, 134) due to the ruler’s need to maintain a military presence and also to the role of changes in relative prices of consumer goods. Marshall (577) points out that “there is hardly a single article among those reckoned most indispensable to existence, or a single improvement of any sort, which has not been denounced at its introduction as a useless superfluity, or as being in some way injurious.”

⁹ One of the presumed difficulties of capitalism results from its ability to generate increased population, due to increases in fertility and decreases in mortality. This leads to problems of overpopulation and declining per capita income, with a self-generated limitation to economic growth. Presumably early societies had similar problems of overpopulation, though at a lower level and for more limited periods of time, given the limited amount of economic

resources. The major difference, which can be regarded as either good or bad, is that the level of population will be higher under capitalism and that it will take a longer time for society to reach the point of population decline.

While, in the Malthusian world, the presence of positive shocks to increase output will lead to a return to the equilibrium subsistence of income, there is a period during which the per capita income will be above subsistence for some indeterminate time. This, of course, is the argument underlying the claims in *The Limits to Growth*, in which the present generations benefit from conditions leading the economy back to an equilibrium level, and ultimately to economic decline, due to overpopulation, pollution, or reduced labor scarcity. A recent defender of the *Limits* points out that the time horizon for the collapse was estimated by its authors to come "sometime during the second decade of the twenty-first century, or, perhaps, not even in the twenty-first century (See Bardi, 1-3, 12).

There are two ways to look at the changes in the standard of living. One is to examine the changing ownership of various consumer goods and other assets over time. See, for example, Lebergott's (1993) study of the U.S. in the twentieth century. The number of households owning TV's rose from 9 percent in 1950 to 93 percent in 1987 and to over 96 percent in 2000. In 2000 over 90 percent of the households owned at least one automobile compared with 2 percent in 1910 and 87 percent in 1989. The spread of education and suffrage in capitalist societies in the nineteenth and twentieth centuries is documented in Engerman and Sokoloff. The improvements in life expectation and the decline in infant mortality have effected most levels of income.

¹⁰ See Malthus, Marx, and Mill (I, 334-40); Marshall and Marshall (144-145) and Hansen. See also Marx and Engels on the shift from capitalism to socialism.

¹¹ Mill (II, 336) comments that the stationary state “would be, on the whole a very considerable improvement on our present condition.” There would be room “for all kinds of mental culture, and moral and social progress; and much room for improving the Art of Living.” Mill believed that “the northern and middle states of America are a specimen of this stage of civilization in very favorable circumstances,” no doubt still a contentious claim.

¹² Weber relates the increase in free consumer choice to the needs of the military state to obtain cooperation from the general members of the population by “the democratization of luxuries.” Others relate the development of mass markets to declining costs of consumer goods, due to improved productivity and lower raw material costs, making them more accessible to the lower-income population.

¹³ See Engerman and Sokoloff. For a related argument see Acemoglu, et al.

¹⁴ These arguments were made by economists in two of the relative latecomers to industrial growth, the United States and Germany, both of which were basically high tariff countries. See Chang for an argument that early developed nations had utilized economic policies when growing that they would deny to later developers.

¹⁵ See Musgrave for a discussion of the government role in taxes and expenditures.

¹⁶ While many focus on the distribution of the tax burden, differential patterns of expenditure will also have a great influence on the nature of redistribution.

¹⁷ Robbins (192).

¹⁸ Hacker in Hayek (73-74) also points out “that in the 1830’s and 1840’s so many of the remnants of the old system were swept out, as the industrialists increasingly made their power felt.”

¹⁹ Smith (431), although he does not quantify the nature of the trade-off.

²⁰ For a summary of the range of government expenditure and revenue data for today's major countries, many considered capitalist, in the late nineteenth and the twentieth century, see Tanzi (9-10).

²¹ Marshall (600).

²² See, in particular, Engels (9-26, 30-87, 108-149, 150-240, 312) and Marx and Engels (1849, 219-33). See Ashton (in Hayek, 33-63); George (18, 63-107) in the discussion of London housing; and Macaulay's response to Southey. See also Hartwell (1959). For a detailed analysis of long-term trends in income distribution in the U.S., see Williamson and Lindert. For a series of essays on the general history of capitalism, see Neal and Williamson.

²³ See Weber (1961, 207-209, 261).

²⁴ See Burbank and Cooper (4, 93-115, 446).

²⁵ Burbank and Cooper (4, 18, 21, 42, 444); Schumpeter (1951); Hirschman.

²⁶ Davis and Huttenback. See also Lebergott (1980). A similar point was made by Karl Marx (40-41) in his discussion of British imperialism in India:

Now, sickening as it must be to human feeling to witness those myriads of industrious patriarchal and inoffensive social organizations disorganized and dissolved into their units, thrown into a sea of woes, and their individual members losing at the same time their ancient form of civilization and their hereditary means of subsistence, we must not forget that these idyllic village communities, inoffensive though they may appear, had always been the solid foundation of Oriental despotism, that they restrained the human mind within the smallest possible compass, making it the unresisting tool of superstition, enslaving it beneath traditional rules, depriving it of all grandeur and historical

energies. We must not forget the barbarian egotism which, concentrating on some miserable patch of land, had quietly witnessed the ruin of empires, the perpetration of unspeakable cruelties, the massacre of the population of large towns, with no other consideration bestowed upon them than on natural events, itself the helpless prey of any aggressor who deigned to notice it at all. We must not forget that this undignified, stagnatory, and vegetative life, that this passive sort of existence evoked on the other part, in contradistinction, wild, aimless, unbounded forces of destruction, and rendered murder itself a religious rite in Hindustan. We must not forget that these little communities were contaminated by distinctions of caste and by slavery, that they subjugated man to external circumstances instead of elevating man to be the sovereign of circumstances, that they transformed a self-developing social state into never changing natural destiny, and thus brought about a brutalizing worship of nature, exhibiting its degradation in the fact that man, the sovereign of nature, fell down on his knees in adoration of Hanuman, the monkey, and Sabbala, the cow.

England, it is true, in causing a social revolution in Hindustan, was actuated only by the vilest interests, and was stupid in her manner of enforcing them. But that is not the question. The question is, can mankind fulfill its destiny without a fundamental revolution in the social state of Asia? If not, whatever may have been the crimes of England she was the unconscious tool of history in bringing about that revolution.

²⁷ For the transatlantic slave trade, see Eltis and Richardson. For European war deaths, see Wright.

²⁸ On wars, see Wright, who argues that the post-1860 years saw a decline in the number of wars from earlier periods. Hirschman (132-135) notes that a key earlier argument in favor of capitalism was as a substitute for the destructive forces created by military activities. Hirschman also repeats Schumpeter's arguments from his essay on *Imperialism* that it was the survival of pre-capitalist mentality that explained imperial ambitions as well as the "warlike spirit". In an introduction to an edited volume on European warfare from c. 1280 to c. 1780, Contamine (1), points out that "it would probably be difficult to find a single year . . . wholly without war or without an open demonstration of hostility in one corner of the continent or another, or indeed outside it." Parker, 118, distinguishes between wars to enslave enemies which characterized the non-European world, and the absence of a desire for warfare to acquire slaves among Europeans in the 17th and 18th centuries. The frequency of wars and of high military mortality for northwestern Europeans at the time when their armies could not enslave citizens of other nations was roughly comparable to those of the non-European world. For a detailed collection of data relating to long-term trends in deaths in military actions and homicides, see Pinker. See also, Keeley and Wright on wars and war deaths in native-American and European societies.

²⁹ See the discussion in Engerman (2004).

³⁰ For a discussion of early famines, see Ó Gráda (25-39, 92-93). See also Wolford. On the decline in population in the Americas with the arrival of Europeans, see Livi-Bacci.

³¹ This point was made by both Mill and Marshall. Mill commented that "we may observe, however, that rich and refined countries can ever be secure against the devastation of famines," while Marshall (1891) stated that "In all ages of the world except the present, want of food has caused wholesale destruction of the people. . . . But gradually the effects of increased wealth and improved means of communication are making themselves felt nearly all over the

world; the severity of famine is mitigated even in such a country as India; and they are unknown in Europe and the New World.”

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circumstances instead of elevating man to be the sovereign of circumstances, that they transformed a self-developing social state into never changing natural destiny, and thus brought about a brutalizing worship of nature, exhibiting its degradation in the fact that man, the sovereign of nature, fell down on his knees in adoration of Hanuman, the monkey, and Sabbala, the cow.

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³² See Imlah. See also Gemery, Hogendorn, and Johnson.

³³ See the *Oxford English Dictionary*. The term capitalist, however, was utilized earlier. See the discussion in Pryor (7-10, App 2-1), and the earlier work by Pryor on the nature of capitalism.

³⁴ See the discussion in Cardoso on the role of Smith and other classical economists.

³⁵ There were arguments made about the projected ending of the system of southern slavery, based on the declining land-labor ratio. These were also applied to the northern system of agriculture. See Fox-Genovese and Genovese. The belief in what has been called the Domar-Nieboer argument was the standard nineteenth century model used to explain economic change in the contemporary world.

³⁶ See William Stanley Jevons (ix, 215, 316, 349), a prediction echoed several years later by his son, H. Stanley Jevons, with a different time horizon. For a more recent defense of

Jevons, see Bardi (64-65). He dates the first geological argument for the finite nature of fossil fuel, to John Williams in 1789. It is argued by Bardi (13), that the *Limits* was a warning to be acted on not a prediction. A recent book by Kolbert, has described to probability of the sixth large-scale extinction, the first due to the faulty human behavior. The previous five, over a period of about 450 million years, had apparently occurred before the arrival of humankind, let alone capitalism. This does not, of course, mean that the threatened reoccurrence will not take place, but it again points to some complexity in blaming contemporary society for all the world's evils. In the seventeenth century British economic growth was expected to decline due to the shortage of lumber used for construction, heating, and ship-building. See Flinn, Hammersley. This timber shortage was overcome by imports of timber from Sweden and the British North American colonies.

³⁷ The classic starting point here is, of course, Smith. A major source of anti-capitalistic rhetoric in the first part of the nineteenth century was found among U.S. Southern slaveholders and British slaveholders and British pro-slavery advocates. The defense of slavery compared important aspects of the treatment of individuals and the social and economic behavior in slave societies in contrast with so-called "free labor" societies. See the works of Fox-Genovese and Genovese, particularly (2005, 2008, 2011). Frequent mention was made in these arguments of the better long-term care and provisioning of slaves than of the free workers. These points were also made by the members of the British and American working classes.

³⁸ See Hume, who commented that "necessity, hunger, want, stimulate the strong and courageous. Fear, anxiety, terror, agitate the weak and infirm."

³⁹ See Drescher.

⁴⁰ Schumpeter (1950, 61-71). Rosenberg states that Schumpeter believed that while innovation may create monopolies these will, by the dynamics of capitalism, be “only temporary” due to the “incentive mechanisms of capitalism.”

⁴¹ Hayek. See Hartwell, 1995.

⁴² See Friedman; Friedman and Friedman. A somewhat more outspoken and popular advocacy of capitalism can be found in Ayn Rand, et al. which includes two short essays by Alan Greenspan, later chairman of the Federal Reserve Board. There seemed, however, little apparent relation of Greenspan’s monetary policy and his Objectivists beliefs.

⁴³ Backhouse and Bateman.

⁴⁴ Increased leisure has been a major benefit of economic growth that is not usually considered part of the customary GNP measures. It has been achieved by reductions in hours worked per day, in days worked per week, weeks worked per year, and years worked per lifetime. In addition, there have been changes in the nature of work routines reducing the actual time at work and the intensity of work. Laborers now enter the labor force at older ages, which permits longer time for education, and they also retire and leave the labor force earlier. This means that much of potential increases in consumption is taken in the form of non-working rather than in more goods and services, and also that it is probable that all levels of income have received benefits.

⁴⁵ As Rosen (28) pointed out: “Markets value diversity. Individuals, using their respective talents and different preferences, respond to these valuations and create important induced differentiation in consumption patterns, earnings, and occupational choices.”

⁴⁶ For the argument that the money economy (capitalism) will increase “individual liberty,” see Simmel (283-354). On the civilizing effect of capitalism, see also Hirschman. For a differing view, see Engels (31, 81-85, 236).

⁴⁷ An argument is often made that the search for economic progress should cease, since further progress cannot lead to any increase in human happiness. The argument about limiting progress is often supported by showing that this belief has had numerous adherents over time and place. It is not obvious, however, at what point in time progress should have been halted, since changes in the type of goods and of health institutions during the time since this argument was first made

⁴⁸ Boyer. See also Engerman (1984) and Pryor.

⁴⁹ See the German and English Historical School as described in Schumpeter (1950, 3807-24; Hayek (1954), 22-25; Ashton, 59-63; and Gide and Rist,

⁵⁰ Toynbee; see also Gide and Rist,

⁵¹ Polanyi, (3, 130) also drew upon in an earlier critic of capitalism, Robert Owen, claiming that “Robert Owen’s was an insight; market economy if left to evolve according to its own laws would create great and permanent evils.” For a quite different discussion of the twentieth century, see Williamson (1998).

⁵² Among the aspects of Smithian economics criticized by Polanyi is the belief in, and acceptance of, the consumer’s rationally seeking to maximize consumption. To Polanyi this belief was not inevitable, and society would do better by seeking a different set of influences, such as altruism, communalism, or a limited desire for goods influencing individual utilities. Polanyi’s argument that African societies were characterized by non-market transactions has

been disputed by many scholars who point to the frequent fluctuations in slave prices and the basically rising trends in prices paid by Europeans to Africans to acquire slaves.

⁵³ Bell and Appleby (423) point to three types of criticisms of capitalism—those purely about what is regarded as the vulgarity and ugliness of the pursuit of property, those opposed to globalization, and those who believe that capitalism has no sensitivity to its misery and injustice. In general, however, Appleby is more favorable to the accomplishments of capitalism than are many other of its critics. See also Wood. Ludwig von Mises points to a number of noneconomic objections that have been made to capitalism but finds them all somewhat doubtful, 73-105.

⁵⁴ There had been, for example, long-term sustained inflations in Europe in the period 1180-1320, and the price revolution of 1520-1640 as well as several in the ancient world, including in Greek times after the conquest of Persia and in the Roman Empire under Diocletian, who introduced an edict in 301 to limit price increases (See Schwartz 1973, 243-269; Temin, 2013, 77-79). Bubbles and financial collapses also have a long history. This can be seen at or near the onset of capitalism in England with the South Sea Bubble. This was described by the pamphleteer Cato (1969) as causing severe losses to individuals and the state, and they had all rights to be vengeful toward the directors and certainly were not to attempt to bale them out. When asked what to do he stated “hang them”—and “hanged speedily.”

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