

## Value and Virtue in America

by Frank Pagano

We were all ranked together at valuation. Men and women, old and young, married and single, were ranked with horses, sheep, and swine. There were horses and men, cattle and women, pigs and children, all holding the same rank in the scale of being, and all were subjected to the same narrow examination.

Frederick Douglass<sup>1</sup>

### Part one: the crisis of capitalism

Economics, as the most precise of the social sciences, has served American liberal democracy well. Without reference to moral judgment or moral shame, it has quantified the democratic aims of prosperity and equality, and informed the political powers which policies to pursue to achieve these ends. Economics seems to be an honest broker and the one study necessary for the people and rulers of a liberal democracy. Its trustworthiness stems from its development and reliance upon the notion of “value”. Jerry Z. Muller in “Capitalism and Inequality”<sup>2</sup> exemplifies this honesty. He is an economist and historian who, although a proponent of capitalism, nevertheless reveals its inability to address the crisis of the moment. This crisis he describes as the rising economic inequality in American society, and this paper shall characterize it as the devaluation of value. This characterization is not a mere paradox because the term is used equivocally even by economists. I argue that sometimes it means the exchange value of the commodities bought and sold in the marketplace,<sup>3</sup> and other times it refers to the good that draws the buyer into the market, what Karl Marx calls the use-value of a thing.

---

<sup>1</sup> Douglass, Frederick. *Narrative of the life of Frederick Douglass*. New Haven, 2001. 38.

<sup>2</sup> Muller, Jerry. “Capitalism and Inequality” in *Foreign Affairs*. March/April 2013. 30-51.

<sup>3</sup> Cf. Kerr, William. “Theories of Economic Value.” A lecture. Summer 2013.

To speak of the pursuit of value as though it were the highest good of America is to propagate obscurity.<sup>4</sup> Value was developed to avoid the question of the highest good of a people or individual. It transforms goods into marketplace commodities with values. This is exactly the advantage of economics: it makes determinations of value without reference to the rank of goods. Economics is a social science that is most accurate for capitalist nations willing to allow value to stand in the place of a hierarchy of goods. Economic solutions work well in confident modern societies. Muller argues that the growth of economic inequality threatens American confidence in the capitalist system (30). This paper argues that what is happening currently is a broad discrediting of the use by the capitalist system of value for ranking people and their work.

Inherent to the capitalist system, Muller observes, is the “creative destruction” that alters the activities that are most valued with the familiar result that in a capitalist economy certain jobs, indeed whole professions, become obsolete (36). In the earlier crises of capitalism people were able to make both economic and social adjustments to the destruction. For example, in the greatest previous capitalist crisis, industrialization, when the population moved from the farm to the factory, at first women and children were used in the factories, but in the end the greater physical strength of the men proved to be more valuable to the factory owners (34). Women adjusted socially and became homemakers to the advantage, Muller notes, of the health and welfare of the entire family. The children especially profited from the breadwinner-homemaker household.

---

<sup>4</sup> The accusation against America starting early in the 19<sup>th</sup> century was that it was in effect nihilistic. For example in *The Charterhouse of Parma*, Stendhal has the Duchess Sanseverina explain to the protagonist, her nephew, Fabrizio who considers fleeing to America rather than to become a priest: “‘Believe me, for you as for me, an American life would be a sad business.’ She explained to him the cult of the god dollar, and the respect that must be paid to merchants and artisans in the street, who by their votes determine everything. They returned to the question of the Church.” Stendhal. *The Charterhouse of Parma*. Trans. Richard Howard. New York. 1999. 117

Yet social adjustment to the current crisis of capitalism, Muller maintains, is highly unlikely. The post-industrial economy no longer values physical strength and the capacity to labor but instead it values first “cognitive ability: quickness of mind, the ability to infer and apply patterns drawn from experience and the ability to deal with mental complexity...[second] character and social skills: self-discipline, persistence, responsibility...and ...third...actual knowledge” (40). The new valuable skills are so little like the old skills of labor that the new skills have been placed on the capital side of the labor-capital division. These abilities do not operate like human labor but like capital. They are “human capital.” Muller therefore sketches not merely a change in the economy but in the virtue that makes humans worthwhile. The worker and his labor are no longer valuable but the thinker and his knowledge are. It is no longer labor that spontaneously produces value but self-investment or family investment in the mind of the person “working” in the economy. Value is not correlated to the effort of the individual but to the social investment in her for which she is probably not responsible.

Therefore the traditional means, equality of opportunity, that reconciled the twin roots of liberal democracy, freedom and equality, has failed in the current economy. Equality of opportunity is now socially an empty term. It is not sufficient to provide equality of opportunity because the unequal social investment in children means that there is no equality in the capacity of the young to take advantage of the opportunities offered (45). Although equality of opportunity always meant that some people would do better than others and therefore it always resulted in inequality, it did allow some just proportion between the free pursuit of opportunity and the resulting improvement in the social condition of the worker and his family. If there was no equality of result, at least there was progress toward a better life. Because the family is the “workshop in which human capital is produced” (33), the incentives of the economy cannot now

advance those who are born in disadvantaged families. There is no economic policy that can redress the current growing inequality.

The odd fact is that a significant portion of the American population is rejecting the formation of human capital in their children. Rather than emulate those people who have successfully invested in their children, they are choosing behavior that, studies show, obstructs the development of human capital. They are rejecting stable two parent families for single parent families as though building human capital appears to them as irrational. They do not accept that what is humanly rational, the pursuit of happiness, is equivalent to what is economically rational, the pursuit of value. Muller acknowledges that “communal groupings” as well as the family largely determine the economic success of its members. He refers to *The Protestant Ethic and the Spirit of Capitalism*, a study by the sociologist Max Weber that makes the case for why “Protestants tended to do better economically than Catholics, and Calvinists better than Lutherans” (45). Muller asserts that “the explanations offered for such patterns are less important than the fact differential group performance has been a perennial feature in the history of capitalism” (46). This may be true from the perspective of economic analysis. It is not true if there is a social trend away from accepting value, which usually reduces a good to a marketplace relationship, as the sign of a rational life. In fact the dismissal of the investigation into the moral roots of American problems indicates that value has been transformed from a sign into a self-sufficient standard for human life. America is beset by two opposite trends, one that dismisses value as an indicator of a rational life and the other that identifies rational good with value itself. It is a common myth that capitalism developed from a people that identified value and good as the same attribute. Propagation of this myth is part of the devaluation of value as a legitimate sign of a rational life. In fact the accumulation of capital is not always a rational pursuit.

Consequently it is of the utmost importance to know how economic value was originally understood so that it became a widespread sign for a rational life. This renewed understanding will help return capitalism to its original grounding in freedom.

There are two traditional and alternative justifications for regarding value as a reflection of the rational good. The first is philosophical and linked directly to justice. It is formulated as the labor theory of value, first set out, I believe, by John Locke. He explicitly links labor to property rights.

27. Though the earth and all inferior creatures be common to all men, yet every man has a property in his own person; this nobody has any right to but himself. The labor of his body and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature has provided and left it in, he has mixed his labor with, and joined to it something that is his own, and thereby makes it his properly. It being by him removed from the common state nature has placed it in, it has by this labor something annexed to it that excludes the common right of other men. For this labor being the unquestionable property of the laborer, no man but he can have a right to what that is once joined to, at least where there is enough and as good left in common for others.<sup>5</sup>

Later in the argument Locke connects labor to value: “It is labor, then, which puts the greatest part of value upon land, without which it would scarcely be worth anything; it is to that we owe the greatest part of all its useful products” (43:26). But this is not Locke’s final word on the source of value. Money revolutionizes the notion of value. Indeed money rather than labor becomes the chief source of value in the social world humans inhabit.

For, I ask, what would a man value ten thousand or a hundred thousand acres of excellent land, ready cultivated and well stocked, too, with cattle, in the middle of inland parts of America where he had no hopes of commerce with other parts of the world to draw money to him by the sale of the product? It would not be worth the enclosing, and we should see him give up again to the wild common of nature whatever was more than would supply the conveniences of life to be had there for him and his family (48:29).

---

<sup>5</sup> Locke, John. *The Second Treatise of Government*. Indianapolis, 1952. 27:17.

The value associated with money is not directly connected to labor or to natural right. Indeed there are not as many good things left to others, as required by right in nature, after the effects of money are felt, but rather each individual attempts to accumulate more than he can use for himself. Regardless of what others have, money can create an artificial scarcity that allows the notion of value to devalue labor, and, since labor value is connected to right, the devaluation of labor devalues right and justice. From the perspective of labor, money is an artifice of the mind that might break the connection between value and labor, between value and right and justice. For the laborer allowing capital to establish the value of things is only justified if it provides plenty. And even plenty is not good enough. Capitalism must make labor more valuable than it is in nature if it is to retain its connection to right. Thus labor rightly relinquishes its direct link to value (serving as the original source of value) only if as a result labor becomes more valuable. Property consequent upon labor is naturally right; property consequent upon the manipulation of money is artificially right. This economic artifice is only truly right if it affirms labor as the natural and true source of all value.

The second justification of value, which is sometimes in tension with the first, appears in the work to which Muller refers when he claims that differential group achievement in capitalism is longstanding—Max Weber’s *The Protestant Ethic and the “Spirit” of Capitalism*. It provides a theological justification linked to enlightenment. Weber argues that the Protestant notion of a “calling,” heightened in Calvinism by the doctrine of election by grace,<sup>6</sup> generated the conditions for capitalism. The loneliness of election demanded some support for the conviction that the individual belongs to the elect. Weber explains:

Totally unsuited though good works are to serve as a means of attaining salvation...they are indispensable as *signs* of election. In this sense they are occasionally described as “indispensable for salvation”...This means, however,

---

<sup>6</sup> Weber, Max. *The Protestant Ethic and the “Spirit of Capitalism*. New York, 2002. 28-36.

fundamentally, that God helps those who help themselves, in other words, the Calvinist *creates* his salvation *himself*...more correctly: creates the *certainty* of salvation. It further means that what he creates *cannot* consist, as in Catholicism, in a gradual storing up of meritorious individual achievements; instead, it consists in a form of *systematic self-examination* which is *constantly* faced with the question: elect or reprobate? (79)

Systematic self-examination demands a rational system of signs that indicate that an individual has been chosen to be among the elect. For the greater glory of God, the work of the faithful should result in a rational system of signs. This is not synonymous with a rational secular world, although it might increase God's glory if the work of the faithful results in a greater rationality of the world. Moreover it is significant that wealth is not good in itself but good only as a sign. It is an intellectual good in some sense more than it is a material good. In the Protestant view, value is a means to a kind of self-knowledge.

It is clear that the seeking of signs to be assured of election is compatible with regarding value as a conventional token of the highest good. The market gives signs of what is valuable more or less, and the individual is free to follow the market or to ignore it. For these Protestants wealth is not good in itself but good only insofar as it can be used as evidence for the rationality of one's own work and used in one's work to rationalize the world. The chief point of this discussion is that the religious virtues of piety and faith are compatible with the accumulation of capital. In the Protestant doctrines work and the accumulation of capital serve rational reflection. Capital is regarded by the Protestants as much the result of a kind of thinking as a kind of labor. The accumulation of capital is not a consequence of good works but of *systematic* good works. The faithful are already convinced of God's providence. The systematic work of the faithful is an attempt to be certain that God has extended his highest providence, salvation, to a particular member of the congregation. Capital is for these Protestants a means to reflect on God's providence in relation to the individual. Work is subordinate to reflection upon God's

providence. Work is not related to justice. Value is not a token for a just distribution according to desert. The rise of inequality is therefore not an objection to the rationality of the Calvinist economy.

Weber begins his examination of the Protestant ethic with a “sermon” by Benjamin Franklin<sup>7</sup>. Franklin’s thought secularizes Protestantism. The virtues connected to Calvinism and those required for the enlightenment Franklin proposes, however, are similar. Both have confidence in a rational providence and advocate a kind of asceticism, study and work. The emphasis in both Calvin and Franklin is on self-worth. For Calvinism this worth resides in election, and for the faith in human enlightenment, it arises from a conviction in the moral agency of the individual. Francis Bacon, one of the originators of the enlightenment, names the virtue of “self-reverence”<sup>8</sup> as the source of all virtue. Insofar as value stands as a sign for enlightenment as the rational human good, it is connected to self-reverence, which is in turn based on the conviction that enlightened people may be free. It requires a faith in the human capacity to learn how to make rational judgments and to act on these judgments. For the free individual, rationality is compelling because it increases her self-worth. Capitalism in this view is radically dependent upon the incomparable worth of free individuals.

Taken in its broadest terms then, the same system of capitalism might seem rational or irrational depending upon which virtue connected to which good that value is a token for. From the perspective of justice, the value of the industrial economy of post-world war two America was a proper standard for a just society. Labor was rewarded. Physical effort was connected to the value of things and by extension accumulating value was proportionate to the worth of the individual engaged in labor. Time spent laboring was time well spent. By contrast if justice must

---

<sup>7</sup> Weber begins his consideration of Protestantism and capitalism by examining Franklin’s advice for living. Weber wants to understand how the justification for capitalism evolved from Calvin to Franklin. (11-14)

<sup>8</sup> Bacon, Francis. *The Advancement of Learning and New Atlantis*. Oxford, 1974. 236.



be connected to a rational economy, the present system and therefore the present manifestation of value are irrational. Consider the enormous effort that a family must make to accumulate human capital in their children. Twenty years of laboring by parents and child to result in a person with enough capital to participate in the current economy. And for disadvantaged families, the result of these labors is probably inadequate. Labor and justice are demeaned. This prolonged asceticism is at odds with the schema of rewards apparent at the peak of capitalism in the world of high finance. Muller observes: “The structure of incentives in this environment led fund managers to try to maximize short-term returns, and this pressure trickled down to corporate executives. The shrunken time horizon created a temptation to boost immediate profits at the expense of longer-term investments, whether in research and development or in improving the skills of the company’s work force” (43). There is no just proportion between labor and reward. The manipulators of capital enjoy quick and gigantic rewards; many of the investors in humans distant and little rewards.

From another perspective, however, contemporary capitalism has entered into an era of increased rationalism. If we adopt the view of secularized Protestantism, the view of Benjamin Franklin, for example, then the contemporary arrangement values the development of the mind over immediate material gratifications. Value in this case is a sign of the cultivation of the mind.<sup>9</sup> It is not the good in itself. Like the early Protestants, successful capitalists spend their youth developing their capacity to think and evaluate the world. The disproportionality of time spent investing in human capital as opposed to the investment of moneyed capital is a further sign that systematic human development is worth more than financial rewards. The time is disproportionate because the investment in humans requires a faith in human development akin to the old faith in God’s providence. Christians are patient because their standard for time is

---

<sup>9</sup> Muller acknowledges the part that capitalism has played in human self-cultivation (32).

eternity; the middle class is patient because their standard for time is a lifetime. The new middle class are not seeking justice but a confirmation of their enlightenment.

Value is merely a sign of what the society holds as worthwhile. It is accurate to characterize the contemporary situation as the devaluing of value because it is clear that significant portions of American society no longer believe that value is a reliable sign of individual worth. For those who have dropped out of the economy, the disadvantaged, value is not an indicator of personal worth but a sign of the injustice of the current economy. These people, Muller worries, may generate a “populist backlash against the capitalist system at large” (30). By the natural standard of labor value the system is unjust, and some remedy needs to be found. Muller suggests continuing the mixed economy with a capitalist job market and a social safety net for those disadvantaged by that market. Justice must be found elsewhere than in the economic marketplace.

Yet capitalism is in a deeper crisis since a significant portion of the American population, including those who have successfully navigated the system, taking their cues from the managers of money and big business, believes value to be the rational human good. Oswald Spengler argues that at the end of western civilization money dominates because it is a value that appears in disguise as a fact<sup>10</sup>. But a greater crisis of capitalism is coming since value, which is a sign that stands in for the rational good, is believed to be the rational good itself. Human worth then is merely a financial calculation. Economic valuation determines that the disadvantaged are worthless, and the rest of the population are servants to the caprice of value ungrounded in human worth. They are unthinking economic actors benighted by fashion and convention. Capitalism in such an event is merely nihilism that appears in disguise as a rational and

---

<sup>10</sup> Spengler, Oswald. *The Decline of the West*. Trans. Charles Francis Atkinson. New York, 1928. 2:492.

systematic organization of the human world. The destruction of human worth as a real phenomenon will end all possibility of creative human effort.

#### Part two: what is to be done?

The best solution to the crisis in capitalism is one that brings together the two traditional supports of capitalism: the free pursuit of enlightenment and justice. Muller, as noted above, argues that American public policy must pursue these goals independently: the capitalist market for those in pursuit of self-cultivation (enlightenment) and a government safety net to insure justice. Yet this paper has pointed to the fact that his double approach does not address the root of the problem: the discrediting of value. Capitalism demands that humans exercise their capacity to be moral agents and to develop their worth freely. The obvious single way to restore confidence in capitalism is to reconnect it to justice together with enlightenment. For the disadvantaged, this restoration could be achieved directly if skilled labor again were connected to value. It seems that this restoration requires the reindustrialization of America, or at least the active training of the disadvantaged in the skilled labor that is unlikely to vanish. This would seem to be an economic goal the social sciences are well equipped to advance.

Yet even if America is able to return to the supports that natural rights and the labor theory of value first supplied capitalism, in an era of the devaluation of value, it must strengthen the support that enlightenment supplies capitalism. A renewed enlightenment is a more radical demand because it conflicts with the conventional wisdom of the relation of economics to the public good. The new enlightenment requires a critique of capitalism as conventionally practiced. Economic analysis cannot be accepted as trustworthy without an understanding of how economic “prudence” affects the freedoms of the citizenry. American history shows that some Americans knew very well how to produce free humans in the face of the devaluation of value.

For instance there is no greater argument for the sometime viciousness of value than the lines from Frederick Douglass that are at the top of this paper. Value serves the conventions of the society. When the conventions are bad or empty of freedom, value is as well. It might stand in for the rawest injustice as it did in the antebellum south or a crude nihilism as it now threatens to do. Douglass outlines three steps to self-reverence in the face of a valuation serving injustice. He first learned to read and then he used that freedom to read in order to read speeches about freedom and finally he acted upon that knowledge of freedom.<sup>11</sup> Few people have the intelligence and courage of a Frederick Douglass so that he hardly seems to serve as a guide for a general revival of personal worth. Still Frederick Douglass had an advantage over Americans whose prejudices accord with the social conventions that value stands in for. Douglass knew that value in his time served injustice. Americans now lack his moral clarity. Against the common usage, much of this paper has argued that value is no longer connected to justice. In the post industrial economy it is indifferent to justice and to the importance of moral agency altogether.

Douglass also knew that freedom required education. His owner admitted that the most potent means of keeping people in slavery is denying them any education (31-32). In the case of Douglass, rebellion against the unjust society and the pursuit of education were one and the same. Even elementary education was liberal education because it opened up to him a world in which he could live freely, the world of letters. His first assertion of freedom was learning to read. The case of the slaveholder was quite different. He was oppressor and oppressed at once. His conventional education served his prejudices and made him vicious.<sup>12</sup> One of the main arguments of the *Narrative* is that slavery kept the slaveholder ignorant and made him bad. His

---

<sup>11</sup> Douglass rebelled against his owners by learning to read against their hopes. He used this power to read speeches on Irish calls to freedom, and finally he resisted a beating from a slaveholder to whom Douglass was sent to be broken.

<sup>12</sup> See the use that one of Douglass' owners put Christianity (42-45)

apparent virtues were vices. Accordingly the *Narrative* is a work written primarily for the benefit of the slaveholder. He had the opportunity to educate himself liberally, in the first place by reading Douglass' narrative; the slave lacked this opportunity.

Contemporary America seems very far from the situation of antebellum America. If education was then the vehicle of freedom and justice, it now seems to be the means for maintaining economic inequality. Indeed Muller insists that education is not "a panacea" (47). Since achievement gaps "have their origins in the different levels of human capital children possess when they enter school," the problem seems to require "resocializing" whole neighborhoods, and widespread resocializing is unrealistic and too costly. In contrast this paper has developed the argument that the problem of capitalism requires reeducating the nation. The disadvantaged are taking their understanding of capitalism from the apparent irrationality of the relation between the struggle to create human worthiness (called economically "human capital") and the reward for that struggle if the true reward (liberty) is described in terms of value. It is a mistake to judge in terms of value the liberation that real education offers the individual. It is a mistake that almost every American makes. Americans think as though they are economists even when their actions do not involve economic rationality. But it is the virtues linked to freedom that give people their worth. When capitalism acknowledged this truth, it liberated people. When it ignored this truth, it ceased being true capitalism. Yet if ignorance makes people oppressor and oppressed at once, liberal education makes them liberator and liberated at once. All true education is a kind of rebellion, a rebellion against prejudice. Americans need to rebel from the tyranny of value. Value is not always equivalent to justice and it is not necessarily equivalent to enlightenment. It is usually equivalent to conventional "wisdom."

Value is an honest servant only when understood as a sign of the conventional order. In a liberal democracy based on justice and human enlightenment, the conventional order may be approached through value without further elaboration, but when the terms of value change, then the conventional order demands moral analysis, that is, analysis in terms of a community of free agents. The new economic terms, like “human capital,” need restatement in the terms of freedom. If “human capital” stands in for the effects of enlightenment on the economy, then that moral analysis must stand alongside the economic characterization so that the citizenry might know what effect the new term indicates morally. Likewise, as this paper has shown, “creative destruction” is not merely the replacement of one means of production for another. It also implies the replacement of one human virtue for another, or it may mean the replacement of a virtue by a vice. Indeed creative destruction might stand in for the general enslavement and debasement of the population, the end wrought by the “creative destruction” following the invention of the cotton gin.

Capitalism in the current era needs the support of liberal education. Capitalism is dynamic, and therefore the threats to Americans as free agents are in flux. Since value reflects thoughtless human choices, thoughtless with respect to their effects on freedom, the need for liberal education is constant and unrelenting. It is their prejudices that people value, and they need to confront them rather than to disguise them as value. How will this liberal education help the disadvantaged who, according to economic analysis, are not able to take advantage of it? When the terms of the problem are changed, the terms of the solution may also change. The problem is a matter of self-worth in an economic order that does not supply the means to gaining this self-worth. Does the social safety net address this problem? Does American society present the problem to the disadvantaged in its true terms so that they can help address it themselves?

Merely providing a safety net does not acknowledge that the disadvantaged have the capacity for moral agency. The pressing problem is how to devise a public policy, and to articulate the justification of this policy, that supposes that Americans have the capacity and desire for freedom. Obviously policy makers and teachers should have a liberal education so that they can see the social problem for what it is. In the end citizenship, so long as the people is sovereign, requires liberal education so that the citizens can interpret economic prescriptions for what they are.

Capitalism needs liberal education because the spirit of capitalism is a consequence of the enlightenment of the free human. Capitalism can only be free activity if there are free enlightened individuals. The free individual knows that he should not be a slave to prejudice and that she should learn the arguments of her opponents. Many contemporary American prejudices are phrased in economic terms that give to prejudice the disguise of science. To listen only to what one already believes is the surest way to be a slave to prejudice. Enlightened humans study the human world, those parts that are familiar and those that are strange, those that are current and those that are bygone. They study both value and virtue and their relationship to each other and listen to arguments that maintain and those that deny that value is liberating. They seek the origins of America's freedom in order to renew it.

This call to liberal education may seem to be misplaced 17<sup>th</sup> century Protestantism. Yet the virtues that created capitalism did not arise out of capitalism. They created capitalism only as a social sign of enlightenment and justice. Enlightened capitalism is a sign of the moral agency of human freedom. Weber notes that Benjamin Franklin gave his capitalist sermon to people in America whose economy was at most only half capitalist. Yet this sermon helped to produce the most advanced capitalist nation. Economic progress in a capitalist nation rests upon the enduring

freedom of individuals. For this freedom to persist the individuals of a nation must be enlightened. It is a sign of the depth of the current crisis in capitalism that much of the discussion of liberal education is that it is not now truly valuable. It is upside down thinking to judge liberal education in terms of its economic value. In fact liberal education produced economic value. Economic value should be judged in terms of moral freedom. By its own terms capitalism is endangered. Ignorant capitalism threatens the freedom implicit in capitalism; liberal education can lift the ignorance and preserve the freedom. Still no one knows how long the school of freedom will remain open. No one knows how long capitalism will survive.