

**Jakub Bożydar Wiśniewski**

ORCID: 0000-0003-4126-1867

Uniwersytet Wrocławski

[jakub.wisniewski@uwr.edu.pl](mailto:jakub.wisniewski@uwr.edu.pl)

# The ethical structure of production

Date of submission: 12.02.2022; date of acceptance: 23.04.2022

JEL classification: A13, O17, Z10, Z12

**Keywords:** economics and ethics, cultural economics, ethical capital, economic development, soft institutions

## Abstract

The main contention of the present paper is that the capital structure of production, the preservation of which is often regarded as the essence of economic sustainability, needs to be grounded in the parallel ethical structure of production in order to remain intact. The article identifies several tendencies conducive to the erosion of the ethical production structure. Subsequently, it suggests that some of these tendencies may well be strongly present in today's economic and cultural climate in the so-called developed world, thereby jeopardizing its prospects for continued economic growth and progress. Finally, the author indicates that only a widespread and well-established understanding of the relationship between the capital structure of production and its ethical counterpart can prevent a retrogression from the current, historically unprecedented level of global economic well-being.

## Introduction

There are two major errors which can be made while considering the relationship between economics and ethics. The first of these is to regard economics as necessarily value-laden and thus incapable of discovering objective laws of human action, detached from one's personal normative commitments. The other is to regard economics as value-free and thus supposedly irrelevant to any substantive ethical considerations.

Both of these errors need to be avoided if the relationship between economics and ethics is to be fruitful and capable of enhancing the explanatory capacity of both these disciplines while allowing them to retain their explanatory distinctness.

In what follows, I shall suggest a “third way,” which is the only pertinent approach allowing for appreciating the degree to which consistent economic growth and development requires a mutually reinforcing interaction between an appropriately constructed capital structure of production and its more intangible ethical counterpart. More importantly, I shall subsequently indicate that the present period of socioeconomic history is characterized by an unprecedented divergence between the respective levels of maintenance of these two structures, which makes the current global prosperity unsustainable in the longer run. More specifically, I shall argue that the ethical structure of production — the embedded hierarchy of values and virtues which underlies and conditions the productive potential of the economy — is in dire need of restoration if the potential in question is not to be rapidly wasted.

## 1. Theoretical framework of the research

Since the advent of the marginalist revolution, there has been a near-unanimous agreement within the economics field that individual value scales must be treated as given and the focus should remain on tracing out the logical consequences of acting upon them (Menger, 1976). Hence, there is a widespread consensus among specialists that economics is, indeed, value-free, since the logical structure of human action is immutable, universally applicable, and independent of the specific normative views of any given individual (Mises, 2006). While I consider this contention to be true and important, I also believe that, more often than not, it leads to the mistaken conclusion that the value-free nature of economics implies its value-irrelevance.

Thus, it seems all the more crucial to emphasize the point that an understanding of sound economic principles is a necessary prerequisite of sound ethical theorizing. Since sensible ethical thinking is predicated on the notion that “ought” implies “can,” and sensible economic reasoning describes the logical structure of the “can” of human action, economics appears to be uniquely suitable to delimit and constrain the realm of reasonable ethical ambitions. As such, it also seems uniquely capable of grounding ethical reasoning in an appropriately informed conception of human nature (Casey, 2003). Thus, for instance, it takes an economically-informed social ethicist to realize that increasing social well-being through the establishment of a socialist society cannot be thought of as anyone’s moral duty, since a rationally functioning socialist economy is a logical impossibility as far as human agency is concerned (Mises, 1996, Ch. 26).

In other words, while firmly value-free, economics is also crucially value-relevant. However, what is perhaps an even more underappreciated aspect of the relationship between economics and ethics is that the latter is fact-relevant in the economic sense. What I mean here is that ethical considerations, while in-

capable of overriding the principles of economics, nonetheless constitute an essential part of the full picture presenting the extended social order of catallactic relations. Hence, it is true that economics constrains the realm of the ethically possible, but it is equally true that ethics describes the realm of the economically possible. The critical distinction here is between descriptive and normative ethics: whereas the latter is logically posterior to economic theory and has to remain subordinate to its validly deduced conclusions, the former complements economic theory by pointing to the essential normative prerequisites of various catallactic phenomena.

To take an example, normative ethics cannot justifiably claim that we should strive for the establishment of a natural zero-interest-rate economy (since such a concept is a praxeological absurdity [Salerno, 2001]), but descriptive ethics can justifiably claim that establishing a natural low-interest-rate economy requires its members to develop the virtues of prudence and temperance. Likewise, normative ethics cannot justifiably contend that entrepreneurial initiative can and should be detached from the pursuit of profit (since, again, the concept of profitless entrepreneurship is internally incoherent [Mises, 1974; Carden, 2009]), but descriptive ethics can justifiably contend that the virtue of courage is a necessary prerequisite of entrepreneurial profit-seeking.

In sum, while economic descriptions of various catallactic phenomena are logically self-sufficient, it must be remembered that they implicitly contain certain crucial ethical observations and assumptions. Hence, in order to understand the broader presuppositions and ramifications of such phenomena, one needs to be a competent ethicist in addition to being a competent economist. In particular, as I shall try to show, one needs this dual competence in order to determine under what conditions the developmental potential of such phenomena can be consistently actualized, and under what conditions it is bound to be wasted. In other words, I believe that the dual competence in question lies at the very heart of conducting a sound analysis of the perennially engrossing issue of economic growth and development.

## 2. Research methodology

In the following section, I shall elaborate on the extent to which various economic theories pertinent to the issue of growth and development contain implicit ethical presuppositions which, while treated in a value-free, purely descriptive manner, are nonetheless essential to these theories' real-world relevance. Through this, I will attempt to demonstrate that the capital structure of production, the preservation of which is often regarded as the essence of economic sustainability, needs to be grounded in the parallel ethical structure of production in order to remain intact. Next, I shall identify several tendencies conducive to the erosion of the ethical pro-

duction structure and suggest that some of them may well be strongly present in today's economic and cultural climate. These tendencies thereby jeopardize the prospects for continued economic growth and progress of the so-called developed world. Finally, I indicate that only a widespread and well-established understanding of the relationship between the capital structure of production and its ethical counterpart can prevent a retrogression from the current historically unprecedented level of global economic well-being.

### 3. The ethical foundations of the institutional structure of production

Several notable economic traditions are well-known for emphasizing the point that sustainable social and economic development requires strict intertemporal coordination and institutional robustness. For instance, the theory of capital elaborated within the Austrian school of economics suggests that creating more roundabout and more physically productive structures of production requires a preceding accumulation of savings, i.e., a preceding deferment of consumption (Garrison, 2001). By the same token, the Austrian school teaches that creating such structures of production on the basis of fiat credit expansion is bound to generate economically destructive boom-bust cycles (Salerno, 2012). Moreover, it emphasizes that the complementarity of capital goods employed in various stages of production requires that the overall capital structure of production be intertemporally equilibrated through the operation of the interest rate and the corresponding entrepreneurial expectations (Lachmann, 1956).

In other words, the Austrian theory of capital suggests, albeit only implicitly and indirectly, that the virtue of temperance is a necessary prerequisite of capital accumulation, the virtue of diligence — of capital conservation, and the virtue of prudence — of rational capital deployment. By the same token, it issues an implicit ethical warning that there are no shortcuts to economic well-being and that trying to achieve or sustain such well-being in the absence of relevant virtues amounts to an attempt at circumventing the laws of economics, and thus the immutable logic of human action.

Hence, just as the capital structure of production has its ethical counterpart (or at least its ethical aspect), the business cycle theory elaborated by the Austrian school can be reconceived in terms of the intertemporal disequilibrium of ethical resources. More specifically, it might be said that even if entrepreneurs have a sufficient amount of real savings at their disposal, and thus are able to carry their production plans to completion in a strictly technical sense, these plans may nonetheless fail if it eventually turns out that no complementary ethical capital is available. If, for instance, a given production plan or business development strategy is sufficiently roundabout to span generations and it turns out that new generations

entering the workforce are far more entitled, irresponsible, and undependable than their predecessors, then such a plan or strategy will be impossible to implement, thus turning out to be a malinvestment.

Similarly, just as interest rate manipulations by central banks distort entrepreneurial judgments regarding the supply of real social savings available for investment purposes, certain phenomena may mislead employers in regards to the ethical capacity of their potential future employees. It may be the case, for instance, that subsidized higher education, while ostensibly increasing the ethical sensitivity of students by exposing them to sophisticated intellectual problems, in fact serves primarily to certify their conformity (Caplan, 2018) or increase their emotional fragility and intellectual timidity (Lukianoff and Haidt, 2018). In other words, just as systemically falsified price signals lead to clusters of entrepreneurial miscalculations, systemically falsified signals of competence, including ethical competence, may lead to clusters of hiring misjudgments.

A related implicit lesson about the importance of the ethical underpinnings of sustainable economic development stems from the insights of new institutional economics. According to this tradition, every well-functioning social system consists of a multi-level hierarchy of institutional forms (Williamson, 1998; 2000). The highest levels of this hierarchy — ones related to the everyday process of resource allocation and the regular process of aligning governance structures with transactions — are crucially conditioned by the underlying lower levels — ones related to the hard institutional framework of formal laws, especially those associated with the enforcement of property rights. These, in turn, are fundamentally dependent on the lowest level of the hierarchy in question, related to the soft institutional framework of norms, traditions, customs, religious beliefs, and cultural expectations.

In other words, widespread and well-internalized moral virtues are a necessary prerequisite for the emergence of stable institutions capable of safeguarding civilized social interactions, and such institutions are a necessary prerequisite for the emergence of advanced specialization, division of labor, capital accumulation, technological innovation, entrepreneurship, and other phenomena which drive consistent economic growth and development.

Thus, a particularly important variety of the ethical production structure turns out to be the institutional structure of ethical capital. This conclusion finds support in a number of mutually reinforcing historical narratives which identify ethical beliefs and practices as the fundamental driving force behind the eventual materialization of the contemporary, historically unprecedented level of global economic prosperity. Among the relevant factors in this category one can place phenomena such as the uniquely individualistic spirit of Christianity (Siedentop, 2014), the medieval European respect for organizational diversity and radical decentralization of governance (Raico, 1994), and the early modern dignification of the bourgeoisie (McCloskey, 2010).

One might notice that not only is each of the abovementioned elements a good candidate for a significant ethical foundation of the institutional structure of production, but also that all of them taken together constitute an ethical structure of production unfolding over time, where particular religious beliefs give rise to a particular kind of organizational culture. This in turn gives rise to a particular normative attitude towards the pioneers of large-scale social cooperation based on productive specialization and division of labor. This is yet another indication of ethical capital being — just like every other kind of capital — crucially characterized by structural and diachronic complementarity. Furthermore, this is yet another manifestation of the fact that, while remaining value-free, economics has to recognize and explore the implicit normative presuppositions of its theorems in order to retain not only its logical cogency, but also its empirical relevance in the context of a causal-realist analysis (Salerno, 2010).

The new institutional insights concerning the ethical structure of production also help to explain the persistent failure of foreign aid programs (Easterly, 2006) and the infeasibility of constructivist institutional development (Hayek, 1967). If the poverty of a given society is ultimately the result of its ethical shortcomings — its tolerance for theft and fraud, its aversion to entrepreneurial success, etc. — then pouring aid money into it, instead of allowing it to build robust, growth-enhancing institutions, is only likely to entrench its kleptocratic tendencies and conserve its economic backwardness (Klitgaard, 1990). Thus, it is not without justification that politically orchestrated foreign aid has often been lampooned as the transfer of resources from poor people in rich countries to rich people in poor countries.

Similarly, if certain hard institutional frameworks are conceptually designed by a self-appointed technocratic elite, especially of foreign provenance, then their implementation is likely to be unsuccessful at best and counterproductive at worst. In the absence of any organic connection to the underlying structure of cultural norms, traditions, and expectations, such frameworks are incapable of exhibiting institutional “stickiness” (Boettke, Coyne and Leeson, 2008). That is, they are incapable of constituting goods which are meaningfully complementary to the goods produced in an earlier stage of the institutional production structure.

In sum, economic theorists whose conception of value freedom involves making their chains of reasoning free of not only any ethical judgments, but also any references to ethical values, virtues, or practices, are bound to arrive at an analytically deficient and fatally reductive picture of some of the central economic processes and phenomena. In particular, they are bound to lack a clear understanding of the conditions under which such processes and phenomena can enjoy sustainable development, and ones under which they can be predicted to retrogress. In the following section, I shall illustrate some of the ways in which such understanding is essential to make an informed assessment of the degree to which the current level of global economic prosperity can be reasonably expected to last in the current socio-cultural atmosphere.

## 4. Can the Great Enrichment continue?

According to a number of recently published books, global economic and social well-being, insofar as such phenomena can be captured by objective indicators, is currently at an all-time high (Norberg, 2016; Rosling, 2018). Furthermore, the books in question suggest that, despite some major bumps along the way, over the last two hundred years humankind has generally enjoyed consistent and significant improvement in wealth, health, security, and other reliable measures of the quality of life. They also predict that, if the data from the previous two centuries and the first two decades of the present one are to be extrapolated into the future, then humankind can look forward to even brighter times. In other words, as the authors of these books would have it, it is not only the case that what has been called the “Great Enrichment” (McCloskey, 2016) happened after 1800, but also that even more spectacular iterations of this unprecedented event are to be expected in the years to come.

It is not my intention here to dispute the data presented in such works. I agree that the Great Enrichment happened and that it was a unique event in economic history. I also generally agree with the interpretations of its causes typically favored by the authors of these works — interpretations centered primarily on the influence of ideas and their capacity to unlock the productive potential of large-scale social cooperation. However, I also believe that the rosy outlook for the future espoused by these authors, while far from being unjustified, may nonetheless be somewhat too facile in the virtue of ignoring some of the deeper interconnections between the ideas directly responsible for the Great Enrichment and the ones ultimately responsible for creating an environment conducive to its emergence.

The ideas belonging to the former category are chiefly economic and institutional in nature. Those belonging to the latter are chiefly ethical, cultural, and spiritual. The latter are causally more fundamental, but their essence is far more intangible and their influence much more elusive. Thus, functional disequilibria in the ethical structure of production may be particularly difficult to notice — in other words, it may be exceptionally easy to overlook the unsustainability of a situation where the productive capacity of the economy is at an all-time high, but the ethical foundations of the underlying institutional framework are becoming increasingly eroded.

Since the most essential data to be studied in this context are strictly qualitative and culturally mediated, their effective analysis needs to incorporate a substantial degree of interpretive insight (Mises, 2003). Hence, the identification of the ultimate rather than the proximate social causes of the Great Enrichment, as well as the extent to which they can be said to become increasingly inoperative, are bound to remain highly debatable issues. In view of this, perhaps the best way to justify the choice of a particular explanatory narrative in this area is to demonstrate the diachronic and synchronic coherence of its constituent elements, in addition

to linking it to as much “hard” data as possible. This is precisely what I intend to do regarding the narrative mentioned in the previous section — one that includes Christian individualism, medieval European decentralization, and dignified treatment of the bourgeoisie as the ultimate key factors behind the Great Enrichment, and that sees their diminishing influence as potentially leading to the corresponding Great Impoverishment.

Starting with the first element from the above list, it would be hardly a controversial claim that the Christianity of today, though still nominally an important cultural force, is a pale shadow of the strong civilizational nexus known as Christendom. Declining church attendance, diminishing understanding of the nature of sacraments, waning missionary zeal, and dwindling commitment to the dogmas of faith and the corresponding moral principles all testify to the fact that the average Christian today treats their religious obligations not in a robustly supernatural, but a blandly festive and vaguely therapeutic manner (Dreher, 2017).

It is far beyond the scope of this paper to identify and explicate the root causes of the abovementioned processes. It should suffice to suggest that the intellectual and cultural destruction brought about by the world wars of the 20<sup>th</sup> century and their main ideological undercurrents, combined with the material and technological complacency of the post-World War II era, provided an unprecedentedly strong impetus for, to quote Chesterton, leaving the Christian ideal untried.

Consequently, the unique Christian individualism has lost much of its influence. The individualism in question, in contradistinction to other doctrines referred to by the same name, not only postulates the existence of inalienable natural rights to life, liberty, and property, but also sees all of these as gifts to be used wisely in pursuit of personal holiness. Furthermore, unlike those religions that either divinize the material world or reject it as altogether depraved, Christianity encourages its adherents to “subdue the earth” — that is, adore God by engaging in transformative, entrepreneurially-driven acts of “sub-creation” (Roundy, 2021). Thus, it is unsurprising that Christendom was an exceptionally vibrant source of civilizational development, including its economic dimension. It is likewise not unexpected that its enfeeblement has brought about a marked decrease in human accomplishment, at least insofar as various historiometric indicators allow for the quantification of excellence in the arts and sciences (Murray, 2003).

Since the opposite of excellence is mediocrity and failure, the declining influence of genuine Christian individualism has weakened an essential bulwark against the expansion of totalitarian collectivisms, ranging from tribal to international, from populist to technocratic, and from Orwellian (hard) to Tocquevillian (soft). In addition, as the message of Christian individualism has become increasingly hazy and spiritually enfeebled, its influence has become more and more intercepted by very different kinds of individualism, which, many would argue, are designated by this name without any solid logical or historical justification. This concerns those doctrines which decouple individual liberty from personal



responsibility and the notion of the natural telos of human development, regarding it instead as a means of arbitrarily defined desire-satisfaction or “self-expression,” which should be promoted via political action (Van Dun, 2001).

In keeping with the emphasis on the ethical elements of the institutional structure of production, we may confidently observe that the spiritual erosion described above has gone hand in hand with persistent political centralization, fiscal expansion, and bureaucratic bloat. From the High Middle Ages up until the latter part of the 19<sup>th</sup> century, the spiritual culture of robust Christian individualism was an essential safeguard of political and, in particular, legal polycentricity, as well as the corresponding local self-determination and regulatory competition within much of Europe (Raico, 2012, 59). In the meantime, however, the Great Enrichment associated with the industrial revolution, the achievements of technological progress, and the advent of subjectivist philosophies created an atmosphere of political hubris which proved an exceedingly fertile ground for the emergence of aggressive collectivism, both class- and nation-based. In other words, in the absence of a sufficient degree of the Jeffersonian “eternal vigilance,” the material fruits and intellectual offshoots of classical liberalism — itself, as argued above, a fruit of Christian individualism combined with medieval European decentralization — began to poison the roots from which they had grown.<sup>1</sup>

Consequently, since the early 20<sup>th</sup> century, we have witnessed a consistent long-term advance of political centralization, punctuated by a self-perpetuating spiral of crises and the subsequent expansions of bureaucratic control, with only brief periods of temporary retrenchment (Higgs, 1987). Moreover, the centralization under consideration has been advancing both intra- and internationally, the most characteristic manifestation of the latter being the empowerment of supranational bodies to upwardly harmonize taxes, regulations, and other forms of political interference in the economy (Hülsmann, 1997). Unsurprisingly, these developments have caused even further deterioration of the spiritual culture of erstwhile Christendom, crowding out or corrupting the intermediary institutions of family, church, and virtuous civil society (Murray, 2012).

Finally, just as the spiritual erosion of the nominally Christian world has gone hand in hand with persistent political centralization and bureaucratic expansion, these phenomena have, in turn, contributed to the destruction of the entrepreneurial ethos and other constitutive elements of mature bourgeoisie culture.

As indicated earlier, the unique individualism of Christian morality, coupled with the organizational decentralization of pre-late-19<sup>th</sup>-century Europe (as well as the early United States), eventually gave rise to a mature understanding of the

---

<sup>1</sup> This is, admittedly, just one of many possible explanations of the decline of classical liberalism towards the end of the 19<sup>th</sup> century, but it is beyond the scope of this paper to defend this particular narrative in greater detail. For the present, it must suffice to note that it is fully compatible with the claim that maintaining the ethical structure of production is a crucial condition of consistent economic growth and development.

great benefits of unhampered commercial activity. The widespread, even if often philosophically unconscious, embrace of concepts such as the labor theory of property, the invisible hand, spontaneous order, economic harmonies, and enlightened self-interest was typical of the intellectual milieu of that era, stretching in particular from the late 18<sup>th</sup> to the early–mid 19<sup>th</sup> century. As a result, for the first time in human history, entrepreneurs attained the kind of dignity and social respect that had previously been the privilege of nobles, scholars, ecclesiastics, and other high-ranking members of pre-modern societies. However, this state of affairs lasted relatively briefly, and the deterioration of the lower levels of the ethical structure of production over the last two centuries culminated in the significant moral degradation of the entrepreneurial class, especially its upper echelons.

The ascendancy of welfare statism, Keynesian interventionism, and fiat money regimes entrenched and perfected the socioeconomic system that had been prophetically described by Frederic Bastiat as “the great fiction by which everyone endeavors to live at the expense of everyone else” (Bastiat, 2012, p. 97). The system in question is one in which entrepreneurship is not so much suppressed, but corrupted, meaning that entrepreneurially skilled individuals are incentivized to circumvent the meritocracy of market competition by engaging in various forms of rent-seeking and maintaining their influence through political favoritism. Needless to say, in the absence of appropriate cultural and spiritual restraints — that is, restraints which constitute the most fundamental level of the ethical structure of production — this kind of incentive structure is bound to generate a demoralizing rush to the bottom among businesspeople, driving out those who are unwilling to compromise their principles (Smith and Alvarez, 2017).

Moreover, it might be argued — again, drawing on the business cycle theory of the Austrian school — that there is an important element of delayed reckoning built into the process whereby the essential normative core of the institutional production structure is increasingly eroded while its higher strata seem to remain intact. More specifically, in addition to the economic downturns that inevitably follow periods of fiat credit expansion, one might identify in this context a more comprehensive cyclical relationship — one in which the demoralization of crucial economic decision-makers translates into the replacement of sustainable, fundamentally driven growth and development with its artificial, inflation- and deficit-driven counterpart (Stockman, 2013). In other words, when the institutional structure of production is undermined on its bottommost level, the apparent prosperity of the economy may seem to be at an all-time high just before entering a phase of deep and protracted decline.

In sum, it is a dubious proposition to make a simple extrapolation into the future on the basis of recent decades or even centuries of sustained wealth enhancement. This is because there are cogent grounds for supposing that the most essential and, at the same time, most inconspicuous element of the complex, multi-tier framework which drives genuine economic advancement has become deeply dys-

functional. Furthermore, it is unlikely that this particular element, the deterioration of which has taken place over an extended period of time, can be restored through quick institutional reform or even a rapid “moral awakening.” Since what we are dealing with here is an intricately harmonious synthesis of spiritual, organizational, and cultural ideas which matured over many centuries, it is to be expected that its conscious recreation is a work for generations.

I should hasten to add that I do not intend to suggest that what the near future has in store is a retrogression to Malthusian conditions. The amount of accumulated physical, intellectual, and social capital is likely enough to keep the developed world operating at the post-Malthusian level for a period of time necessary to restore the ethical structure of production, provided that the restoration in question starts soon and continues uninterrupted until completion. In the meantime, however, it would be advisable to keep one’s expectations humble and to reckon with the likelihood that the Great Enrichment (culminating in the misnamed “Great Moderation” [Garrison, 2009]) will be followed by a prolonged great stagnation.

In this context, it should be borne in mind that, as the present paper argues, the reasons for this stagnation may be much deeper than the ones identified by the law of diminishing returns and other narrowly economic considerations.<sup>2</sup> Nonetheless, it should also be noted that such reasons, insofar as they highlight the importance of various specifically qualitative and normative goods, whose value is notoriously difficult to capture in standard macroeconomic indicators, point to the fact that even a substantial drop in the purely physical productivity of the economy need not necessarily be construed as recessionary. This is because such a drop may be more than made up for by an increasing awareness of the necessity of conserving (or, if need be, almost completely recreating) the ethical structure of production. In other words, if a great stagnation does indeed materialize, it could be turned into a great awakening, which, in turn, could eventually lead to an increase in social well-being on the most subtly vital level — one having to do with cultural robustness and spiritual discipline.

Having made the above observations, let me now conclude by offering a few additional remarks concerning some specific methods which might be employed to aid the all-too-needed spiritual, cultural, and institutional restoration hinted at in the preceding paragraphs.

---

<sup>2</sup> For a representative analysis that examines the issue of future economic growth and development primarily in reference to the effects of the law of diminishing returns, especially in the technological sphere, see, e.g., Cowen (2011).

## Conclusion: Turning a great stagnation into a great awakening

As I suggested in the Introduction, in order to grasp the broader presuppositions and ramifications of phenomena such as economic growth and development, one needs to be well-versed both in ethics and in economics. As demonstrated in the foregoing sections, this is because the most institutionally fundamental level of the capital structure of production consists primarily of normative resources.

Thus, making the productive capacity of the economy more sustainable, let alone restoring it from scratch, requires ensuring not only that sound economic knowledge is widespread among laypeople, but also that the same applies to economically informed ethical awareness. In particular, it requires a common understanding of the fact that various supposed shortcuts to general prosperity are both economically and ethically defective, there being a natural complementarity between observations drawn from these two disciplines.

Increasing the understanding in question necessitates employing both of the abovementioned perspectives in highlighting the ways in which various apparently seductive proposals erode the foundations of the institutional production structure. Explaining, for instance, that the notion of eliminating the scarcity of capital through the expansion of the money supply fatally equivocates between monetary capital and capital goods (produced factors of production) may be complemented by pointing out that, by the same token, it vainly attempts to circumvent the necessity of accumulating savings and displaying the corresponding virtues of temperance and frugality. Likewise, criticizing the concept of “universal basic income” as a counterproductive and economically harmful proposition (Iglesias and Block, 2019) may be reinforced by emphasizing that it is deeply demoralizing as well, running squarely afoul of warnings against idleness such as the Pauline injunction: “If a man will not work, he shall not eat.”

Moreover, it might be advisable to reflect on the moral challenges which would have to be met even if the ethical structure of production were presently in a perfectly intact form, thus allowing economic growth and development to continue unimpeded. One such challenge might be the need to enlarge one’s capacity for patience, generosity, and intellectual charity in an environment of ever-increasing specialization and versatility. More specifically, if such an environment is not to fall victim to a process of rapidly diminishing returns, then those who operate in it cannot content themselves with being narrowly focused experts, but must become effective communicators of their expertise and equally effective learners of their colleagues’ expertise. This, however, requires possessing not merely appropriate technical skills, but also, and far more importantly, the moral virtues mentioned above.

It is also worth noting that the observation in question applies all the more strongly to individuals in managerial roles, whose task is to coordinate the activ-

ities of various specialists and facilitate their fruitful cooperation. After all, being in a leadership position always necessitates displaying moral excellence, but this is especially so when an interpersonally skilled generalist is needed to create a robust atmosphere of collaborative camaraderie among individuals who naturally tend toward self-absorption.

In conclusion, as the capital structure of production becomes more complex and internally differentiated, the parallel ethical production structure has to become correspondingly more advanced and qualitatively sturdier. This, I believe, is the crucial lesson which should guide us as we strive to both rebuild the existing, badly depleted stock of ethical capital and ensure that future economic growth and development will not become similarly handicapped due to a lack of appropriate normative foundations. In other words, heeding this lesson should allow us to both turn a possibly looming great stagnation into a great awakening and avert the prospects of similar stagnations (let alone retrogressions) in the future.

## References

- Bastiat, F. (2012). The state. In D.M. Hart (ed.), *The Collected Works of Frédéric Bastiat*. Vol. 2: *The Law, The State, and Other Political Writings, 1843–1850* (93–104). Indianapolis: Liberty Fund.
- Boettke, P., Coyne, C., Leeson, P. (2008). Institutional stickiness and the new development economics. *The American Journal of Economics and Sociology*, 67(2), 331–358.
- Caplan, B. (2018). *The Case against Education*. Princeton, NJ: Princeton University Press.
- Carden, A. (2009). A note on profit, loss, and social responsibility. *New Perspectives on Political Economy*, 5(1), 1–8.
- Casey, G. (2003). Ethics and human nature. *American Catholic Philosophical Quarterly*, 77(4), 521–33.
- Cowen, T. (2011). *The Great Stagnation*. New York: Dutton.
- Dreher, R. (2017). *The Benedict Option*. New York: Sentinel.
- Easterly, W. (2006). *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. New York: Penguin Press.
- Garrison, R. (2001). *Time and Money: The Macroeconomics of Capital Structure*. London-New York: Routledge.
- Garrison, R. (2009). Interest-rate targeting during the Great Moderation: A reappraisal. *Cato Journal*, 29(1), 187–200.
- Hayek, F.A. (1967). Kinds of rationalism. In *Studies in Philosophy, Politics and Economics* (82–95). Chicago: University of Chicago Press.
- Higgs, R. (1987). *Crisis and Leviathan: Critical Episodes in the Growth of American Government*. New York: Oxford University Press.
- Hülsmann, J.G. (1997). Political unification: A generalized progression theorem. *Journal of Libertarian Studies*, 13(1), 81–96.
- Iglesias, D., Block, W.E. (2019). Universal basic income: A critique. *Romanian Economic Business Review*, 14(3), 7–18.
- Lachmann, L. (1956). *Capital and Its Structure*. London: G. Bell & Sons.
- Lukianoff, G., Haidt, J. (2018). *The Coddling of the American Mind*. New York: Penguin Press.
- Klitgaard, R. (1990). *Tropical Gangsters*. New York: Basic Books.
- McCloskey, D. (2010). *Bourgeois Dignity: Why Economics Can't Explain the Modern World*. Chicago: University of Chicago Press.

- McCloskey, D. (2016). *Bourgeois Equality: How Ideas, Not Capital Or Institutions, Enriched the World*. Chicago: University of Chicago Press.
- Menger, C. (1976 [1871]). *Principles of Economics*. New York: New York University Press.
- Mises, L. (1974). Profit and loss. In *Planning for Freedom and Twelve other Essays and Addresses* (108–149). South Holland, IL: Libertarian Press.
- Mises, L. (1996 [1949]). *Human Action*. San Francisco: Fox and Wilkes.
- Mises, L. (2003). *Epistemological Problems of Economics*. Auburn, AL: Ludwig von Mises Institute.
- Mises, L. (2006 [1962]). *The Ultimate Foundation of Economic Science: An Essay on Method*. Indianapolis: Liberty Fund.
- Murray, C. (2003). *Human Accomplishment: The Pursuit of Excellence in the Arts and Sciences*. New York: Harper Collins.
- Murray, C. (2012). *Coming Apart: The State of White America 1960–2010*. New York: Crown Forum.
- Norberg, J. (2016). *Progress: Ten Reasons to Look Forward to the Future*. London: Oneworld Publications.
- Raico, R. (1994). The theory of economic development and the “European miracle”. In P. Boettke (ed.), *The Collapse of Development Planning* (37–60). New York: New York University Press.
- Raico, R. (2012). *Classical Liberalism and the Austrian School*. Auburn, AL: Ludwig von Mises Institute.
- Rosling, H. (2018). *Factfulness: Ten Reasons We’re Wrong About the World — and Why Things Are Better than You Think*. New York: Flatiron Books.
- Roundy, P.T. (2021). On entrepreneurial stories: Tolkien’s theory of fantasy and the bridge between imagination and innovation. *Business Perspectives and Research*, 9(1), 31–45.
- Salerno, J.T. (2001). Does the concept of secular growth have a place in capital-based macroeconomics? *Quarterly Journal of Austrian Economics*, 4(3), 43–61.
- Salerno, J.T. (2010). Menger’s causal-realist analysis in modern economics. *Review of Austrian Economics*, 23(1), 1–16.
- Salerno, J.T. (2012). A reformulation of Austrian business cycle theory in light of the financial crisis. *Quarterly Journal of Austrian Economics*, 15(1), 3–44.
- Siedentop, L. (2014). *Inventing the Individual: The Origins of Western Liberalism*. Cambridge, MA: Belknap Press of Harvard University Press.
- Smith, D.J., Alvarez, S.P. (2017). The demoralizing trap of Keynesianism. *Journal of Markets & Morality*, 20(1), 55–68.
- Stockman, D. (2013). *The Great Deformation: The Corruption of Capitalism in America*. New York: Public Affairs Press.
- Van Dun, F. (2001). Natural law, liberalism, and Christianity. *Journal of Libertarian Studies*, 15(3), 1–36.
- Williamson, O. (1998). Transaction cost economics: How it works, where it is headed. *De Economist*, 146(1), 23–58.
- Williamson, O. (2000). The new institutional economics: Taking stock, looking ahead. *Journal of Economic Literature*, 38(3), 595–613.