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Whatever Happened to the Work Ethic?

The financial bust reminds us that free markets require a constellation of moral virtues.

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In *Democracy in America*, Alexis de Tocqueville worried that free, capitalist societies might develop so great a "taste for physical gratification" that citizens would be "carried away, and lose all self-restraint." Avidly seeking personal gain, they could "lose sight of the close connection which exists between the private fortune of each of them and the prosperity of all" and ultimately undermine both democracy and prosperity.

The genius of America in the early nineteenth century, Tocqueville thought, was that it pursued "productive industry" without a descent into lethal materialism. Behind America's balancing act, the pioneering French social thinker noted, lay a common set of civic virtues that celebrated not merely hard work but also thrift, integrity, self-reliance, and modesty—virtues that grew out of the pervasiveness of religion, which Tocqueville called "the first of [America's] political institutions, . . . imparting morality" to American democracy and free markets. Some 75 years later, sociologist Max Weber dubbed the qualities that Tocqueville observed the "Protestant ethic" and considered them the cornerstone of successful capitalism. Like Tocqueville, Weber saw that ethic most fully realized in America, where it pervaded the society. Preached by luminaries like Benjamin Franklin, taught in public schools, embodied in popular novels, repeated in self-improvement books, and transmitted to immigrants, that ethic undergirded and promoted America's economic success.

What would Tocqueville or Weber think of America today? In place of thrift, they would find a nation of debtors, staggering beneath loans obtained under false pretenses. In place of a steady, patient accumulation of wealth, they would find bankers and financiers with such a short-term perspective that they never pause to consider the consequences or risks of selling securities they don't understand. In place of a country where all a man asks of government is "not to be disturbed in his toil," as Tocqueville put it, they would find a nation of rent-seekers demanding government subsidies to purchase homes, start new ventures, or bail out old ones. They would find what Tocqueville described as the "fatal circle" of materialism—the cycle of acquisition and gratification that drives people back to ever more frenetic acquisition and that ultimately undermines prosperous democracies.

And they would understand why. After flourishing for three centuries in America, the Protestant ethic began to disintegrate, with key elements slowly disappearing from modern American society, vanishing from schools, from business, from popular culture, and leaving us with an economic system unmoored from the restraints of civic virtue. Not even Adam Smith—who was a moral philosopher, after all—imagined capitalism operating in such an ethical vacuum. Bailout plans, new regulatory schemes, and monetary policy moves won't be enough to spur a robust, long-term revival of American economic opportunity without some renewal of what was once understood as the work ethic—not just hard work but also a set of accompanying virtues, whose crucial role in the development and sustaining of free markets too few now recall.

The American experiment that Tocqueville chronicled in the 1830s was more than just an effort to see if men could live without a monarch and govern themselves. A free society had to be one in which people could pursue economic opportunity with only minimal interference from the state. To do so without producing anarchy required a self-discipline that was, to Max Weber, the core of the capitalist ethic. “The impulse to acquisition, pursuit of gain, of money, of the greatest possible amount of money, has in itself nothing to do with capitalism,” Weber wrote in *The Protestant Ethic and the Spirit of Capitalism*. “Unlimited greed for gain is not in the least identical with capitalism, and still less its spirit.” Instead, the essence of capitalism is “a rational tempering” of the impulse to accumulate wealth so as to keep a business (and ultimately the whole economy) sustainable and self-renewing, Weber wrote. It is “the pursuit of profit, and forever *renewed* profit, by means of continuous, rational . . . enterprise.”

Weber famously argued that the Protestant Reformation—with John Calvin’s and Martin Luther’s emphasis on individual responsibility, hard work, thrift, providence, honesty, and deferred gratification at its center—shaped the spirit of capitalism and helped it succeed. Calvinism and the sects that grew out of it, especially Puritanism and John Wesley’s Methodism in England, were religions chiefly of the middle and working classes, and the virtues they promoted led to a new kind of affluence and upward mobility, based not on land (which was largely owned by the aristocracy) but on productive enterprises.

Nowhere did the fusing of capitalism and the virtues that made up the work ethic find a fuller expression than in America, where Puritan pioneers founded settlements animated by a Calvinist dedication to work. One result was a remarkable society in which, as Tocqueville would observe, all “honest callings are honorable” and in which “the notion of labor is therefore presented to the mind on every side as the necessary, natural, and honest condition of human existence.” Unlike in Europe, where aristocrats and gentry often scorned labor, in the United States, “a wealthy man thinks that he owes it to public opinion to devote his leisure to some kind of industrial or commercial pursuit, or to public business. He would think himself in bad repute if he employed his life solely in living.”

This thick and complex work ethic, so essential to the success of the early, struggling American settlements, became part of the country’s civic fabric. It found its most succinct expression in the writings of Benjamin Franklin, whose well-known maxims, now considered quaintly old-fashioned, recommended to citizens of the new country a worldview that promoted work and the pursuit of wealth. “Time is money” and “Never keep borrowed money an hour beyond the time you promised” and “Early to bed, early to rise, makes a man healthy, wealthy, and wise” voiced virtues that Franklin and his contemporaries viewed not chiefly as religious but as utilitarian. A reputation for honesty makes it easier to borrow money for new ventures, Franklin counseled. A man who displays self-discipline in his personal life inspires confidence in lenders and business partners. This constellation of virtues, which Weber described as “the ideal of the honest man of recognized credit,” is how one gets ahead in life.

Franklin’s best-selling writings had an enormous impact on America. His ideas, widely applauded, permeated popular culture and education. The leading grammar school textbooks of the nineteenth century, for example, by William Holmes McGuffey and his brother Alexander, inculcated children with the virtues of work and thrift. To dramatize the “Consequences of Idleness,” *McGuffey’s Fourth Eclectic Reader* told the story of poor George Jones, who frittered away his time in school and wasted the money his father had devoted to his education, winding up a poor wanderer. In fifth grade, students memorized Eliza Cook’s paean to labor, simply titled “Work,” which urged them to “Work, work, my boy, be not afraid; / Look labor boldly in the face.”

Schooled in such attitudes, America's nineteenth-century youth embraced the rags-to-riches novels of Horatio Alger, Jr., who sold some 200 million books with plotlines that are a road map of the work ethic. In his first commercial success, *Ragged Dick*, Dick Hunter, 14 and homeless, impresses patrons with his honesty and industriousness and slowly rises in the world. When he teeters on the verge of losing everything because a thief pilfers his savings-account passbook, bank officials recognize him from his regular visits to make deposits, and they have the thief arrested. In a later novel, *Bound to Rise,* poor Henry Walton wins a biography of Ben Franklin for acing exams and, inspired by his life story, goes off to earn a fortune.

The work ethic even shaped American play. The most popular game of its time, "The Checkered Game of Life," produced by Milton Bradley in the mid-nineteenth century and sold door-to-door, challenged players to travel through life and earn points for successfully completing school, getting married, and working hard, while avoiding pitfalls like gambling and idleness. In his patent application for the game, Bradley observed that it was intended to "impress upon the minds of youth the great moral principles of virtue and vice." Its success spawned a whole genre. "Many games with similar moral thrusts followed," observed Jennifer Jensen of the New-York Historical Society in an article called "Teaching Success Through Play." These games "emphasized secular virtues such as thrift, neatness, and kindness."

The work ethic also distinguished the northern colonies from the southern, and later helped the North win the Civil War. Many southern settlers came in search not of religious freedom but only of economic opportunity. Instead of founding villages or towns with a common civic life, southern settlers developed isolated, widely separated plantations. They cultivated a few staple crops using slave labor, instead of developing a diversified economy. They created a society where a relatively few plantation owners acted like an aristocracy. Rather than viewing all honest work as honorable, they developed what historian C. Vann Woodward calls the "Southern ethic," which saw some work as fit only for slaves. In the end, these attitudes proved the South's greatest vulnerability, as the North, shaped by the work ethic, brought to bear its industrial might against the narrow economy of the South, built precariously on tobacco and slave labor and a Cavalier rather than a Puritan ethic.

After the Civil War, this secularized version of the Protestant ethic served as a lodestar for millions of poor immigrants, many from countries with little experience of free markets and democracy. Their assimilation into a culture that they recognized not as Protestant but as American reinvigorated the country, helping to set late-nineteenth- and early-twentieth-century America on a distinctly different path from much of Europe.

Many of these immigrants, ironically, absorbed their Franklinesque code from the American Catholic Church. Key members of the church hierarchy—notably, New York's brilliant, Irish-born first archbishop, John Hughes, who rose from poverty—lived by the ethic and understood its role in the country's success. Hughes set as his task the moral and economic uplift of Gotham's millions of poor Irish immigrants. He founded a network of some 100 Catholic schools that taught Irish children not just the three Rs but also a "faith-based code of personal conduct," as William J. Stern wrote in *City Journal* ("How Dagger John Saved New York's Irish," Spring 1997). Hughes's church was, as he put it, "a church of discipline." He fostered residential schools that taught vocational skills and conduct to thousands of orphaned or abandoned Irish street children and sent them off successfully into American society. Catholic schools around the country copied his work, and many of them continue today to succeed even with at-risk kids.

By the end of the nineteenth century, the Irish had largely shaken off poverty and joined the American mainstream. Waves of Southern and Eastern European Catholics followed them, as well as Eastern European Jews—some 20 million immigrants between 1890 and 1925—who quickly replicated the success of the Irish in a country whose institutions emphasized and rewarded hard work, thrift, and self-improvement. Within a single generation, one study shows, the average early-twentieth-century immigrant family had achieved income and educational parity with American-born families, so that the children of these immigrants were just as likely to be accountants, engineers, or lawyers as the children of families rooted here for generations.

The breakup of this 300-year-old consensus on the work ethic began with the cultural protests of the 1960s, which questioned and discarded many traditional American virtues. The roots of this breakup lay in what Daniel Bell described in *The Cultural Contradictions of Capitalism* as the rejection of traditional bourgeois qualities by late-nineteenth-century European artists and intellectuals who sought “to substitute for religion or morality an aesthetic justification of life.” By the 1960s, that modernist tendency had evolved into a credo of self-fulfillment in which “nothing is forbidden, all is to be explored,” Bell wrote. Out went the Protestant ethic’s prudence, thrift, temperance, self-discipline, and deferral of gratification.

Weakened along with all these virtues that made up the American work ethic was Americans’ belief in the value of work itself. Along with “turning on” and “tuning in,” the sixties protesters also “dropped out.” As the editor of the 1973 *American Work Ethic* noted, “affluence, hedonism and radicalism” were turning many Americans away from work and the pursuit of career advancement, resulting in a sharp slowdown in U.S. productivity from 1965 through 1970. So great a transformation of values was occurring that, as George Bloom of MIT’s Sloan School of Management wrote in a 1971 essay on America’s declining work ethic, “It is unfortunate but true that ‘progress’ is becoming a bad word in virtually all sectors of society.”

Attitudes toward businessmen changed, too. While film and television had formerly offered a balanced portrait of work and employers, notes film critic Michael Medved in *Hollywood vs. America*, from the mid-1960s onward, movies and TV portrayed business executives almost exclusively as villains or buffoons. The era’s iconic film, the 1967 Oscar winner *The Graduate*, is a prime example in its tale of a recent college grad adrift and questioning adult society’s strive-and-succeed ethic. No character appears more loathsome than a family friend who counsels the graduate, “I just want to say one word to you—just one word: plastics. There’s a great future in plastics.” Such portrayals both reflected and strengthened the baby-boom generation’s attitudes. One 1969 *Fortune* poll, for instance, found that 92 percent of college students thought business executives were too profit-minded.

In this era, being virtuous became something separate from work. When the Milton Bradley Company reintroduced “The Checkered Game of Life” in a modern version called “The Game of Life” in the mid-1960s, it abandoned the notion of rewarding traditional bourgeois virtues like completing an education or marrying. What was left of the game was simply the pursuit of cash, until Milton Bradley, criticized for this version, redesigned the game to include rewards for doing good. But its efforts produced mere political correctness: in the new version, recycling trash and contributing to save an endangered species were virtuous actions that won a player points. Such gestures, along with tolerance and sensitivity, expanded like a gas to fill the vacuum where the Protestant ethic used to be.

The cultural upheavals of the era spurred deep changes in institutions that traditionally transmitted the work ethic—especially the schools. University education departments began to tell future grammar school teachers that they should replace the traditional teacher-centered curriculum, aimed at producing educated citizens who embraced a common American ethic, with a new, child-centered approach that treats every pupil's "personal development" as different and special. During the 1960s, when intellectuals and college students dismissed traditional American values as oppressive barriers to fulfillment, grammar schools generally jettisoned the traditional curriculum. "Education professors eagerly joined New Left professors to promote the idea that any top-down imposition of any curriculum would be a right-wing plot designed to perpetuate the dominant white, male, bourgeois power structure," writes education reformer E. D. Hirsch, Jr., in his forthcoming *The Making of Americans: Democracy and Our Schools*.

The bourgeois values, however, had helped to sustain Weber's "rational tempering" of the impulse to accumulate wealth: they helped put the rationality in "rational self-interest," or, as Tocqueville put it, "self-interest rightly understood." When the schools and the wider society demoted them, the effects were predictable. In schools, for instance, the new "every child is special" curriculum prompted a sharp uptick in students' self-absorption, according to psychologists Jean M. Twenge and W. Keith Campbell in *The Narcissism Epidemic: Living in the Age of Entitlement*. What resulted was a series of increasingly self-centered generations of young people displaying progressively more narcissistic personality traits, including a growing obsession with "material wealth and physical appearance," the authors observe. Thus did the sixties generation spawn the Me Generation of the seventies. By the mid-1980s, a poll of teens found that more than nine in ten listed shopping as their favorite pastime.

The economic shocks that followed the tumultuous late 1960s, especially the devastating inflation of the 1970s, reinforced an emerging materialism. Thanks to the Johnson administration's illusion that the country could finance massive social-welfare programs and a war without consequences, the U.S. by 1974 staggered under double-digit annual inflation gains, compared with an average annual gain of about 1 percent in the early 1960s. The inflation hit hardest those who had embraced the work ethic, destroying lifetimes of savings in unprecedented price spikes and sending the message that "saving and shunning debt was for saps," *Fortune* observed. "The lesson seemed to be, buy, buy, buy, before the money visibly crumbling to dust in your hand vanishes completely."

Once Fed chairman Paul Volcker's tight-money policy tamed inflation in the early 1980s, America began to pick itself up. But it was a different country, one that had lost to some degree the "rational tempering" of the "pursuit of gain" that Max Weber had seen as the key to "forever *renewed* profit." The corporate restructurings of the 1980s, prompted by a new generation of risk-taking entrepreneurs and takeover artists who used aggressive financial instruments with provocative names like "junk bonds" to buy and then make over big companies that failed to remake themselves, reordered corporate America, shaking it out of its 1970s complacency. But the plant closings, downsizings, and restructurings of the 1980s also stoked anxiety among workers, as the old ideal of lifetime employment at one paternalistic company gave way to a job-hopping career in a constantly changing business landscape. While the results were often salutary—innovation for companies and income gains for the most talented players—the "get it while you can" mentality that developed among some workers and investors found its ultimate expression in the "day traders" of the technology stock boom, speculators with a "right now" time horizon rather than long-term investors. When takeover-era titans Michael Milken and Ivan Boesky pleaded guilty to insider-trading charges, their confessions strengthened a growing sense that a new ethic had superseded the old standard of playing by the rules. The 1980s version of the Horatio Alger tales was not an inspiring story of uplift but the popular movie *Wall Street*, with Gordon Gekko's infamous "greed is good" speech.

With government policy reinforcing the "get it now" mentality, a new era of consumption based on credit blossomed in the resurgent 1980s, and Americans turned from savers to debtors. Ostentatious displays of wealth grew more common. From 1982, the year that Volcker finally tamed inflation, to 1986, luxury-car sales doubled in America. The average age of a purchaser of a fur coat—that ultimate status symbol—declined from 50 to just 26 in the mid-1980s. To fuel such purchases, inflation-adjusted total U.S. consumer-credit debt rose nearly threefold, to $2.56 trillion, from 1980 to 2008, while the nation's savings rate shrank from an average of about 12 percent of personal income annually in the early 1980s to less than 1 percent by 2005. Some middle-class Americans came to resemble not the thrifty bourgeoisie of the early Industrial Revolution but the landed gentry of that era who drained their real estate for cash to fund lavish living. One stark illustration of the change: by 2006, those who refinanced their mortgages were taking out in cash nearly a quarter of the equity they'd accumulated—compared with just 5 percent a decade earlier. A big reason Americans' debt was growing, in other words, was that they were borrowing against their rapidly appreciating assets as fast as they grew.

The denouement of this transformation was the 2008 meltdown of world financial markets. America has certainly had its con artists, robber barons, and speculators before, but what distinguished the latest panic was that millions of mortgages belonging to ordinary Americans triggered it—mortgages that were foolhardy at best and fraudulent at worst. A typical case is Bradley Collin, a 27-year-old Minnesota housepainter with three kids. He decided to try to make a killing in real estate because, as he told the *Minneapolis Star-Tribune* last year, "I didn't want to paint the rest of my life." With the help of shady mortgage brokers, he and his wife simultaneously purchased four homes in new developments, intending to flip them for a profit. To buy the houses, the Collins had to make four separate mortgage applications, lie on each about their intentions, and hide each sale from the other three lenders, because no bank would have given them money to purchase four homes. When the local housing market stopped rising, the couple defaulted on their loans, abandoning the houses to the banks and helping further drive down their neighbors' real-estate values.

The Collins were hardly alone. According to the FBI, reports of mortgage fraud soared tenfold nationwide from 2001 to 2007. No one knows precisely how deep the problem ran, but some mortgage servicers, examining portfolios of subprime mortgages that went bad in 2007, found that up to 70 percent of them had involved some kind of misrepresentation. Loans that required no verification of the borrower's income infamously became known as "liar loans." One mortgage lender who compared 100 of these loans with IRS tax filings found that in 60 percent of cases, the applicants exaggerated their incomes (or underreported them to the IRS). Occupancy fraud, in which investors intent on buying new homes and then quickly flipping them for a profit lied about their intentions, accounted for about 20 percent of all fraudulent mortgage applications. Since the mortgage meltdown began in 2006, builders in some regions have found that as many as a quarter of the buyers of the homes that they sold in new developments lied about their purposes.

This multitude of scams required the complicity of businesses that ultimately destroyed themselves and shattered an entire industry. The fall of America's sixth-largest bank, Washington Mutual, which built an empire based on reckless lending, exemplifies these failings. As the housing boom heated up, WaMu raced after a piece of the action at all costs. Its supervisors chastised loan officers who tried to verify suspicious claims on mortgage applications. Executives gave loan officers flyers that said, "A thin file is a good file," according to testimony by former employees. The lender set up phone banks, like penny-stock boiler-room operations, to sell home-equity loans. Ultimately, swamped by over $11 billion in bad loans, WaMu was seized by the federal government and sold to JPMorgan Chase, an object lesson in what Weber called the pursuit of "irrationally speculative opportunities," which undermines capitalism rather than nourishes it.

Needless to say, this is not what Adam Smith had in mind. Smith laid the groundwork for the economic theories of *The Wealth of Nations* in his preceding book, *The Theory of Moral Sentiments*, which traces the evolution of ethics from man's nature as a social being who feels shame if he does something that he believes a neutral observer would consider improper. Smith proposed that as societies evolve, they form institutions—courts of law, for instance—that reflect and codify these ethical perceptions of individuals, and that these institutions provide the essential backbone of any sophisticated commercial system.

Modern experiments in neuroscience have tended to confirm Smith's notion that our virtues derive from our empathy for others, though with an important qualification: the ethics of individuals need reinforcement from social institutions and can be undermined by the wrong societal message, as neuroeconomist Paul Zak writes in *Moral Markets: The Critical Role of Values in the Economy*. When people find themselves bombarded by the wrong message—like the Washington Mutual employees whose supervisors constantly pushed them into riskier and riskier actions—some will resign in disgust, but others will gradually suppress what scientists call the brain's "other-regarding" behavior and the shame that goes along with it and violate their own ethics.

This mechanism of deception pervaded the recent housing bubble; cheating to get mortgages became so commonplace that cheaters barely seemed to perceive that they were committing fraud. A vivid case in point is *New York Times* economics reporter Edmund Andrews's remarkable confessional tale, "My Personal Credit Crisis." Andrews relates how he obtained a mortgage under dubious circumstances, aided by a broker who encouraged him to lie on his credit applications and a lender that, when its underwriters caught his intended deception, nonetheless allowed him to apply for another, riskier kind of mortgage. Granted a loan so oppressive that he will eventually default, Andrews admits to feeling that he had "done something bad" but also feeling "kind of cool" for making such a big score. Even today, society continues to reinforce Andrews's lack of shame: he received a contract to detail his credit woes in a provocatively titled book, *Busted: Life Inside the Great Mortgage Meltdown*, which was published this spring.

In the wake of the market crash, our national discussion about how to fix capitalism seems limited to those who believe that more government will fix the problem and those who think that free markets will fix themselves. Few have asked whether we can recapture the civic virtues that nourished our commerce for 300 years.

We're not likely to find many churches preaching those virtues today. Though America is more religious than most industrialized countries, today's pulpits hardly resound with the bourgeois work ethic. While John Wesley once observed that religion produces "industry and frugality," and the American Congregationalist preacher Henry Ward Beecher declared that the way to avoid poverty was through "provident care, and foresight, and industry and frugality," today the National Council of Churches, to which these denominations belong, advocates for a left-wing "social gospel" of redistributing wealth (see "The Religious Left, Reborn," Autumn 2007). And though the Catholic Church once strove to assimilate generations of poor immigrants into American economic life, today its major social-welfare organization, Catholic Charities, has become an arm of the redistributionist welfare state (see "How Catholic Charities Lost Its Soul," Winter 2000). Even our evangelical churches, whose theology most resembles that of the great Protestant reformers, have focused their energies primarily on social issues, such as fighting abortion or gay marriage, or even inveighing against welfare reform that encourages single mothers to return to work.

True, a few groups, including the Consumer Federation of America and the Institute for American Values, have launched a national campaign, modeled on World War II efforts to encourage savings, to reintroduce thrift into American life. But trying to teach adults about thrift or the patient accumulation of wealth through hard work, when they didn't learn these things at home or in school, will be an uphill battle.

Could the schools do what they once did—create educated citizens inculcated with the ethical foundations of capitalism? That would require rededicating the schools to "making Americans," as Hirsch proposes in his forthcoming book. Promisingly, a few public and private schools around the country have replaced the child-centered curriculum with one focused on learning about our culture and its institutions. Hirsch's "Core Knowledge" curriculum, for instance, introduces kindergartners to the Pilgrims, Independence Day, and George Washington; first-graders to Ben Franklin and the concept of law in society; and second-graders to the Constitution as the foundation of our democracy. Other school reformers, according to David Whitman in *Sweating the Small Stuff*, have raised the achievement of low-income kids by using a "no excuses" model that teaches bourgeois "virtues like diligence, politeness, cleanliness, and thrift." But these examples amount only to a tiny handful, swimming against the educational mainstream.

Late in life, Adam Smith noted that government institutions can never tame and regulate a society whose citizens are not schooled in a common set of virtues. "What institution of government could tend so much to promote the happiness of mankind as the general prevalence of wisdom and virtue?" he wrote. "All government is but an imperfect remedy for the deficiency of these."

America in the twenty-first century is learning that lesson.

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