Deirdre N. McCloskey, Bourgeois Dignity: Why Economics Can’t Explain the Modern World
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Book Reviews

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This volume is the second of a planned pentalogy flowing from the amazingly prolific pen of Deirdre McCloskey, historian, economist, libertarian, humanist, and feminist. The entire project is dedicated to the rehabilitation of the bourgeoisie, a much-maligned group in most historical circles. It is McCloskey’s central argument that the bourgeoisie and its culture and spirit are to be credited with the miraculous prosperity and opulence of those alive in the modern age, in comparison with practically everyone who had the bad luck to be born before 1800. McCloskey is adamant in defending capitalism, industrialization, and modern growth as the best thing that ever happened to the human race, a mighty tide that lifted all boats and has the power to lift us far higher.

The critical element in this volume is the subtitle. It constitutes a bit of a detour in the road to the rehabilitation and glorification of the bourgeoisie. Although throughout the book the praises of bourgeois culture and mentality are sung, the book’s main purpose is to show how everyone else who has been trying to explain modern economic growth and the British Industrial Revolution that started it all has been wrong. On the whole, it is fair to conclude that the subtitle of the book reflects McCloskey’s judgment of the economics profession. Whatever their other achievements, economists have failed miserably in explaining what she calls “the factor of sixteen”—the fact that we are at least that much richer than our forebears. As McCloskey correctly notes, this factor is probably much higher if we are interested in human welfare, since national income statistics do not adequately account for the better quality and larger diversity of the goods and services available to us. The early part of the book should be made mandatory reading to all historians who still think of the Industrial Revolution and economic modernization as the exploitation of a proletariat in dark satanic mills. McCloskey easily brushes off all such misgivings. In a striking chapter she points out that “the poor won.” Despite appearances of growing inequality in recent decades, the real gap between rich and poor decreased enormously in the past two centuries.

After describing the emergence and significance of this growth for about a quarter of the book, McCloskey reaches the heart of the matter on page 125: why did all this happen? Much of what follows consists of the examination and dismissal of a list of explanations, put forward by other scholars, judged to be unconvincing. These arguments are examined in bursts of short, almost staccato chapters. Whatever drove the innovations that were at the heart of the Industrial Revolution and the modern age, it was not increased “thrift” or “accumulation,” making short thrift of Marx’s dynamics of capitalism. Investment, she explains, followed innovation—not the other way around. Nor does she have much time for human capital, a favorite explanation of many economists. Education, of course, can play an important role in economic development, but it is doubtful that it did so in the early stages of the growth of Europe. It all depends, she points out, on what youngsters are taught: if they are imbued with reactionary values and blind admiration for the learning of the past while being hostile

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to innovation, human capital could actually impede growth: “education without the new bourgeois rhetoric is merely a desirable human ornament, not the way to human riches” (163). Resources and geography are found to be equally wanting. In a chapter significantly titled “Not Even Coal,” she deals effectively with carbonocentric interpretations that have been resurrected in recent years.

Other explanations fare no better. McCloskey eviscerates the notion that Europe’s prosperity was built on the backs of exploited Africans and South Asians. “Imperialism,” she maintains, “did not much help the British or the First World generally to an Industrial Revolution or modern economic growth” (231). This is not to excuse imperialism: it was “economically stupid” but not a key to success. The slave trade also was not a factor either, deplorable as it was. McCloskey points to a cruel asymmetry of history here: what dominant powers did to Africans, Asians, or even the Irish could be harmful, even devastating, to the colonized. But that does not mean ipso facto that it was of significant benefit to the perpetrator.

In three chapters she deals with the hypothesis recent put forward by Gregory Clark in his widely discussed Farewell to Alms (Princeton University Press, 2007). In it, Clark in similar fashion, demolished all alternative arguments to explain modern growth and then settled on a Darwinian selection mechanism: people endowed with genes that were favorable to the “Bourgeois Virtues” (to borrow a McCloskeyite term) had more surviving offspring and thus created more and more people with an innovative and entrepreneurial mentality. McCloskey will have none of it. The reason for her disapproval, besides a lack of quantitative evidence for Clark’s view, is the same as the argument made by Benjamin Friedman in his review of Farewell in the New York Times (December 9, 2007): “There are many non-Darwinian mechanisms by which a society can impart [these crucial traits], ranging from schools and churches to legal institutions and informal social practices. But if the traits on which his story hinges are genetic, his account of differential childbearing and survival is necessarily central.” Once we are willing to admit cultural evolution through socialization or persuasion, however, we are in McCloskey territory.

The most emphatic and eloquent scorn, however, is saved for the current tendency for economists to attribute economic success to institutions that constrain and incentivize economic behavior. Much of this literature has focused on the Glorious Revolution as a pivotal watershed in British (and Western) history. Economists as well as historians have, for the greater part, agreed, despite persistent criticism. The basic idea, put forth in a famous paper by North and Weingast in 1989, is that following 1688 an arrangement was set up in Britain by which the king had credibly committed to respect the property rights and contracts of his subjects. From then on, kings reigned but had to abide by the rules Parliament made, and they could be removed if they did not. This created a world in which property was the supreme value, and in which the economy could prosper and grow. Not so, says McCloskey. There is no evidence that property rights in 1690 were all that much more secure than in 1660 or even 1500. The growth of this kind of security was a much more gradual affair. She might have added that the enforcement of property rights in eighteenth-century Britain was to a much greater extent than is commonly realized carried out by private order institutions and rested on reputation effects and social norms far more than on a firm but just third-party enforcer, such as a formal justice system. McCloskey then points to the other basic flaw of this argument: it does not explain the Industrial Revolution, which was about innovation, technological breakthroughs, and ingenuity. None of those were affected much by what happened in 1688 (the patent law, often cited as an institution friendly to innovation, was passed in 1624 and the rate of patenting did not take off until the mid-
1750s). Douglass North (whose influence in this literature is pervasive), she says, is like her a “Chicago School economist.” I am not sure North would agree. But McCloskey is not really one either. She resents the economist’s notions that agents maximize some objective function. Max U, as she calls *Homo economicus*, is not some kind of automaton who just responds to economic stimuli: she clearly has some kind of ethics and metaphysics that determines economic behavior just as much as incentives do.

McCloskey cites with glee a statement by Tocqueville (from a letter written in 1853), who says “I accord institutions only a secondary influence on the destiny of men . . . political societies are not what the laws make them, but what sentiments, beliefs, ideas, habits of the heart and the spirit of the men who form them . . . [they] alone can lead to public prosperity and liberty” (351). This sums up her view of what explains the “factor of sixteen.” At some point in time, around 1700, what happened was a change in the tone of the conversation toward bourgeois cooperation, creating a civil economy in which economic agents were driven by a complex set of motives toward a new bourgeois economy of progress, innovation, and growth.

So what was it, in her version of modern history, that drove economic growth and modernization? McCloskey is joining those scholars who in recent years have pointed to the European Enlightenment as an important driver in the Industrial Revolution. Of course, she puts her own gloss on this: what carried the Enlightenment forward, she says, was “a society-wide shift toward the admiring of bourgeois virtues, taking the enlightened view . . . toward the creative destruction from new knowledge and multiplying it.” There seems to be growing agreement that in one form another what people believed and valued changed quite dramatically at some point in the Baroque and Rococo age and that it was such beliefs that were “the engine of growth.” This is not to say that all the other elements, from religion to coal, had no effect. It stands to reason, however, that they served more as a steering mechanism than as a primum mobile. The cultural changes that she talks of were not confined to Britain. Despite Britain’s precocity, the Industrial Revolution soon spread to the Continent, except for areas where the bourgeois “revaluation” (as she terms it) was too minuscule or incomplete: the Balkans, Portugal, and rural (that is to say, the vast bulk of) Russia. Given the nice fit in both time and space, it seems to work too well to be dismissed as accident or the result of misspecification.

More than anything, this book is a tract that criticizes historical materialism, a sin of both the Left and Right. Ideas, “the dark matter of history,” needs to be integrated more tightly into the history of the growth of prosperity and innovation. The book closes with a plea for economics to be more ideational, to be able to integrate the effects of religion, language, and identity on economic outcomes. McCloskey longs for a day in which English professors will learn the formal methods of economics, economists will study rhetoric and text deconstruction, and everyone will live in mutually beneficial intellectual harmony forever. Somehow one doubts that will ever come to pass, but economics has tended to reinvent itself every generation or so, and who knows where it will be a decade from now?

This is a polemical book, yet it displays surprisingly little spite or malice. McCloskey is forgiving in an almost motherly fashion to the left-leaning “clerisy” that unjustly maligned capitalism and the bourgeoisie (at one point she refers to them as “my sweetly tender-minded left-wing friends” [427]), but who just do not know any better. Add to this a capacity for the English language almost unmatched in the social sciences, and an astonishingly wide and broad reading in literature as well as in economics and history, and what we have here is a gem of disputatious revisionism. Whether the book will achieve the goal stated in its subtitle remains to be seen. Most economists probably never thought they could
explain the modern world in the first place, and most historians never thought they should try. McCloskey may yet prove them all mistaken.

JOEL MOKYR

Northwestern University


This challenging book starts with a pair of historical problems: Why did more than two thirds of the German Reichstag (and in particular the entire Catholic Center Party) approve the Enabling Act that transferred constitutional powers to Hitler on March 23, 1933, and why did all but eighty of the members of the French National Assembly vote to transfer constitutional powers to Marshal Pétain on July 10, 1940? And why did these proposals carry by so large a margin even though the two parliaments had been deeply polarized?

Ermakoff, a sociologist, brings both empirical research and theoretical analysis to bear on these two parliamentary “suicides.” His empirical research is impressive. It would be hard to find a more precise and incisive “thick description” of the steps by which these two votes were prepared and carried out. Ermakoff has also unearthed 223 participants’ recollections that help him refine the chronology of shifts and turns of mood. These include diaries, letters, newspaper articles, books, and hearings before investigative committees, some of them contemporary with the events described.

Ermakoff combines empirical investigation with an elaborate theoretical analysis of how near-unanimity is achieved in a divided assembly under conditions of uncertainty and stress. He sees the emergence of a collective stance as a process in time, open to more than one solution. Key elements influencing the decisions are uncertainty, fear of consequences, and fear of isolation. Faced with a decision of unprecedented gravity, most of the parliamentarians make their positions converge with the inclinations of the group with which they identify (the Center Party caucus in the German Centrists’ case; the National Assembly as a whole in the French case), insofar as they can determine them.

The internal dynamic of how a “collective alignment” forms is the heart of the matter. Ermakoff employs game theory to analyze the steps in this cumulative process. A challenger forces the participants to choose in an emergency; initially the participants push back; the challenger presses the matter, and the participants seek to avoid isolation and align with a reference group. Despite the weight he attributes to the group—excessive, some may think—Ermakoff’s theoretical analysis does allow for individuals who resist the emerging consensus. But these “normative diehards” have little influence amidst the rush to avoid isolation. In Ermakoff’s terminology, their “opposition threshold is absolute”; their colleagues view them as mavericks.

Ermakoff has little patience with what he calls the “linear” reasoning of conventional historical accounts (including that of this reviewer). Such narratives seem to him unmindfully overdetermined and syncretic, heaping together indiscriminately all the many explanations for the lopsided vote. He finds particularly inadequate several traditional explanations. The fear of retaliation, so often adduced, seems to him refuted by the amount of resistance at early stages. He rebuts the ideological sympathy explanation by demonstrating, more convincingly, that many votes did not follow prior ideological loyalties or were made reluctantly and with mental reservations. The