

Interview with Deirdre McCloskey, by Grégoire Canlorbe, envisaged for the June 2017 issue of *Man and the Economy*

Deirdre Nansen McCloskey taught at the University of Illinois at Chicago from 2000 to 2015 in economics, history, English, and communication. A well-known economist and historian and rhetorician, she has written 17 books and around 400 scholarly pieces on topics ranging from technical economics and statistical theory to transgender advocacy and the ethics of the bourgeois virtues. She is known as a “conservative” economist, Chicago-School style (she taught in the Economics Department there from 1968 to 1980, and in History), but protests that “I’m a literary, quantitative, postmodern, free-market, progressive-Episcopalian, Midwestern woman from Boston who was once a man. Not ‘conservative’! I’m a Christian libertarian.”

Her latest book, out in May 2016 from the University of Chicago Press – *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* – argues for an “ideational” explanation for the Great Enrichment 1800 to the present. The accidents of Reformation and Revolt in northwestern Europe 1517–1789 led to a new liberty and dignity for commoners – ideas called “liberalism” – which led in turn to an explosion of trade-tested betterment, “having a go.”

The earlier book in the trilogy, *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (2010) had shown that materialist explanations such as saving or exploitation, don't have sufficient economic oomph or historical relevance. The first book in the Bourgeois Era trilogy, *The Bourgeois Virtues: Ethics for an Age of Commerce* (2006), had established that, contrary to the clamor of the clerisy left and right since 1848, the bourgeoisie is pretty good, and that trade-tested betterment is not the worst of ethical schools.

Grégoire Canlorbe: Could you start by reminding us of the lines of force of your libertarian case in favor of the principle of unhampered market economy and against the belief that state intervention is virtually omnipotent?

Deirdre McCloskey: One principle and one consequence. The principle is the liberal one that persuasion and trade are better for humans than violence and compulsion. The liberal principle fosters the bourgeois virtues, as against the aristocratic/ bureaucratic vices. It has long been praised---by the Blessed Smith, by Mill, by Herbert Spencer, by Mises and Hayek and Friedman. Smith wrote of "the obvious and simple system of natural liberty," and declared in 1755 that "little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things." He did not realize how very true his deduction from the liberal principle would prove to be, when slowly adopted in the nineteenth century, against the old and new pressures of mercantilism---as old as the Navigation Acts and as new as the Trump administration.

The consequence is that adhering to the liberal principle, as China has in economic policy since 1978, and India in both economy and polity since 1991, yields a

Great Enrichment, a rise of real income per head in a couple of generations from horrible poverty to reasonably comfortable – on the order not of 100% or even 200%, but 3,000%. The consequence of liberalism after 1800 was that masses of ordinary people were encouraged to have a go. The having-a-go resulted in steam power, plate glass, autos, containerization, and the modern university.

Grégoire Canlorbe: One of your favorite fields of study, in which Vilfredo Pareto had been a precursor with his theory of “residues” and “derivations,” is the rhetoric of economics. A salient feature of our epoch, in this regard, seems to be the invasion of anticapitalist fallacies. “Every mystery, past, present, or future, wrote Pareto sarcastically in *The Mind and Society*, 'yields to the magic password 'capitalism.' Capitalism, and capitalism alone, is the cause of poverty, ignorance, immorality, theft, murder, war." How would you account for the persisting attractiveness of anticapitalist rhetoric? How do you respond, in particular, to Thomas Piketty’s highly popular claims about the worsening of income inequalities?

Deirdre McCloskey: I myself was a long time ago a mild-mannered Marxist. I think the attractions of socialism arise from our experience as children in a loving family, in which income falls mysteriously from Dad, and Mom is the central planner. Unless we are raised on a farm or in a small business, we get no early instruction in the charms, and terrors, of voluntary exchange. We think commands rule the economy, the way commands do rule the family or firm inside – though the child does not realize that prices in markets outside rule all. It is shocking to a child of the bourgeoisie such as Marx and Engels and Lenin, to find that he or she cannot *command* the rich to relieve poverty. It does not occur to the child that voluntary exchange, and having a go under a liberal ethic, are what has in fact relieved poverty. The relief has not come out of redistribution by state violence from the rich to the poor.

As to Piketty, I wrote a 50-page, respectful review of his book, concluding that it was a brave attempt, but mistaken in ethics and economics and history. I listened in October of 2016 in Shanghai to a paper by Samuel Bowles, an ex-Marxist economist at the Sante Fe Institute, in which he showed that in fact the income distribution is notably similar in all societies, old and modern. That Sam then suddenly concluded that we need to massively redistribute income shows merely the persistence of the leftward lean acquired as a child, against the evidence of its failures accumulated as an adult. A policy of redistribution does not follow naturally from Sam's amazing historical findings. Rather the contrary.

Piketty (though not Bowles) can be fairly accused of obsessing about the vulgar consumption of the rich. His book shows no interest in the condition of the working class, which has been gigantically improved by the ill-named "capitalism" (it would better be called "innovism," or "trade-tested betterment"). Piketty proposes on no good evidence to stop its enriching work.

Grégoire Canlorbe: A common criticism of Neoclassical and Austrian conceptions says that the Arrow-Debreu model on which is based modern microeconomics has nothing to do with competition and markets in the real world. As a connoisseur of

“economic sins” and the proponent of an Aristotelian approach in economics, could you share your thoughts on this popular view?

Deirdre McCloskey: The problem, as I wrote in a recent paper (available at deirdremccloskey.org), "[The Two Movements in Economic Thought, 1700–2016: Empty Economic Boxes Revisited](#)," is an ill-chosen piece of rhetoric, the locution “*perfect* competition.” “Perfect” competition came to be seen increasingly after 1848 by the left and then by the center and even by some on the right as a mythical beast, a unicorn. Economists discovered more and more reasons, they thought, to doubt that such a beast existed, even approximately.

The word “approximately” here is crucial. What a quantitative policy science like economics requires is adequate approximations, in which we know the actual degree of approximation. That’s what other quantitative sciences do. For example, I would claim, and do so in the paper, that falling transport and transaction costs since 1848 have massively *improved* the approximation of competitive markets, and have falsified the hardy claim that monopoly ever increases. That's the sort of fruit one can expect from actually measuring "imperfections."

Grégoire Canlorbe: A second criticism deals with the proposition that any free and voluntary exchange is, by nature, beneficial on all sides. It is not uncommon to retort that it neglects the power relations which underly most exchanges in society and which make them a zero-sum game. Workers are objectively expropriated by the capitalist class. Since they don’t own the means of production, workers are compelled for their livelihood to accept this degrading treatment. There is nothing “free” nor equitable in such an arrangement.

And it is a mistake to situate the origin of wealth in the principle of voluntary exchange as such. Instead, the productive advantages of exchange come from the fact that the division of labor is all the more extended and sophisticated as trade possibilities are increased and diversified. Upon reflection, do you recognize some pertinence of these different points of view?

Deirdre McCloskey: No, I do not recognize their pertinence. Again, I treat the issues in some detail elsewhere, such as for example in chapter 60 of *Bourgeois Equality*. “Voluntary” does not mean “free from scarcity” or “free from the laws of physics.” It means “free from violent coercion by other human beings.” That is, it is the opposite of literal slavery. (The locution “wage slavery” is a contradiction in terms, and needs to be set aside.) Liberalism does not promise nirvana, but merely the reduction of human violence from slavery. The reduction or elimination of slaveries after 1800 led to the astonishing enrichment that a free people can devise.

Grégoire Canlorbe: A third approach holds that mainstream economics is infected with a multiculturalism bias which stems from a wrong anthropology. The claim is that cultures are spontaneously able and inclined to “live side-by-side” and to “enjoy each other” even on the same territory. Since division of labor and commerce constitute the true foundation of society, human association has no other limit.

As pleasant as it may be, such an anthropology is ultimately wrong. Before being an individual calculator of gains and losses, he's a devout creature who puts himself at the service of ideas. It was eloquently expressed by Arthur Koestler in 1968. "The aggressive, self-assertive tendencies in the emotional life of the individual are less dangerous to the species than his transcending or integrative tendencies," such as wars of idea-driven conquest or conviction. Our devotion to ideals is therefore dangerous.

Deirdre McCloskey: You are a pessimist! I know that pessimism is cool. But it has been a bad guide to at least the economic effects of liberal ideas over the past two centuries. The clerisy had three big ideas since 1700: liberalism, nationalism, and socialism. The last two had, of course, appalling results. If someone thinks otherwise, she should consider their combination, national socialism. But despite the experiments in the twentieth century with the nationalism and socialism proposed by the clerisy in the nineteenth century, the liberal idea of the eighteenth century kept on working, to our great good.

Grégoire Canlorbe: You have just finished your trilogy dedicated to revolutionizing the way we envision the bourgeoisie, morality, markets, "ethical capitalism", and the "Great Enrichment" over the past two centuries. Could you remind us why capitalism does not just emerge from the Protestant ethic as Max Weber contends?

Deirdre McCloskey: Weber's is a psychological claim. People feared for their salvation, he claimed, and therefore worked harder and saved more. Weber's argument has been proved mistaken over and over and over again since first articulated in 1905. It has been shown to be wrong in its theology, wrong in its economics, wrong in its history. The news has not gotten out to non-specialists, who continue to delight in Weber's attractive combination of a spiritual spark for a material flame.

The structure of my argument is similar to his---a spiritual spark (liberalism devised after 1700) lighting a material flame (massive human ingenuity after 1800). But my argument is *not* psychological. It does not suppose that there was a change in human nature or in the psychology of the bourgeoisie. It is sociological and political, showing that there was a change in what Marx called ideology. That is to say, the change that actually happened 1700–1900 is about the ethical value that people other than entrepreneurs put on the activity of entrepreneurs, the making of what Schumpeter called a "business-respecting civilization." Thus China after 1978. Thus India after 1991. Thus Holland after 1568, England after 1688, Scotland after 1707, and so forth.

Grégoire Canlorbe: By insisting on the ideological factors at the origin of our wealthy, "liberal," and bourgeois way of life (and disqualifying merely institutional and legal explanations), do you intend to castigate the Rothbardian and Randian approach of capitalism, which defines the system only in terms of property rights and justice?

Deirdre McCloskey: That's a good idea, which I hadn't thought of before. I embrace it. The formula, popular nowadays at the World Bank, "Add [legal] institutions and stir" is not a sufficient recipe, or even in many respects a very necessary one – China's legal system is notoriously authoritarian. What's necessary and usually sufficient is a change in ideology towards market-tested betterment. *That* is what caused China to succeed, and before China the Netherlands and England the Scotland and the rest.

Grégoire Canlorbe: One of your role models is the founder of economics, Adam Smith, whom you also hold up as the "last of the former virtue ethicists". According to you, an unheralded aspect of Smith's defence of free market economy is his insistence as an ethical philosopher that flourishing markets foster the practice of virtues. Smith has been sometimes perceived as a cynical defender of capitalism, praising its ability to generate wealth and at the same time depicting the "commercial society" as devoid of spirituality. You suggest on the contrary that his case for capitalism was profoundly ethical.

I myself am not so sure. For example, Smith declares that the laborer's specialization comes "at the expense of his intellectual, social, and martial virtues."

Deirdre McCloskey: The remark is late in *The Wealth of Nations*. But we must read *The Theory of Moral Sentiments* as well. There he defends the ethical school that a social existence provides, such as a society of markets. The society he had in mind what not some Rousseauian fantasy of a perfect society, but Lowland Scotland circa 1759 or 1776 or 1790.

Grégoire Canlorbe: Our bourgeois era exhibits a generalized spirit of rebellion towards any idea of authority, tradition, and excellence. Since the French Revolution, which destroyed much on its way, rebelliousness has been established as a value *per se*.

Deirdre McCloskey: "Innovation" was until the nineteenth century a bad word, and continued in some places to be so---in, say, China until 1911. The cost of an economy in which ordinary people can have a go, and regard themselves as equal to others in dignity, is the rebelliousness of which you speak. One piece of evidence that liberalism was new and important, in other words, was the beginning of the endless parade of cultural novelties, one *avant garde* after another – impressionism, post-impressionism, cubism, surrealism, abstract impressionism, the new realism, performance art. My conservative friends lament it. But I accept it as a feature – sometimes, lamentably, a cost – of the liberal plan of equality, liberty, and justice.

Grégoire Canlorbe: In his 2010 *The Genius of the Beast: A Radical Re-vision of Capitalism*, sociologist, rock-music executive, and philosopher Howard Bloom elaborates a similar apology of capitalism and entrepreneurial spirit as yours. His thesis is that the Western system multiplies the creative powers of the cosmos on behalf of the dignity of the poor and the oppressed, on behalf of the challenge to

innovate formulated by the cosmos herself, and on behalf of those spiritual hungers of human nature which we've traditionally described and scorned as "consumerist".

As he says, "There is a capitalist story that it's unfashionable to tell. Since its first beginnings capitalism has been a liberator, an emotional upgrader, and a full-speed-ahead creator of new forms of empowerment." However, "in our labors, in emotional capitalism, in the capitalism of passion, we need to respect the role of the trivial, the frivolous, and the vain if we're to serve the yearnings of the human soul. In fact, serving needs like these is central to the capitalist mission... serving yearnings like these is uplifting. We do her work "when we turn . . . restless dreams into realities, realities that amplify the powers or elevate the lives of our fellow human beings." How would you assess the Bloomian case for Western achievements, bourgeois virtues, and free markets?

Deirdre McCloskey: I certainly agree that market-tested betterment has been caused by and causes human creativity. For example, it has liberated women. I do not know Bloom's work. But I worry about people who make sweeping judgments about market society without troubling to learn economics. At least Marx tried to!

Grégoire Canlorbe, a journalist, currently lives in Paris. While collaborating with Howard Bloom, he has conducted many interviews for journals such as *Man and the Economy*, or think-tanks such as Mises Institute. Contact: gregoire.canlorbe@wanadoo.fr