

POLITICAL ECONOMY

IN THE CAROLINAS

BOURGEOIS EQUALITY: HOW IDEAS, NOT CAPITAL OR INSTITUTIONS, ENRICHED THE WORLD

Deirdre McCloskey

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Those who engage in commerce have attracted the nearly universal contempt of intellectuals. One famous example is Sinclair Lewis's acidic send-up of the commercial world in *Babbitt* (1922). Babbitt's friend Paul hates his life:

"Talk about morals all you want to, old thing, but believe me, if it hadn't been for you and an occasional evening playing the violin to Terrill O'Farrell's 'cello, and three or four darling girls that let me forget this beastly joke they call 'respectable life,' I'd 've killed myself years ago.

"And business! The roofing business! Roofs for cowsheds! Oh, I don't mean I haven't had a lot of fun out of the Game; out of putting it over on the labor unions, and seeing a big check coming in, and the business increasing. But what's the use of it? You know, my business isn't distributing roofing—it's principally keeping my competitors from distributing roofing. Same with you. All we do is cut each other's throats and make the public pay for it!"

[Babbitt:] "Look here now, Paul! You're pretty darn near talking socialism!"

"Oh yes, of course I don't really exactly mean that—I s'pose. Course—competition—brings out the best—survival of the fittest—but—[most business people] hate the whole peppy, boosting, go-ahead game, and they're bored by their wives and think their families are fools—at least when they come to forty or forty-five they're bored—and they hate business, and... Why do you suppose there's so many 'mysterious' suicides?"

For the truly insipid, the commercial enterprise may be diverting enough. But for anyone with a lyrical soul,

commerce is numbing, even depraved.

Deirdre McCloskey has offered, in the first two books of a trilogy, *Bourgeois Virtues* (2007) and *Bourgeois Dignity* (2011), a spirited and detailed defense of the ethics of capitalistic acts between consenting adults. I loved the first book, in particular, because it squarely and consciously takes on the problem of virtue. Marx riffed on Aristotle, who came to Catholicism and the West largely through the pen of Aquinas, and while Marx's other stabs at argument have largely withered—outside of university English departments—the virtue-ethics condemnation of capitalism has largely survived and has rarely been seriously challenged. McCloskey recognizes the importance of not just the scientific and material, but the rhetorical conception of commerce. She argues persuasively that materialist conceptions of markets and commerce are not only impoverished, but ferociously misleading. Bravo.

In this third volume, much as Marx did in volume III of *Das Kapital*, McCloskey must try to nail down all the claims that until now have always been proved only by forward reference (“As I will show...”). *Bourgeois Equality* was, for me, less persuasive and in some ways less interesting than the previous two books.

But that may be because of my own biases, which I should confess. As a student of Barry Weingast and Douglass North, I start with institutions as the primary explanation of persistence and change in history, and consider transaction costs the answer to almost any question worth asking. This is one of the views McCloskey derides. Further, I am a fan of Hemingway, not Faulkner. McCloskey will rarely say in 50 words what can be said in 500. Though her writing is felicitous, it can also be self-indulgent, with just a bit too much delight in the exactly right phrase.

So, recognizing that my issues with the book may come from my own limitations rather than

those of the book, I will nonetheless say what those issues are. The quarrel between North and McCloskey is complex, but it could (simplistically) be summarized in terms of the requirements of market participants' understanding and awareness. Compared to McCloskey, North hewed much more closely to the line taken by Hume and Hayek that conventions and institutions are emergent rather than designed. What this means is that in societies with “good” institutions, the result might be prosperity and peace, but those who enjoyed those benefits probably did not understand the mechanisms that produced them.

This can be frustrating for someone who wants to make things better, of course. North, after winning the Nobel Prize, famously was interviewed by analysts from developing nations asking for advice. “What do we need to do to prosper?” North's answer was, “The first thing you'll need is a different history.” If that's true, then not only do people not understand economic success, but they also can't even mimic it by adopting the formal rules of nations that have already succeeded. The rules that matter are the informal rules, the “laws” (in Hayek's terms) that govern social interaction. And informal rules by their nature cannot be adopted and may not even be directly observable.

Ideas are different. McCloskey wants the primary explanation for development and “the Great Enrichment” to be a set of ideas. Ideas by their nature must be visible, even luminous, and must be consciously held, if perhaps not fully understood, by citizens of societies to have much effect. The idea that McCloskey identifies is useful enough: equality—in application of the laws, of liberty, and of essential dignity in the esteem of others. Everyone can have, and should want to have, a go. McCloskey (p. xxxi) quotes Adam Smith in this regard: “Allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty, and justice.”

I would prefer to call that “permissionless innovation,” a set of institutions that fail to prevent, and can be prevented from preventing, attempts at having a go. That doesn’t require that anyone understand the ideas; it only requires that institutions prevent interference. The name matters, because people have to accept institutions as good and worth preserving, but there need be little correspondence between doing and knowing why we do. To be fair, McCloskey is careful to point this out in chapter 38, “The Causes Were Local, Temporary, and Unpredictable.” That is surely right, and I think this chapter and the section it kicks off are the strongest in the book. But I ultimately do not find the either/or debate between institutions and ideas very persuasive.

Overall, however, the book is quite persuasive: betterment depends on liberty. But—contra McCloskey-- it may not depend on the idea of liberty being understood and internalized. The key, as McCloskey rightly notes, is that the new rules changed the presumptive balance of power, or “shifted the burden of proof . . . from those who advocated creation to those who opposed destruction. Ideas and rhetoric in northwestern Europe had begun to change in favor of creative destruction” (p. 471). If McCloskey is right, and institutions spring from ideas and need persuasive rhetoric to buttress the positions of their defenders, then ideas may really be as important as she says. I wish I shared her optimism about either the ability of mass publics to understand ideas or the willingness of opponents to concede their own claims when confronted with good rhetoric.