# Book review



## Bourgeois Dignity: Why Economics Can't Explain the Modern World

*Deirdre N. McCloskey*
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### McCloskey's great fact

Deirdre McCloskey defines "hope" (2010, p. 10) as "the virtue of forward looking, of having a project." If the ambitiousness of her four-volume project *The Bourgeois Era* is any evidence, Deirdre has plenty of hope, and we are all better for it. The goal of the project is to defend the bourgeois as ethically moral and historically important.

McCloskey's past research has prepared her well for the current grand project. A focus of some of her early research was one of the great transitions in human history: the British land enclosure movement. Early on she also studied a question of interest to students of entrepreneurship – whether the relative decline of industry in Victorian Britain was due to the waning of entrepreneurial vigor. (She argued that vigor was fine, but constraints constrained.) In much of her recent research, she has focussed on issues of value, method, and culture; issues that most economists studiously ignore.

*The Bourgeois Virtues* (2006), the first volume of her current grand project, argued that entrepreneurial capitalism encourages and is sustained by a set of plausible and widely admired classical and Christian virtues. *Bourgeois Dignity*, the second volume and the one under review here, argues that the success of entrepreneurial capitalism at lengthening and bettering life is due mainly to our according dignity to those who practice its virtues: the producers and the traders and the entrepreneurs.

McCloskey begins with human history as hockey stick. Imagine the stick with its long handle on the ground, and its short blade pointed skyward. The long horizontal handle represents the tens of thousands of years of human stagnation, and the short upward blade represents the decades since 1800 in which human life has become much longer and richer. (This is what McCloskey calls "The Great Fact.") The central question of McCloskey's book is what happened to change the horizontal handle into the upward blade? The central answer of McCloskey's book (2010, pp. 5-6) is that the explanation lies, not in the prices and incentives of standard accounts in economics, but rather in society bestowing dignity on those who produce and trade and innovate.

McCloskey graciously reminds us (2010, p. 176) that "a historian ignores Stigler to his peril." Well, Stigler (1965, pp. 5-6) used to say that every great economist (except Mill) exaggerated the importance of her main idea, not on purpose, but out of innocent enthusiasm. McCloskey is a great economist who sometimes (e.g. 2010, pp. 5-6 (sic)) confirms Stigler's dictum by writing as if all we need to do to defend entrepreneurial capitalism is to dignify the bourgeois; other times (e.g. 2010, p. 19) she more sensibly admits that other issues matter too.

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Either way, she has identified something important. Justice demands that we accord dignity to those who lengthen and enrich our lives. And, by the way, dignifying their activities encourages them to continue to make our lives even longer and richer. Whether dignity matters most, or just matters a lot, is not too important. What is more important is that McCloskey is on to something that matters; something that the economists (the main, partial, lonely, inept defenders of entrepreneurial capitalism) mainly ignore: the dignity of the entrepreneur matters.

McCloskey's frequent use of the word "bourgeois," and much less frequent use of the word "entrepreneur" clues us in on her main intended audience. She is writing mainly for fellow intellectuals, who will understand how defending the bourgeois is boldly and deliciously in-the-face of the politically correct descendants of Marx. Such an audience will also appreciate the erudite, fine-grained casuistry of many of the chapters. It is an understandable choice, but it lessens the book's short-term impact: McCloskey is so good at writing clearly, that she could have written for the broader audience of citizens who care. (In fairness, her web site reports that her "projected, imagined" long-run publishing plan includes "a single-volume and intended-to-be popular version of the four other books.")

McCloskey does not explicitly divide the book into parts, but I think there are roughly three. The first part, in Chapters 1-13, mainly provides stories and statistics and arguments for what McCloskey calls "The Great Fact" which is the huge increase in western living standards since 1800.

The second part, in Chapters 14-40, critiques a variety of proposed explanations of the Great Fact. Although there are many more chapters in this part than in each of the other parts, they are often shorter than those of the other parts, and often each of them focusses on the arguments of a handful of important intellectuals (usually economists). In this core of the book, McCloskey considers alternative explanations for the Great Fact, and plausibly and pleasantly exposes the weaknesses of those explanations. Here are some of the explanations McCloskey considers: thrift, capital, greed, Protestantism, accumulation (either continuous or one time), human capital, transport, geography, natural resources (with extra attention to coal), foreign trade (to which three chapters are devoted), the slave trade, imperialism, a quickening of commerce, class conflict, eugenic materialism, neo-Darwinism, institutions, routine investment, property, incentives, economic optimization, and the rise of science. If it is tiring to read this long list, consider how much more tiring it must have been for McCloskey to have read and reflected on the literature supporting each explanation.

In presenting her reflections on this diverse literature, McCloskey remains true to her frequent praise for the usefulness and nobility of conversation. Here she not only talks the talk; she Talks the talk. Much of the book reads as a series of conversations with specific individuals. This approach shows that McCloskey takes the work of other scholars seriously – their work is worth the time and effort to summarize and criticize. But the approach anchors McCloskey's work in the current literature. As that literature is supplanted by newer literature, McCloskey's work may depreciate more quickly than a book written in a more timeless manner (think Adam Smith or Alfred Marshall).

The third part, in Chapters 41-46, is a bit of a miscellany, but mainly returns to the central thesis of dignity mattering most, with tempting bits of what is yet to come in the next volumes. Chapter 43 is a strange chapter in the third part that aims to summarize the argument of the book in a formal model. McCloskey is almost apologetic for this chapter. But it can be defended (maybe) as part of a rhetorical strategy to show the robustness of the results. McCloskey uses this strategy elsewhere

in her book wherever she presents the main thread of her argument, but then pulls back and says, "even if I'm wrong on this or that part, the main conclusion would still hold." So, for example, on pp. 60-64 she argues that happiness cannot be credibly measured, but at the end of the argument, she cites Inglehart *et al.* (2008) as showing that entrepreneurial capitalism increases measured happiness. Likewise, for Chapter 43: she has argued for many years that formal modeling in economics leaves out much that matters; but in case she is wrong, she shows that the major argument of the book can be shoehorned into a formal model.

Apart from Chapter 43, the main method employed (2010, p. 33) in *Bourgeois Dignity* (attributed to John Stuart Mill) is to set out an exhaustive list of possible causes of an important phenomenon (here, the Great Fact). Then, if you can present sound argument or strong evidence against all but one of the possible causes, that remaining cause must be the actual cause. The way McCloskey implements this method is to present a time and place where the cause was present, but the effect (the Great Fact) did not result. The method would be enough to show that an alleged cause is not a sufficient cause, but, alas, it is not enough to show that an alleged cause is not a necessary cause. For example, McCloskey mentions (2010, p. 316) that ancient China and ancient Rome and medieval England all respected property rights for a long time, without producing the Great Fact. That is enough to show that respect for property rights is not a sufficient cause of the Great Fact. But, as McCloskey realizes (2010, p. 320), property rights are still a necessary cause for the Great Fact. This is not mere pedantic distinction drawing. If we want the Great Fact to continue to be a fact, then we need to attend to both its sufficient and its necessary causes.

The world may be messier still. It may be that there was no single necessary or sufficient cause, but a set of causes; and that when enough of them occurred together, the Great Fact occurred. If this is the way the world works, then McCloskey's method may provide relevant reason to focus on some alleged causes more than others, but will not be definitive. In this case those who want the Great Fact to continue, may prudently defend not only the dignity of the entrepreneur, but also private property, the rule of law, and low marginal taxes.

Besides my minor concern about the definitiveness of McCloskey's method, I also have one substantive concern. McCloskey rejects a little too quickly and a little too strongly one important possible cause: patents. On page 337 she emphasizes flaws in the British patent system. (And in Footnote 9 on page 454, she expresses the view that since roughly 1900 the process of invention has become "routine" which would also be consistent with a view that patents are not necessary.) In her main rejection of patents, McCloskey relies heavily on a brief but rich article by Mokyr (2009). Mokyr sets up the "usual" account of the role of patents in the industrial revolution, attributes it to Douglas North (1981) and then says "almost everything" (2009, p. 349) about the account is wrong.

McCloskey is in good company (e.g. Matt Ridley, 2010) in doubting the efficacy of patents in promoting innovation. But there is more to the Mokyr article than the opening salvo. As proceeds, he adds qualification and nuance: he grants that for some industries, such as machinery "innovation would tend to be concentrated in economies in which patent protection was stronger" (p. 352). And there are others besides Mokyr whose research is worth considering. For example, William Rosen (2010) has argued that the steam engine was the key invention of the industrial revolution, and that the relatively enlightened patent law of Great Britain (compared, e.g. to France) explains why the steam engine was first developed in Great Britain (mainly by Watt, a strong

advocate of patents). And for the USA, Zorina Khan (2005, pp. 202-7) has shown that the early patent system provided an important source of income for many inventors (which plausibly could have served either as an incentive to invent, or as an enabler by providing financing for further inventions).

The history of patents is of interest in part because of its relevance to the debate about whether to scrap or reform the current patent system. That debate centers around some economic studies of the modern patent system that conclude that, outside of a couple of industries, there is little evidence that patents encourage innovation. While admitting the problems with the current patent system since 1982, Jaffe and Lerner (2004) plausibly argue that the wise response is not to scrap the system, but to reform it. The exuberant polymath Nathan Myhrvold (2010) has provided an even more ambitious agenda for reforming and extending patents.

A broader issue for the readers of this journal is whether *Bourgeois Dignity* has significant implications for the role of the entrepreneur in the economy. By systematically critiquing many explanations of the Great Fact in which the entrepreneur plays no role, the middle part of the book leaves the way clear for explanations, including McCloskey's own, in which the entrepreneur is central. Consider McCloskey's critique of routine investment: you think that routine investment explains the Great Fact? Well there was plenty of routine investment in the Roman Empire and ancient China, but in those societies routine investment did not produce the Great Fact. More generally, nothing routine will explain the Great Fact: "[...] the astounding growth after 1800 needs an astounding explanation" (2010, p. 313). That astounding explanation turns out to be innovation through creative destruction. And more deeply, what most enabled innovation through creative destruction was the according of dignity to the innovative entrepreneur.

While McCloskey discusses innovation in terms of astounding Schumpeterian creative destruction, she discusses entrepreneurship in terms of routine Kirznerian alertness. Perhaps McCloskey was convinced by a couple of Kirzner's (1999, 2009) later papers, in which he argued that an expansive version of his alert entrepreneur can be made to encompass both the routine entrepreneur-as-arbitrager of his earlier work (e.g. Kirzner, 1973), and the astounding entrepreneur-as-innovator of Schumpeter's (1950) work. Certainly a Schumpeterian innovative entrepreneur would benefit from being alert. But is it not a real stretch to claim that mere "alertness" is what most matters in the creation of something new? Don Patinkin (1983) was surely right when he argued that the credit for an idea should go primarily to the scholar who perseveres at making the idea his central message; not to the scholar who briefly adumbrates the idea, utters it as obiter dicta, or adds it later as an afterthought.

But it is a minor point how much credit to give to Schumpeter and how much to Kirzner. (After all, Schumpeter is long-dead and Kirzner is rightly admired – why not graciously bend over backwards to give Kirzner credit?) The main point is that by the end of Chapter 40, McCloskey has cleared the way for the entrepreneur to matter. With that established we can genially converse about how best to enable and encourage the entrepreneur. McCloskey's answer is: accord her dignity.

Does according the entrepreneur dignity matter most? I am not sure. In reading the biographies of innovative entrepreneurs, I often find that financing at key early stages matters a lot, maybe most. Sometimes an entrepreneur believes so strongly in her project that she does not seem to care whether anyone salutes or not (so long as she can scrape together the means to keep the project going). But dignity is good; good because some innovative entrepreneurs do desire approval, and even more because a society that dignifies innovation is more likely to stay out of the entrepreneur's way.

Part of McCloskey's goal in the book, as indicated for instance in the subtitle, is to diminish the role that economic incentives and constraints had in creating the Great Fact. But even if McCloskey fails in this goal, and economists are partly right that innovators benefit from having incentives to motivate innovation and resources to enable innovation, McCloskey has still established a presumption that honoring the dignity of innovators matters too. We can expect the presumption to become even stronger once we have had a chance to read McCloskey's next two volumes in which she will present "the positive evidence for the change in rhetoric" (2010, p. 33) – showing us how the bourgeois came to be dignified just before, and at the start of the Great Fact.

In McCloskey's (2000) teaching on clear writing, she suggests that we put what is most important at the end. So, in the end, much of the book is a joy to read, brimming with scintillating phrases and memorable examples. The rest is still rewarding, because the Great Fact is well named, McCloskey knows a lot about it, and works hard to clearly communicate what she knows. Some parts of the book assume that the reader knows a lot too or is willing to work to learn. Most importantly McCloskey persuades us that if we want the Great Fact to continue we should value and dignify the hope of the innovative entrepreneur.

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**About the reviewer**

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