



Bourgeois Equality

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What historical events got the West to a position today where it can worry about patchy growth within a material world of unprecedented riches? writes Mikayla Novak

Patchy signs of economic recovery in Australia and the rest of the Western World aside, these last few years could be best described in economic terms as a persistent 'Great Exhaustion'. The uninspiring tale of the tape can be gleaned from any set of national accounts or other official figures, with the most noticeable features of the Great Exhaustion being slow economic growth, flagging productivity, rising unemployment, and an explosion in public sector liabilities.

The economics profession has responded to these recent developments by producing a flood of journal articles and books in an effort to explain what has gone wrong in recent years, and what prescriptions are required to get countries back on a more vibrant economic development path. Boiled down to its essentials, there are two schools of thought: the first blames markets, or the material inequalities fostered by market activity, for the symptoms of the Great Exhaustion; the second blames government, or the inequality driven by public sector activity, for the observed

economic problems.

The academic debate about the determinants of the contemporary Great Exhaustion continues to proceed, perhaps unsurprisingly given there is economically little good news on the horizon, but some economists have sidestepped the fractious contemporary debates to look back even further in time. In other words, although economic conditions are less than desirable at present, what historical circumstances and events got the West to a position where it can worry today about patchy growth within a material world of radically unprecedented riches?

It is at this point that economic historian and figurehead in the modern international liberal movement, Deirdre McCloskey, presents her latest book *Bourgeois Equality*. In an impressive sweep of economic history combined with insights from law, literature, political science and sociology, McCloskey's *Bourgeois Equality* sets out to explain the nature and causes of the 'Great Enrichment' over the centuries prior to our current (hopefully temporary) Great Exhaustion.

The distinctiveness of McCloskey's contribution to our understanding about the dynamics of longrun economic development is revealed by the juxtaposition of her work against other prominent thinkers of the British Industrial Revolution. One of the more popular accounts of longer-term economic growth in Australia, Britain, Europe and the United States is that it is the result of voracious capital accumulation in which, brick by boring brick, production possibilities were amazingly scaled up by a factor of between 30 and 100.

Another interpretation of the West's impressive economic advance since 1800 is attributed to the work of another economic historian, Gregory Clark, who says that demographic changes led to the transfer of pro-work ethical norms from elites through the middle class. To be more specific, higher child mortality rates among low-income families in Britain meant that the children of the rich eventually spread down the social hierarchy, taking their prudential values with them and fostering rapid economic growth.

Deirdre McCloskey refutes the materialist and demographic interpretations of Western economic development to make the bold claim, supported by reams of literary and other evidence in *Bourgeois Equality*, that ideas were the major factor causing the vast expansion in incomes and wealth.

In amongst the opening pages of her book McCloskey explains her notion as follows:

The original and sustaining causes of the modern world ... were ethical, not material. They were the widening adoption of two mere ideas, the new and liberal economic idea of liberty for ordinary people and the new and democratic social idea of dignity for them. The two linked and preposterous ethical ideas – the single word for them is 'equality,' of respect and before the law, their theory being liberalism – led to a paroxysm of betterment.

Drawing upon the intellectual works on entrepreneurship by economist Israel Kirzner, the material

in *Bourgeois Equality* aptly conveys the sense of wonder embodied in the abundant goods and services created and produced by entrepreneurs ever alert to opportunities to service other people. And McCloskey rightly points out that the material abundance of the Great Enrichment, such as cheaper food, clothing, cars, computers, washing machines, and so on, has become increasingly accessible to Westerners on low incomes and, more recently, the masses in the developing world. But giving private sector entrepreneurs who compete in domestic and global markets the confidence to risk their funds, available capital, time and other resources to buy inputs low and sell outputs high depends on conditions amenable to such activities to be performed in the first place.

Ensuring that politicians maintain rule of law, and don't unduly violate secure property rights through exorbitant taxation and stifling regulations, are just one part of those conditions needed for exponential long-term growth.

The central point of Deirdre McCloskey's *Bourgeois Dignity* is that market-tested betterment can only thrive in societies embracing an equalising extension of economic dignity to small-time tinkerers, dealers, and suppliers, holding various forms of anti-market snobbery at bay:

The Bourgeois Era is egalitarian ... admiring a justice of equal dignity and liberty accorded to commoners. If the rhetoric of backward-looking solidarity in tradition or utopia-imagining solidarity in socialism dominates over the rhetoric of forward-looking prudence, the Bourgeois Deal can be stopped.

The concept of bourgeois equality, and its practical emergence over the past two centuries, is quite similar to the 'analytical egalitarian' theory expounded by academics Sandra Peart and David Levy, and it is worthwhile to read the two concepts together.

Analytical egalitarianism is based on the classical economic notions of Adam Smith and John Stuart Mill that every human being, from the elitist philosopher to the lowly street porter, has an equal capacity to undertake self improvement in their own lights, with observed differences in material circumstances influenced only by luck, incentives, and institutions.

In explaining that the West grew as it did because practically anybody could test their economic wares in the marketplace, McCloskey is effectively suggesting that ethical evolution ensured tweaks in both incentives and institutional structures catalysing the observed enrichments. It is important to recognise that the McCloskeyian idea of equality is far removed from the much-vaunted equality of outcome which has been elevated as a widespread public concern by the likes of Thomas Piketty, Anthony Atkinson, Robert Reich, and Joseph Stiglitz.

McCloskey engages in a lengthy discussion about the disincentivising effects of attempting to tax or regulate income and wealth disparities out of existence, arguing instead that 'people are actually and ethically looking for a standard of what is enough for a dignified life in a given society'.

The desire that each and all should have enough to materially get by suggests that redressing

absolute poverty, rather than redistribution, is the key issue from the pro-growth perspective:

Solving absolute poverty came in fact from the Great Enrichment, and attempting to solve a logically insoluble relative poverty resulted in slow growth and the encouragement of an insatiable envy.

Readers of this review run the risk of conceiving that *Bourgeois Equality* might elucidate a novel explanation for the Western legacy of Great Enrichment from the Industrial Revolution onwards, with providing only limited value during this contemporary period of the Great Exhaustion. From McCloskey's perspective, such a view would be mistaken.

In *Bourgeois Equality* it is noted that the rapid development of China and India in recent decades has been informed by a revaluation favouring market-led economic growth, enabling and ennobling millions of people to upwardly climb ladders of economic opportunity as public sector economic controls have gradually eased. Expressing her concerns about recent anti-market rhetoric from both left and right of the political aisles in Western countries, McCloskey counsels the pro-market ethical 'revaluation ... came out of a rhetoric that would, and will, enrich the world'.

It is certainly wise of McCloskey to suggest that classical liberals and libertarians pay closer attention to cultural perceptions of voluntary, marketbased activities, given the modern fashion of so many proponents of freedom to rest their case for liberty on economic grounds. In the spirit of *Bourgeois Dignity*, liberals should care far more about how the market, and the entrepreneurs which inhabit them on the supply side, is depicted in art, film, literature, music, as well as in popular media and political discussion.

Hopefully, McCloskey's effort will rouse more liberty supporters from their slumber on cultural issues, devising ways to lay the groundwork for more people to agreeably look to decentralised, intimate markets, rather than centralised, distant politics, for their means of material flourishing. Unapologetically advancing an ideational thesis to explain prosperity in the modern world, Deirdre McCloskey's *Bourgeois Dignity* is a landmark contribution for the benefit of generations to come.