

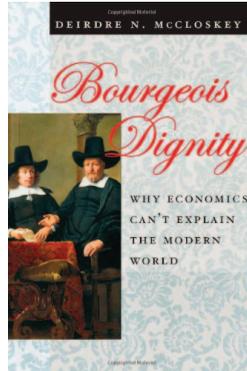
Bourgeois Dignity

Julie Novak reviews

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

By Deirdre McCloskey

(University of Chicago Press, 2010, 504 pages)



Thanks in part to the intellectual emergence of a modern Malthusianism, much of the popular narrative on the human condition, including in the West, is presented in highly pessimistic tones.

As the argument goes, a fragile, rocky outpost in the Milky Way galaxy bursts at the seams with six billion people and counting, with considerable numbers continuing to reside in the squalor of absolute poverty. For those on the higher rungs of the socio economic pecking orders the message does not get any better, with the impending doom of resources scarcity to befall extravagant and myopic consumers sooner, if not later.

Coupled with the modern propensity for communities to be swept up by a range of moralistic fears and panics both great and small, ranging from global warming to varied forms of 'stranger danger,' one could readily be forgiven for feeling pessimistic not only about where Australia and the world is heading, but a nagging guilt about from where we have come from in the first place.

Against this gloomy background, well researched and compelling accounts that celebrate the achievement of modern humanity presents at the very least a breath of fresh air, if not something quite revolutionary. Deirdre McCloskey's

Bourgeois Dignity: Why Economics Can't Explain the Modern World, the second volume in an expected six book series, provides a basis for the renewed understanding, and even appreciation, of the economic and social marvels of modernity.

One of the key details from *Bourgeois Dignity* is a solitary number: 16. Unlike the spoof of the *Hitchhiker's Guide to the Galaxy* book and television series, in which the 'Answer to the Ultimate Question of Life, the Universe, and Everything' is the number 42, McCloskey's number represents the little known, but very real, fact that in advanced economies per capita incomes have risen by a factor of at least 16 over the past two centuries or so.

What does this number mean? What relevance does it have in terms of the lives of everyday people? As McCloskey states in the clearest of terms, 'You, oh average participant in the ... economy, go through at least sixteen times more food and clothing and housing and education in a day than an ancestor of yours did two or three centuries ago. Not sixteen percent more, but sixteen multiplied by the old standard of living'.

Moreover, when one takes account of technological changes and output quality improvements, the factor of material improvement might well be plausibly greater than 16 times during the modern economic history of the West, with

numerous developing countries such as South Korea, Malaysia and Singapore and, now, China and India, following suit.

Like any reputable scholar with an appreciative sense of the contrary 'declinism' arguments, McCloskey is at pains to explain that this increase in income has perhaps benefited the poor the most. The basic story goes something like this:

profits from innovation go in the first act mostly to the bourgeois rich. But in the second act ... other bourgeois rush forward at the smell of profit. Prices fall relative to wages, which is to say that goods and services expand per person—they have again and again and again—and the poor get better off in real terms.

Amen.

McCloskey also argues in *Bourgeois Dignity* that economic progress, driven by entrepreneurial brain power seeking to produce higher valued goods and services at lower resource costs, has not laid waste to the environment, as some of the modern variants of the intellectual left claim. Amen to that, too.

How humankind has progressed is one thing. Arguably the much larger, and unanswered, question in economic history, is why did we get to the position of material opulence that exists today? Why did the 'wealth of nations,' to borrow the famed term by economist and moral philosopher Adam Smith, come about as a realistic template for the common person?

To be sure there are plenty of speculative explanations put forward by today's economic historians, some of which verge on the novel.

Gregory Clark offers what might be called a bio-genetic explanation for the modern world, in which the higher

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survivability rates of the offspring of the British rich led to downward social mobility, thus creating a nation of educated and virtuous shopkeepers and inventors. Joel Mokyr arguably offers a more sweeping account of the Industrial Revolution that considers a mix of influences as diverse as political institutions, human capital investment and Enlightenment ideas and values.

The innovative contribution of Deirdre McCloskey's *Bourgeois Dignity* is that a specific, non materialist account of what created the modern world is put forward.

As set out in *Bourgeois Dignity*, the 'change in talk and thought about the bourgeoisie ... was probably of greater importance for explaining the modern world'. This implies that alternative explanations, often propounded by the intellectual establishment of economic historians, may not provide the sole or compelling explanations for the sixteen fold increase in wealth.

In simple terms: it wasn't capital accumulation, it wasn't foreign trade, it wasn't coal, it wasn't colonialism, it wasn't slavery, it wasn't technology, it wasn't property rights, and it wasn't religious belief that forged our wealthy world. It was, according to McCloskey, pro market changes to 'the habits of the lip', that accorded dignity and liberty to the emerging bourgeois classes.

As explained in further detail, after 'about 1700 in Britain, however, as earlier in Holland, the vulgarities of the economy and of money and of dealing, with their unsettling creativity came gradually to be talked about as non-corrupting. They began to be seen as worthy of a certain respect, as not being hopelessly vulgar or sinful or underhanded or lower caste'.

Given her intense intellectual interest for at least two decades on questions of rhetoric and communication, it is unsurprising that McCloskey would collate some intriguing qualitative case studies in support of her novel account of material progress. *Bourgeois Dignity* provides accounts, including observations by such notable Enlightenment identities

as Voltaire, which explains that 'the merchants and machine makers and manufacturers in northwestern Europe were elevated for the first time to the rank of 'gentlemen'.

By emphasising the role of language in shaping economic attitudes and, ultimately, outcomes, McCloskey presents an economics that sharply contrasts with the neoclassical variety that is taught at most Australian and international universities.

Neoclassical economics paints a caricature of economic man (or *homo economicus*) in possession of full knowledge about the surrounding

“McCloskey argues that economic progress has not laid waste to the environment”

economic environment, including the prices and quantities of existing goods and services, and with a rational appreciation of the relative costs and benefits of alternative actions to reorder the environment.

An early critic of the neoclassical assumptions of human agency, Friedrich Hayek, emphasised the importance of relative prices for effectively communicating fragmented bits of economic knowledge amongst the innumerable participants of the marketplace. Thus arguably began a strand of thought that acknowledged, more or less, the importance of talk to economic functioning.

McCloskey has almost certainly taken the role of communication in economic life to a different level altogether than that posed by Hayek. There is perhaps no

better evidence of this than in *Bourgeois Dignity* itself.

However if the use of language to persuade was instrumental in uplifting material living standards in the modern world, is there also not the risk that language might be framed in ways that could subdue the rate of economic growth, or even reduce it in absolute terms? Is it possible that the poison pens of anti capitalism could eventually leave the economy unstuck?

This question is not of a hypothetical nature. In addition to the neo-Malthusian anxieties mentioned above, Australians have borne witness to incessant 'bank bashing' by politicians, the denigration of quarterly or annual corporate profit results by NGOs and other vested interests, and the verbal baiting of 'rich fat cats,' 'coal barons,' 'greedy big businesses' and the like.

The force of words is also apparent due to unrelenting cloud of policy confusion, spin, and even worse, by governments, often known as 'regime uncertainty.' The recent federal carbon tax proposal floated by Prime Minister Julia Gillard, some six months after her steadfast denials over wanting to impose this tax burden on Australians, is a prominent example of this adverse effect at work.

These utterances do nothing but denigrate the accomplishment of a functioning market economy, and risk discouraging new entrants in the future who are willing to risk their time and capital to service others. At the very least, they set a poor example to the business community and others of the need to maintain a dignified self reliance and self responsibility, at arms length from the state, if one is to prosper in a globalised, competitive world.

McCloskey has rendered a great service by reminding us that language matters. Painting on a wide intellectual canvas, yet accessible to the intelligent layperson, *Bourgeois Dignity* is an obligatory read for all those interested in how Western Civilisation came to be, and its prospects for the future.

