

The Fruits of Humility, and Reading, in Economics: A Genial Reply to Don Boudreaux

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I am humbled that Don feels humbled by *Bourgeois Dignity*. He is among the clearest thinkers in our crazy field, and has shown recently on many occasions – this being another one – that he grasps what are laughingly called my “ideas” better than I do.

Humility, is not, of course (as Don knows), Uriah-Heep type self-deprecation. It is part of the cardinal virtue of temperance. The novelist and philosopher Iris Murdoch once put it this way: “Humility is not a peculiar habit of self-effacement, rather like having an inaudible voice. It is selfless respect for reality and one of the most difficult and central of all virtues.”¹ Don Boudreaux is a striking example in my own experience, as was another Don, Boudreaux’s beloved colleague, the late Don Lavoie (1951-2001). Their names reflect it: “Don,” in Cajun or French-Canadian style, not ordinarily the full Hibernian Donald, which means in Old Irish “world ruler”; and was indeed once my own name.

Humility is a most startling quality in a professor of economics, a field not known for it. “The good man,” writes Murdoch, “is humble; he is very unlike the neo-Kantian Lucifer. . . . Only rarely does one meet somebody in whom [humility] positively shines, in whom one apprehends with amazement the absence of the anxious avaricious tentacles of the self.”² Murdoch observes that humility is one of the chief virtues in a good artist and in a good scientist. Good scientists read a lot and listen a lot and experiment a lot.

As usual, I learn in humility from Don. I learn for example how to square my belief

(1) that Alan Macfarlane was substantially correct in his great *Origins of English Individualism* (1978, of which I gave an admiring review in the *Journal of Political Economy*) that English people were “individualistic” in their personal and market lives, and therefore (as Don points out) that the careless North-Weingast and now Acemoglu-Robinson attribution of the invention of property rights to the Glorious Revolution is wrong

with my belief

(2) that something did change radically at about the same time as the Revolution, the something being a new attribution of dignity and liberty to the betterers among the bourgeoisie.

1 Murdoch 1967, p. 95.

2 Murdoch 1967, p. 103

After all, the society that Macfarlane praises as individualistic in the thirteenth century (and before: Macfarlane goes back to Anglo-Saxon times) was also deeply hierarchical. It is hierarchy, I argue – the Great Chain of Being, in the Elizabethan view, plain in every play of Shakespeare – which was the main obstacle to betterment. Equality before the law and equality of social dignity, perfected in the Blessed Adam Smith – “allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice” – was around 1700 a startling novelty.³ The Leveller Richard Rumbold facing the hangman in 1685 declared, “I am sure there was no man born marked of God above another; for none comes into the world with a saddle on his back, neither any booted and spurred to ride him.”⁴ The crowd in witness would not have agreed.

But medieval England – and medieval France and Italy and Germany – *was* a society of laws, and in particular of property rights. Don cites on the point Harold Berman (1983), another great book, and more than English in scope. He could have cited on the same point still another great ‘un, Frederick Pollock and F. L. Maitland *The History of English Law Before the Time of Edward the First* (1895), two big volumes, which Armen Alchian read every page of, *twice*. Thus do real scholars work, who put the careless non-readers among the neo-institutionalists in the shade.

How to reconcile Macfarlane with new equality c. 1700? Easily now. Property laws are necessary but nothing like sufficient for the startling betterment that begins in the Industrial Revolution and eventuates in the still more startling Great Enrichment of the past 150 years – all of which, embarrassingly for the North-Acemoglu orthodoxy at the World Bank (“Add institutions and stir”), occurred 600 years after property rights were well established in England (and in China, and in every organized society). A society can be “individualistic” in a thoroughgoing way but still honor only noblemen, not ordinary people having a go at spinning jennies and desktop computers.

I accept Don’s suggestive notion that “a sizeable dishonor tax” was placed on merchants. I would only add that it was placed on less routine betterers, too, stifling invention, as the multiple taxes collected every few miles on the Rhine stifled ordinary specialization and trade; and that the tax was not the clean VAT of the economist’s imagining but a cascading tax on every entry into a market or every innovation at every stage of production. In 1621 the scholar and cleric Robert Burton in England wrote fiercely, in *The Anatomy of Melancholy*, “What’s the market? A vast chaos, . . . , the theatre of hypocrisy, a shop of knavery, flattery, a nursery of villainy, . . . It is not worth, virtue, . . . wisdom, valour, learning, honesty [which meant then “nobility”], religion, or any sufficiency for which we are respected, but money, greatness, office, honor, authority; honesty is accounted folly.”⁵ If many people believed this, and acted on it – as to this day some of the clerisy do – a modern economy would be impossible.

3 Smith 1776, Bk. IV, Chp. ix, p. 664.

4 Quoted in Brailsford 1961, p. 624.

5 Burton 1621.

If dignity was not accorded to market transactions and to the betterments that the bourgeoisie brings forward to the test of profit, and if the liberty to trade and to invent were scorned, and if liberty to compete were not the market test of anyone's betterment, then the modern world would have stopped cold in 1621.

And I like Don's idea that only creative *destruction* is radical enough to produce a Great Enrichment. I think it may answer his own question of why repealing a tax on merchants would lead to *enormous* betterment. (The trouble is that the removal of mere Harberger triangles, such as characterize all explanations of the modern world that do *not* focus on creative destruction, such as exploitation or property rights or coal, don't have the oomph, as I argue in the book, to explain the Great Enrichment. Not even close.) Don writes, "Repealing the dishonor tax on relatively simple labor-saving innovation plausibly also made more radical species of innovation more socially acceptable and, hence, unleashed this radical innovation so that it could bring its manifest blessings to the masses."

But I think perhaps he understates how very angry innovation made the elite and its allies among the non-elite. To get a sense of it, though, one merely has to look at present-day NIMBY attitudes and dogmatic environmentalism and what the Norwegians in 1917 called a "braking law." The law expressed in plain form the conservative-left-and-right worry about "capitalism" that social democrats and political reactionaries had then and still have: "Every headlong development is dangerous. . . . The many new factory centers need to have time to settle down peacefully and learn to lead and develop their private conduct and the conduct of the local communities."⁶ Such a law would have been impossible in 1917 in the wild United States. Yet by now environmental objections to creative destruction such as the Keystone XL Pipeline have created braking laws even in the second home of *laissez faire*. The left and right join in opposing the future – the one because it is not a planned future and the other because it is not identical to the past.

In 2013, for example, some companies in the United States had taken brilliantly bettering advantage of smart phones. The Uber X start-up offered rides in ordinary cars to smartphone users (as did the Lyft and the SideCar), Square offered merchants the processing of credit cards on phones, Airbnb offered New Yorkers access to private homes as hotels, and Aereo allowed mobile devices to pick up local TV signals. Yet all four were promptly attacked by American regulators. Unsurprisingly, the regulators, paid with your tax dollars, dears, were concerned that the electronic revolution would disturb the profits on conventional taxis, on banks with credit cards, on hotels, and on copyright holders of TV programs.⁷

6 Sejersted 2011, p. 29.

7 Sachdev, Ameet. "When Upstarts Launch into Uncharted Space." Chicago Tribune. Business, Oct 13, 2103, Sec. 2, pp. 1, 4; and for an uncritically pro-taxi view, Hilkevitch, Jon, "City to End Raid-Shares' Easy Street," Chicago Tribune Feb 3, 2014.

And of course I side with Don's remark that he doesn't understand the idea that ideas don't matter. After all, as a small example, the materialism (deriving in part from Marx) that dominated intellectual life from about 1890 to about 1980 was an idea. The idea that regulation of the economy is a good thing is an idea. The idea that merchants and inventors are evil is an idea. "Perfect competition" is an idea in economics, encouraging anti-market speculation that has been fruitful in Nobel prizes. Socialism is an idea. And so is its enemy, the liberal plan of equality, liberty and justice, long may it prosper.

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