Thanks in part to the intellec-
tual emergence of a modern
Malthusianism, much of the
popular narrative on the hu-
man 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 or-
ders 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,
become 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

Julie Novak reviews
Bourgeois Dignity: Why
Economics Can’t Explain
the Modern World
By Deirdre McCloskey
(University of Chicago Press, 2010,
504 pages)

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Institute of Public Affairs.
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 bourgeois … 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 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.