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## **The Statist Neo-Institutionalism of Acemoglu and Robinson**

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Daron Acemoglu and James A. Robinson's splendid new book, *The Narrow Corridor: States, Societies, and the Fate of Liberty* (2019), is beautifully written, filled with interesting historical and economic and political matter. It is a monument to serious scholarship, far exceeding the usual and recent standard in economic history of "analytic narratives" lightly documented. Whether or not in the end you come to agree with their enthusiasm for an ever-expanding State, do read it, from page 1 to page 496.

Acemoglu and Robinson hang each of their propositions on stories told with charm and accuracy. You learn an enormous amount. You learn, for example, that Lebanon has representation proportional to religious groups – similar to the Dutch "pillars" keeping the peace among Catholics, Reformed Protestants, Jews, socialists, and now Muslims – but with the difference that Lebanon has not had a census since 1932, freezing the peace, or not. You learn about the Law of Draco in Athens in 621 BCE (about which I knew) compared with the Kanun of the Albanians (about which I knew nothing at all). You can get an education from reading Acemoglu and Robinson. You even learn (p. 54) how to drive from Lagos to Makurdi in the land of the Tiv people, an amusing touch meant to show that they *really know* Nigeria – an unnecessary precaution, because they clearly do.

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<sup>1</sup> Dedicated to the memory of Stefano Fenoaltea. *Atque in perpetuum frater ave atque vale.* I thank participants in the Siegen/Chicago seminar on economics, rhetoric, and philosophy for their helpful comments: Stephen Engelmann, Bob Hariman, Alfred Saucedo, Mark McAdam, Ralph Cintron, Shibani Banerji, David Bleeden, Jonny Bunning, Joe Persky, Nils Goldschmidt, Claus Dierksmeier. McCloskey is Distinguished Professor Emerita of Economics and of History, University of Illinois at Chicago. email: deirdre2@uic.edu Webpage: deirdremccloskey.org

About the Greatest Country in the World you learn such horrors of local State action as that “In 1930, in 44 of the 89 counties that Route 66 [from Chicago to Los Angeles] wound through, there were ‘sundown towns’” (p. 69). That is, if you were Black (or in some places Mexican or Jewish) you could not drive after dark without fear of being stopped by the police and fined or worse. In a similar vein, contrary to a saccharine version of 1776 and all that, you learn, if you didn’t know, that the Federalists in the early Republic felt urgently “the need to limit the involvement of the common people in politics” (p. 48), and arranged the Constitution to do so.

Sometimes what you learn is not so surprising, especially if you do not believe everything you read in the newspapers. Acemoglu and Robinson note that “China’s high-speed rail system had presented an unrivaled opportunity for graft” (p. 71). This is hardly surprising in a polity which depends so much on permissions by officials in the one political party. Yet it is a fact worth emphasizing against the chorus of praise in the newspapers for a mythical “Chinese model,” with which Acemoglu and Robinson are properly impatient. Their use of such comparisons across time and space – the humanist’s version of quantification – is very fine. They range through history with graceful mastery.

Further, the voice of the book is amiable, and never indignant. Adam Smith early in *The Theory of Moral Sentiments* warns that indignation towards the other merely evokes in the impartial spectator a sentiment of sympathy towards the other, and against the (no doubt fully justified) indignation. It is therefore wiser in scientific rhetoric to adopt, as Acemoglu and Robinson do, what has been called “the empiricist monologue,” striding past largely without comment or refutation or citation the theories of other historical and political and economic scientists. Even when they do mention alternative theories – as for example in their wise rejection of the ever-popular Eurocentrism of Europe’s “Judeo-Christian culture, its unique geography, its European values” (p. 198) – they do not pause to weigh and consider them in detail.

But science actually advances by criticism – observed Karl Popper and Thomas Kuhn and Paul Feyerabend – and so duty calls. At a picky level, soon to be left, not every historical fact they put forward is factual. They describe the English Civil War as “nightmarish,” perhaps to justify Thomas Hobbes’ horrified characterization from his refuge in France of a State lacking a masterful Leviathan in charge. But in fact 1642-1651 small armies engaged in small battles, and the rest the country kept calm and carried on. They describe the US frontier as a war of all against all, exaggerating for example its murder rate, and not getting much beyond Hollywood history. But a classic study of the extent of violence in the cow towns of Kansas discovered that all the murders 1870-1885 came to a mere one-and-a-half per town per trading season.<sup>2</sup>

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<sup>2</sup> Dykstra, 1968, pp. 146, 148, 143.

Almost none were the outcome of *Guns**smoke*-type duels. Less than a third of gunshot victims in the non-Hollywood cow towns returned fire. Many were not armed, as for instance the Caldwell wife shot dead in 1884 by her drunken husband. Or again, Acemoglu and Robinson view India as economically hopeless because of caste. It's what we thought before 1991, and what I was taught as an economics student in the 1960s about the vicious circle of poverty in India and in China. Not so, it seems, from the recent doubling and redoubling of Indian real income per person, and for the poorest, too. Again, they attribute equality to the ancient Germanic tribes, somehow persisting underground through ten subsequent centuries of violent hierarchy to emerge recently, a sweetly Romantic and Eurocentric touch, argued at length in a startlingly scholarly chapter. On the contrary, however, speaking of caste, these were brutally unequal societies of slave and chieftain, fond of head hunting. And one might ask in scientific proof whether there were not a few other societies worldwide that had the alleged egalitarianism and representation they attribute to the Germans and also the framework, less dubious in the European case, of State power early – the two blades of scissors, they claim, that made Europe unique. The Iroquois at their height?

But no one can get everything exactly right, and where my knowledge overlaps with their astonishing expertise I reckon they get things right most of the time – perhaps 95 percent. (On the Great Enrichment maybe it's down to 80 percent, especially in the wider morals of the tale.) That's much better than most economists (such as Acemoglu himself in some earlier writings) and political scientists (such as Charles Tilly, whom they quote approvingly) dealing in "stylized facts," the scientific version of "alternative facts."<sup>3</sup>

Good show. Though watch out for the 5%.

## §

Enough pickiness. Their book is a stunningly learned and eloquent contribution to the "neo-institutionalist" movement in economics since Douglass North (1920-2015) spoke out loud and bold.<sup>4</sup> It's called neo-institutionalism to distinguish it from the old American school of institutionalism of Veblen, Commons, Ayer, and Galbraith, which itself was a chip off the old block of the German Historical School of Schmoller, Weber, Sombart, Lowe, and Polanyi. Quite contrary to such oldsters, the neo-institutionalist uses enthusiastically the tools of "neoclassical" economics. Especially they use the sub-tools featured in "Samuelsonian" economics, in which modern bourgeois economists

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<sup>3</sup> For an analysis of Acemoglu's views in 2008 of medieval history, see McCloskey 2018, Chp. 34. A similar analysis of the understanding Acemoglu and Robinson had of the Industrial Revolution in *Why Nations Fail* is in McCloskey 2016, Chp. 11.

<sup>4</sup> North 1981, 1990, 2005, and co-authored books and articles.

are exclusively trained – tools such as non-cooperative game theory and its construal of the human as Mr. Max *U*, a narcissistic sociopath intent on maximizing his utility subject only to the constraint of the rules of the game. Or not, if he can get away with it.

Acemoglu and Robinson's book is the very best that rational-choice neo-intuitionism can offer, which makes it a good test case of the movement.<sup>5</sup> Their ideas have developed a little over the past decade. Spooked perhaps by the resentment against experts expressed in populism, they are now less sure that expertly designed black-letter laws and other rules of the game suffice. Yet meanwhile the wider movement proposing that "institutions matter" – sometimes with little more in the way of historical evidence or social-scientific thinking than the bare phrase – has become more and more influential, as for example at the World Bank and in economic history. Time for a critical look here – sometimes appreciative, sometimes not so much.

If you are an economist, or an econowannabe in law or history or political science, and especially if you are a Samuelsonian or Marxist, you will appreciate the repeated assertion by Acemoglu and Robinson that material incentives, not ideas, run the historical show. You will hear that "structures" are the ticket; that economies and polities only succeed when the right structures are imposed from above by a (properly "shackled") Leviathan; that limited-government liberalism doesn't work; that spontaneous order is a libertarian mistake; that we need proliferating policies from the top down about industry and innovation; and that the World Bank's formula nowadays of "add institutions and stir," replacing its post-War one of "add capital and stir," is the way to wealth and liberty.

Their model is meant to explain why liberal democracy is so rare, a narrow road. Hobbes is their main man.<sup>6</sup> Like him, Acemoglu and Robinson show a marked distaste for what they call the Absent Leviathan (which some of us call liberty). They follow Hobbes in claiming that modernity requires a massive sea monster of a centralized State. In the sarcastic words of the Book of Job 41:4, "Will [Leviathan] make a covenant with you?" Don't be silly: this is Hobbes' and North's and Acemoglu's and Robinson's admired and feared State, which sets the rules of the game. "Indeed, any hope

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5 Mark McAdam and Nils Goldschmidt point out to me that there is a version of "neo" that is not so new, a revival of the German Historical School, centered now at the journal *Schmollers Jahrbuch: the Journal of Contextual Economics* edited by Goldschmidt, which takes institutions as central, but not supposing they are instances of Max *U*.

6 I interpret Hobbes in the conventional way. But I am made uneasy by my friend David Bleeden's much more learned view, and by my colleague Stephen Engelmann's point that, in the reading of his teacher at Johns Hopkins, the political philosopher Richard Flathman, *Leviathan* can be construed as a *reductio ad absurdum*, to show that such a thing as an all-powerful king was impossible. Language, Hobbes argued, is hopelessly social and ambiguous (thus Wittgenstein) in the ambiguity and sociality of laws and commands the liberty of the individual can flourish. Michael Oakeshott once said that Hobbes was the first great political philosopher to write in English – maybe, he added, the only one. More uneasiness.

of overcoming him is false; shall one not be overwhelmed at the sight of him?" (Job 41:9). "He beholds every high thing; he is king over all the children of pride" (Job 41:34). Paradoxically, in Hobbesian style, a Leviathan State is said by Acemoglu and Robinson to be necessary for true "liberty," or else the life of humans is solitary, poor, nasty, brutish, and short. They celebrate a precarious liberal covenant made with an intrinsically illiberal Leviathan.

They begin the book with a vivid Hobbesian portrait of Nigeria in a hard time, with Lagos in chaos, extortionate roadblocks abounding. Such "coming anarchy" was matched in early modern Europe by river blocks on the Rhine (whence the historically misleading phrase in US history, "robber barons") and by non-baronial robbers on the King's highway in England. Yet both the Rhineland and England a century or so after 1776 had doubled their real incomes per head. And they were on the way to a Great Enrichment that raised incomes at length not by a mere 100 percent but by fully 3,000 percent or more. How did such a world-making event happen? Acemoglu and Robinson believe, agreeing in this with Liah Greenfield of Boston University (though she is not cited), that the trick was the rise of the European State.<sup>7</sup>

Concerning the suppression of chains across the Rhine and the suppression of English highwaymen riding up to the old inn door, one can agree. A question remaining is whether the State has all that much to do with overall security, considering self-protection such as locks on doors, and whether the expanded robberies by what the Italians call *governo ladro* alters the accounting: high speed rail in China, the Big Dig in Boston, the tide gates in the Venetian lagoon. Another is whether for economic enrichment the Leviathan was in fact much of a help, considering that private innovation dominates the economic history.<sup>8</sup> And the master question is whether Leviathan's subsequent growth, after collecting some minimal fruits of public order around 1848, has become gradually since then a cancerous and illiberal disaster.

True, a thoroughly stateless place *can* be violent, though even in the mining camps of Gold-Rush California violence was in fact leashed.<sup>9</sup> Acemoglu and Robinson admit at the outset that "stateless societies are quite capable of controlling violence and putting a lid on conflict, though as we'll see this doesn't bring much liberty" (p. 11) And they also admit that a place with a king or chancellor or politburo can be violent, too. "Life under the yoke of the state can be nasty, brutish, and short too" (p. 12). Well, yes.

Their model can be summarized verbally in their charming terminology as exhibiting the rare liberal outcome of a "Shackled Leviathan" like the USA absent Trump that stands on a "narrow path/corridor" between the "Unshackled (or Despotic)

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7 Greenfield 1992, 2001.

8 For some evidence on the point, see McCloskey and Mingardi 2020.

9 Umbeck 1977.

Leviathans" like Putin's Russia or the Absent Leviathan like the mining camps. When "state capacity" increases, the "will to power" à la Hobbes and Nietzsche can begin a "slippery slope" to the "fearsome face" of the "capable state," a tyranny, such as Xi Jinping's capable use of facial recognition technology, supplemented with capable use of old-fashioned truncheons. State capacity, they admit, is "Janus-faced," capable of giving its citizens all manner of modern goodies on the narrow path, but quite capable, too, on the wrong, Orwellian side of the path.

The model is encapsulated in a diagram, "The Evolution of Despotic, Shackled, and Absent Leviathans," which plots places like Russia or America at various times in a space of their "Power of Society" on the X axis and their "Power of the State" on the Y axis. The narrow corridor hugs a 45-degree line characterizing places such as the UK, France, the US, and Sweden during their modern histories, and Germany and Japan since 1945. The narrow path /corridor is the happy result of rising state power *and* rising power of "society." The countervailing powers (to coin a phrase; Galbraith is not mentioned) leads to "liberty" and "capable states matched by capable societies" (p. 66). China is the unhappy case in the upper left of the diagram, of high State power but not enough "social" power to control it, the Despotic Leviathan. The Tiv of Nigeria and Cameroon and one might have expected the mining camps, too, are the other unhappy cases, in the lower right, in which State power goes to zero and "social" power dominates, the disfavored Absent Leviathan. It is only in the narrow, middle, 45-degree corridor "that true liberty, unencumbered by political, economic, and social dominances, emerges" (p. 66). The best places, they claim, get a bigger and bigger "capable" modern State, in which their "society" limits the slippery slope to the fearful northwest, outside the narrow path.

It is an attractive model in many ways, and backed I have said with fine scholarship, if not usually of a quantitative character. But the reiterated statism in the book, the notion that the gigantic states of the modern world are necessary for liberty and prosperity, is deeply questionable. Acemoglu and Robinson mention a few people who might question their enthusiastic statism, such as Smith (one page on which he is cited in the index), Mill (2), Hayek (9: you see who the main enemy is, with pp. 464-467, in a rare attempt at scientific conjecture and refutation, devoted to "Hayek's Mistake"), and Fukuyama (2, though 10 tacit notices of his phrase "the [liberal] end of history"). The Tocqueville of *Democracy in America* (1835) is given voice (4), but not for his anti-statist *L'Ancien Régime et la Révolution* (1856). We do not hear of, to mention a goodly number of liberal doubters of statism, and theorists of liberty, Paine ("Society in every state is a blessing, but Government, even in its best state, is but a necessary evil; in its worst state, an intolerable one"), Wollstonecraft, Constant, de Stael, Thomas Hodgskin, Thoreau, Manzoni, Bastiat, Spencer, Mises, Einaudi, Rand, Rose Wilder Lane, Ohlin, Popper, Röpke, M. Polanyi, Berlin, Aron, Friedman, Buchanan, Kołakowski, or Nozick.

The rhetoric chosen, I said, is the empiricist monologue, not chiefly conjectures and refutations.

“Society,” by which Acemoglu and Robinson mean a norm of liberalism, surviving somehow in the coils of Leviathan, has to run faster and faster, as they note the Red Queen said to Alice, to stay in the same place relative to the bigger and bigger State they enthuse over – a State now taking in France, for instance, over half of national production for its splendid purposes, and regulating the rest, in order to achieve *liberté*. “The Leviathan, shackled or not, is Janus-faced, and despotism is in its DNA. This means that living with the Leviathan is hard work, particularly because there is a natural tendency for it to become more powerful over time” (p. 72). Acemoglu’s native Turkey provides a recent example of the tip into fascism; we all hope that Robinson’s native UK or my native US do not provide others.

It’s hard work, then, as they say repeatedly. But any other arrangement, they also say, is doomed. The model of doomsday is their explanation of why liberal democracy is historically rare, nothing like the inevitable end of history, and is confined in recent centuries to a few places on a large scale. For example, “in a kin-based society political hierarchy is most likely to take the form of one clan’s dominance over the others, paving the way for a type of Leviathan that would ultimately crush all opposition. A slippery slope” (p. 59). A place wholly stateless, or with a very weak state, can prevent what they call, using the Hobbesian orthography in which they delight, the “Warre” of all against all only by imposing a terrible “cage of norms,” a cage which they claim is not typical of modernity, too, and is anyway bad for modern business.

## §

One great merit of their model is that conceptually it separates norms from institutions, which avoids the tautology that most neo-institutionalists adopt. History exhibits, say Acemoglu and Robinson, a “complex dance between institutional change and norms” (p. 40). They claim a that “balance for creating liberty requires institutional reforms to work with and build on existing norms, while at the same time modifying and even obliterating aspects of those norms that are holding liberty back” (p. 40). Clearly, they think of institutions as separate from norms, though of course institutions and norms have mutual influence: “noninstitutionalized and institutionalized powers are synergistic and support each other” (p. 50).

If on the contrary the norms, speech, ethics, ideology are lumped into the word “institutions,” as is more usual in this literature, the theory morphs into the Neo-institutionalist Tautology. Social structure, it affirms, causes social structure – true enough but irrefutable because it is true by definition. *SS is SS*. The tautology is the reason that the formula “institutions matter” sounds so very obvious, and why neo-

institutionalists wax wroth when someone questions it. “SS is SS, you idiot, don’t you see? Black-letter laws are the same as customs of courtesy. Shut up.”

Weakly centralized societies according to Acemoglu and Robinson “must” (structural-functionalism creeps into the tale) use lots of “social norms – customs, traditions, rituals, and patterns of acceptable and expected behavior – that had evolved over generations” (p. 19). The unexpressed premise here is that norms are always slow to “evolve” “over generations,” when in fact they can change in the course of a half-hour political speech. But Acemoglu and Robinson usually deploy the norm/institution distinction more skillfully, as in: “Norms of egalitarianism maintain the status quo. When such norms are weak or nonexistent, hierarchy emerges, the slippery slope kicks in, and statelessness ends. The surviving stateless societies thus tend to be those where norms of egalitarianism are strong and ingrained” (pp. 101-102).

Some of their other definitions are less skillfully deployed. The word “dominance” (196 occurrences, most of which exhibit the problem) and “dominate” (110 occurrences, about a third of which also do), slide between two meanings. The obvious liberal meaning of *dominium/imperium* is actual physical coercion by a master or by a masterful State, actual interference in someone’s legitimate actions. The other definition is recently popular on the left and articulated by some political philosophers, especially by Philip Pettit, whom Acemoglu and Robinson follow uncritically. The liberal definition, they say, is too narrow. They adopt instead what one may call the Progressive Expansion: any unjust threat, whether backed by coercion or not, is to be defined as domination. For example, Acemoglu and Robinson claim that “norms in weak-State places also create a cage, imposing a different but no less disempowering sort of dominance on people. This too is true in every society, but in societies without centralized authority [that Leviathan they favor] and relying exclusively on norms, the cage becomes tighter, more stifling” (p. 19). They do not here offer quantitative backing for the quantitative claim. No wonder, because in the essential humanistic step of definition before measurement their “dominance/dominate” is defined to include every human means of disapproval, apparently whether or not it is a sign of potential physical coercion: shunning, scorning, dismissal from a job, lack of promotion, and other unpleasant speech acts which sometimes, unpredictably, have very nasty perlocutionary force. Actual States, by contrast, as Weber put it in 1919, claim over a certain region “the monopoly of the legitimate use of physical constraint/force/violence/coercion” (*das Monopol legitimen physischen Zwanges*).<sup>10</sup> You know when you are being physically coerced, and you know what it forces you to do. Taxes, say. Beatings by your husband. And physical coercion can easily be measured:

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<sup>10</sup> Weber 1922, p. 29.



count Putin's poisonings, for instance. Progressive, neo-republican unpleasant speech acts are rather more elusive.

What is so objectionable about the Equivocation? For one thing, as I've noted, Acemoglu and Robinson slip in a structural-functional prejudice that in stateless places the cage of "dominance" *must* be tighter. Maybe it will be, but maybe not. Maybe a modern region with a Leviathan states also has a "cage of norms" just as oppressive as that in a region with an absent Leviathan. Consult the evidence. The political scientist James Scott, whom Acemoglu and Robinson quote in another connection, and my late colleague in History at UIC, James F. Searing, both observe that for example highland people are often lightly governed but not therefore the less at liberty socially speaking.<sup>11</sup>

For another, and more importantly – because it seems to be the basis for their distaste for small-state liberalism – Acemoglu and Robinson declare that "dominance" is, as they think Pettit says, all manner of fear-causing acts, physical or verbal.<sup>12</sup> Dominance, to be curbed by State action, "doesn't just originate," Acemoglu and Robinson write "from brute force or threats of violence [whether private or public]. Any relation of unequal power, whether enforced by threats or by other social means, such as customs, will create a form of dominance" (p. 6). Belief in conspiracy by witches, which they mention, is a form of dominance, even when it does not result in physical coercion to the stake. More relevant perhaps in today's politics (though conspiracy theories still abound), the wage bargain, which they mention, is a form of dominance, even though not backed by coercion. "Dominance can come from the overwhelming economic power some wield against others" (p. 144).

The trouble with such an expansive definition is that any human action, physical or verbal, private or public, with the *potential* (which is the crux) of causing fear is "dominance." The trouble is expressed delicately by Christopher McCammon in the *Stanford Encyclopedia of Philosophy* as that of "significant over-generalization." There is little reason to suppose that Pettit's definition of being dominated – as living as Pettit put it "in the shadow of the other's presence . . . in need of keeping a weather eye open for the other's moods" (quoted p. 22) is anything but a characterization of any society large or small. Marriage? Colleagueship? Science? A teacher who sets a tough examination that causes "unjust" fear in the students is exercising dominance. Philip Pettit writing an article so excellent that it causes another philosopher to fear "unjustly" that she might not be up to getting Pettit's former job at Australian National University is dominance. "Dominance," therefore, is everywhere. No wonder Progressives despair.

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<sup>11</sup> Scott 2009; Searing 2002.

<sup>12</sup> Christopher McCammon 2018. Is a lucid exposition on which I have relied, once alerted by Robert Harriman, of the issues around Pettit and others on dominance.

And, bizarrely, the very State, the actual monopoly of actual physical dominance, is to be called in to regulate private “dominance” from speech acts unbacked by coercion. Acemoglu and Robinson declare that “one who is dominated cannot make free choices” (p. 7), an Equivocation that makes exit of non-slaves irrelevant to their liberty, and is anyway a strange thing for a Samuelsonian economist like Acemoglu to say.

Acemoglu and Robinson want to extend the definition likewise of “subordination” beyond actual coercion. Though the stories they offer about Congo and Lagos are about physical coercion, they explicitly extend it. They write that it is false to suppose that “[subordination] doesn’t exist when conflicts are resolved by unequal power relations imposed by entrenched customs. To flourish, liberty needs the end of dominance, whatever its source” (p. 7) – the entrenched custom, for example, that professors at the Research School of Social Sciences at Australian National University must reach as high a standard as Philip Pettit did. Oh, fearful competition.

True, there is and always has been real fear produced by real, or at any rate plausibly anticipated, physical coercion. Pettit actually says that domination is an *unjust* power relation *in a structure* that everyone *acknowledges*, such as (we moderns believe after liberalism started its work) slavery. It is society, not Philip Pettit’s writing, which has recently extended the definition of domination beyond the minimalist liberal word “interference,” that is, the liberal motto of “don’t mess with other people’s stuff.” “Liberty” could be viewed as either such liberal noninterference or the extended view of Pettit of non-“domination.” A slave with a nice master is nonetheless “dominated,” says Pettit. A statist such as Acemoglu or Robinson would say that if the big bully is right now not present in the schoolyard, or even if he is a nice bully and wouldn’t think of using his physical strength, his potential victims are nonetheless dominated, not at liberty, and that the State needs to be brought in to repair the situation. A liberal would reply that the State is the most present bully, and is regularly not nice. Acemoglu and Robinson would reply to her that shackling the Leviathan is precisely what disarms the bullying, as in the Civil Rights Act of 1965. The liberal them would reply that more usually the State sponsors housing segregation and Jim Crow and the Fugitive Slave Act of 1850, not to mention its regular practice of taking from poor Peter to subsidize rich Paul. She would claim that quantitatively the State’s role is on balance more bullying than liberating.

Yet of course domination exists in the mind of the victim, and is nasty, and matters. Consult for evidence the literature on family violence.<sup>13</sup> Consult for other evidence the literature on subalterns to the British Raj, such as in Gayatri Spivak’s

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13 Laura McCloskey 2001; Jewkes and other 2010, which both focus on physical violence, acknowledging its psychological correlates. I thank Laura for guiding me in this literature.

writings; or the undignified fear by servants of the present-day “capitalist” rajas, such as in the 2021 film *The White Tiger*.<sup>14</sup> Yet there remains the problem that any unjust threat, even without physical coercion behind it, is seen as dominance and subordination, and we need “the end of dominance, whatever its source.” Dominance in this Pettit-ite definition is an *unjust* threat, such as unjust dismissal from an employment. But what is just? The liberal would say that dismissal and its threat is precisely the just practice of a liberated society, as is allowing people to buy where they wish and sell their labor where they wish. Or as Mill put the point in *On Liberty*, “Society admits no right, either legal or moral, in the disappointed competitors, to immunity [“protection”] from this kind of suffering [that is, the suffering of “domination”]; and feels called on to interfere [in the liberal definition], only when means of success have been employed which it is contrary to the general interest to permit – namely, fraud or treachery, and force.”<sup>15</sup> Acemoglu and Robinson have tilted the table against liberalism, and in favor of a State power to interfere in private arrangements, a power characteristic of modern social democracies, by adopting an enormously extended definition of the “right” in justice to call on the State to interfere in any “domination.”

## §

But beyond mis-definitions in the necessary humanistic step of any science, the underlying model of social change in Acemoglu and Robinson is scientifically defective. Crucially, neo-institutionalist economists of their ilk have not really taken on the idea that ethical ideas can matter independently (sometimes) of incentives. The neo-institutionalists and fellow travelers keep falling back into arguments that say that formal Institutions (let’s symbolize them by  $N$ , because the other term, Ideas, also starts with an  $I$ ) suffice for growth ( $G$ , into which I’ll throw their “liberty,” too):  $N \rightarrow G$ .

The neo-institutionalists in their actual scientific practice, as against their ornamental claims to be interested in ideas, deny the force of political ideas. In particular they deny the force of the liberalism, an idea conceived by advanced intellectuals in northwestern Europe in the 18<sup>th</sup> century, such as Adam Smith’s “obvious and simple system of natural liberty.”<sup>16</sup> The correct model, I say contrary to Acemoglu and Robinson, is not  $N \rightarrow G$ , but  $N$  and  $I$  and  $f(N,I) \rightarrow G$ . The Ideas,  $I$ , are to be thought of as sound, pretty favorable ethical ideas about bourgeois and then working-class people acting in voluntary trades and trying out betterments such as the steam engine or, as Huck Finn put it, lighting out for the territories. Likewise, the Institutions,  $N$ , are to be thought of as not perfect but pretty good incentives, such as permission to invent

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14 McCloskey 2000.

15 Mill 1859 (2001), pp. 86–87.

16 Smith 1776, IV.ix.51, p. 687.

mail-order retailing or to light out for Oregon Territory. The function  $f(N,I)$  acknowledges that ideas and institutions interact, as for example the opening lines of the Declaration of Independence placing a steady pressure on American institutions to fulfill the promise of actual equality of permissions, or the institutions of Chinese censorship under Xi suppressing the idea that Hong Kong might be a good model for the nation. What actually changed in the 18<sup>th</sup> century in Britain was  $I$ —ideas, not mainly  $N$ , institutions. Defective neo-institutionalist histories to the contrary, such as North and Barry Weingast’s classic article of 1989,  $N$  didn’t change in Britain very much until late in the story, after the Reform Bill of 1832 and especially during Lloyd George’s term of Chancellor of Exchequer 1908-1915, well after the Great Enrichment,  $G$ , was under way.<sup>17</sup>

If one believes the simple neo-institutionalism of North and Acemoglu and others that, near enough,  $N \rightarrow G$ , then it follows in strict logic that  $\text{not-}G \rightarrow \text{not-}N$ . The hunt is on for institutions  $N$  that failed, and that kept nations failing, resulting in a sad  $\text{not-}G$ , as in Acemoglu and Robinson’s book of 2012, *Why Nations Fail*. But if one believes that  $N$  and  $I$  and  $f(N,I) \rightarrow G$ , then it follows in equally strict logic that  $\text{not-}G \rightarrow$  either  $\text{not-}N$  (bad institutions) or  $\text{not-}I$  (bad ideas) or bad consequences of  $f(N,I)$ , or all of them.<sup>18</sup> (This elementary point in logic has been known in the philosophy of science since 1914 as Duhem’s Dilemma; it disposes in a line of symbolic logic the Samuelsonian /Friedmanite falsificationism underlying econometrics and much of the other rhetoric of economic science.) If  $N$  and  $I$  and  $f(N,I) \rightarrow G$ , the hunt is on for *either* bad institutions *or* bad ideas *or* bad interactions between the two, with no presumption that hunting for the bad-idea or the bad-interaction possibility is somehow less of a scientific priority.

Yet the neo-institutionalists like Acemoglu and Robinson carry on ignoring the force of ideas. In a debate with me the political scientist Barry Weingast, with characteristic grace and intellectual honesty, admitted that “the importance of liberty and equality is woefully underappreciated in the literature. . . . Students of development and the Great Enrichment have failed to see the critical role of these ideas.”<sup>19</sup> But then he proceeded to re-iterate the vested-interest model that he and North and John Wallis put forward in 2009. The political economist Dani Rodrik made the contrary point in 2014, noting that “ideas are strangely absent from modern models of political economy. . . . The dominant role is instead played by ‘vested interests.’ . . .

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17 North and Weingast 1989.

18 I owe my colleague Joseph Persky the idea of adding  $f(N, I)$ .

19 Weingast 2016, first page.

Taking ideas into account allows us to provide a more convincing account of both stasis and change.”<sup>20</sup>

Consider, for example, an institution that undoubtedly did encourage growth, a large free-trade area, in which a local vested interest could not block betterment. A typical product of early liberalism was to divest the local interests, for example the fiercely protectionist cities of medieval times, or the expansion to national protectionism in early modern times. The large free-trade area was expressed in black-letter law in the American Constitution, though requiring later ideational defenses (*I* interacting with another *I*) by Supreme-Court justices (*N*). In practice in a Britain with a liberal *I*, it was prevalent as an  $N = f(I)$  without a written constitution. Customs unions like the Zollverein or the Austro-Hungarian Empire were other examples. So was the Chinese Empire. In other places, by contrast, local monopolies unchallenged by wide competition surely did discourage growth, which is to say that not- $N \rightarrow$  not- $G$ , from which one might want to deduce that  $G \rightarrow N$ , that is, that if there was growth there must have been the institution in place of a large free-trade area.

But the trouble is that even with a large free-trade area in black-letter law, the irritating competition from across the mountains might inspire people to petition the State for protection. Stop the unjust dominance from across the mountains. In fact, it does, and the larger the Leviathan the more private profit is to be gained by corrupting the State to get the protection. Look at K Street in Washington. In the individual states of the US, for example, widespread state licensure laws for professions (tightening in recent decades) and the state prohibition of branch banking (though loosening in recent decades) have such a source. Without a strong ethical conviction in a liberal *I* such as spread in the UK during the early 19<sup>th</sup> century that such petitioning is shameful (“society admits no right”), the black letters will be dead letters. Not- $I \rightarrow$  not- $G$ . Ideas matter, ideology matters, ethics matters, in themselves and in their interactions with institutions.

It is not reasonable to keep asserting that North and Avner Greif and Acemoglu and Robinson and the rest *do* admit the force of ideas in their neo-institutionalist stories. No, they don't. In his *Understanding the Process of Economic Change* (2005), for example, North says repeatedly that he is interested in the source of ideas. Good. But instead of reading the literary, philosophic, humanistic writings since cuneiform on clay and scratches on turtle shells and glyphs on Toltec stone, which during four millennia have recorded the conversation about the source of ideas, he defers to “brain science” (about which the good Douglass knew very little). That is, North reduces ideas to matter, and then to the biological stimuli surrounding matter in the brain, every time. He takes the

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<sup>20</sup> Rodrik 2014, pp. 189-190. Rodrik, though, wants to lay ideas down on the Procrustean bed of Max *U* subject to constraints, which offers useful insights, but of course narrows the force of ideas in explaining stasis and change.

mind to be the same thing as the brain, which is the principal error in the new phrenology of some schools of brain science.<sup>21</sup>

## §

It is quite wrong, I repeat, to think that the institutions faced by British entrepreneurs in 1800 or in many respects 1900 were radically different from the ones they faced in 1685. On the other hand, ideas *I* of what was honorable and appropriate, to be praised among right-thinking folk, did change, radically. Compare the attitude towards commerce, for example, in Shakespeare in 1605 as against Jane Austen in 1811.<sup>22</sup> And the economic point is that ideas are intrinsically subject to economies of scale (“ideas having sex,” says Matt Ridley) and therefore can yield dynamic effects of a magnitude able to explain the astounding factors of increase during the Great Enrichment of real income for the poorest among us – factors of 30 or 100 times the pathetic base in 1800. By contrast, institutions are often deeply conservative, and most of their changes, such as falls in the cost of transactions, can have only static effects with little oomph, what economists call Harberger triangles, 2 percent, 10 percent.<sup>23</sup> Their oomph is miles away, scientifically speaking, from the 3,000 percent of the Great Enrichment 1800 to the present that we are trying to explain.

The less dogmatic of the neo-institutionalists, such as the economic historians Joel Mokyr and John Nye, seem on odd days of the month to believe in the North-Acemoglu prejudgment that  $N \rightarrow G$ . The less-dogmatic group calls ideas “culture,” which is to be admitted into the story only on the even days. But “culture” is merely the vague way in which economists talk when they have not actually taken on board the exact and gigantic literature about ideas, rhetoric, ideology, ceremonies, metaphors, myths, stories, and the like since the Greeks or the Talmudists or the Sanskrit grammarians. The vague talk of “culture” commits the mistake that the German clerisy committed for centuries, elevating *Kultur* to a realm of ornamental distraction, safely isolated from the real rhetoric – that is, from actual politics and actual human relations.<sup>24</sup> So a shockingly high percentage of Hitler’s SS held advanced degrees in *Kultur*.

Acemoglu and Robinson praise Hobbes for starting with Max *U*’s self-interest, and praise themselves for following “basic human motivations and how we can shape them” (p. 11). The words of a speaking species are said to be less basic in human motivation than material incentives. Weingast had declared that “political officials

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21 See Parks 2018.

22 McCloskey 2016.

23 McCloskey 2010.

24 Lepenies 2006.

must have incentives to adhere to the rules."<sup>25</sup> "Must" again. "Incentives" again. No, the officials do not *always* dance to such incentives, if we are to understand the term "incentives" as the neo-institutionalists regularly want us to understand it, as solely material incentives (in economic jargon, "budget lines" or "constraints") beyond language and ethics. The conversation of humanity in fact creates. A little museum in the Volvo factory in Gothenburg, Sweden exhibits in their original arrangement the two desks of the two founders of the company (a spinoff in the 1920s from the roller bearing company SKF: *volvo*, Latin "I roll"), one an engineer, the other a marketing man. They faced each other, and talked to each other all day. Creative.

Hobbes famously claimed, erroneously, that "the bonds of words are too weak to bridle men's ambition, avarice, anger, and other passions, without the fear of some coercive power" (*Leviathan* Chp. 14). Weingast quoted Hobbes elsewhere in *Leviathan* to the same effect: "Covenants, without the sword, are but words, and of no strength to secure a man" (Chp. 17).<sup>26</sup> Game theorists call talk "cheap." Confident though Hobbes, North, Weingast, Greif, Wallis, Acemoglu, Robinson, Mokyr / Nye (on odd days), and the game theorists of Samuelsonian economics are in their no-language lemma, they are mistaken that words have no strength. Consider your own motivations, for example, or the motivation of North and the rest of the neo-institutionalists (and indeed Hobbes in 1651), the motivation to tell the story truly. Mistaken they all are, but they undertook never to lie, and certainly *not* to be truthful merely because critics might catch them out, and wreck their academic or political careers. Their mothers told them not to lie. They would be ashamed to be so lacking in adult self-respect. Of course.

Acemoglu and Robinson drop ideas instead into a covering word, an "edge" – "something special, making it possible for [political actors] to overcome the barriers in their way" (p. 80). Sometimes the edge is a technology, such as the compound bow and the horsemanship of the Mongols, though of course both, and the purpose of conquest to which Genghis put the technologies, originate in human ideas. But sometimes the edge is even more obviously an idea, as Acemoglu and Robinson note in explaining the varied edges prominent during rise of Islam. For instance, "some of the Medinans came up with the *idea* that Muhammad, as a neutral outsider and with the authority of his new religion, could be the arbiter" (p. 75; italics supplied). That's right: the idea was the beginning of the idea that Islam cooperate with secular power, all the way down to the 1744 agreement between the House of Saud and the Wahabi clerics, and in the late 19<sup>th</sup> century the fundamentalist revival. And obviously Islam itself is an idea, the spring in

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25 Weingast 2016.

26 This is not the last word on Hobbes and words, as David Bleeden urges me to realize. He points out that in the famous frontispiece in *Leviathan* the beast holds a sword . . . and a *pen*. That words have no force is anyway a self-contradiction in a writer.

the mechanical watch of material conditions, as for example in 630 in Mecca and Medina, or the toleration (*convivencia*) in Islamic Spain. That is,  $f(N, I)$ .

In another of their charming and interesting leaps across history to make relevant comparisons, Acemoglu and Robinson tell of Shaka Zulu, the Napoleon of pre-contact South Africa in the 1810s and 1820s. “One impertinent soldier asked Shaka, “Why are outsiders promoted over the heads of Zulus?” To which Shaka supposedly retorted, “Any man who joins the Zulu army becomes a Zulu. Thereafter his promotion is purely a question of merit, irrespective of the road he came by” (p. 85). The idea and ideology of a career open to talent are plain enough here.

The diagram in Acemoglu and Robinson of the Power of the State and the Power of Society, that is, needs urgently a third dimension, of persuasion, ideology, ethics, the Power of Words, greatly modifying the operation of the other two variables. Yes, ideas are often also generated by – a function of – institutions such as slavery or the American constitutional order. But one cannot use the metaphysical truth, if it is one, that all events are caused to slip over into a dogmatic historical materialism. A fair-minded neo-institutionalist will surely admit that there is also an exogenous source of ideas in human creativity, not caused by  $N$ . (She better, if she is under the impression that her own scientific work is her own.) She will perhaps also admit that the importance of the idea of liberalism, which by a happy sequence of chances, I have argued at length, came to maturity in the minds of certain advanced intellectuals of northwestern Europe in the 18<sup>th</sup> century. Adam Smith for example advocated the idea of “the liberal plan of [social] equality, [economic] liberty, and [legal] justice.”<sup>27</sup> Such liberalism gave ordinary people the idea that they could, as the British say, “have a go.” And they go they did, with a passion, and made the modern world. The ancient hierarchy, caused as Rousseau had said by the invention of arable agriculture, rather suddenly dissolved, as for instance in the liberal abolition of slavery and serfdom, then women, then queers. Ordinary people suddenly grew bold. A naïve European traveler to the US in the late 19<sup>th</sup> century inquired of a free white man who his master was. “My master? He ain’t been born yet.”<sup>28</sup>

## §

The American columnist and political theorist George Will is good on this. He argues that “the Founders intended the Constitution to promote a way of life.”<sup>29</sup> Will’s

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27 Smith 1776, IV.ix.3, p. 664.

28 Oakley Hall, “Powder River Country: The Movies, the Wards, and the Teapot Dome,” in Paul Andrew Hutton, ed., *Western Heritage: A Selection of Wrangler Award-Winning Articles*.

29 Will 2020, p. 236.



term for the way government shapes the ethics of its citizens, for good or ill, is “soulcraft.” Soulcraft “is something government cannot help but do. It may not be done competently or even consciously, but it is not optional.”<sup>30</sup> He is of course correct. By this route surely institutions “matter,” and some of them are governmentally “crafted” (if that is right word for what is done, Will concedes, often unconsciously and incompetently). The commercial values that the Constitution purposed did help create a new people in a new republic, if we can keep it.

In particular 1789-1865 some of the people acknowledged in the Constitution were slaves, and slavery among some other state-supported institutions mattered mightily as soulcraft, and not for good. Will quotes Tocqueville on the contrast in 1831 between the two banks of the Ohio River, slave Kentucky and free Ohio. On the Kentucky bank, Tocqueville wrote, “society is asleep; man seems idle,” because the peculiar institution had made physical labor undignified for whites. On the Ohio bank, by contrast, “one would seek in vain for an idle man.”<sup>31</sup> Will concludes that the two institutions, slave and free, “result in radically different kinds of people.”<sup>32</sup> Hermann Gilomee comes to the same conclusion about the effect on the white Afrikaners of having Blacks enslaved, and later the Blacks and coloureds anyways subordinated to a Afrikaner up on a horse – until after the Boer War their leaders such as Jan Smuts took them in hand, giving them educations and jobs on the railways, and taking away the same from the coloureds and Blacks.<sup>33</sup>

So of course “institutions matter.” As an intermediate cause, the institutionalization of the idea of an entirely new liberalism in northwestern Europe and its offshoots after 1776, for example, mattered mightily for the explosion of creativity in the economy and polity and society after 1800. But observe in this example and Gilomee’s example and Will’s example the deep ideational causes of the very institutions (for instance in the US case, as the conflicted slaveowner wrote, the idea that all men are created equal), and subsequently the ideational route of the mattering. An institution was in each case an intermediate cause inspired by ideas, and having many of their effects by way of minds. It was largely not a physical matter but a mental matter, not chiefly the soil but the soul, not only the incentives but the ethics, *les moeurs*, *die Geiste*, the ideologies of elites and then of ordinary people. It came to the point, for governing as for marketing, as Lincoln declared in the first Lincoln-Douglas debate in 1858: “With public sentiment, nothing can fail; without it nothing can succeed. Consequently he who molds public sentiment goes deeper than he who enacts statutes

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30 Will 2020, p. 227.

31 quoted p. 235 in Will 2020,.

32 Will 2020, p. 236).

33 Gilomee 2003.

or pronounces decisions. He makes statutes and decisions possible or impossible to be executed.”<sup>34</sup>

Thirty pages before the end of the book, by way of a *refutatio*, Acemoglu and Robinson quote at length Hayek writing in 1956,

“the most important change which extensive government control produces is a psychological change, an alteration in the character of the people. This is necessarily a slow affair, a process which extends not over a few years but perhaps over one or two generations. The important point is that the political ideals of the people and its attitude toward authority are as much the effect as the cause of the political institutions under which it lives. This means, among other things, that even a strong tradition of political liberty is no safeguard if the danger is precisely that new institutions and policies will gradually undermine and destroy that spirit” (p. 466)

Acemoglu and Robinson believe they are responding to Hayek’s point by then claiming that anyway “society” can offset the Leviathan. But Hayek’s point is that you make people into children if you treat them like the children of a feared or refereed Papa or Mamma Leviathan. Recent meanders in American politics are not reassuring that we can avoid the internal, psychological road to serfdom. The Leviathan, Acemoglu and Robinson hope, “is shackled by people who will complain, demonstrate, and even rise up if it oversteps its bounds” (p. 27). But complaints, demonstrations, and uprisings are precisely about spirit and ethics and rhetoric. Consider January 6, 2021 in the halls of the US Congress or January 23 in one hundred Russian cities. The rising up contradicts the structural materialism of Acemoglu and Robinson. When at one point they admit the insufficiency of a materialist account they evoke “the *desire* to avoid the *fearsome* face of the Leviathan” (p. 53; italics supplied). But people fear it if in their mind, not in their big toe. Then they desire to avoid it, and are moved by ideas to move their mouths and toes with purpose. Unlike the Chinese woman I heard in December 2020 on the BBC, such revolutionaries are *not* persuaded by the idea that Order trumps Liberty every time. The woman *scorned* the silly Western stupid-talk of so-called “liberty.” Individuals in her thinking *must* be subordinated to the *volonté generale*, and the general will is to be discerned by the Communist Party of China. Such institutions and policies, as Hayek said, will gradually undermine and destroy the spirit and idea of liberty, and turn people into dependent children, like the woman on the BBC. Another

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34 Lincoln 1858 (1894), p. 298.

word for liberalism is “adultism,” and in this it contrasts with the infantile dependence on the State that Acemoglu and Robinson find themselves advocating.

To put it another way, what Acemoglu and Robinson and the other neo-institutionalists ignore is the human mind and its liberated creations. The mind, I have noted, is more than a brain. The mind, quoth Andrew Marvell in the late 17<sup>th</sup> century, is “that ocean where each kind / Does straight its own resemblance find, / Yet it creates, transcending these, / Far other worlds, and other seas; / Annihilating all that’s made / To a green thought in a green shade.”<sup>35</sup> The onset of economic growth after 1800, I have argued, depended not on law and institutions, which were anciently routine and often obstructive, but on green thoughts about liberty surpassing these.<sup>36</sup> Creativity and the supports for it in liberty and liberal ethics explains why we are 3,000 percent better off materially, and not so very bad spiritually, than our ancestors. Accumulation in all its mechanical forms, such as physical or human capital, and “structures” in all their mechanical forms, such as black-letter law and supreme courts, depend for their fruit on creativity supported by ideology and ethics.

You can see that ignoring the mind, as the neo-institutionalists and for that matter most economists since Ricardo insist on doing (though not our Blessed Founder, Smith), might be a fault in *une science humaine*. Admittedly, the tactic of voluntary ignorance has been a commonplace, if usually unconsciously adopted. Some of my own early writings on entrepreneurship, for example, adopted the tactic.<sup>37</sup> So, too with rather more consequence, do the sciences of humanity that identify the mind with the brain. Brain science of this sort is as though close study of the physiology of Sandy Koufax’s arm would give a sufficient account of his baseball pitching in 1966.

But even some of actual brain science is more sensible. Raymond Tallis, himself a distinguished neuroscientist, reviewed favorably *Who’s in Charge?: Free Will and the Science of the Brain* by Michael S. Gazzaniga, whom he describes as “a towering figure in contemporary neurobiology.” Tallis writes, sprinkling in phrases from Gazzaniga, “crucially, the true locus of this activity is not in the isolated brain” but “in the group interactions of many brains,” which is why “analyzing single brains in isolation [the procedure in behavioral economics and in some experimental economics] cannot illuminate the capacity of responsibility.” By contrast, “the community of minds is where our human consciousness is to be found, woven out of the innumerable interactions that our brains make possible.” “Responsibility” (or lack of it), Gazzaniga says, “is not located in the brain.” It is “an interaction between people, a social

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35 “The Garden,” at <https://www.poetryfoundation.org/poems/44682/the-garden-56d223dec2ced>

36 McCloskey 2016

37 For which see some of the articles in McCloskey 2020.

contract – an emergent phenomenon, irreducible to brain activity.” So Smith said in *The Theory of Moral Sentiments*. The experimental economist Bart Wilson, the pioneer of what we call “humanomics,” makes the same point about the location of a sense of justice.<sup>38</sup> To deploy the old humanistic joke, the language speaks us as much as we speak the language.

The neo-institutionalists want human action to be reducible to material incentives stripped of ideas or ideology. “We emphasize,” write Acemoglu and Robinson with a certain pride of method, “that the impact of various structural factors, such as economic conditions, demographic shocks, and war, on the development of the state and the economy depend on the prevailing balance between state and society” (p. 30). And again on p. 31: “identify the structural factors making this type of zero-sum competition more likely. . . . We emphasize several important structural factors.” When they turn to causes, material “structure” and game theory rule. Not ideas. They see humans as rats in a structural maze, or a narrow corridor. Students even of animal behavior are slowly extracting themselves from the Cartesian/behaviorist dogma that an animal is a machine. They have discovered that animals sometimes act without incentives, which is the distinctive character of the “human action” emphasized in Austrian economics. It is like you and me or any scientist of integrity, such as are Acemoglu and Robinson.

In an earlier book Acemoglu and Robinson report on an attempt to curb absenteeism among hospital nurses in India by introducing the institution of time clocks.<sup>39</sup> The economist in charge of the experiment was sure that the bare incentives of the “right institutions” would work. They didn’t. The nurses conspired with their bosses in the hospitals to continue not showing up for work. Acemoglu and Robinson draw the moral that “the institutional structure that creates market failures” is what went wrong. No. The continuing absenteeism was not about institutions or incentives or market failures. New institutions with the right, supposedly non-failing incentives had been confidently applied by the economist out of the tool kit of World-Bank orthodoxy, and went wrong. The wrongness was rather about a lack of an ethic of self-respecting professionalism among the nurses, of a sort that, say, Filipino nurses do have, which is why they are in demand worldwide.

North, Wallis, and Weingast in their modestly subtitled book of 2009, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* want to be seen as tough-guy materialists. But when they seek explanations of the “transition proper” to liberalism (which they pointlessly rename “open access societies”) they fall naturally into speaking of a change in rhetoric. Two crucial pages of their book speak of

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<sup>38</sup> Wilson 2010 and McCloskey 2021.

<sup>39</sup> Acemoglu and Robinson 2012, p. 450.

“the transformation in thinking,” “a new understanding,” “the language of rights,” and “the commitment to open access.”<sup>40</sup> In a word, ideology. The North, Wallis, and Weingast explanation for why Britain, France, and the United States tipped into liberalism is ideational. Ideas change because of sweet or nasty talk as much as because of good or bad material interests.  $N \text{ and } I \text{ and } f(N, I) \rightarrow G$ . What actually happened around 1800 was an ideological, ideational, ethical, rhetorical change towards liberalism. Thus the Spanish Constitution of 1812.

As in North, Wallis, and Weingast, in Acemoglu and Robinson, when push comes to shove, persuasion takes the place of pushing and shoving. Words suddenly appear in their explanations as crucial causes. They rightly say, for example that the Federalists “already had considerable authority, as well-established politicians themselves. They also drew power from their alliance with George Washington and other respected leaders of the War of Independence. They were highly adept at influencing public opinion too, through the media and their brilliantly argued pamphlets, the Federalist Papers” (p.49). All this is a matter of words, against which Hobbes railed.<sup>41</sup>

Acemoglu and Robinson occasionally acknowledge the force of persuasion, though then forcing it into a game-theoretic frame: “Noninstitutionalized means of exercising power are unpredictable because they do not provide a reliable way of solving the collective action problem, while institutionalized power can be more systematic and predictable” (p. 50). But they do not acknowledge that rhetoric is involved in even the most routine exercise of “institutionalized power.” The white policeman who stops a person engaged in the crime of a DWB (driving while Black) faces a driver who may not be persuaded that Officer Friendly is a friend. If the situation is to avoid disaster, both people need to be skillful in rhetoric, which is the lesson of The Talk that African-American parents give to their children, and especially their boys. As Adam Smith, a teacher of rhetoric said, humans “in this manner . . . acquire a certain dexterity and address in managing their affairs, or in other words in managing of men; and this is altogether the practice of every man in the most ordinary affairs.”<sup>42</sup>

## §

Crucially, neo-institutionalism, and Acemoglu and Robinson’s book, like much of economic thinking, confuses necessary with sufficient conditions, and confuses helpful side conditions with inspiring casual conditions. For example, the idea

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40 North, Wallis, and Weingast 2009, pp. 192–193.

41 Though not so much in Chp. 4 of *Leviathan*, as David Bleeden reminds me.

42 Smith 1762–62, p. 352.

overused in Samuelsonian economics of the “production function” (which I myself overused for decades, after learning it in graduate school), says that a book of alternative recipes for products is necessary. Certainly it is, whether literally written down or not. Put together such and such a tonnage of coke (from coal), iron ore, and limestone into a blast furnace with such and such specifications run by a certain number of workers with such and such skills, according to page 106 of the book of recipes, and you get a ton of pig iron. Use instead the recipe from page 26, which entails many more workers, and is charged instead with charcoal (from wood, instead of coal), and you get the ton of pig iron, but with differing opportunity cost of the inputs used. Good to know. But to stop at the recipe book as the “cause” of the pig iron is to confuse the book of recipes with the human action sufficient and inspiring that yielded the very book, such as an engineering education and craft traditions, and a liberal society encouraging having a go to exercise them. And most basically it ignores the human creativity that suffices for education and craft and betterment, when the society permits.

True, French cuisine still depends to some degree on *Le Guide Cuisinaire* (1903) by Auguste Escoffier, as for example in its five “mother sauces”: béchamel, espagnole, velouté, hollandaise, and tomato. Escoffier’s *Guide* is a necessary input, or at least a helpful one, into *Mastering the Art of French Cooking*, and into Julie’s 365 days of dinners cooking from it. But the sufficient and inspiring causes of French cuisine are not such items in the present supply chain. They are the social and intellectual arrangements in French kitchens and restaurants that made for the books in the first place, from Guillaume Tirel in the 14<sup>th</sup> century and Catherine de Medici in the 16<sup>th</sup> century down to untold thousands of wives, and then husbands, too, inventing crème caramel and bouillabaisse, with the millions of French eaters insisting on getting a good meal, “Slow Food,” and willing to chat about it endlessly. The causes in a sense relevant to serious scientific description, and to proposals for policies to encourage haute cuisine, were not recipes but the ideas for the recipes, the human creative action along with the conditions such as *liberté*, and then practice, practice (How do you get to Carnegie Hall?). The causes were not production functions – not the routine, bookable recipes helpfully teaching how to combine ingredients and to practice, practice by chopping potatoes. The sufficient cause under some widely available necessary conditions, such as the existence of labor and sunlight and the universe, was the human creativity.

Confusing necessary with sufficient conditions – confusing modestly helpful pedagogy with powerfully inspiring conditions for creation, as for example does most spectacularly the economist’s “growth theory” – leads away from a proper understanding of economic growth, among lesser topics in economics. Establishing property rights under a rule of law, to take as an example the neo-institutionalist’s favorite “cause,” is necessary and helpful, of course, or the life of humans is Hobbesian misery. You can therefore explain why nations fail, and can discern the origins of poverty, by noting the nasty incentives that, Acemoglu and Robinson notes in 2012,

have led most nations for millennia away from the rule of law and of alienable property rights and the rest. You can see it, too, in the nationwide discouragement of Black inventors and entrepreneurs after the Tulsa race riot of 1921, or the worldwide discouragement of female inventors and entrepreneurs after Eden. But you can only explain why nations succeed, and then discern in a proper economic science the origins of our startling modern prosperity, and the comparative liberation of Blacks and women, by noting with Francis Hutcheson of Belfast and Glasgow the sufficient cooperativeness, and noting with his student Adam Smith of Glasgow and Edinburgh the inspiring liberties, jointly sufficient, that led a few nations such as Holland and Britain early and the US and Sweden and Japan late, towards enterprise and betterment. If *Le Guide Cuisinaire* or *The Foundations of Economic Analysis* had been deeply flawed books, you could explain, too, some outcomes in bad cooking or bad economics. But in any case the excellent cooking and the excellent economics comes from human creativity liberated – such as exhibited by the admirable Escoffier and the admirable Samuelson. We should seek to know the sufficient conditions for such creativity. That's economic science.

Elevating a necessary condition such as property rights to the cause of modern growth would be like elevating the existence of the tomato in Europe after the Columbian Exchange to the cause of sauce tomate. It was necessary, obviously, but not sufficient, equally obviously. The British and the Dutch and the Germans had the necessary tomatoes, too, but did not have the sufficiencies that made for their glorious Italian and then French use. Tomatoes, labor, and capital in France made for French cuisine; in Germany, German. (I rest my case.) Or take pastry. Austria, Denmark, and France, alone among European nations, know how to make superb pastry. If you drive from Copenhagen across the bridge and down to Malmö in Sweden, the pastry shifts from ambrosia to fodder. The Swedish recipe and its Swedish practitioners were not created equal to the Danish.

And the necessary conditions featured in neo-institutionalism are in fact commonplace, like sunlight. A society without property rights and the rule of law is hardly a society at all. The historical truth is that since the beginning of human societies the enforcement of property rights and civil peace have been pretty much universal, with or without the permission of a sovereign, if there was one. Little bands of hunter-gatherers, with no fixed sovereign, or much of any leader at all, had a vivid sense of ownership, as in a lesser and non-alienable form do many species down to butterflies. The coiner of the word "humanomics" I have mentioned, Bart Wilson, in a recent book sees the origins of the uniquely human practice of alienable property in the mental and ethical habits of making compound human tools, such as spears. Prisoners and gold miners without kings, I have noted, devise rules of property. To speak of larger societies, Israel under the judges had fully enforced private property, well before the Israelites unwisely demanded that God give them a king (1 Samuel 8, also called 1

Kings 8) – who then in fact compromised their property rights, just as God through Samuel had warned them he would.

Genghis Khan unified the wild horsemen of Mongolia by fiercely enforcing the rule of law, with strict property rights in horses and wives. The resulting Pax Mongolica of the 13<sup>th</sup> and 14<sup>th</sup> centuries imposed peaceful property rights on the largest empire until then assembled, from Korea to Hungary. An Italian merchant in 1340 declared that the Central Asian routes under Mongol control were “perfectly safe, whether by day or by night.”<sup>43</sup> But conquest and a kingly government were nothing like sufficient for innovism – which aside from Mongol military tactics, didn’t happen.

Of an Iceland without kings, *Njáls Saga* declares, *Með lögum skal land byggja*, “With law will the land be built,” and so it was.<sup>44</sup> (The quotation is also the first sentence of the Danish Jutland law code of 1241, inscribed to this day on Danish law courts, and it is the motto of the Shetland Islands and of the Icelandic police force.<sup>45</sup>) The motto continues with *en með ólögum eyða* (“and with bad laws [the land is] destroyed”). The law in the Icelandic case was enforced not by a king but by kin. When Gunnar Hámundarson in *Njáls Saga* killed two members of the family of Gissur the White, Gissur’s family was authorized by Icelandic law to kill him in turn, and eventually it did. No one went to the police – in Iceland in the 10<sup>th</sup> and 11<sup>th</sup> centuries there being none, and no king to appoint police. In other words, property rights and laws against murder are necessary, true, but by no means regularly dependent on centralization in kings.

The neo-institutionalists are mistaken, that is, in their legal centralist theory. Recent experiments by Kimbrough, Smith, and Wilson and by Wilson, Jaworski, Schurter, and Smyth show property emerging without the legal centralist support that James I of England or Douglass North of Washington University claimed is necessary and sufficient.<sup>46</sup> Nor is there archaeological or historical evidence for the Northian view. “It takes an overly narrow view of human history,” Kimbrough, Smith, and Wilson write, “to argue that no property existed prior to the creation of law and the state, for both agriculture and animal husbandry far pre-date the state.”<sup>47</sup> Mainly ethics – not mainly law – holds societies together.

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43 Weatherford 2004, p. 224.

44 *Brennu-Njáls Saga*, 70 kalfi. Njál is speaking to Mord at the Althing, the Icelandic gathering for trade and law reading and dispute settling: [snerpa.is/net/asl/njala.htm](http://snerpa.is/net/asl/njala.htm). In the translation in the Gutenberg Project it is in chapter 69, not 70.

45 All the learning here is extracted from [http:// forum.wordreference.com/ threads/icelandic-proverb.788627](http://forum.wordreference.com/threads/icelandic-proverb.788627).

46 Kimbrough, Smith, and Wilson 2010; Wilson, Jaworski, Schurter, and Smyth 2012.

47 Kimbrough, Smith, and Wilson 2010, p. 208.



Observe: not one of these old law-abiding societies yielded modern economic growth, until in 18<sup>th</sup>-century Britain and its North American colonies the ancient routine of reasonably good laws was mixed for the first time in agricultural societies with an entirely new idea, an egalitarian liberalism explored first in Dutch cities and theorized in French salons and then applied in the Anglosphere. The liberal releasing of human creativity has sufficed for growth, when the routine and widespread necessary and helpful conditions have obtained – the table of ingredients in the existing recipe books, as they routinely do exist, such as property rights, rule of law, capital markets, liquid water, oxygen in the air, absence of an active civil war, the arrow of time, the existence of the Earth. Northern Italy, the Ottoman Empire, Northern India, Japan, and China had for centuries all such necessary conditions, as had the Mayan, Roman, and Assyrian empires before. Yet they did not achieve the Great Enrichment emerging from a Dutch-influenced and liberalizing England around 1700, and spreading after 1800 to the world.

Therefore I say to my beloved colleagues in economics and history: please stop putting forward as an explanation for the shocking betterment since 1800 yet another necessary or helpful (or sometimes in fact obstructive and unhelpful) condition – coal, canals, patents, banking, industrial policy, this or that expanding sector, the rule of law. If on the right politically, my dear friends, I suppose you put the rule of law forward because you imagine that the unruly little children should be controlled from above. If on the left, my equally dear friends, you put forward industrial policy because you imagine that the stupid little children should be controlled from above. Either way, controlled from above. Realize in a liberal way, dear friends, that the great virtues of commercially tested betterment come mostly from adult human actions independent of State action. State action can wreck them, and often does, with eminent domain and industrial policy and ill-designed taxes. When perchance it does enforce liberal human action – with honest courts and short patents – the rarity is cause for breaking out the champagne.

Look instead for the sufficient and inspiring conditions for adult creativity. You will not usually find them in a non-destructive form in the law and the State, which after all are mostly devoted to enforcing obedience and obstructing creativity (*en með ólögum eyða*). The world possessed plenty of laws and states for millennia before it added an 18<sup>th</sup>-century liberalism making for a Great Enrichment. We surely need a framework of laws and other routines, but always also an allowance for breaking it, or else the polity or the economy stagnate. The rule of law is often shameful, such as Jim Crow or apartheid or qualified immunity for the police. In order for such a shame of illiberalism to be erased, you need a polity in which Ella Baker or Nelson Mandela or

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Black Lives Matter can disobey, creatively, without in the end being crushed by a shameful rule of law run by Big Brother or Xi Jinping or William Barr.

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As the ordo-liberal historian of economic thought Stefan Kolev puts it in a recent paper, “the economic order not as an isolated entity, but rather as a part of the system of differentiated societal orders.”<sup>48</sup> Yes, I certainly agree, which is what we mean by “humanomics.” But top-down, “designed” law is not the only *Ordo*, as Kolev and I know. My dear *vriendje* Joel Mokyr has replied to me in personal correspondence that liberal “open-ness will require some mechanism to enforce contracts and resolve disputes, prevent people from cheating and lying to make the system unravel. Call them something else.” But the issue is not about what they are called. It's about historical and economic and political science. I am of course all for openness. The historically correct name for it is “liberalism,” but if someone wants to avoid the L-word, fine. But the substantive trouble with all this mechanical talk of “mechanism” is that non-institutions – neither top-down nor individually willed, but a matter of spontaneous order among Gazzaniga’s community of minds or Smith’s market rhetoricians or Hayek’s information possessors, just as in language, ethics, science, art – do most of the enforcing, early and late. Business people, for example, hardly ever go to the State’s law, or even threaten to.<sup>49</sup> And the State has nothing to do with “resolving disputes” in, let us say, the academic field of economic history. Markets themselves arise from human interactions, usually without the slightest “enforcement” by the State. Pre-contact Australian aborigines traded across hundreds of miles, with no “mechanism” except honesty and exit.<sup>50</sup> Prisoners organize markets with cigarettes as currency.<sup>51</sup> And on and on.

Mokyr and other fellow travelers of neo-institutionalism need to think hard, instead of giving the superficial response that people “depend on” coercion by courts. Rather they should acknowledge that courts themselves depend on ethics and spontaneous orders, such as those arising from the conversation of common or constitutional law. A Russian court may have the same “mechanisms” as a British one, but nothing like the same ethics, and therefore not the same spontaneous order in the outcome. Demosthenes said it: “And what is the strength of the laws? If one of you is wronged and cries aloud, will the laws run up and be at his side to assist him? No; they are only written texts and incapable of such action. Wherein then resides their power?”

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48 Kolev 2021, p. 12.

49 Macaulay 1963.

50 Berndt and Berndt 1964, p. 113.

51 Radford 1945.

In yourselves, if only you support them and make them all-powerful to help him who needs them.”<sup>52</sup>

Where does the contrary, neo-institutionalist belief in the mechanical dominance of law come from? For one thing, it comes from a mixing up necessary with sufficient conditions, a chronic problem I have noted in economic thinking. For another, in modern times many people credit a Statist Axiom of Complexity. I was trying to persuade my cousin Ann that liberal markets are the ticket. She replied, “But the modern economy is so complex that it needs a great deal of laws and regulations.” Acemoglu and Robinson say likewise that “the more complex our lives become, the more we need conflict resolution, regulation, public services, and protection for our liberties” (p. 72). “We are facing many new challenges, ranging from inequality, joblessness, and slow economic growth to complex security threats. We need the state to develop additional capabilities and shoulder fresh responsibilities” (p. 31). “Our main argument is that as the world changes, the state must expand and take on new responsibilities” (p. 31). I’m from the State and I’m here to help you.

The Axiom of Complexity is the opposite of the actual economic and political facts, and is the central scientific error in Acemoglu and Robinson’s book. It bespeaks a failure to recognize spontaneous order, what the great sociologist Howard Becker – contrasting his view with the nasty power plays of noncooperative game theory characteristic of Pierre Bourdieu’s “fields” – calls a “world”:

The metaphor of “world” – which does not seem to be at all true of the metaphor of “field” – contains people, all sorts of people, who are in the middle of doing something which requires them to pay attention to each other, to take account consciously of the existence of others and to shape what they do in the light of what others do. In such a world, people . . . develop their lines of activity gradually, seeing how others respond to what they do and adjusting what they do next in a way that meshes with what others have done and will probably do next. . . . The resulting collective activity is something that perhaps no one wanted, but is the best everyone could get out of this situation and therefore what they all, in effect, agreed to.<sup>53</sup>

It is the vision of liberal economics since Adam Smith, denied by Acemoglu and Robinson. Between top-down planning and individual will-and-want stands the *tertium quid*, the spontaneous order, the ecological outcome that human action leads to, as in the German language or in the history of painting or in rock music or hundreds of

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<sup>52</sup> Demosthenes, “Against Meidias,” *Orations XXI – XXVI*, trans. by J. H. Vince (Cambridge, Mass.: Harvard University Press, 1935), 224-225, p. 149. I am indebted to Tom Palmer for the citation.

<sup>53</sup> Becker 2005, p. 118. Little wonder that Becker was a professional jazz musician (union card and all) from age 14 on, and a close student of improvisation.

other social and economic histories. Liberty and progress is located there, not in the commissars.

The economist Gerald Nordquist of the University of Iowa was invited many decades ago to an agricultural part of the USSR to explain to the Soviet economists how the corn crop was transported out of Iowa. Agriculture in the USSR, planned top-down, wasted a huge share of the crop. Nordquist told his hosts about Iowan trucks and grain elevators and rail cars and river barges. Then one of the Soviet economists asked, "But who is the commissar? Who's in charge, top-down?" Nordquist was startled, and replied, "Uh, well, no one is in charge. The price system does it. Farmers and companies enter and exit, making individual decisions. Supply and demand does it." The gathering of the Iowa crop was a Beckerian "world," a Smithian economy, a Hayekian spontaneous order, a Darwinian evolution, such as natural languages and human art, and for that matter most of your own life. The Russians stopped believing Nordquist, supposing cynically that he must have been ordered to conceal a State secret. How could the grain crop move efficiently, they thought, without a commissar, a steadily expanding "capable" State of Acemoglu and Robinson imaginings?

Adam Smith properly deprecated "the man of system . . . so enamored with the supposed beauty of his own ideal plan of government, that he . . . seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board."<sup>54</sup> Acemoglu and Robinson carry on with their system of arranging the chess pieces: "Once the Leviathan is shackled," they write hopefully, "society may choose to give it a long leash and allow it to increase its reach so that the state uses its capacity for things that its citizens want and need" (p. 72). I apologize for the lack of proper respect for what is after all a very fine piece of science, but at this sentence I laughed out loud. Italian, Russian, Greek, Indian, Nevadan, or Mainer readers of their book will I believe have the same reaction. What the citizens want, of course, are free lunches and protections from all competition and other miracles that are the politician's stock in trade. Yet what people actually "need" (that non-economist's word) is to grow up and accept the reality principle suitable to adults in a Beckerian "world." Adulthood. Any Leviathan, shackled or not, teaches them on the contrary to be children, and to believe either miracles of abundance or the inevitability of their slavery, or in the present Chinese case, both. Leviathan is king over all the children of pride

Acemoglu and Robinson claim is that without a state, liberty is impossible. The claim is false. They argue that without a state, the cage of norms rules despotically. That claim is also false. And in any case, exist/not isn't the issue: the issue is State's

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54 Smith 1759, VI.2.2., p. 344.

size. What's so bad, Acemoglu and Robinson ask, about a larger and larger size? The State is neat if shackled. They express their sweet view at length:

Think of the bureaucrats who are tirelessly working to provide you with public services or to regulate economic activity so that you do not get dominated by a monopoly or by predatory lending practices. Why wouldn't they want their own power and authority expanded? Think of the politicians who are steering the Leviathan. Why wouldn't they wish their own sea monster to become even more capable and dominant? What's more, the more complex our lives become, the more we need conflict resolution, regulation, public services, and protection for our liberties (p. 22).

At this, in view of the actual behavior of *lo stato* early and late, the liberal may be forgiven an indignant snort. "Nipping greater state capacity in the bud," they assert, would preclude such human progress" (p. 466). But most of the Great Enrichment, it can be shown, came from human creativity liberated by liberalism. Acemoglu and Robinson claim a "need for the state to play a role in redistribution, creating a social safety net and regulating the increasingly complex economy" (p. 467). A sensible social safety net is a liberal principle, too, but not redistribution from poor to rich arising from K-Street machinations or stacks of regulations deduced from the Axiom of Complexity. The "need for the State" according to statism is to provide protection for one part of the people by damaging the rest, while proposing to "regulate" the trillions of daily activities of hundreds of millions of people. "The Shackled Leviathan . . . becomes an instrument for the political and social development of society, for the blossoming of civic engagement, institutions, and capabilities, for the dismantling of the cage of norms, and for economic prosperity" (pp. 72-73). No. At modern scales it becomes an instrument for State propaganda and State coercions substituting for civic engagement, for proliferating institutions interfering in mutually beneficial private arrangements, and for adding to a modern cage of norms as tight as that of any hunter-gatherer society has a literal cage for the children of Central American seekers of asylum.

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Why shouldn't, the liberal asks in vexation after 496 eloquent and learned pages promoting statism, we have an ideology favoring not an immense and growing and precariously shackled Leviathan, subject to bouts of Castroism or Putinism or Trumpism, but rather an ideology favoring a small and therefore pre-shackled . . . Porpoise? It seems the better option to avoid what Orwell's character in *Nineteen Eighty-Four*, the Party man O'Brien, relished: "But always — do not forget this, Winston — always there will be the intoxication of power, constantly increasing and

constantly growing subtler. . . . If you want a picture of the future, imagine a boot stamping on a human face – forever.”<sup>55</sup>

Power requires slaves, 100 percent Uighur slaves in Xinjiang – or 43 percent slaves in Italy or the U.S., the slaves to taxation and regulation and prohibition and police beatings if only on Monday and Tuesday and Wednesday. The closed fist of the State is a subordinating one, at best an undignified infantilization. At worst, and often, as Acemoglu and Robinson concede, it is a face-stamping boot. Let’s not.

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<sup>55</sup> Orwell 1949, Book 3, Chapter 2, p. 256.

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