AMERICAN ENTERPRISE INSTITUTE

BOURGEOIS EQUALITY: A DISCUSSION WITH DEIRDRE MCCLOSKEY ON HOW IDEAS ENRICHED THE WORLD

INTRODUCTION:
MICHAEL R. STRAIN, AEI

REMARKS:
DEIRDRE MCCLOSKEY,
UNIVERSITY OF ILLINOIS AT CHICAGO

BOOK DISCUSSION:
DEIRDRE MCCLOSKEY,
UNIVERSITY OF ILLINOIS AT CHICAGO

GEORGE WILL,
THE WASHINGTON POST

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MICHAEL STRAIN: (In progress) — director of economic studies here at AEI. We’re very grateful that you’ve joined us this evening. We’re very grateful to those of you who are joining the live stream. And a reminder to all of you that full video of tonight’s events will be online at AEI.org/events by tomorrow evening. So tell your friends who couldn’t come tonight that they’re welcome to watch online.

We are so pleased to have two of our favorite guests back to AEI to discuss Deirdre McCloskey’s new book, “Bourgeois Equality.” Dr. McCloskey was last here several months ago to answer the question, what did Karl Marx get wrong about the relationship between economic liberty and human flourishing? She was kind enough to write her remarks in the form of an essay which we’ll be publishing this spring, so be on the lookout for that.

Tonight though, we are dedicating the evening to her book, the concluding volume of her trilogy celebrating the virtues of the bourgeoisie. In it, Dr. McCloskey addresses the great enrichment of the past 200 years, the extraordinary rise in living standards and wealth that created and defined the modern world. Dr. McCloskey challenges the notion that accumulated capital is responsible for this enrichment, neither in her view primarily are institutions. Instead, she argues that it is ideas that are responsible for the wealth that we all enjoy. We will learn in detail what she means in just a moment.

But first, let me formally introduce our speakers. I will do so quickly as neither requires an introduction.

Deirdre McCloskey has been, since 2000, UIC distinguished professor of economics, history, English, and communications at the University of Illinois at Chicago. Trained at Harvard as an economist, she has written 15 books and edited seven more and has published 360 articles on economic theory, economic history, philosophy, rhetoric, feminism, ethics, and law. She is one of the world’s leading public intellectuals and economists.

We are delighted also to have George Will back at AEI. Mr. Will has been a syndicated columnist for the Washington Post since 1974. Today, his column appears twice weekly in more than 475 newspapers. For 35 years, he was a regular contributing editor of Newsweek magazine. In 1977, he won the Pulitzer Prize for commentary. For 32 years, beginning as a founding member in 1981, he was a panelist on ABC’s This Week. In 2013, he became a contributor to Fox News’ daytime and primetime programming. He attended Trinity College, Oxford University and Princeton University, where he earned his Ph.D. and served as a trustee.

A word about how tonight’s programming will go. Following my introductory remarks, Dr. McCloskey will speak for about 15 minutes from this podium about her
book. Then Dr. McCloskey and Mr. Will will discuss her book for about half an hour. Concluding their discussion, members of the audience will be able to ask questions. Please hold your questions until the end. And after that, we’ll have a reception out in the foyer.

With that, I invite Dr. McCloskey to the podium. (Applause.)

DEIRDRE MCCLOSKEY: Thank you very much. I’m honored to be here. I have a speech defect which will occasionally exhibit itself. I’m not ashamed of it anymore. I was ashamed of it for many years but I’ve stopped being ashamed of more or less everything. (Laughter.) The advantage of extreme old age. So don’t — if you can’t stand it, you can run screaming from the room. This is a free — thank God, still a free country.

This book is called “Bourgeois Dignity: Why Economics Can’t Explain the Modern World.” No. Sorry, that’s the wrong one. That’s the other one you should buy. And then there’s one earlier, all available cheap on Amazon, called “The Bourgeois Virtues: Ethics for an Age of Commerce.” But the one we’re speaking about tonight is “Bourgeois Equality,” a somewhat surprising joining of words, “How Ideas, Not Capital or Institutions, Enrich the World” and will continue to enrich it.

Now, by ideas, I mean two levels of ideas. The obvious part is that ideas for a separate condenser on a steam engine or an idea for a computer chip or an idea for the modern research university, the University of Berlin in 1810, made the modern world. And that’s certainly true and it’s by contrast with the claim that my fellow economists have been making since the blessed Adam Smith that capital, capital accumulation is what makes us rich.

Now, you need bricks and piling bricks and bachelor’s degrees on top of one another to have a modern building like this or a modern institution, that’s for sure. One of the great — one of the reasons I don’t come to Washington very much is that it irritates me so much to see these intelligent young B.A.s walking around scheming to take more of my money. (Laughter.) I find it very depressing.

But those things are necessary. You need the educated people, the human capital, as economists are pleased to call it, and you need the physical capital. And you need the institutions such as the stock market or — God help us — the IRS. But those institutions would be unproductive without new ideas.

John Maynard Keynes, the hero of my leftwing youth, pointed out that the return on capital could be reduced to zero in a couple of generations if there was no innovation, if there was no technical change, new ideas. And that’s perfectly right. I understand that the AEI is going to move into a new building. That’s very nice. All right. If that’s a good idea, maybe we should have another new building for the AEI next door and then a third one and a fourth one, and it’s obvious that the piling of bricks would run into sharply diminishing returns, and that’s what Keynes had in mind.
So capital accumulation and most institutional change is an intermediate item. It’s between the ideas, between the conception and the creation, as the poet said. But that’s one level of ideas.

The other and more fundamental level of ideas is what I call boldly liberalism. I want to take the word back from our friends on the left who have now become very terrified of being called liberals. And I want — they were willing to be called progressives. And when you find out some of the nasty internal history of the progressive movement in the United States, eugenics and so forth, I’m very glad that my friends on the left are willing to take that word over and leave the older word, liberal, worthy of a free person to me and you.

And that’s what came upon Northwestern Europe in the 17th and 18th century and that’s what led to the explosion of ideas. Matt Ridley calls is ideas having sex, which is certainly true. The baby ideas had sex, and the grandbaby ideas and — all right. So it’s liberalism. What exactly do I mean by that? I mean equality, another surprising word in this context. But I don’t mean what you might call French equality in honor of Rousseau and Thomas Piketty. I mean what you might call Scottish equality, I mean such as Adam Smith praised as the liberal plan of liberty, justice and equality, his very words.

And it’s the idea then of two freedoms, two liberties, two equalities. One is equality before the law, but the other very important is equality of social standing — not exact equality, but equality in dignity, the kind of democratic equality that most of us in this room instinctively prefer to hierarchy. Now, there may be some actual conservatives here who don’t think that and that’s fine. Well, we’ll have a nice discussion with them.

But this Scottish-style equality was a new idea. It was a radically new idea in the 17th century. A man named Rumboldt, a 1640s revolutionary, was executed in the 1680s, and before he faced — as he faced the hangman, he said, I believe that all men and women come into the world equally because none comes into the world with a saddle on his back and none booted and spurred to ride him. And that simple idea that we’re equal in dignity is powerful.

Sad counterexample, our European Jews, this is an argument from Hannah Arendt, she pointed out that in the 18th and 19th century, Jews in Europe increasingly had equality before the law. They could enter theoretically any occupation. They could start any enterprise. But they didn’t, she pointed out, in many countries have equal dignity with known results.

So where did this liberal idea come from? Where did this plan of liberty, justice and equality that Smith praised come from?

Well, I think it came — and this doesn’t sound very satisfactory, but unfortunately it’s true so I have to say it. It came from accidents of European political history from 1517 on. The reading from the press, not, by the way, invented in Germany
but invented by the Chinese who had by far the most advanced society technologically in 1500 and up to probably 1700.

So there was the — there was reading. There was the reformation. That will make you think of Max Weber’s notion of the Protestant ethic and the spirit of capitalism, which unhappily, since it is a truly marvelous book published in 1905, has been shown over and over again to be wrong, wrong theologically, wrong economically, wrong sociologically.

Now, it wasn’t the doctrine of salvation that made people bold but a change in church governance. The most extreme example of this are the 17th century English Quakers in which there’s no minister, not even one chosen by the congregation, as the Congregationalists did. So there’s no hierarchy at all in a Quaker meeting. Men and women sit in a circle and wait for the Holy Spirit to descend. As an Anglican, I wholly approve.

And then the revolt — the revolt of the Dutch against the Spaniards which ended after 80 years, in 1648. And then the various revolutions, the English ones of the 1640s and 1688, and the American one and the French one.

All these, I claim, made Northwestern Europeans especially unusually confident that they could have a go. And it’s this having a go that’s crucial. In earlier societies and to this day in some societies — Saudi Arabia, for example — large parts of the population are seriously discouraged from having a go or for getting behind the steering wheel of a car.

And so you can’t have a prosperous country unless you have a free country. Now, I don’t deny that there are counterexamples like once South Korea, still now China, but you can’t have in the long run a successful economy or a successful society without it being a society worthy of free people; in the European and old sense, a liberal society.

And so that’s my claim. And I offer in this wonderful volume, 750 pages, as much evidence for it and evidence that tests it in China and South Asia, the Ottoman Empire and France as a contrast to Britain. And I hope you’ll open your hearts and minds to the possibility that it’s not machinery, it’s not capital accumulation, it’s not the arguments beloved of economists or my friends at the World Bank, but it’s ideas that made the modern world. Thank you. (Applause.)

I’m hoping for a boxed set like Harry Potter. How cool is that?

GEORGE WILL: Well, thank you very much. Let’s talk — people can get your ideas from the book. I want to know about your technique and how you applied them elsewhere.

Witt, who also is an economist, I think, said the following: that about 200,000 years ago, there were creatures sort of like human beings. And for the first 199,750 years,
nothing happened, and then, in the middle of the 18th century, things did happen. In your remarks just now, you referred to accidents of European political history, and I could hear all the Marxists saying, it is no accident, comrade.

MS. MCCLOSKEY: That’s what we said back in the party.

MR. WILL: That’s right. And I’d like to know — I mean, all history eventually is an argument about causality, causation. We know that the war of Jenkins’ Ear was caused by some guy named Jenkins and his ear. We don’t know. But things after that get more complicated. Trying to establish even what caused the Great Depression or the more recent Great Recession, we’ll argue about that for centuries, let along big things like the Reformation or the Renaissance. You have taken a really big thing, the great enrichment, and said it was caused by ideas. My question is, could it have happened elsewhere? And if not, why not?

MS. MCCLOSKEY: Well, I think it could have happened elsewhere. I mean, I’m not — it’s part of my purpose in these three books to lean against the presumption that there’s something very, very special about people with white skin. I don’t think this is true. I think it’s shown by the great success of people without white skin when they move into liberal societies. Suddenly, they can have a go.

So I don’t think it’s that, certainly. You’re perfectly right that — and it could have happened in China if China had been liberal. But, alas, under the Qing, it was not. Under the Song, much earlier, it was for a little while and prospered mightily. Eventually, I think any of the nine places where agriculture was invented independently could have become a liberal society and, therefore, had this explosion of ingenuity.

But I must say that the contingencies of Northwestern Europe in the late 17th and 18th and 19th century was that, for example, if Holland had not existed, if the Dutch (written ?) public, say, had been crushed or if the Armada had succeeded, as it almost did, then England would have not had the irritating example of economic success in Holland and France would not have had the double irritating success of Holland and England.

MR. WILL: So an accident of European history could have been the Protestant wind that dispersed the Armada.

MS. MCCLOSKEY: That’s right. That’s right. It was the superiority of English cannons and the Protestant wind because it was the best army in Europe and the duke of Alba was the best general in Europe. And they would have — there’s this wonderful episode where Queen Elizabeth on a horse in Tilbury Field talks to her army, this pathetic army of English people who would have been completely crushed by the Spaniards had they got there. She says, I know I have the body of a weak and feeble woman, but I have the heart of a king and a king of England, too. Well, luck.
MR. WILL: Let me ask you to apply your insight and your technique to something else that may be comparable, may not be, you can tell me. In 1787, there were four million Americans.

MS. MCCLOSKEY: Yeah.

MR. WILL: Eighty percent of them living within 20 miles of Atlantic tidewater.

MS. MCCLOSKEY: Yeah.

MR. WILL: They needed a constitution, and they got those 57 at Philadelphia, miraculous.

MS. MCCLOSKEY: Yeah. Yeah.

MR. WILL: But it wasn’t a miracles, we don’t believe in those or you do but I don’t.

MS. MCCLOSKEY: Well, I do sometimes.

MR. WILL: But how would the McCloskey technique explain that?

MS. MCCLOSKEY: Well, for one thing, one of the constant arguments in the volumes, this boxed set, is for what I and a few people call humanomics, that is economics that admits the force of language and culture, most particularly language, in my case. I think how people talk matters. I think you do, too, or you wouldn’t bother to be a columnist. You and I both believe in the power of words, although it doesn’t look like it’s working too well in the Republican Party right now.

But still, it was — you know, I don’t see the inevitability of the constitution. You know, suppose — well, look, Nelson Mandela compared with Washington, South Africa and the United States were terribly fortunate to have those two people. Without Washington, I don’t mean as a general —

MR. WILL: I guess — I think what I’m asking is there’s something about the astonishing social soil of the fringe of the North American continent in the second half of the 18th century —

MS. MCCLOSKEY: Yeah. That’s right. The Anglosphere it’s been called.

MR. WILL: That produced Washington and Hamilton and George Mason and all the rest.

MS. MCCLOSKEY: It did. It did. It did. Out of words — out of the words they loved, out of — for example, the astonishing play which I find practically unreadable,
“Cato,” which the founding fathers, the founding brothers, as some call them, constantly quoted, an early 18th century play. These words mattered.

People were — now, look, at the end of “War and Peace,” Tolstoy has this long essay on the philosophy of history in which he attacks the idea that ideas caused the invasion of Russia in 1912 or the French Revolution earlier. But, yeah, they do count. Ideas matter. How we talk matters. I mean, again, let’s make — let’s go after Trump. The diminishing of political discourse in the current campaign is simply startling, and it matters.

MR. WILL: Well, if ideas matter, then intellectuals matter?

MS. MCCLOSKEY: Yeah. You bet.

MR. WILL: But intellectuals are a problem.

MS. MCCLOSKEY: They are a problem.

MR. WILL: Was George Stigler a colleague at yours?

MS. MCCLOSKEY: Yes, he was very much so. I hated the man, but he was a colleague.

MR. WILL: In one of the essays in his book, “The Intellectuals and the Marketplace,” he said the following, that intellectuals are expensive.

MS. MCCLOSKEY: Yeah, they are.

MR. WILL: Expensive to create, expensive to maintain. They’re —

MS. MCCLOSKEY: Send money.

MR. WILL: Therefore, if you’re going to have a lot of intellectuals, you need to have the enterprise system that produces lots of wealth.

MS. MCCLOSKEY: Yeah.

MR. WILL: Yet, intellectuals are hostile to it. They reject — and in his formulation, recognizing that intellectuals much more to Henry Ford than to the foundation that bears his name and distributes his assets.

MS. MCCLOSKEY: Yeah.

MR. WILL: Why is this? Why — I mean, this is an old theme. Hayek in 1954 publishes a book, “Capitalism and the Historians.”
MS. MCCLOSKEY: Yeah. Yeah.

MR. WILL: Why is it that the intellectuals, utterly dependent on the enterprise system, are so opposed to it? Is it because they’re dependent on it and know it and resent it?

MS. MCCLOSKEY: I think there is sort of a fathers and sons mechanism here because it’s hard to find a European anti-capitalist intellectual in the 19th century who’s not the son — the women were slightly more calm — but was not the son of a merchant or a lawyer, like Marx, or a factory owner, like Engels, so there’s a kind of resentment here.

To be quite frank, I don’t know. There’s a rise up to 1848, as I see it, in the understanding that trade — I don’t mean just foreign trade, but exchange is mutually beneficial. And finally, economists like John Stuart Mill get it right. And then, indeed, in the person of John Stuart Mill, they start to say, as economists and calculators have been saying ever since, yes, but.

And so there’s been this decline, yes, but the working class is so vulgar in its consumption, drinks too much beer; yes, but monopoly, yes, but externalities. My friend Joe Stiglitz, yes, but informational asymmetry, and down and down it goes without the slighted quantitative proof that these things are important.

So I’ve been asked this question a lot and I’m very embarrassed to say that I don’t know. I can tell you all the details about how it happened, but why the intellectuals turned against — I mean, this argument that Hayek makes and lots of others make that, as you said, they’re dependent on the bourgeoisie, the commercial bourgeoisie so they resent being dependent or something like that.

MR. WILL: It’s partly surely that markets function so well without the supervision of intellectuals.

MS. MCCLOSKEY: Yes, this is very disturbing to many intellectuals. This is a point that Hayek made about the Enlightenment. He said quite correctly that there are two strains in the Enlightenment. There’s the rational strain so we’re going to plan everything and we’re going to make the world anew, as Tom Paine said. And then, there’s the liberty strain, which we’re to be free individuals and we don’t know how it’s going to turn out but we think it’s a good idea. And, indeed, in the 19th century, the 20th, it proved to be an extremely good idea against the other ideas of the intellectuals in the 19th century, such as nationalism and socialism and, if you like those, national socialism.

MR. WILL: You use an elegant phrase, social honoring.

MS. MCCLOSKEY: Yeah.
MR. WILL: That social honoring of individualism, of entrepreneurship, of striving —

MS. MCCLOSKEY: That’s the key.

MR. WILL: — is the key to everything. If you have —

MS. MCCLOSKEY: It’s the key to everything.

MR. WILL: If you have social honoring, the system works.

MS. MCCLOSKEY: Yes, it does.

MR. WILL: How do you cultivate social honoring?

MS. MCCLOSKEY: Well, by writing columns, George, and by writing books and by — but, more important, I think you and I will agree, as they say in country music the rubber meets the road, in popular culture, in movies. Hollywood has got to stop producing movies against capitalism by producers who are capitalists. I wish they would stop doing this.

And so it’s in the popular culture and in popular novels and so on that this respect for innovators, merchants or the woman, working class woman who opens a hairdressing salon that’s needed in the neighborhood. That too is a creative entrepreneurial act. It doesn’t have to be some fancy electric automobile.

MR. WILL: For four years I was on the Princeton Board of Trustees and on the honorary degree committee.

MS. MCCLOSKEY: Yeah. Yeah. Well, why didn’t you give one to me?

MR. WILL: Well, an oversight for which I apologize. And the — (inaudible) — list of people who represented the nonprofit sector, so I made it my little crusade —

MS. MCCLOSKEY: Oh, yeah. The nonprofit —

MR. WILL: To honor someone who actually made a profit that they could give a portion of to the nonprofits.

MS. MCCLOSKEY: Absolutely.

MR. WILL: And I finally got an honorary degree for Herb Kelleher —

MS. MCCLOSKEY: Yeah.
MR. WILL: — for creating Southwest Airlines. But why is it so hard to convince people that to have nonprofits, you have to have the public service. People are constantly — young people are constantly saying, I want to go into public service.

MS. MCCLOSKEY: I know.

MR. WILL: And I keep telling them Goldman Sachs is a public service.

MS. MCCLOSKEY: I hear it all the time. I completely agree with you. Goldman Sachs is a public service. Wal-Mart is a public service. Wholefoods is a public service. Buying low and selling high, which Mahatma Gandhi said is the most evil thing that a person can do, is a good thing. I mean, it’s transparently good because both parties are made better off. But there’s an odd resentment that comes with it because both parties could have done better if the other side had been more generous. And I think that rather primitive idea is what irritates people about the profit sector.

I asked an elderly person of my acquaintance what share of national income she thought was taken by profits. And she said, 50 percent. And I said, mother — I mean, elderly person — (laughter) — this — it’s not — if it’s properly measured, it may be about 15 percent, but that’s about it. It’s a trade-off. If you think that profit is terrible and you think the alternative is, as Bernie does, is socialism, think (of how ?) terrible socialism is so the loss from socialism is greater than the so-called loss from profit.

But this is what you and I and many other people in this room — we’re in the business of trying to educate people. But I say to you again, we can help it but it’s got to be in the basic culture, the fairytales, the movies.

MR. WILL: In 1945, Aneurin Bevan, a Welsh order of great distinction, was a leading light of the British Labor Party. And he said, this island is largely made of coal and surrounded by fish. And it would take an organizing genius to have a shortage of either.

MS. MCCLOSKEY: Yeah. Yeah.

MR. WILL: Two years later, socialism had achieved that.

MS. MCCLOSKEY: He achieved it. Of course.

MR. WILL: Coal was rationed and the price of fish had soared.

MS. MCCLOSKEY: That’s right. It’s exactly right.

MR. WILL: Why do you need fairytales and the popular culture if the evidence is constantly refuting —
MS. MCCLOSKEY: Look, George, you and I have all our lives put forward evidence, wouldn’t you agree? You keep saying, you know, every column you write, every paper I write, I say, look, here’s the evidence. Shut up. And they don’t.

Look, let’s again go after Donald. I was once named Donald, by the way. It’s a name that was killed by Donald Duck. But, all right. Let’s go to Donald. He’s against free trade, he says, or acts. And this is just loony. This is just loony. Free trade is good for the worker but — we just haven’t done our job well enough.

MR. WILL: You are agreeably indifferent to all the academic silos that exist.

MS. MCCLOSKEY: Yes, I am.

MR. WILL: And you’ve taught across the spectrum, which must annoy serially the economists, historians, political scientists, sociologists, and anthropologists.

MS. MCCLOSKEY: Yeah.

MR. WILL: What criticism have you received from them for getting out of your lane, so to speak?

MS. MCCLOSKEY: Well, the ones who give you the most grief on this account are my colleagues. I mean, I was trained as an economist.

MR. WILL: The economists.

MS. MCCLOSKEY: And it’s the economists. And economists don’t follow the advice of my friend, the Nobel Prize-winning economist Vernon Smith, who says, specialize but then read widely so that you know what deep thinking is, specialize and get very deep; make a mine shaft, but then read widely. They don’t read widely. You go into the — I don’t want to offend the economists here but maybe I will. You go into the house of most economists and there are no books. And that’s the actual truth. And it’s shocking and sad.

That’s why we need a humanomics. We need serious teaching of what we call the Chicago Price Theory so that the economists actually know economists, and then we need to have general education for graduate students where they’re required to take a course, I don’t know, in the history department or the English department.

MR. WILL: Your boxed — coming boxed set is a set of books — three books on economics.

MS. MCCLOSKEY: It is. They’re all —

MR. WILL: It’s how wealth is created.
MS. MCCLOSKEY: That’s the core.

MR. WILL: OK. Now —

MS. MCCLOSKEY: It’s the nature and causes of the wealth of nations.

MR. WILL: Right. So adhering to Karl Popper’s dictum, any thesis, any scientifically valid proposition should be refutable.

MS. MCCLOSKEY: Yeah.

MR. WILL: How could someone refute yours and how have they gone about refuting your theory?

MS. MCCLOSKEY: Well, they haven’t spent a lot of time trying to refute it because I’ve spent so much time refuting theirs that they’re on defensive. I’ve gone after the neo-institutionalists, which has become — who have become orthodox, and the World Bank. And the World Bank is a — the proposal is add institutions and stir. That will make people better off.

But here’s how you do it. You would show to say that I was wrong to think that there was a massive change in the attitude of people towards innovators.

MR. WILL: Or they could make a materialist argument —

MS. MCCLOSKEY: They could.

MR. WILL: — saying that ideas are epiphenomena, as Marx told us.

MS. MCCLOSKEY: They could. And if they could show that, then they’re very good scholars.

MR. WILL: Suppose I went back to — again, to my example of America in the second half of the 18th century to say, yeah, they had these ideas and it’s all very well, but they had the American geography.

MS. MCCLOSKEY: Yeah. Yeah.

MR. WILL: And you have Frederick Jackson Turner and all these people, the influence of space in America.

MS. MCCLOSKEY: Right.

MR. WILL: So the ideas, they would argue, are actually reflections of material circumstances.
MS. MCCLOSKEY: You know, that’s what we believed from about 1890, which is when Turner spoke of, to 1980, a nice symmetry there. I call it the age of materialism. And everyone, right, left, center, up, down, was a materialist. Everyone said, oh, yeah. You see? It’s, say, geography or it’s social class or it’s, aha, caught again following your economic interests. I mean, the economic origins of the American Constitution in 1915 —

MR. WILL: Beard’s —

MS. MCCLOSKEY: That’s right. Is a famous example of this. And they’re just one after another, great books in history and economics making this claim. And I just don’t think there’s much evidence for it. I say to you how would you falsify such an argument? I don’t even think people did a very good job in connecting economic interest to ideas.

In any case, I think it’s vulgar and I think you’d agree, kind of naïve and foolish to think that people always vote their economic ideas. Engels didn’t and the number of traitors to their class that you can name. I was just speaking with Fred Smith in the Competitive Enterprise Institute, and he and I agree that many business people don’t follow their interests. They have an interest in a free society, in a liberal society yet they go along with excessive regulation and whatever.

MR. WILL: Why isn’t it your answer to the materialists who say, well, the ideas reflect the material conditions and are a response to certain social or geographic or historical pressures — why isn’t your answer, who cares? They’re still ideas.

MS. MCCLOSKEY: Yeah. That’s a very good answer, which I didn’t think of. Thank you very much. I’ll use that in my next article. Yeah, that’s right. Now, that’s not quite as helpful as it sounds at first because then it makes ideas intermediate in the same way that I’m claiming capital and institutions are, and for the same reason — that it’s caused not by spontaneous growth of ideas or — you know, and, as a matter of fact, in my own account, in the third volume, I do give weight to the so-called invention of the printing press, so I’m not completely opposed to allowing ideas to be caused — I mean, they’re caused by something. That’s obvious. Things don’t just, poof, appear, in people’s heads. They’re all caused.

MR. WILL: So, again, obviously, an idea has a social context.

MS. MCCLOSKEY: Yes, it does. And indeed, I would be very strong on that as many of my other books and these books, too, have said. The way we talk is social. It’s rather obvious. What would be the point of talking if there weren’t someone else on the other side? And we speak with a language, although the famous remark is do we speak the language or does the language speak us, which is kind of creepy but true.
MR. WILL: What the postmodernists and deconstructionists would say is materialism proves that our ideas are social constructs and, therefore, without dignity and, therefore, without primary force.

MS. MCCLOSKEY: Yeah. Well, that’s one kind of postmodernist. If you look into my other books, George, and books I wrote in the 1980s and early ’90s, you’ll see that I proudly nail my flag to the flag post of postmodernism. But my postmodernism is I guess I’d have to say now liberal postmodernism. It’s not this somewhat loony form that some of my friends in the English department advocate.

MR. WILL: Well, it’s a short step and an ominous one from ideas are social constructs to those who hold ideas have false consciousness —

MS. MCCLOSKEY: Yes, that’s right.

MR. WILL: — and they are — and they are to be tutored by those who have somehow obtained (public ?) consciousness.

MS. MCCLOSKEY: Right. You’ve just —

MR. WILL: Which is what we’re seeing on campuses everywhere.

MS. MCCLOSKEY: But you’ve just summarized the history of European socialism. That’s Lenin’s argument against what he called — somewhat strangely he called economism, that the party doesn’t need to do anything because — Bernsteinian revisionism — the party doesn’t need to do anything because in the advanced capitalist economies, revolution is inevitable. And Lenin, who knew he wasn’t going to get a revolution in Russia by just waiting around, opposed that. And it’s the deep contradiction in Marxism that the revolution is inevitable; I’m from the party, I’m going to help you have a revolution. It makes no sense. It’s a contradiction.

MR. WILL: On that note, why don’t we take some questions for you?

SIR?

MS. MCCLOSKEY: Have we got — have we got microphones?

Q: Yes. My name is Kamy Bert (ph). Mr. Will, I would ask you a question. Why people are so mean to you? I mean, my English comprehension is very poor. I have to read your article twice if I have time. But I take a shortcut and read what people write about you at the end of the article, and people are so mean to you. What is the reason?

And my second question to you is what is the difference between — you have to pardon my ignorance. I was raised in a Muslim country and we are taught very differently about Hitler than you are taught. We are —
MS. MCCLOSKEY: Hitler?

Q: What?

MS. MCCLOSKEY: Hitler you said?

Q: I was born in a Muslim country. I was raised up there. So we are taught —

MS. MCCLOSKEY: I know you were.

Q: We are taught about Hitler very differently than you are taught. We are taught —

MS. MCCLOSKEY: Adolf Hitler you’re talking about?

Q: Yes. Yes.

MS. MCCLOSKEY: OK.

Q: We are taught his biggest crime was he lost the war because he was fighting for —

MS. MCCLOSKEY: All I can say — all I can say about that, I’ll answer it before George does — oy vey ist mir.

Q: No. I mean —

MS. MCCLOSKEY: That’s all I’m going to say about it.

Q: I read there was not much difference between him and what was the — not Stalin but Bismarck.

MS. MCCLOSKEY: Oh, no. Come on. Bismarck —

Q: Because they both were very nationalists.

MS. MCCLOSKEY: That’s nonsense. Bismarck started as a liberal. He was not a man of war, despite that helmet that is —

Q: OK. I want to ask you a related question. Don’t you think that intellectuals write very subjectively? When I came to this country in ’85, Nelson Mandela was on American terrorist list and then you gave him a Nobel Prize. It means they can do whatever they like to do.
MS. MCCLOSKEY: Who did I give a Nobel Prize? You want to answer why they’re so mean to you? But a fact is that everyone is — I’ve stopped reading the comments on things because they’re always nutcases.

MR. WILL: I have never read a comment.

MS. MCCLOSKEY: You’re very wise.

MR. WILL: What’s the point? If they say I’m right, I already know that.

MS. MCCLOSKEY: Good point.

MR. WILL: If they say I’m wrong, I don’t trust their judgment.

MS. MCCLOSKEY: I completely agree with you. (Laughter, applause.) I completely agree with you. That’s not on. You didn’t turn it on, dear. This is the oldest electronic technology and it fails about a third of the time.

Q: Concerning ideas, I’m wondering if there’s a hierarchy —

MS. MCCLOSKEY: Yeah, there is.

Q: — and if there are not — the Judeo-Christian moral traditions and this other idea that God is watching us and we have to report to him — I mean, there are believers and not. OK. How important is that for underpinning both the wealth and prosperity?

MS. MCCLOSKEY: I don’t think so. I don’t think it’s important at all. And the reason I don’t is that the Judeo-Christian — the Abrahamic, including Islam, went for many centuries without producing a great enrichment. I don’t think that the founding brothers were particularly Christian. I think that’s a mistake, just a historical error. But, in any case, I don’t think that being Christian is essential.

Now, on the other hand, there are ideas about individuality in all the Abrahamic faiths that are — how can I say? Fit with liberalism if you allow them to. But, you know, we’ve had many dramatically illiberal Jewish, Muslim, Christian eras and regimes. So I don’t think it’s a causal effect.

MR. WILL: Except the heart of your book is a cry for individualism.

MS. MCCLOSKEY: Yeah. It is. A kind of individualism, you know, an individualism that respects others, not sort of Ayn Rand screw you, I’m all right.

MR. WILL: I understand, but when Martin Luther stood at the Diet of Worms, he didn’t say, here we stand, we can’t do otherwise. He said, here I stand. I cannot do otherwise.
MS. MCCLOSKEY: By the way, George, it’s not altogether clear he said that. An editor —

MR. WILL: Oh, don’t say that.

MS. MCCLOSKEY: An early editor, here I stand, I can do no other except — the German —

MR. WILL: (Inaudible.)

MS. MCCLOSKEY: I know. It’s terrible but these are facts not —

MR. WILL: I detest facts.

MS. MCCLOSKEY: Not Mr. Will’s fact, but facts nonetheless.

MR. WILL: Go ahead.

MS. MCCLOSKEY: Let’s hear a female voice.

Q: My name is Li Yan (ph). Thanks for your presentation. But I think — the idea is very important but I think is — (inaudible) — from an ancient period because the idea itself is really — (inaudible) — in every society.

MS. MCCLOSKEY: Yeah.

Q: And now we are thinking that capitalism has gotten things backwards because they don’t really use the correct concept or idea. For instance, Chicago economist they misuse privatization so they use everything to be — (inaudible) — about people. And then the people just use the ancient style or labor. They use the idea to produce all kind of trade and education so it’s really from the beginning, the idea of education is very important but not capitalism in the United States. They don’t use —

MS. MCCLOSKEY: But, you know, dear, I don’t think that the ancient world produced the modern liberal world. We often talk about Athens — actually some people think Sparta was a wonderful place. I don’t. But there were some marvelous things about Athens, but half the population, namely the women, were in purdah, were virtually enslaved, and it was a slave society and foreigners had no rights, et cetera, et cetera, et cetera.

So I don’t think ancientness makes — in fact, this is an important theme in this book — that the modern world is modern. It’s new. It’s rather sudden and it’s utterly unexpected in 1600 or even 1700, that it burst forth and burst forth in a part of the world where you wouldn’t expect it to.
As far as the Chicago school is concerned, I taught for 12 years in economics at the University of Chicago. I am a Chicago School economist insofar as that’s concerned. But I wrote a review of what’s his name, Michael Sandel — is that his name — has a rather swell — I won’t characterize it — has a book about economists taking over the society and making everything into markets. And you consult my web page, you can find this review of Sandel. And I don’t think it’s a very sensible book.

MR. WILL: Commodification is the name of the (sin ?).

MS. MCCLOSKEY: Yeah. Commodification and —

MR. WILL: Way in the back. Sir.

Q: David Burton with the Heritage Foundation.

MS. MCCLOSKEY: Hello.

Q: Hello.

MS. MCCLOSKEY: Send money. I say that to everyone so don’t be offended.

Q: Well, that’s great. We appreciate it. I would like to ask you two related questions. The first is Hayek in the ’30s and ’40s wrote two articles framing the problem of economics as a problem of information rather than production and distribution.

MS. MCCLOSKEY: Yes. Yes.

Q: I was curious how you would relate your ideas to his ideas in that period.

MS. MCCLOSKEY: Those were very influential articles with me. And the idea that knowledge is so to speak distributed through the society and can only be assembled by markets or science maybe but especially by markets is an extremely powerful one and one that economists, for the most part, have not quite — as I said, there’s been this decline since 1848 and part of the decline is to ignore Hayek’s ideas about knowledge and society.

Q: My second question is Hayek and others emphasized the important of entrepreneurship and innovation, as you do.

MS. MCCLOSKEY: They do.

Q: And I was wondering how — as an economist historian, how important do you think the ever-increasing regulatory state is to the decline of entrepreneurship and innovation and the low growth rates and low employment creation rates that we’re currently experiencing?
MS. MCCLOSKEY: I fear that. And it's one of the main reasons I wrote the books, as a defense of what is lamentably called capitalism. But I do think, though, now that you've asked me — there will be no extra charge — that the recent — what would you call it — passel of books by Bob Gordon, an old friend of mine, and Tyler Cowen, another old friend of mine, and a bunch of all friends of mine saying the sky is falling — economic growth is low. By the way, it's not if you correctly measure improved quality, which the consumer price index has a very hard time doing. By the way, it's not happening if you look worldwide and include — don't just focus entirely on the United States.

My publisher — I complained to my publisher that Bob Gordon’s book was getting more PR than mine. And he said, well, you know, to have a successful book in the United States, it has to have America in the title.

MR. WILL: Gordon’s book, “The Rise and Fall of American Growth,” says we have this extraordinary century from 1870 to 1970 and then things began to go wrong because all the easy inventions, the internal combustion engine, incandescent light bulb, conquest of infectious disease, all the rest of it, can only happen once and they all happened then. There are those reviewing the book who said, yeah, well something else happened around about the 1970s and that is what you’re talking about, the explosive growth of the regulatory state.

MS. MCCLOSKEY: Yeah. I agree.

MR. WILL: So it’s germane to the extent that growth has slowed, certainly that is germane. One more question. Go ahead.

Q: Fred Downing (ph) from the DailyRipple.org, send money. Actually, we’re self-funding our own campaign. Anyhow. The question is wasn’t the socialists that — in the turn of the century that pretty much made it so that we’re not locking doors on women’s factories and we have people dying and things?

MS. MCCLOSKEY: Well, I don’t want people to get away with locking doors and not having fire escapes.

MR. WILL: For those keeping score at home, we’re talking about the Triangle Shirtwaist fire.

MS. MCCLOSKEY: The Triangle Shirtwaist fire, which was very important. So I’m not in favor of employers killing their employees. But, you know, I was until I retired last August the member of a union, the trade union. My friends in English were delighted when I signed the card. I was a member of a faculty union at UIC. So I’m not against unions. And when I was a kid, I was a member of the National Maritime Union for a while. I’m not against unions entirely.
But unions and regulation didn’t make us rich. We have the eight-hour day because the American economy became more productive and workers wouldn’t stand, unless they’re young lawyers, for 12 or 14-hour days.

The bulk of the improvement of the condition of the working class, to coin a phrase, came from economic growth, from this ingenuity I’m talking about, this innovation and was — you don’t improve the condition of the working class by shifting income from ordinary workers to plumbers and doctors. That’s not going to make the working class better off. Nor do you make the working class better off by trammeling enterprise, which is what regulation increasingly does. You know, I know all the socialist songs. I was once a socialist and I’m a union maid. But I don’t think that’s where the action is.

Let’s get it to someone. Again, I’d like to hear a woman.

Q: I hate to disappoint you. Not a woman.

MS. MCCLOSKEY: I can tell. Or at least you’re a very unpersuasive woman.

Q: Exactly. I work here at AEI. And I want to come back to the sort of, you know, this idea of societies that value the individual and place that in the context of what’s been happening in China and India particularly over the last 25 years or so, longer in the case of China.


Q: How do you sort of look at these societies which have not had a deep tradition of valuing the individual, arguably? How do you look at their odds of attaining prosperity in that context?

MS. MCCLOSKEY: Well, you know, when I was younger, a young economist, we were told that the Chinese would never develop because, you know, they’re Confucians, and we were told that the South Asians or the Indians — the Indians in particular would never develop because, you know, they’re Hindus. And I think that’s just — the top has been blown off that proposition by economic growth in China and India.

There’s a magazine in India. I forget what’s called. It’s called something like Entrepreneurship, which has a circulation of 800,000 and it must be read by many more people than that. And it’s just — it’s been going now for 20 years and it’s filled with praise of this businessman and this businesswoman and how wonderful they are.

So I just don’t think that this individualism thing — now, I know that many in the room will think, yes, there was a rise of individualism and some scholars I respect very much, like Charles Taylor, talk about the rise of individualism. And as an economic historian, as a historian of medieval agriculture, for example, I am very dubious that the
average Indian villager is anything other than individualistic and the average Chinese worker — I just don’t think this hypothesis that is very deep in people’s thinking about capitalism that, ah, yes, people stop being collectivist. They stopped marching into the fields, agricultural fields, arms linked, singing socialist anthems and started to be selfish and that’s what made us rich. Greed is not good.

MR. WILL: Yes.

Q: Thank you. Ma’am, thank you very much. My name is Cornelia Weiss (sp). You talk about the power of ideas, and I’d like to hear about power of ideas from public intellectuals. I see that one of your ideas influenced a Supreme Court decision. And can you provide other examples of where your ideas as a public intellectual have influenced? Thank you.

MS. MCCLOSKEY: That’s, I’m afraid, the only one that I can cite — it was a case about — now, it’s about four years ago. My father, as a constitutional historian, would have loved that a child of his has wrote a brief for the Supreme Court in a case that was decided, to my own astonishment, nine to zero in my favor, against a technique called tests of statistical significance, which I’ve been waging war against for almost 30 years.

And now, this nine to zero decision in my favor, as I call it, this is — you’ll have to understand a slight exaggeration. Not that number. It’s nine to zero. Now, I’m not going to argue about it anymore with my colleagues in economics. If they’re in the jurisdiction of the United States, I’m going to call a cop.

MR. WILL: Well, I’ve written 5,000 columns and have had no effect.

MS. MCCLOSKEY: I deeply sympathize. I do.

MR. WILL: I think we’re standing between these good people and alcohol so let’s take one more question. Way in the back, the lady.

Q: Dr. McCloskey, I’m interested if you are familiar with Antonio Gramsci’s synthesis of materialism and idealism.

MS. MCCLOSKEY: Very much so.

Q: And how that —

MS. MCCLOSKEY: He’s one of my heroes, Antonio is.

Q: Awesome.

MS. MCCLOSKEY: Michael Walzer, a political scientist at the Institute for Advanced Study, said of Antonio Gramsci that he was that rarest of things in the 20th
century, an innocent communist because the fascist government jailed him and he died in jail. And, indeed, I quote Gramsci, and, you know, he’s a communist. I don’t agree with much of what he says, but I do agree with his — it’s actually an extension of what I was saying before about Lenin — that Gramsci understood the force of ideas and he wrote that — I won’t attempt to reproduce his jargon, but he said that the intellectuals are formed to support the current regime, and that’s to some degree the case except for George and me. Yeah.

So, as I told you, I’m an old Marxist, but the saying is that if you’re not a Marxist before you’re 18, you have no heart. If you’re still a Marxist after age 25, you have no brain. And I just made it.

MR. WILL: On that, let us subside. Thank you very much for doing this.

(Applause.)

(END)