

Telos PRIMO PIANO

Deirdre McCloskey is a Professor of Economics at the University of Illinois and of Economic History at the University of Gothenburg, Sweden. She describes herself as a postmodern free market quantitative Episcopalian feminist Aristotelian. In 1980, she got interested in the rhetoric of persuasion in economics and, in 1985, she published "The Rhetoric of Economics", where she shows how behind formulas and schemes hides – useful – the argument. Under the name of Donald McCloskey, though. In fact Deirdre was born in 1995 when, at age of 53, Donald decided to change sex. Since 2006 she has devoted herself to the project *The Bourgeois Era*, a six-volume tome on the rise of the Bourgeoisie, the real, free, serious and innovative one: *The Bourgeois Virtues: Ethics for an Age of Commerce*, then *Bourgeois Dignity: Why Economics Can't Explain the Modern World* and soon *The Bourgeois Revaluation: How Innovation Became Ethical, 1600-1848* dedicated to innovation. Among the contemporary scholars she feels close to: Nancy Folbre, a feminist economist who focuses on the economics of care, non-market work, Arjo Klamer, a culture economist, open to eastern philosophy suggestions, who emphasizes the importance to non-economic values and Richard Bronk, author of *The Romantic Economist: Imagination in Economics*.

Editorial

Economy and innovation. Development and innovation. Future and innovation. Words used, or rather worn, to the extent that they have lost all appeal. Yet, there is someone who managed to give substance to the word *innovation* and put it into perspective. In an almost scandalous way for today's world, projected towards tomorrow's forecast, she achieved that through the analysis of the past. We are talking about Deirdre McCloskey, who proposes *humanomics*, economics for grown up, in sharp contrast with economics, the current scientific discipline, useful but too materialistic. She brings us along a fascinating journey which begins in the eighteenth century, and she starts by revolutionising terms we take for certain. Capitalism? Of course not! Let's call it Age of Innovation, when society started debating freely and admiring merchants and inventors who acquired dignity, decorum, together with freedom to express themselves and act. And she writes what resembles an apology of that Bourgeois world, the real one, serious, calm and controlled which brought the daily *per capita* income from 3 to 100 dollars over two-hundred years. The *Bourgeois dignity* is the very effective and deliberately polemic formula chosen by McCloskey to find a single cultural factor responsible for the extraordinary development of the West in the last three-hundred years. In the interview she gave to Primo Piano Scala c she draws an capitalism with ethical boundaries, far away from the social market economy and from the strong role of the State, which comes to our minds when we think about ethics and business. She lets us touch, through the China and India examples, how the most interesting factor of the great historical phase we are living in is not accumulation but predisposition to change. And only the latter will save us. Only a society that acknowledges the value of change?? can make the social elevator work. As it happens, before the Industrial revolution poverty is a fact, after it becomes a problem. Profound connoisseur and lover of Europe, especially of Italy, unfortunately she doesn't hope much in a bright future for the Old Continent. Why? Because it doesn't show to have faith in innovation. Who knows if we will overturn her theories?

Mariella Palazzolo

Deirdre McCloskey. The secret of wealth? Liberty and dignity for innovators.

Telos: Dignity. Virtues. Liberty. Words that appear old fashioned or out of context when writing about economics. Nevertheless they are recurrent in your works. Your latest book of "The Bourgeois Era" is dedicated to Dignity. How do you relate this word to the economic development?

Deirdre McCloskey: *Certo* (in Italian). They are indeed *old fashioned*. But the new fashioned words since Adam Smith -investment, exploitation, imperialism, government protection, trade unions, endogenous growth- have failed to explained the modern world. In 1800 the Italians, and everyone else, were spending about 3 euros a day. Now Italians spend about 85 euros a day. The 28 times greater capacity to live couldn't come from piling brick on brick, or stealing from Africans. It came from innovations, mechanical and creative, such as by Volta, Marconi, Fermi, D'Ascanio. But why innovation? In 1492 the Europeans were primitive compared to the inventions and institutions and arts of China - that's why Columbus wanted to get there. After 1800, and starting earlier in Holland and England, European innovation exploded. Why, I ask? Because of the new dignity for inventors, the new liberty for innovators. The change was unique to the modern world, what I call the "Bourgeois Deal": "Honor us and let us innovate, and we will make you all rich!". The big modern experiments are China and India. China in 1978 and India in 1991 stopped sneering at businesspeople and started encouraging "creative destruction" in a regime of markets and profits, and what happened? They started growing in material capacity to live at 8 or 10 percent every year. At that rate India will have an Italian standard of living in two long generations.

In many titles of your books the word ethics is present... and not only there: it is a recurring term throughout your writings. Today it seems to be almost a provocative word. How do you envisage an ethical capitalism?

It's like the old joke about infant baptism: "Do I believe in infant baptism!? Yes, I've seen it!" I've seen ethical capitalism, and so have you. If we could not rely on our grocer not to poison us or our banker not to steal our money or our car manufacturer not to make cars that kill us, none of us could live. So the bad behavior of some of our dear politicians' good friends is no argument that capitalism can't be ethical!. In fact I would argue that a market economy encourages some kinds of good ethics: we say in the U.S. when someone comes into our shop, "How can I help you?" And we mean it.



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Innovation. In a dialogue with John Lyne of the University of Pittsburgh, you say that the left believes that innovation is caused by the State, the right thinks by Science. You think are both wrong: it is caused by creativity unchained by dignity and liberty. Could you please explain to us this view?

Science did not have very much to do with invention until the 20th century. Take reinforced concrete as an example, which depends on cement invented by the Romans and cheap steel invented by people in the 1850s fooling around blowing air through boiling pig iron. Or the float-process plate glass. Or for that matter the internal combustion engine of Matteucci. None of them used High Science. Marconi and Fermi did so. Most innovations no. And the State commonly prevented innovation. That was its business: to protect the vested interests. I can think of exceptions, where it helped, such as the “land-grant” colleges in the U.S., or the high level of education in Italian state schools. But usually the state chose incorrectly. A private innovator goes bust if he makes a mistake. A government planner gets promoted. The great economic historian, Stefano Fenoaltea, will publish in a couple of months a book in English, *The Reinterpretation of Italian Economic History: From Unification to the Great War* (Cambridge University Press), which argues that the Italian State was the main obstacle to faster economic growth in Italy. What mattered were ideas of dignity and liberty, unique in world history on such a scale.

Economic forecasts and future scenarios are based on traditional economic models. Do you think it is possible to introduce in such analysis the values that you describe to be essential for a sound economic development? If so, how?

Look at what I’ve said: it was ideas that caused the modern world, not piling brick on brick, or exploiting the Third World. Therefore sound economic development needs a “bourgeois revaluation,” as I call it in my next book. People have to admire innovators and they have to give them liberty. Both. No amount of investment that ends up in Swiss bank accounts or laws that crush innovation can substitute. That is, there has to be a sociological change and a political change, a change in evaluations and a change in laws. It’s not that hard to do. Look again at China and India. I have a brilliant student, Nimish Adhia, who has written on the shift of Indian opinion during the 1970s and 1980s. The “Hindu rate of growth” and “the license Raj” hadn’t worked well, but until the 1970s looked secure. But then in places like *Bollywood* and *The Times of India*, Adhia has found, opinion shifted. In the 1950s the heroes of Indian movies were policemen and the villains were businessmen. By the 1980s the heroes had changed places. And in 1991 India embarked on a lowering of “protection” and licensing and planning. Now the Indian average capacity to live is growing faster than Italian growth after the War. I lived in Italy when I was a teenager for a while. The streets of Firenze in 1959 were empty of cars. Now they are full. Only a pastoralist would object to fuller lives!

Your studies are mostly dedicated to an analysis of the past. Nevertheless we would like to ask you how do you evaluate economics today and the economists’ function in light of the fact that the current financial crisis is judged by many as a failure of the science of economics?

The Big Economic Story of our times has not been the Great Recession of 2007–2009, unpleasant though it was. And the important moral is not the one that was drawn in the journals of opinion during 2009—about how very rotten the Great Recession shows economics to be, and especially an economics of free markets. Failure to *predict* recessions is not what is wrong with economics, whether free-market economics or not. Such *prediction* is anyway impossible. No science can predict its own future, which is what predicting business cycles entails. Economists are among the molecules their theory of cycles is supposed to predict. They can’t do it—not in a society in which the molecules are watching and arbitrating.

The important flaw in economics is not its mathematical and necessarily mistaken theory of future business cycles, but its materialist and unnecessarily mistaken theory of past growth. The Big Economic Story of our own times is that the Chinese in 1978 and then the Indians in 1991 adopted liberal ideas in the economy, and came to attribute a dignity and a liberty to the bourgeoisie formerly denied. And then both the countries exploded in economic growth. The moral, therefore, is that in achieving a good life for the mass of humankind, and a chance at a fully human existence, ideas have mattered more than material causes.