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Published in:
Scandinavian Economic History Review

DOI:
10.1080/03585522.2017.1324520

2017

Link to publication

Citation for published version (APA):
Ringmar, E. (2017). Comments on McCloskey and Weingast. *Scandinavian Economic History Review*, *65*(2), 124-126. https://doi.org/10.1080/03585522.2017.1324520

Total number of authors:
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Download date: 12. Sep. 2026

SCANDINAVIAN ECONOMIC HISTORY REVIEW, 2017
https://doi.org/10.1080/03585522.2017.1324520

Routledge
Taylor & Francis Group

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Comments on McCloskey and Weingast

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ABSTRACT

Economic growth is an aspect of social change which cannot be explained by economic theory alone. McCloskey invokes 'ideas' but ideas only matter as embodied in institutions. Weingast makes this points but his institutions are too economistic. Only institutionalised self-emergence can explain massive, relentless and automatic change.

ARTICLE HISTORY
Received 24 April 2017
Accepted 24 April 2017

KEYWORDS
Economic growth; social change; institutions; east-west comparisons; self-emergence

JEL CLASSIFICATION
N1; O1; O4; P5; Z1

Modern societies are societies in which change is not *ad hoc* and occasional but systematic and continuous. 'Modernity', Paz (1974) explains, 'is a polemical tradition which displaces the tradition of the moment, whatever it happens to be, but an instant later yields its place to still another tradition which in turn is a momentary manifestation of modernity' (p. 1). This is the fundamental reason why attempts at 'modernisation' so often have failed. Since the new always is replaced by something even newer, modern societies are impossible to conclusively describe. Modernising elites and foreign experts have never been able to capture the essence of modern society for the simple reason that modern societies have no essences. 'Modernity is never itself; it is always *the other*.' Modern societies have no given content, only a given form – *trans-formatio*, the form which always goes beyond itself.

Economic growth is an aspect of social change which is comparatively easy to measure and thereby surely also to explain. And besides, some of the smartest people in the world are working on the problem. Surprisingly, however, they have had little worthwhile to say about the topic. 'The economics of growth', as Abramovitz (1989) puts it, is 'the field of work in which the dependence of economics upon its sister social sciences appears in a supreme degree' (p. 116). Yet we were probably foolish to expect more. As long as economic markets are treated as self-contained, self-balancing, systems, they will never allow for the appearance of anything new. Economics, as McCloskey (2011) explains, is the science of how things are 'shuffled around', but shuffling things around can only tell us how they are allocated and not how the boundaries are determined within which the allocation itself takes place. Change will happen only once a *Deus* one day descends from the heavenly *machina,* but such rare events are both un-theorised and un-theorisable.

The heavenly gods most commonly invoked in relation to economic growth are known as 'entrepreneurs'. Entrepreneurs are the ones who make and break moulds, think laterally and out of the box, venture forth, and so on. As such they are the perfect agents of change. Yet we all know from personal experience how terribly difficult it is to change things. Facing the resistance of vested interests, the intransigence of the powerful, the sheer inertia of tradition, ingrained habits, plain stupidity and idleness, it is very unlikely that change would happen if it only were down to individuals. The worship of the entrepreneur is a version of Carlyle's hero-worship and Nietzsche's cult of the

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Übermensch – a figment, that is, of nineteenth-century Romanticism (Reinert & Reinert, 2006). The fact that barren economic theories require them does not make them real.

McCloskey (2011) too does have a *Deus* of her own – 'ideas'. It was ideas, she maintains, which made the great enrichment possible – ideas about freedom and the bourgeois pursuit of dignity and happiness. Since none of this can be dealt with within the confines of traditional economic theorising, McCloskey transforms herself into a cultural historian. Despite potshots at Max Weber, she is a Weberian *après la lettre*; her explanation is all about *Geist* and the appearance of new mentalities. But more importantly, is she right? Well, yes she is. McCloskey is provocative to be sure, perspicacious as always, but also perfectly persuasive. Yet something is still missing from the analysis. The reason why ideas matter, we must insist, is that they are lodged in, nurtured by and contested through, institutions. Weingast (2016) makes this point eloquently and he too is right. Indeed, there is no contradiction here only a dogmatic refusal, on McCloskey's part, to expand the analysis to include the blatantly obvious. It is in institutions that we pick up ideas, learn to use and abuse them, and it is here that we deposit them so that they can be picked up by others. Institutions pull down ideas from their Platonic realm and give them practical application as parts of habits and standard operational procedures. Institutions make sure that ideas materialise, are sustained and expanded.

McCloskey (2016) does not like the word 'institution', mainly it seems due to Douglass North and his collaborators' emphasis on property rights as a monocausal explanation. Property rights have existed for a long time and in many different places – go read the Code of Hammurabi! – and can for that reason never explain European exceptionalism. Yet there is no reason to think of institutions only as incentive structures; indeed, most social scientists do not. Consider Searle (1999) or the still unsurpassed Hamilton (1932). In their hands institutions are not the pachinko machines by which preferences are processed but denote instead the rich normative environments which give meaning and direction to our lives. Regardless of the terminology, however, the crucial point is that we need a way to think of ideas as more than the properties of individuals. Modern society is a social achievement, not the result of individual action.[1] We are not smart, entrepreneurial and peaceful because of our personal qualities but because we live in societies with institutions that make us so. With the right institutions in place, modern societies can be run by monkeys, as indeed they are.

The broader point is that we need to stop thinking about causality in terms of mechanical metaphors – as though causes were widgets that pushed something ahead or teleological ropes that pulled something along (MacIntyre, 1978, p. 192). Instead of this mechanical ontology, we need an ontology of self-actualisation. What should interest us are the environmental conditions under which potentialities come to present themselves (Poli, 2006). Although social change can happen for a large variety of reasons, there are nevertheless quite specific circumstances under which causes of all kinds are more likely to become operative. Focusing on these conditions, an ontology of self-actualisation seeks to identify the 'enabling conditions' or the 'permissive environment' in which change is most likely to take place.

Instead of rejecting institutions, we need to pay more attention to them. Weingast's suggestions provide a first step, but his perspective is needlessly constrained to 'incentives' and their permutations. In a self-actualising social ontology three sets of institutions are relevant (Ringmar, 2007).[2] Institutions first of all that allow us to reflect on the world and discover the potentialities that exist in it. Universities and academies help us do this, but so do museums, art exhibits, newspapers and the Internet, or just consider the reflective revolutions brought about by the invention of language and writing. A second set of institutions help us actualise the potentialities we have discovered. We need funding from banks and stock markets, ways of overcoming collective action problems, but we also need property rights and ways of pooling risks and sharing investments. The

[1]This is a point emphasized by recent developments in neuroscience. See, inter alia, Gallagher's (2013, pp. 6–7) discussion of 'mental institutions'.

[2]The book is also published as Ringmar (2005).

third set of institutions deal with the conflicts that are produced by all this activity. The market is one such conflict resolving device, but so is the political system and law courts. McCloskey might object that institutions such as these have existed in many places and for a long time, and again she would be right. However, what does make Europe unique, and what does explain the great post-1700 enrichment, is the way these institutions came to lock into each other, like cog-wheels in a machine, and began operating together, relentlessly and automatically.

In a modern society there are institutionalised ways of discovering the potentialities that exist in the actual, institutionalised ways of acting on these potentialities, and institutionalised ways of accommodating the new once it is actualised. Since the three prerequisites of change are institutionalised, change itself is institutionalised. As a result change is not *ad hoc* but systematic; not occasional but permanent; change just happens without anyone consciously trying to bring it about. Modern society is a kind of self-transforming machine from whose constantly changing output we both benefit and suffer. Ideas matter, as McCloskey persuasively points out, but only, we must insist, once they become a part of this *perpetuum mobile*.

Acknowledgements

I am grateful for comments from Deirdre McCloskey, Astrid Nordin, Michael Schmitz and Göran Sonesson.

Disclosure statement

No potential conflict of interest was reported by the author.

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