

# “Who Raised the Boats?” or Why Deirdre McCloskey Has to Be Right

Hans L. Eicholz

Liberty Fund

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## Abstract

I assess Deirdre McCloskey’s three volumes on the bourgeois reevaluation and the making of the modern world, situating her contribution within a broader historical concern for ideas and context. In this regard, she is still seen to be making an essentially Weberian argument that revives aspects of an earlier German historicist tradition, but in a fashion that remains consistent with an Austrian understanding of economic processes and purposefulness. I find that she has not so much refuted the importance of institutions, technology, and science as placed each in its proper causal relationship.

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## I. History, Economics, and Causality

Historians and social scientists going back well over a century have attempted to answer the riddle of the origins of the modern capitalist world. In thinking about this question, I find it helpful to return to basics, and for this purpose, I especially like children’s book author Pamela Allen’s modern parable, *Who Sank the Boat?* (1982) In this particular case, we might better ask, who raised the boats? But the point fits.

As the story goes, a group of animal friends decides to take a boat ride. Each displaces more and more water until finally, the very last would-be passenger, the smallest and lightest of them all, a mere mouse, presses the craft into the drink. The story ends with the wry observation, “And now you know who sank the boat.” But, of course, that is not quite so.

Explaining the origins of the modern capitalist world affords a perfectly analogous case. What are the necessary, proximate, and

sufficient causes?<sup>30</sup> In the parable, it was the total displacement that was the sufficient cause to sink the boat to which each animal made a necessary contribution, and to which the mouse made the final proximate addition. In the real, human world, making these distinctions is a good deal more complicated.

In the conversation about capitalism, Deirdre McCloskey has come down squarely on the side of ideas, but ideas of a general and normative sort. She has contended throughout her massive trilogy that it was the spread of the bourgeois notion that “trade-tested betterment” was both attainable and worthy of pursuit by anyone and everyone that led ultimately to the widespread unleashing of creative intellectual and commercial energy in the eighteenth century (McCloskey 2006, pp. 407–41, 507–08; McCloskey 2010, p. 397; McCloskey 2016, pp. xxvii, 631–50). I admit I am partial to her answer, but how can one demonstrate its primacy?

McCloskey admits the challenge (2016, p. 418). Indeed, getting into the mindset of past generations is a real problem, and the evidence necessary to make that case requires a huge variety of largely literary sources over a lengthy period (McCloskey 2016, pp. 440–58).

In this endeavor, I believe McCloskey succeeds to the extent that she carries forward a basically Weberian analytical framework. Let me be clear. It is not that she repeats Weber’s particular answer in *The Protestant Ethic and the Spirit of Capitalism*, but rather, it is because she relates ideas very much in the way Weber did to the many other contributing factors of institutions, technology, and markets. In this way, I see her as carrying on and improving a tradition rather than displacing it, and she succeeds largely because of that fact, having become far more the historian than the economist.

McCloskey has had to pay particular attention to the aims and goals of persons, and not just to purposefulness in general. She has had to move beyond asserting the primacy of logical processes for which the ends are necessarily always “given,” and ask from where the ends themselves have come. This is the essence of the historical tradition out of which Weber came. Understanding it will, I believe, further our appreciation of McCloskey’s efforts.

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<sup>30</sup> There are other schemata by which one can think about causation, such as Aristotle’s four types, or one can speak of remote, reciprocal, conditional, etc., but the ones invoked by Allen’s parable seem to me the most relevant, the most used in common parlance, and the ones that McCloskey herself references from time to time.

## II. The Content of Purposes

It is surprising to me the extent to which so many for so long have argued as if ideas were merely the superfluous epiphenomena of human actions, giving primacy to various extrinsic drivers conditioning and therefore determining the course of change (McCloskey 2010, p. xii; McCloskey 2016, p. xiii). As McCloskey notes, the economic and mathematically oriented among us like the seeming precision that such interpretations appear to lend (McCloskey 2010, p. 38; McCloskey 2016, p. 115). Rarely noticed is that these just-so explanations are oddly out of place in a world where arguments matter. If we humans are merely the puppets of systemic necessity, why bother arguing at all?

In fact, this point came up in the formation of modern historical thought in early and mid-nineteenth century Germany in its reaction to both idealist and materialist dialectics and to English positivism, especially that of Buckle (Liebel 1971, pp. 383–85; Beiser 2011, pp. 3–3, 312–14). It also formed a large portion of that famous misunderstanding called the *Methodenstreit* between Menger and Schmoller. In this connection, Max Weber was an inheritor of a long tradition of thinking about ideas in history, and he formed some of the most profound notions about how concepts should be applied to understanding the record of human activities (Beiser 2011, pp. 511–67).

The old determinisms, like Marx's dialectic and various positivist presumptions that causation can be detected in human affairs like chemical or physical processes in nature, were all attempts to assert sufficient causes, often in linear fashion, by fastening onto some aspect of human society as the primary driver in the course of social development. As McCloskey observes, Hegel was a bit more sophisticated than this (McCloskey 2016, p. 369), but as Leopold Ranke discovered, many of his followers were not (Beiser 2011, pp. 258–61). As a consequence, German historians early on began a rebellion against these just-so-stories, contending instead for the ultimate freedom of the human *Geist* at any given time. To see history this way meant that one should take seriously the reasons for people's actions, through close attention to their thoughts and intentions. That was the meaning of context at its most basic level.

The famous if overwrought *Methodenstreit* contained a fundamental confusion as to the general aims of the social sciences. As both Menger and, later, Mises noted, Schmoller and his associates of the German historical school (GHS) seemed at times unaware of

the distinction between doing history and doing economic theory, confusing or blurring the differences (Menger [1883] 2009, pp. 74–81; Mises [1957] 2005, pp. 201–12). This led some of them at various points to approach a kind of polylogism that threatened to undermine the scientific basis for the humane sciences in general (Mises [1957] 2005, pp. 21–22, 193–200; see also Mentzel 2010).

Yet Austrians, including Mises, often appeared to underappreciate how much context can indeed impinge on economic developments. What did Mises mean when he said that in our explanations of economic phenomena, history can do no “concrete tasks,” but only make us wiser and more judicious (Mises [1949] 2007, pp. 30–31)? Was he asserting the primacy of pure economic theory for historical interpretation when he wrote that “historical facts need to be interpreted on the ground of previously available theorems,” and that “economics, provides in its field a consummate interpretation of past events recorded and a consummate anticipation of the effects to be expected from future actions of a definite kind” (Mises [1957] 2005, p. 205)?

Fortunately, for our purposes, the differences between the two schools can be resolved satisfactorily. We don’t have to make the theoretical errors of Schmoller to appreciate the importance of unique historical phenomena. Nor do we have to interpret Mises to say that *only* praxeological theory can explain all historical processes in the economy. Indeed, Mises also said that there are no priors to value judgments, but that they are “ultimately given” and “cannot be traced back to something of which they would appear to be the *necessary* consequence” (Mises [1957] 2005, p. 205).

I would then put the *real issue* between the two schools thus: Is a pure theory of the logic of constrained choices sufficient to explain all economic processes, past and present? To this, both the GHS and Deirdre McCloskey have given a resounding no. It was also the position of Max Weber and later Ludwig Lachmann, bridge figures (Koppl and Mongiovi 1998; Boettke and Storr 2002) who set the two schools in their proper relation to each other.<sup>31</sup>

Economic theory reasons forward to the unintended results of intentional human acts, to the logical consequences that follow under conditions of constraint and scarcity (Mises [1961] 1976, p. 44). Historical interpretation, on the other hand, looks to understand the

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<sup>31</sup> Lachmann’s importance here was recognized in the second volume, but unfortunately, he was dropped from the list of notables in the third. See McCloskey 2010, pp. 302, 304 and McCloskey 2016, p. 360.

meaning of actions in the past for those who initiated them—the content of purposefulness, if you will. Does the latter have any real consequences for the former? Weber and later McCloskey give a resounding yes.

So our question is, what is the significance of McCloskey's argument in the broader context of the different forms of causation?

In this endeavor, Weber will still play a preeminent role, not for his particular answer, but rather for his conceptual framework. And that framework was already well underway with the GHS's focus on morality, institutions, and language. All of these were woven together in trying to explain the actual choices of people in time. In this endeavor, institutional and intellectual history were not strictly separated, and in this, they were exactly right.

At times, McCloskey seems unnecessarily harsh toward poor Max, repeatedly bludgeoning his particular trial balloon, *The Protestant Ethic*, and seems almost to forget, by the last volume, his wider significance. If the reader's attention were to have drifted, he might miss the fact that *in actuality*, McCloskey is giving a variation on a Weberian approach (Storr 2013, p. 64). Indeed, the point is buried in two late chapters of the last book, and one of those is actually dedicated to the idea of social embeddedness as found in the thought of Carl Polanyi (McCloskey 2016, pp. 508, 553). That is an understandable tack given that most academics have embraced not Weber but Polanyi for his particular ideological position against markets.

But McCloskey also notes that Polanyi was actually channeling a different kind of argument, one that did not fit well with his usual materialism (McCloskey 2016, p. 546) and one that had an earlier source: the very same GHS to which Weber regarded himself as the youngest practicing member (McCloskey 2016, pp. 549–51).

However confused certain members of the German historical school may have been in the categories of their analyses, the content of purposes mattered to them. Institutions in their formal sense were the explicit crystallization of explicit intentions, whether religious, legal, or political. In the informal sense, institutions can refer to certain customs, social practices, and rituals that facilitate the coordination of a range of purposes that can still be more or less identified. Their perpetuation through time indicates the successful propagation of such purposes through the induction of new generations. Their alterations represent changes that new members bring in the form of their variant perceptions.

In the *Methodenstreit*, we can observe this focus on the content of purposefulness in Schmoller's main critique of Menger:

"In this he [Menger] is certainly correct," he wrote, "that all social forms trace back to the psychological processes of individuals. But the intellectual life of the person is not exhausted in the conflict of egoistic aspirations, but is situated in an endless mix of selfish and sympathetic feelings, comprised of both known engagement or just implicitly perceived conformity with broader manifestations as directed through the enduring structures of economic and social life."

This is essentially McCloskey's "embeddedness." For Schmoller, such structures also referred to ethical precepts found in language, customs, and institutions (Schmoller 1908, pp. 10–75).<sup>32</sup> Though Max Weber differed in many of his particulars, he very much saw himself as carrying on with this line of inquiry, but with greater scientific rigor (Schön 1987, pp. 59–62). The problem then, as now, remains one of weighting the causal variables. How do we assign priority? Can we?

### III. Institutional Feedback

Today, we frequently see the use of the idea of the feedback loop in social theory. One can see it implicitly in the quote from Schmoller, but as many have pointed out, Weber brought it out in fuller relief when he related his notion of the formation of ideal types to institutional development.

Randall Collins is especially good at illustrating this connection, and as he points out, Weber's more complete understanding of historical processes is not to be found in *The Protestant Ethic* but in *The General Economic History* (Collins 1990, p. 20). I was sorry to see only one brief reference to that work in the third volume, and not on this particular point (McCloskey 2016, p. 104). That is unfortunate because it would have strengthened McCloskey's other point about the critical importance of European decentralization as a necessary preservative of "market-tested betterment" over time.

McCloskey is right to insist that trade has always been with us, like law, property, acquisitiveness, individuality, and so on. Those are critically important points. Elements of the rhetoric of betterment may well have existed quite early on, too, certainly among merchants,

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<sup>32</sup> While Schmoller was interested in different questions (for example, that of national differences and their implications for economic development), he specifically directed attention in these opening pages first to language, then to morality and the socially embedded nature of individual understanding.

albeit with added oomph from Christian ideas of responsible accountability (McCloskey 2016, p. 376). In the second volume, this is at least strongly implied in the more explicit linkages tracing developments from Italian mercantile cities to the Hanseatic league to, finally, the Dutch and English (McCloskey 2010, pp. 24, 253). But what permitted this rhetoric to survive and eventually flourish?

The requisite conditions come up in the third volume. Here, McCloskey notes that “Europe was odd politically because of its incompetence in making and holding empires.” And so we have an interesting ideational/institutional amalgam. Here, as she says, is the “logic of small-is-beautiful-for-betterment.” It worked because the “relative lack of national regulation in England and then Britain . . . and the exposure of individual cities to the competition of other cities, was good for toleration, I have noted, as it was for betterment” (McCloskey 2016, pp. 398–99). In the absence of such institutional political division, when the powers-that-be once more gained the upper hand and formed the kingdom of the Netherlands, for example, the liberty and the betterment stopped.

Such an argument about competing jurisdictions as a necessary ingredient to prevent monopoly from squelching development is also found in the more mature Weberian framework, as Randal Collins pointed out some years ago (Weber 1995, pp. 88–89; Collins 1990, pp. 34–37). Weber and McCloskey are, in fact, on similar ground (McCloskey 2016, pp. 396–98; Weber 1995, pp. 317–26; Collins 1990, pp. 94–95). It comes back to the critical role of decentralization: “The truth is that by comparison with effective censorship further east, the failure of the various projects of centralizing the European subcontinent, from Charlemagne through the medieval popes to Phillip II and lastly Napoleon and Hitler, doomed European censorship to only sporadic success” (McCloskey 2016, pp. 391).

And what did this imply? McCloskey follows in the next chapter by contending that “the mere idea of a free press, if permitted politically and if accompanied by cheap printing borrowed from China, will lead eventually to political pamphlets, independent newspapers, Puritan courtesy books, epistolary novels, and guides to young men climbing the social ladder” (McCloskey 2016, pp. 418). Note the “if permitted politically.” Institutions do matter.

The Reformation was possible in large measure because the northern princes were able to protect Luther. The separate jurisdictions, both within and outside the various kingdoms, permitted the freer use of the printing press. And the competition of

ideas and ways of life that such decentralization preserved made it possible later to display the benefits of betterment from one region to another. Institutions were necessary. Without them, there is no “Reading, Reformation, Revolt, and Revolution” or “Revaluation of the bourgeoisie” (McCloskey 2016, p. xxxv). So why privilege the ideational over the institutional?

#### **IV. Historicism and the Sufficiency of Ideas**

As noted at the outset, McCloskey admits that it’s hard to make the case for the sufficiency of ideas (McCloskey 2016, p. 418). The amount and quality of evidence, I understand her to be saying, is both vast and of a sort that many economists won’t like. It’s literary. It’s rhetorical. It’s words. These are the necessary signifiers of thoughts so general and diffuse that they hardly seem to have the linear oomph of numbers and formulae. But she is right, and the reason she is right is the one really strong point of Weber, the GHS, and historicism in general.

We say the ideas were sufficient in large measure because it comports with how we understand ourselves and the necessity of purposefulness to actions. McCloskey spends much time rescuing Adam Smith from innumerable stereotypes. He did not reason from the naturalness of acquisitive instincts, or greed, or any sort of base materialism. But like followers everywhere, those who came after him frequently did, and besmirched the master with their carelessness. But there were advantages to doing this, too.

To assume the naturalness of some given instinct or behavior affords a seemingly easy path to victory in theoretical arguments, a slam dunk. If you assert that human nature is this way, then all that follows has to be “X.” Thus, if we assume that betterment is baked into the cake of human behavior, capitalism and all the betterment that follows simply had to be. Notice what that assumption does. Behavior becomes a given, like all other givens in the environment. It becomes just one of many necessary causes—which raises all sorts of problems, as McCloskey noted in the first two volumes. If all the other necessary factors can be shown to have existed earlier than the mid-eighteenth century, and behavior is just another given, then why did it take so long? Another way to put it is that a great deal of her competitors in the explanation of change wind up trying to explain “the long delay” rather than the factor of thirty! Here is where historical argument and historicism rightly understood come into the picture.

When traveling in German circles, one quickly becomes aware that historicism means something very different in Germany from what it does in America. Weber, for one, is regarded as a strict methodological individualist (Vanberg 1975). Indeed, Germans are surprised by the definition of historicism in general as any kind of deterministic body of thought (Liebel 1971, pp. 383–85).

The reasons for this disparity are a complicated matter that has much to do with how German ideas were presented in the United States. Suffice it to say, American academics, in large measure, wanted to move away from individualist explanations after the 1950s, and in the case of Weber, he was specifically translated to fit into the structural functionalism of Talcot Parsons. This was easy enough to accomplish because he had only to emphasize the latter half of the Weberian interplay of individual actors with social feedback mechanisms.

But as I have pointed out elsewhere, historicism and the German historical school were essentially interested in explaining variations in culture and national identity. Ideas and institutions mattered in this regard as variables, not as givens. Institutions were seen to reflect the visible intentions of their creators (Eicholz 2014). Variations in either stemmed from the ultimate freedom of the human being to conceptualize the world in whatever way one wanted.

In this context, there was no necessary conflict in the historical approach of the German historical school or the Austrian school of economics, but it is easy to see how the former could be seduced into polylogism and the latter made suspicious of any historical contextualizing of human action.

But Weber was not one of these. And, again, as noted of Ludwig Lachmann (who, after all, had studied with Werner Sombart), he wasn't either (McCloskey 2010, p. 302). It matters what people focus their attention on. This means that ideas about what is true, good, and beautiful have consequences for economic results. And analyses of logical processes based purely on the generic category of purposefulness cannot reach to explanations of sufficiency by themselves. Such analyses can make no claim as to why people want what they want. "Purposefulness" is a general category. To get to a historically sufficient cause, we need to get to its content and how that content came to be there. This is what McCloskey has done, and done well.

So ideas are sufficient because of how we conceive the human being to be formed. Ideas matter in directing actions towards certain

ends. Such ends include, but are not limited to, the recognition of opportunities, looking to serve the desires of others, and valuing the rewards, the betterments, that such service might bring both individually and for the community.

Ideas are sufficient then in the sense that we can imagine, in whatever way they might come to be downloaded into individual minds, that they would have the result of bringing about the modern world.

## V. Conclusion: Getting Your Types Right

So what really distinguishes McCloskey from Weber or from the other historians of culture and ideas, such as Joel Mokyr (2009) and Joyce Appleby (2010) (see Eicholz 2011)? The specificity of their ideal types.

Weber initially floated a highly detailed ideal type: the Calvinist formed conscience of a secularized man of affairs in business and state, displaying the application of a fully formed rationalism in all matters personal and political. Weber was careful to make clear that this was an exaggerated idealized conceptual model for purposes of interpretation or historical *understanding* (Weber 1976, pp. 47–48). He clearly warned against objectifying it, of making it something real or natural (Weber 1978, p. 15). To do so would return us to the automaticity of earlier determinisms. It was simply a model to approximate what he believed was conceptually in the mind of those who were contributing to the increasing economic integration and rationalization of the modern world.

But it was overspecified, and as McCloskey and others have pointed out, one could find innumerable exceptions. Not all who were involved in betterment were Calvinists or of Calvinist extraction. And not all displayed the sort of technical rationalism Weber thought was needed.

This is not to say that there were no instances of this kind of reasoning. Quite the contrary. Rationality clearly manifested itself in both scientific and, more particularly, technological thought. Such ideas were essential to many specific betterments. In this sense, later Weberians such as Appleby and Mokyr are not so much wrong as that their ideal types are, like Weber's, too specific and therefore come later in the causal process.

So back to our parable: that means science and technology are more like the mouse, necessary yet more proximate in their relations to the greater betterment already underway by the mid-eighteenth

century. What made it okay to think this way? People didn't just wake up one morning and start experimenting. Something must have made it okay to do so.

And so McCloskey notes, quoting Mokyr: "If one is speaking of the proximate cause, surely he's right. Mokyr's heroes are 'the top 3–5 percent of the labor force in terms of skills: engineers, mechanics, millwrights, chemists, clock- and instrument makers, skilled carpenters and metal workers, wheelwrights, and similar workmen'" (McCloskey 2016, p. xviii). But where did all these people come from? From the ethical change that made them free and approved of their pursuits.

If one believes that the human mind matters, that the content of purposes matters, then surely McCloskey must be right. On a vast scale, in the context of necessary institutions that certainly preserved and extended the necessary liberties of persons, ideas of what is right and good to pursue shifted the incremental energies of each to improve his or her lot. Each water molecule is small, but the tidal wave is huge.

Sadly, for the mathematically oriented, for those hankering after a slam-dunk formula, you will be disappointed. You will have to slog through pages and pages of words, those primitive symbolic representations that continue to form the thoughts of most of us, day in and day out.

And so, "Now you know who raised the boats."

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