status and to a degree race, which makes it harder for those on the outside to break in.

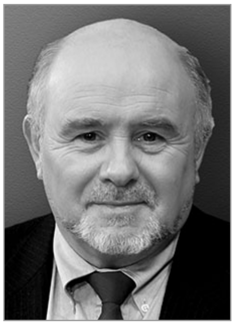
Cowen has many interesting and arresting things to say, including his comments on the shift—with the development of IT—to passive forms of entertainment. He also has a fascinating chapter on 'matching' (that is, our ability to pick things which fit our tastes, and how this is enhanced by IT) and its consequences. Despite the IT sector, however, Cowen notes the slowing down of innovation. (He also tellingly contrasts the US with the dynamism of China, although some of what is involved may relate to the maturing of the US economy.)

I'd strongly recommend *The Complacent Class*: it is a fascinating read, and packed with a lot of arresting information. Interestingly, it is also more pessimistic than his two earlier books in the sense that he now expects growing social unrest. I have two reservations, however.

The first is that the structure of the book is poor: it ends up with several short chapters which, while engaging, are not well-integrated into Cowen's overall argument. Material which he covers here—including the degree to which the US federal government is increasingly limited in terms of discretionary spending, and various observations about the state of democracy across the world—would have been better had he restricted his discussion in this book to what is needed to develop his core argument.

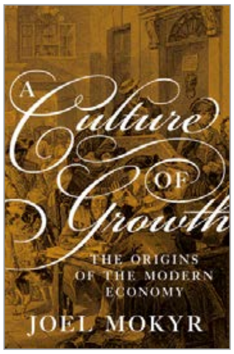
The second is that while Cowen seems to me correct in his main ideas (Bill Bishop's *The Big Sort: Why the Clustering of Like-minded America is Tearing Us Apart* is also very good on many of these issues), he shies away from the difficult task of suggesting how we should address his concerns. Indeed, the conclusion of the book, after looking at possible sources of instability, suggests that we might need to shift from a view in which there are expectations of linear progress to a cyclic view of history. But (with some exceptions—for example, on the problems of the maturing of economies) each of these are represented as *sui generis* developments which take place in ways that don't depend on us. Those attracted to either view should look at Karl Popper's criticism of such ideas in *The Poverty of Historicism* and *The Open Society*. Popper argues that human history is in our hands, and that we should—with due acknowledgement of our own fallibility (and, I would add, informed by Hayek, an awareness of structural constraints on what we can do)—consider how we might respond to problems as they arise. Popper argues that there is no intrinsic meaning to history, but that we might endeavour to give it one, at least in the sense of trying to make things work a little better.

The problems with which Cowen is dealing are difficult—not least because of the degree to which they echo Thomas Schelling's arguments about the potential unintended macro consequences (for example, segregation) of private micro choices, which we happily make in enjoying the freedoms of a market-based society. Indeed, in raising these issues (and many others), Cowen's book provides not only a lot of food for thought, but also some real challenges to classical liberals interested in public policy issues.



Jeremy Shearmur is an Emeritus Fellow in the School of Philosophy at the Australian National University.

A Culture of Growth: The Origins of the Modern Economy



By Joel Mokyr
Princeton University Press, 2016, 400 pages
Hardcover $US 35.00,
Kindle $US 19.25
ISBN: 9780691168883 / 9781400882915

Reviewed by Wolfgang Kasper

This book has taught me something new and worthwhile. Like many other economists, I have long been intrigued by the ultimate causes of modern economic growth; that is, the sustained rise in productivity and real living standards since the Industrial Revolution. Early on, authors had attributed this to the accumulation of capital, improved skills, new technology, or a better exploitation of natural resources. Yet all these factors are only proximate causes, for these theories beg the question: Why do people use more capital, learn skills, apply technical ideas, or tap natural resources? The answer—including my own—was: They embrace certain values and practise certain customs and laws (institutions) that encourage risk taking.[1]

In recent years, economic historians have followed the chain of causation further backwards, asking: Why did some communities embrace certain values and institutions, but not others? Deirdre McCloskey published a voluminous analysis of the era before the Industrial Revolution, which focussed on socio-cultural reasons.[2] Following partly in her footsteps, American-Israeli economic historian Joel Mokyr (born 1946) has now come up with his own answer: It was culture, stupid!

He defines culture as 'a set of beliefs, values, and preferences, capable of affecting behaviour, that are socially (not genetically) transmitted and that are shared by some subset of society' (p.8). Ultimately, growth rests on 'a foundation of ideas, some of them about nature, some about human interaction and still others of a moral nature' (p.11). While institutions and rules shape the division of labour, culture affects mainly how people interact with nature. Mokyr—who has long focused on technical progress[3]—argues that the real driver of economic growth is our attitude towards the physical world. The foundations of the Industrial Revolution and mankind's present-day 'Great Enrichment' were laid when an elite began to develop science and technology, and scientists and artisans interacted with each other. He concedes that institutions and culture co-evolved and, of course, influenced each other.

Mokyr distinguishes between 'Smithian growth' and 'Schumpeterian growth'; that is, theories that follow Adam Smith in stressing the better division of labour thanks to good institutions, and Schumpeter's view that innovation is favoured by a worldview that advocates the better exploitation of nature. Mokyr emphasises the latter. In reality both aspects of growth are of course intertwined. The Industrial Revolution arguably depended primarily on a cultural, especially religious, rethinking of how humans view nature. Nowadays, however, the service industries are dominant and their growth depends mostly on good institutions, hence I would call contemporary growth in advanced economies 'predominantly Smithian'. Without wanting to belittle the key role of Schumpeterian innovation in triggering the Industrial Revolution and undergirding present-day prosperity, I would still insist on the importance of secure property rights, transaction-cost reducing trust, respect for others, as well as loyalty and fairness, which constrain agent opportunism. These are the concepts that John Locke dwelt on, whom many great observers counted, together with Francis Bacon and Isaac Newton, among the greatest cultural entrepreneurs of the dawning industrial age. Mokyr, being more focussed on technical innovation, discusses Bacon and Newton at length. Yet to my mind, John Locke and Adam Smith also matter enormously for our present and future prosperity. I hasten to add that, in some passages, Mokyr concedes that a sharp dichotomy of Schumpeterian (technological) and Smithian (institutional) growth factors can mislead.

Mokyr identifies the early modern era in Europe—from Columbus to Newton, roughly 1500 to 1700—as the critical time for the beginning of modern economic growth. His central hypothesis is that without cultural changes in that period—the European Enlightenment—the first Industrial Revolution and the 'Great Enrichment' of mankind in our time could not have happened.

Chapter 5 summarises the contemporary literature about the evolution of tacit knowledge (knowhow and skills that are near-impossible to codify) and explicit propositional knowledge. This gets transmitted from generation to generation either vertically (father to son, mother to daughter), horizontally (within peer groups) or in oblique ways (by teachers whom parents and other authorities select). In the modern era, horizontal and oblique transmission has increased, leading to less traditional continuity, but to a wider net with which to capture useful knowledge. Closed, rigidly committed cultures—think of Islam—tend to be more bound by tradition and stagnate materially than cultures where free speech and thought are permitted. We learn of the many possible biases that determine the selection of cultural traits and ideas, which are discussed in the literature,[4] from content-based bias (people realise the superiority of new ideas) to 'direct bias' (people follow the judgement of genuine or assumed authorities) to 'consistency bias' (new ideas fit in with previous thinking) to 'rationalisation bias' (people accept what accords with existing moral values). 'Coercion' rarely works in changing the real underlying culture, though it may foster dissimulation until the coercive regime tumbles (for example, the USSR after 1989). Sometimes salient events (like the Black Death or 9/11) change cultural beliefs quickly and radically. Technology often comes into play in cultural change; for example, when new instruments make people see different aspects of nature that change their cultural beliefs and may affect growth (the microscope, the telescope, space travel).

Mokyr dedicates roughly the first fifth of this book to these definitions and the possible connections between culture and the choices that make for economic growth. In the remainder of the book he discusses the actual history of how European thinkers began to question traditional knowledge and beliefs, created a market in which ideas were contested by observation and logic, and then laid the foundation for the Industrial Revolution.

The historic account begins with Part II, which deals with the role of 'cultural entrepreneurs' and economic change from 1500 to 1700, focussing attention on the two outstanding cultural entrepreneurs of pre-Enlightenment science, Francis Bacon and Isaac Newton. Part III describes the salient features of how the educated elites of Europe—the 'Republic of Letters'—propelled the accumulation of human capital. Literacy and the printing press exposed the elites to much more horizontal and oblique transmission of ideas than the broad, possibly illiterate populous. Part IV dwells on thinking about progress and the Enlightenment's influence on economic change. In the final Part V, he draws on the divergent historic experiences of Europe and China. In China, productive knowledge was not considered much of a priority by the elites, as there was no competition between different rulers and jurisdictions and the administrative-political elites could dominate. In this respect, he adds to Eric Jones'—indeed David Humes'—well-known analysis of inter-jurisdictional competition being key to developing those institutions that promote productive co-operation and attract innovative producers.[5]

Reactionary episodes such as the persecution of Galileo by Pope Paul V notwithstanding, Mokyr's rightly dwells on religion as crucial to paving the way for the Enlightenment. '[T]he Reformation . . . created a large boost to the formation of human capital' (p.129). Some 500 years after Martin Luther, it is worth acknowledging that the Reformation—and the Catholic response, for example through the educative and scientific engagement of some Jesuits—inspired individualism, critical thinking and the advance of useful knowledge. The anthropocentric Judeo-Christian message was that nature was the Creator's gift to serve humanity.

In today's post-religious era, many see humans as just another animal, and one that has no right to transform nature. One therefore has to wonder: Does pervasive quasi-religious, collectivist Greenery and the preaching of fear about the unintended side-effects of mankind altering nature herald a coming age of stagnation? Maybe even a 'Great Impoverishment'? Many now feel challenged by accelerating technical and social changes and consequently embrace attitudes opposed to growth. Whatever the answers to these questions, it would be a fundamental error to take economic growth for granted simply because it accelerated during the past, short 200 years and went global during the past half century.

Although the book had its origin in a lecture series (the Schumpeter Lectures at the University of Graz, Austria), this is a densely written and carefully documented argument. It is not an easy read, but it is rewarding. As one has come to expect of Mokyr's works, the book is written in an erudite style with a 60-page list of references and a detailed index. On every page, the reader is regaled by learned insights and a cornucopia of facts, which few masters of the trade can marshal as well as Mokyr. This is a tour d'horizon of an exciting new area of inquiry, which offers important insights into the future of our civilisation and the evolution of an increasingly technical world. Mokyr's book is so rich and stimulating that no brief review can do it justice. So, dear reader, read the book!

It is a powerful antidote to cultural relativism.

Essential reading for those diplomats and military personnel who have to wrestle with stagnation, fractured societies and failed states.

Essential reading for those who, like this reviewer, believe that cultural integration is a necessary corollary to mass immigration.

Essential reading for economists for whom economics is more than sterile model building.

Essential reading for all those who wish to understand a topic that Australian universities refuse to teach: the merits of Western civilisation.

Wolfgang Kasper is an Emeritus Professor of Economics at the University of New South Wales and an Alan MacGregor Fellow of The Centre for Independent Studies.

Endnotes

1 Wolfgang Kasper, Manfred E. Streit and Peter Boettke, *Institutional Economics: Property, Competition, Policies* (Cheltenham, UK: Edward Elgar, 2012), 1-27.

2 Deirdre McCloskey, *The Bourgeois Virtues: Ethics for an Age of Commerce* (Chicago: University of Chicago Press, 2006); *Bourgeois Dignity: Why Economics Can't Explain the Modern World*, (Chicago: UCP, 2006) and *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* (Chicago: UCP, 2016).

3 Joel Mokyr, *The Lever of Riches: Technological Creativity and Economic Progress* (New York: Oxford University Press, 1990); Joel Mokyr, *Long-term Economic Growth and the History of Technology* (Amsterdam: Elsevier, 2005).

4 Peter J. Richerson and Robert Boyd, *Not by Genes Alone: How Culture Transformed Human Evolution* (Chicago: University of Chicago Press, 2005).

5 David Hume, 'Of the Rise and Progress of the Arts and Sciences', in *Essays: Moral Political and Literary* (Indianapolis: Liberty Fund, [1742] 1985), 111-137; Eric L. Jones, *The European Economic Miracle* (Cambridge-New York: Cambridge University Press, [1983] 2003), 109-110.