
THE SQUARE AND THE TOWER

By Niall Ferguson *Penguin Press, 563 pages, \$30*

Reviewed by *Deirdre N. McCloskey* - Jan. 12, 2018

Niall Ferguson has again written a brilliant book, this time in defense of traditional top-down principles of governing the wild market and the wilder international order. “The Square and the Tower” raises the question of just how much the unruly world should be governed—and by whom. Not everyone will agree, but everyone will be charmed and educated.

The Tower of his title is the hierarchy of kings and parliaments and other “legitimate institutions” ruling from above. The British Empire. The United Nations. The masterful corporation in its midtown high rise. The Square, by contrast, is the network of markets, languages, friends, enemies and other enterprising individuals playing a game with no referee in sight, creating willy-nilly what the classical liberal Friedrich Hayek called a spontaneous order. The Tower is vertical, the Square horizontal. The Tower is the visible hand of order, the Square the invisible one of disruption.

The author writes against the classical liberal assumption that spontaneous orders are often beneficent. Let’s get organized, he cries. “The lesson of history is that trusting in networks to run the world is a recipe for anarchy: at best, power ends up in the hands of the Illuminati, but more likely it ends up in the hands of the Jacobins,” and we bring out the guillotines. “It is better to impose some kind of hierarchical order on the world and to give it some legitimacy,” he contends. He also declares himself against “the

confident assumptions . . . that there is something inherently benign in network disruption of hierarchical order.”

Mr. Ferguson’s book studies in fascinating detail how the Square undermines the Tower, for good or ill—regularly ill, he says. In Siena, Italy, Mr. Ferguson notes, the tower for the city hall overshadows the central square (once the central market) where the famous and un-refereed Palio horse race plays out twice yearly, as if the rulers were saying, “Play on, mere *populo*, in spontaneously agreed-upon bets on horses or on business deals. But remember that it’s the hierarchy in the tower that runs the show.” Until a new network undermines it.

We see this happening today, with social media and 24-hour news, fake and genuine. But, as Mr. Ferguson shows, it has happened many times before. His short chapters are lucid snapshots of a world history of Towers and Squares, filled with gracefully deployed learning on, say, the challenges to Towers after 1492 and 1517. It was the time of Columbus and Magellan out of Iberia and Luther and Calvin out of the printing press. Horizontal networks were created by new world trade and accidental conquest and by “a religious virus that came to be known as Protestantism.” The age toppled many a top-down Tower, from the Incas’ mountain palaces to the primacy of the pope.

“The Square and the Tower” is always readable, intelligent, original. You can swallow a chapter a night before sleep and your dreams will overflow with scenes of Stendhal’s “The Red and the Black,” Napoleon, Kissinger. In 400 pages you will have restocked your mind. Do it. True, the book would have been even better with a deeper understanding of economics and a greater emphasis on

ethics—economics and ethics, those supposed opposites. But no one knows everything, even though Mr. Ferguson comes close.

Among Mr. Ferguson's astonishing scholarly books is a multivolume collective biography (the official word is prosopography) of a family, the Rothschilds, and Chapter 25 in the present book summarizes and diagrams their connections. Good. But wait. In his account of the Rothschilds, Mr. Ferguson portrays their amazing flow of funds. Yet he quotes Byron writing that, alongside Nathan Rothschild "his fellow" Sir Francis Baring was on the European scene, as indeed were thousands of other bankers. The flow of funds is not the crux. What matters is how the system behaved in response to potential entry—what would happen, say, if Baring fails? Other sources would fill the gap. Mr. Ferguson often ascribes undue importance to particular nodes of the network, rather than recognizing the power of the network itself.

Another chapter traces the numerous relatives of the Duke of Saxe-Coburg Saalfeld, whose son became, in 1830, Leopold I of the new kingdom of Belgium. (You may inspect Leopold's handwork in the early episodes of the PBS series "Victoria.") "They were all related," Mr. Ferguson writes wonderingly, of these European royals. Yet he leaves out the end of the story: The duke's network was no more successful in stopping the guns of August 1914 than the numerous royal descendants of Queen Victoria, the duke's granddaughter. The diagram of the network of treaties doesn't tell how Sir Edward Grey worked the system.

Networks are easily diagramed, and armies of sociologists do diagram them. But after diagraming the networks, horizontal or vertical, what have we learned? Mr. Ferguson notes that the

official hierarchy in Japan has put the Emperor of the Chrysanthemum Throne at the top for more than 1,000 years. But the continuity in the vertical network diagram has by no means meant that the emperor has always been the boss.

The problem is the same with geographical models of the economy. A map of commodity flows or monetary connections is easy to grasp and charming to economic innocents. We can map the flow of oil and be induced thereby to enter into great games to “control” the supply. But this is not economics, and it usually works out to no one’s good.

Merely by learning about the network of triangular trade from the colonial era—of rum, slaves, sugar and trade goods between Europe, the Americas and Africa—students may feel they understand the Atlantic economy in the 18th century. But the economist replies: “Consider that the map depends on profit and loss, and that it shifts constantly. Consider potential substitutes for rum or slaves. Consider the moving picture.” Mapping economic flows or political connections or networks of friends or family and then putting down one’s pen is un-economics. To give quite another instance, the bigness-is-bad ideology of American antitrust enforcement looks at networks the way Mr. Ferguson does, focusing on structure rather than potential, snapshots of existing firms rather than movies of unpredictable entry. The Tower sits there, glowering. The Square brims with life.

Mr. Ferguson unintentionally provides dozens of examples of how merely looking at the org chart, so to speak, doesn’t tell the story. He claims, in an engaging half-chapter on Paul Revere and his connections to every Middlesex village and farm, that “network analysis shows that Revere and [another connector Joseph] Warren were the most important revolutionaries in Boston.” No,

it doesn't. The claim mixes the message with the messenger. When Thoreau was told that the new telegraph allowed Maine to speak to Texas, he replied, "But does Maine have anything to say to Texas?" A "connectography" sounds delightful and profound but does not tell how markets and especially human innovation work, which is with meaning.

The mapping of club memberships and friendships and correspondence tells where the telegraph wires are strung. But it doesn't tell whether they transmit anything worth saying. In the case of the American Revolution, what was more important than the messenger was the persuasive eloquence of the message sent. The Patriot party, including Paine and Madison, went against the Loyalists, such as Ben Franklin's son, and because they were the better rhetoricians won every battle of the pamphlets.

Mr. Ferguson declares that "the Industrial Revolution was the product of networks." No, it was not, not in the static sense of the diagrammed connections he has in mind. He then goes on somewhat strangely to declare that the "great divergence" is the most important story in the modern world—that is, the lead Europe took at first, beginning around 1700. But surely the slowly spreading enrichment of the entire world, down even to the present day, is the big story of the age, not the temporary lag of India and China, now rapidly catching up after their nightmares of socialism from the Tower.

The changes in China happened in the Square. The bourgeois era after 1800 had seen a global rise of real income per head by literally 3,000%. Airplanes. Containerization. Antibiotics. Universities. The story is of a spontaneous and shifting network that yielded not a zero sum like a footrace but a positive sum—like square dancing. Mr. Ferguson tends to view anything not ordered

consciously as dangerous disorder. His book needs more stories of spontaneous orders, not merely orders from the top.

It was the lesson that such order can—and often does—emerge that inspired the liberal revolution of Adam Smith and Richard Cobden, which liberated and enriched the world. No wonder “some commentators” today, as Mr. Ferguson puts it—for instance, your reviewer—see something “inherently benign” in letting people alone to interact as they please: Adam Smith’s “liberal plan of (social) equality, (economic) liberty and (legal) justice.”

The people in the Tower run a Tory utopia, in which the great and good tell the rest of us what to do. Sometimes it works out—as in Singapore, for the time being, or, in Mr. Ferguson’s view, in the great and good British and now American empires. Yet relying on the Tower means depending on the great and good being great and good. A dopey nationalism can make protecting the American solar-panel industry or the Whirlpool Corp. look legitimate. The great and good gave us Vietnam and the second Iraq war.

No, the Tower needs to be grounded in ethics—and so, too, does the Square. Admittedly, that is obvious. But today, as Orwell said, we have sunk to a depth at which the restatement of the obvious is the first duty of intelligent people.

Inside the Palazzo Pubblico in Siena topped by the Tower, in the room in which the Council met, are murals by Ambrogio Lorenzetti depicting a society of good government and bad, a heaven and a hell. Do hierarchies assure us of good government? No. As the murals imply, good councilors do. Good U.S. senators do, such as Lindsey Graham or even, bless her, Elizabeth Warren, despite their evident faults. Or for that matter the founding

brothers on their better days, despite their Tory faults. Ethics matters, well beyond connections and influence. And invisible hands get directed by the supplies and demands in the Square.

But Mr. Ferguson knows that, too.

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