

Review of: "Liberalism Caused the Great Enrichment"

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The Industrial Revolution during the mid-eighteenth to mid-nineteenth centuries initiated unprecedented economic growth in the history of humanity, the “great enrichment.” Numerous papers and books have been written to explore or explain the causes of this most significant development since the Neolithic agricultural revolution with the domestication of farming plants and animals. In her new paper “liberalism causes the great enrichment,” Professor Deirdre Nansen McCloskey forcefully argues for liberalism as the cause of the great enrichment and dismisses conventionally accepted causes as necessary conditions that existed either before the eighteenth century or played a minor role if appearing after 1800. I find this paper stimulating and thought-provoking, and its boldness in challenging the mainstream views seems to be what the current academic circle largely lacks and really needs. I would strongly recommend this paper and like to see more papers that challenge accepted conclusions.

McCloskey emphasizes the importance of innovism arising from liberalism, which is a critical insight if we consider how people have deviated from their habitual way of making a living. To pursue a new endeavor, people need to be liberated from the shackles of their old ideas or restrictions imposed by others. The rise of liberalism in the seventeenth and eighteenth centuries was an essential catalyst for such a liberation. McCloskey uses “equality of permission” to describe the policy implication of liberalism, which is more accurate than “equality of opportunity.” Although researchers tend to use “equality of opportunity” versus “equality of outcome” in policy discussion, equality of permission should be the preferred term and can be readily implemented. In contrast, equality of opportunity is, in fact, unachievable because individuals have unique biological and social backgrounds that affect their chances of success. Economic growth often occurs when ordinary people are permitted to pursue their business initiatives. Monopoly and central planning deny people equality of opportunity, more precisely, equality of permission. In a paper on China’s growth success, I argued that there was no such role of the chief architect in China’s reform and opening, which had been credited to Deng Xiaoping. Instead, the leaders of the Communist Party of China (CPC) played simply a permissive role by not prohibiting the initiatives and innovations of ordinary Chinese people. The real driving force behind China’s economic growth has been the ordinary Chinese people, previously (more) shackled by the restrictions imposed by the CPC (Ma 2021).

Although liberalism might be the true cause of the great enrichment, and McCloskey has listed historical and contemporary evidence to support her proposition, her arguments appear to lack clarity under scrutiny. The term liberalism has been used or implied for various scenarios, from the emergence of great thinkers of liberalism in the seventeenth and eighteenth centuries to the reform and opening in China in the late twentieth century. McCloskey has not delimited liberalism clearly in her paper. Is it liberalism in politics, the economy, or both? Clarification seems necessary

because economic liberalism could coexist with political illiberalism and still promote economic growth and the enrichment of national wealth. Economic take-off in Taiwan and South Korea occurred during their dictatorship periods. Singapore might not be a role model of political liberalism either. Although post-Mao Zedong China has been more liberal, especially economically, than during Mao's era, it appears to be more a consequence of economic reality than CPC leaders embracing liberalism. Deng Xiaoping was the No.1 standard-bearer of anti-liberalism (Deng 1994). If we view the market economy as economic liberalism, enrichment can still be achieved under political illiberalism to a certain extent.

Economic liberalism underlaid many economic successes but has not underlaid all successful economic growth, at least in relatively short terms. For example, the former Soviet Union inherited an economically backward Russian Empire and became the second-largest economy in the world under central planning (Davies et al. 1994; Nove 1961). China had also achieved fast economic growth under central planning if the negative impacts of China's political movements and politically-inspired economic mismanagement had been taken into account (Borensztein and Ostry 1996). Therefore, McCloskey might have over-emphasized the role of liberalism in economic success in general. Liberalism appears to be more important for innovation and creativity, which are essential for opening up new growth avenues, than for imitation and following the technological path already explored by economically advanced nations. The former Soviet Union's success in economic growth before the 1970s and China's growth miracle after the 1970s arose mainly because they were following the technological path established by the Western countries. Authoritarian governments could be more powerful in setting fast economic growth as a nation's objective, raising national savings and investment (above the level the current population would prefer), and maintaining apparent social stability (by suppressing activities demanding higher living standards), which are critical for ensuring economic growth (Ma 2020). The stagnation of the Soviet economy since the 1970s, which caused its eventual collapse, illustrated the importance of (economic) liberalism for sustained economic growth when an economy approaches the technological frontier. Innovation or innovism is essential for economies at the technological frontier to have the dynamism for further development. The minds liberated from political, economic, and ideological shackles are best equipped for innovation and creativity.

While McCloskey correctly emphasizes the importance of liberalism for innovations and creativity, she appears to have underemphasized the complexity of factors that drive creativity and innovation. During Stalin's era in the former Soviet Union, many scientists and engineers, including the famous designer Andrei Tupolev were developing new airplanes and other machines and weapons in their prisons (Siddiqi 2015). There is no question that they would have been much more innovative and creative if they had worked without being imprisoned. The fact that they developed many successful airplanes and other machines suggests that other factors also drive innovation. In the case of Soviet scientists and engineers, the desire to be alive (because the Soviet government would execute them if they failed to produce), the patriotism (to develop weapons to defend their motherland even if the government mistreated them), and the scientific and technological curiosity might support and drive those scientists and engineers to be innovative and creative, even though their personal freedom had been deprived. Some may argue that liberated minds are more important than liberated bodies for creativity, and the imprisoned Soviet scientists and engineers were still free in their minds. Under house arrest following his trial by the Roman Inquisition in 1633, Galileo Galilei published *The Discourses and Mathematic Demonstrations Relating to Two New Sciences* in 1638 (Galilei 1638), one of the most important books in the history of

science. Shackles on people's minds are often more powerful than those on people's bodies in hindering innovation and creativity.

Suppose liberated minds are more important for innovation and creativity. In that case, McCloskey has not clearly explained the differences between the liberalism that brought about the Industrial Revolution and what drove China's economic miracle after the 1970s. If liberalism in the eighteenth century was about emancipating the mind, China's reform and opening since the 1970s was more about removing the political and legal restrictions imposed by the CPC on people's economic activities. Chinese farmers and grassroots cadres had tried dividing land and output quotas to households before 1978, especially in the late 1950s and early 1960s, but these initiatives were suppressed and prohibited by the CPC (Du 2000; Liu 2009). Without political persecution from the CPC government, Chinese farmers would automatically practice household responsibility long before 1978. So, if there was a need for emancipating the mind, it was mainly the CPC leadership that need emancipate their mind. In contrast, liberalism in the eighteenth century was to let people liberate themselves from the past cognitive, ideological, and spiritual shackles that prevented them from political participation and economic entrepreneurship.

McCloskey emphasizes the importance of the emergence of liberalism in the seventeenth and eighteenth centuries but says little about why it arose during that period. It seems unlikely that humans were illiberal by default and had to wait for those few thinkers to have liberal thoughts and wake people from their illiberal state. If humans are illiberal by default, liberal ideas should occur to some minds from time to time in the long history of humanity. A more reasonable scenario for the late appearance of liberalism in the seventeenth and eighteenth centuries could be that people with liberal ideas before the seventeenth and eighteenth centuries did not have their ideas accepted by their contemporaries and became forgotten by history. Therefore, humanity did not have great enrichment before the eighteenth century because there were no conditions for liberal ideas to be accepted and spread rather than because of lacking sparkles of liberal ideas. Using McCloskey's allegory of the barn fire and Little Joe's dropped cigarette, we can describe this scenario as Little Joe, Little John, or Little Sam dropped cigarettes from time to time, but there were no dry straw and wood carts in the barn to be burned, or the straw was too wet to be ignited.

If the above scenario of lacking conditions for liberal ideas to be accepted had not been true in history, i.e., no liberal ideas emerged before the seventeenth and eighteenth centuries, another possible explanation would be that the emergence of liberalism needed certain conditions which did not exist before then. Following this line of reasoning, Locke, Montesquieu, and Voltaire advocated liberalism because they happened to live in a time when conditions for the emergence of liberalism appeared, and other thinkers had not promoted it. Since the Levelers had raised many democratic ideas during the first English Civil War (Bulman 2014), which were discussed in the Putney debates in 1647 in England, and the Diggers appearing in 1649 also claimed equal rights for everybody (Hessayon 2009), the first scenario seems more likely. Although McCloskey mentioned that liberal ideas emerged from European reformations, revolts, and revolutions between 1517 and 1789, she viewed these more as accidents than as consequences of economic and social development. From her construction of how liberalism and the great enrichment had evolved, human society had been a barn with piles of dry straw all along in want of a lighted cigarette to start a fire until the birth of the great liberalist thinkers. Such a construction would imply that (most) humans are inherently, or by indoctrination, unable to have liberal ideas. Since now most people,

at least in developed countries, take liberalism for granted, illiberal thinking cannot be inherent to humans. Then, how and why have people been indoctrinated into illiberal thinking and willingly serving their rulers? This is a question worth exploring further.

McCloskey points out the accidentalness of liberalism's advent but has not discussed why it had not emerged earlier. The lack of liberal and equal ideas in ancient history could be a consequence of indoctrinating ordinary people to believe in the divine right of kings and persecuting those with liberal and equal ideas. An important job of people with knowledge (we may call them intellectuals or knowledge people) before the rise of liberalism had been to indoctrinate people to accept the status quo as the arrangements by God or other supreme beings. Even the teachings of great thinkers like Confucius and Buddha were promoted to discourage people's pursuit of liberty and equality by emphasizing loyalty to the rulers and endurance to hardships. Those knowledge people who advocated liberal and equal ideas would be physically eliminated for treason or heresy by the ruling class. Their works would also be destroyed, leading to little knowledge of their existence in history. The "successful" knowledge people created various religious and philosophical ideas to justify the rules imposed by the ruling class. They were either part of the ruling class or well-paid or well-treated servants of the ruling class. When labor productivity was low, they were more dependent on the ruling class to make a living than when labor productivity was somewhat elevated.

The propaganda and indoctrination/brainwashing by the knowledge people were as important as state apparatuses in wiping out liberal thinking in the population. The brainwashing alone would make it difficult for most ordinary people not to obey the ruling class, which may explain why liberalism emerged in England, where the divine right of kings was denied during the civil war. King Charles I was executed, and King James II was overthrown by the parliament. The great liberalist thinker Locke lived in that epoch, while Montesquieu and Voltaire were heavily influenced by what happened in England, and they also visited England. People were brainwashed into illiberal ideas, but illiberal thinking is not innate to humans. Despite the brainwashing, the oppressed and some intellectuals had occasionally raised ideas denying the divine right of kings. For example, Chen Sheng, the peasant uprising leader in the Qin Dynasty in China, proclaimed in 209 BC, "Kings and nobles, generals and ministers — such men are made, not born" (Sima 1993), which was echoed by a Leveler Richard Rumbold's *"Speech from the Scaffold"* in 1685: "There was no man born marked of God above another." The Levelers and Diggers demanded equal rights during the English Civil War (Bulman 2014; Hessayon 2009). The slow accumulative development of handicrafts and commerce, as well as the appearance of the burgher class, made intellectuals less dependent on the ruling class, creating the conditions for liberalism to be spread and accepted. McCloskey appears to have underestimated the importance of having the social and economic conditions for accepting liberalism.

Although McCloskey views technological progress before and during the Industrial Revolution as some conditions for great enrichment but not its cause, technological progress was essential to the Industrial Revolution. Using McCloskey's allegory of the barn fire, technological progress was the dry straw and wood carts in the barn to be burned. Which between liberalism and technological progress was more important? The answer depends on which appeared more frequently and less conditionally. If Little Joe, Little John, or Little Sam dropped cigarettes from time to time (i.e., liberal

ideas appeared frequently though not accepted by the population), but there was no dry straw to be burned.

Technological progress should be considered the main driving force. In contrast, if Little Joe rarely dropped cigarettes and technology could progress miraculously once there was liberalism, the cigarettes dropped by Little John would be the leading cause. The third possibility is that Little Joe rarely dropped cigarettes because only when the production technology reached a certain level could Little Joe have a cigarette to drop, and the production technology could only progress slowly without liberalism. Then, both are critical factors in bringing about the great enrichment.

The mathematical expression proposed by McCloskey will be affected by issues discussed above. If innovation means technological advances and product or process developments, copying innovations could be just as efficient in promoting economic growth and faster than making innovations for developing countries due to the advantage of backwardness (Gerschenkron 1962; Abramovitz 1986). For example, China's rapid economic growth since the late 1970s has largely been due to copying innovations rather than original innovations (Ma 2017, 2020). The liberty denoted by B may not be readily measured without clarifying how political and economic liberties are represented by it. D, the dignity accorded the innovator, and R, the rent or profit or prestige accruing to innovation, could also promote innovation, but it may also be difficult to measure them properly. Since and are multiplicative and has explained a large part of the GDP, might not show a large impact on GDP. The reason for the ability of to explain a large part of the GDP is that capital stock has incorporated the influence of innovations. It might be impossible to separate the impact of innovation absorbed by new capital stock (ΔK) from the effects of innovation per se. The adoption of an innovation is likely to be influenced differently if stands for the origination of an innovation.

In conclusion, McCloskey raises an important issue and provides critical insights into the cause of the great enrichment by advocating innovation as the most crucial factor that has driven the great enrichment. However, many of McCloskey's concepts and viewpoints need more clarification and delimitation, and some arguments could be further refined.

McCloskey's theory appears to apply more to long- or very long-term growth than short- or medium-term growth since illiberal countries had achieved rapid economic growth in short- or medium-terms. It applies more to economies at the technological frontier than backward economies that copy innovations from the more advanced economies. In these senses, "liberalism caused the great enrichment" is a correct assessment of what caused the great enrichment. Short-term or catch-up growths would significantly deviate from this proposition. As a minor point, there are several typos or grammatical errors, indicating that the article still needs further proofreading.

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