

Review of: "Liberalism Caused the Great Enrichment"

Max Gillman¹

¹ University of Missouri - Saint Louis

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McCloskey seems again to be against economic opportunity sets and rational behavior in explaining economic growth. In a colorful diatribe against mainstream economics, McCloskey argues against the importance of the industrial revolution and human capital's role in the demographic transformation. Instead the argument is that ideas have led to unparalleled growth. Who could disagree about the importance of ideas? Lucas's (1988) "On the Mechanics of Economic Development" laid out endogenous growth theory based on human capital investment. Lucas and Moll (2014) turn to idea diffusion. Human capital as knowledge and ideas that cause growth is ingrained in the economics literature.

McCloskey weaves together bits and pieces of economics to create a whole that can be summarized as ideas cause growth and since ideas are unbounded so is economic growth. More interesting would be the many ways of measuring how these ideas are captured in economic growth facts. How does GDP underestimate human capital and intangible capital? While McCloskey shoots arrows from outside, McGrattan and Prescott (2009, 2010, 2014) and McGrattan (2020) have endeavored to put models to the data and see how the growth process incorporates ideas. This is only a beginning as human capital remains hard to incorporate in National Income and Product Accounts.

It is fun to sit back and view broadly historical phenomenon and present it in a new light. Shooting down mainstream economics upon which this broad view rests seems counterproductive and unnecessary. The ideas in McCloskey's "Liberalism Caused the Great Enrichment" should be able to be condensed to a more clear take. If McCloskey does not want to give credit to freedom of trade including in capital markets that the Wealth of Nations helped usher in, and prefers to call this Liberalism, that is fine. Economists probably want to know what caused the Liberalism.

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