

# Review of: "Liberalism Caused the Great Enrichment"

Roberto Veneziani<sup>1</sup>

<sup>1</sup> Queen Mary, University of London

**Potential competing interests:** No potential competing interests to declare.

It is not clear to me who the audience of this article is supposed to be. True, if you think that there is some fuzzy entity called “liberalism” that magically leads economies to innovate and grow; and every economy which fails (in some loosely defined sense) is definitionally non-liberal, then you'll find this piece convincing. By virtue of confirmation bias.

The choir will likely find the sermon compelling. Anyone sitting in the church but in a location different from the choir (naves, gallery) will instead have a lukewarm reaction. Needless to say, anyone belonging to a different church, or the passing agnostic, will unlikely be converted.

The paper makes a single point – and it makes it over and over again: Liberalism is what caused “the great enrichment”.

Suppose you are mildly inclined to believe in such a claim, but would like to check its analytical purchase. The first question you will ask in order to assess the cogency of the claim is: what is exactly liberalism? This is rather unclear. Sometimes it is defined as “the crazy idea of equal permissions to have a go”. Granted. But “a go” at what? Permissions to do what exactly? Is this limited to the economic sphere? Does it include social rights? How about political liberties? Elsewhere the focus is on the “liberal idea of democratic equality of permission to have a go at the ballot box and in the economy and in personal life”. But this actually confuses matters because if this is the working definition of liberalism, then it is difficult to argue, as McCloskey does, that China's (and Vietnam's) spectacular growth in the last four decades is due to liberalism. The same is true for the industrialisation of Japan until World War II. The sustained growth of Chile in the 1970s and 1980s can hardly be attributed to liberalism – unless, that is, Pinochet is considered to be an admirer of Montesquieu. And so on.

Of course, one can always object to the previous counterexample by arguing that political liberties eventually have to be granted if economic growth is to be sustained – in other words, in the long run, liberalism is the (only possible) cause of growth. Setting aside what will happen – notoriously – to all of us in the long run, this objection would only create further conclusion. First, a sequence of broad brush descriptive and sweeping claims do not provide conclusive evidence of a causal link. Not even suggestively. Granting all objections against “the standard error of econometrics”, impressionistic descriptions and hand-waving are hardly more cogent. Second, it is completely unclear what standard is used to measure success: how long does the long run need to be? No idea. This would remind me of the old Marxist tactic of affirming – after every successful recovery – that capitalist economies were still doomed to collapse. In the long run.

Third, in the maze of citations and metaphors, it is difficult to actually understand whether liberalism – whatever that is – is deemed necessary, or sufficient, or indeed necessary and sufficient, for sustained growth. Or whether it simply helps

growth. For example, we read that “Liberalism was the spring. Orr, if you prefer a culinary image, it was the secret sauce.” Well, absent the secret sauce one can still cook, even though the dish is not going to be as tasty. You may not get a Michelin star, but your belly would still be full.

Given this lack of analytical precision, I do not know what to make of the historical evidence. We read that “Only the sharp ideological swerve originating in Holland and then England and especially Scotland during the 18th century called “liberalism” appears to survive scientific scrutiny” But, a few lines later, it seems that liberalism sprang initially “only in the minds of a few theorists such as Locke and Voltaire and Montesquieu”. In other words, in the mind of an Englishman – who however lived in the wrong century – and of two philosophers who lived indeed in the right century but in the wrong nation. Perhaps the key point is that liberalism became dominant, and inspired government policies, in England and Scotland in the 18<sup>th</sup> century. But then the point is not ideology per se, but what allows ideology to become policy. And the paper provides no insights as to the latter question.

More generally, the impression is that whatever is considered (rightly or wrongly) an example of success (however defined) is an instance of liberalism: from the UK and the USA to Communist China after 1978, Imperial Japan, Social-Democratic Sweden. And whatever is a failure (however defined) is not liberalism: from Stalin to Maduro’s Venezuela, again Communist China after 1978 (Hong-Kong after Xi Jinping), and ... Thomas Piketty.

Finally, the same strategy of avoiding clear analytical distinctions by means of rhetorical flourish and catchy slogans is adopted to discuss what one may consider the less convincing features of liberalism, such as inequality. For example, we read that “The guilt has reechoed in the recent academic and journalistic and political fascination about allegedly rising inequality, overlooking the profound equality of real comfort coming from the rise of the average, bringing humans out of \$2 or \$3 a day to \$50 or \$100 or higher”. This is mere handwaving coated with random numbers: a growing average tells us nothing about inequality, as McCloskey knows all too well, and the notion of equality of real comfort is just a slogan which does not answer any of the questions that Piketty has raised. Indeed, this sentence is yet another repetition of the one point that is made in this paper, namely that average income in industrialised countries has grown spectacularly, presumably thanks to liberalism.

I keep wondering, however, why one needs 50 pages to make this point, especially given that our knowledge of the causes of such unprecedented phenomenon in human history does not advance a bit. Indeed, the interested reader would get the key insight of the paper by carefully inspecting the abstract. The rest is rhetorical flourish and an impressive display of literary and historical prowess, with only a modicum of analytical rigour.