

Review of: "Liberalism Caused the Great Enrichment"

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Topic of the paper: What caused the transition from the economically more or less stagnating agricultural (or pre-industrial) societies before the eighteenth century, to the historically unprecedented levels of real per-capita growth of roughly two per cent thereafter? Before addressing this question, the paper rightly reminds the reader that this transition has had profound effects. In particular, the cumulative effects of a sustained growth process have given rise to a so-called "Great Enrichment", e.g. the staggering income increases and wealth gains during the last 200 years across all parts of society and in almost all countries around the world. To put it plainly and simply, the poor of our time typically take a living standard and material comfort for granted that the ancient rich could not have imagined.

Main message: Against this background, one of the most salient questions in economic history is what caused the development kink around the year 1800. To identify the fundamental changes that paved the way for the stunning "Great Enrichment", the paper points to the no less astonishing fact that the just-mentioned kink - and the associated industrialization process - clearly originated in Northwestern Europe, and especially in England, the Netherlands, and Scotland. Of note, until the eighteenth century, these places were quite peripheral, economically underdeveloped, and not seen as particularly advanced in terms of urbanization, the level of education, scientific progress, or cultural achievements. However, before becoming early industrialized (and enriched), Northwestern Europe had been the point of departure of the genuinely novel idea that all human beings have the capacity to use their own reason and, accordingly, should be free to pursue their own happiness. In essence, this notion of individual freedom encapsulated an equal permission "to have a go" at all kinds of artistic, commercial, inventive, political, or other activities. Initially often quite imperfect, but nevertheless distinctive, institutions of a free society, including the freedom of enterprise, free speech, democratic rule, or the rule of law, soon followed. Arguably, this environment liberated the human mind and provided, in turn, the fertile ground for the technological, organizational, and financial innovations that triggered the industrial take-off.

Broad assessment: The key message of the paper is, in my view, well taken. Because the Great Enrichment clearly originated in specific areas of Northwestern Europe, only idiosyncratic developments in these areas are potential candidates to explain the corresponding development. In this regard, several popular explanations, including the access to coal, the spirit of Protestantism, or the slave trade at the time, do not tick the box, as they were plainly and simply not outstanding features of Northwestern Europe. By way of contrast, the ideological changes that paved the way for a free-to-choose society, within which everyone, regardless the background, should be permitted "to have go", were indeed quite particular to Western Europe in general, and the above-mentioned countries in particular. To underscore the novelty and

uniqueness of these changes, Patterson (1991, p.9) has e.g. pointed out that “non-Western peoples have thought so little about freedom that most human languages did not even possess a word for the concept before contact with the West”. As a minor point, the paper should perhaps mention that these ideas later spread across the globe through European colonialism and trade. However, that the engagement in trial-and-error on a big scale through liberating the masses can foster the kind of technological innovations that have characterized the modern world seems logic to me.

Where I found the paper wanting was the claim that the role of new ideas has been set aside by economists. These kinds of statements in the abstract as well as in the main body of the text are in my view quite misleading. The Schumpeterian entrepreneur, the Solow growth residual, Hayek’s competition as a process of discovery and more recently the type of growth theory, for which David Romer has been awarded the Nobel Prize in Economics in 2018, do not suggest that new ideas, innovations, and technological progress have been largely ignored in economics. Indeed, whole parts of standard textbooks on economic growth are devoted to these issues (see e.g. Jones, 2002, ch. 4 and 5; Acemoglu, 2009, ch. 12, 13, 14, 15, and 18). Therefore, it would probably be worthwhile to better integrate the main message into the vast literature of economic growth and acknowledge that, when it comes to the importance of innovations for economic growth, the paper draws on a long tradition of economic thought.

Taken together: I found this an interesting and entertainingly written paper. For me, there are four main take ways: First, societies championing individual freedom have only truly emerged during the last couple of centuries. Second, since around the year 1800, the corresponding ideological changes have been associated with a “Great Enrichment”, e.g. a staggering increase in economic well-being. Third, it is probably no coincidence that the notion of a free society as well as the “Great Enrichment” originated in the same countries in Northwestern Europe. Last, but not least, we should not take free societies for granted given their relatively short history, and avoid underestimating their crucial importance for improving the world during last 200 years.

Literature

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