

Review of: "Liberalism Caused the Great Enrichment"

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Professor McCloskey uses historical and economic arguments to show that “innovism” is responsible for the immense growth of wealth starting from the 19th century. She describes “innovism” as “the piling up not of capital but of ideas” depending strongly on human creativity. According to her argument, “innovism” is based on liberty/liberalism especially the equality of permission rather than equality of opportunity or equality of outcome. The paper is also an appeal to economists and economical historians to focus more on creativity, innovation and “innovism” in their research.

I think it is safe to say that the growth of wealth is due to more than the accumulation of physical capital or the allocation of human capital and based in some form on the innovativeness of nations (see e.g. Helpman 2004). And to achieve the necessary “oomph” we are talking about radical or disruptive innovation rather than incremental innovation. Admittedly, an effective innovation policy is usually based on intellectual property rights, research subsidies, education, research universities and trade policy (see Taylor 216). However, a lot of innovation activity is unexplained by these factors, probably in the more radical area. And cultural studies show that - amongst others - low power distance (see Deckert & Nyssen Guillén 2017, Deckert & Schomaker 2018), high individualism with empathy (see Talyor & Wilson 2012, Deckert & Schomaker 2018) and cultural looseness (Deckert & Schomaker 2022) are all factors related to national innovativeness speaking in favor of liberalism. However, these findings are all based on more recent data. So, it is hard to untangle necessary from sufficient conditions (the “secret sauce”) especially as some factors are now institutionalized.

I am inclined to go with the forceful arguments of Professor McCloskey and think that human creativity matters, but I wish to add a cautionary remark: We need to distinguish between the beginning of the “Great Enrichment” and current innovation policy. The argument that current innovation policy doesn’t necessarily tells us all about the beginning can be reversed: The beginning doesn’t necessarily tell us all we need to know about current innovation policy, not to speak of growth or human wellbeing. For current debates on national development we must also address questions of equality of outcome and contributive justice (see e.g. Milanovic 2018, Sandel 2021, Wilkinson & Pickett 2010) without weakening the “idea of a society without naturalized subordination” Professor McCloskey rightly puts forward. And of course I fully support the appeal to do more research on the impact of “innovism”.

Literature

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