

# Review of: "Liberalism Caused the Great Enrichment"

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Reviewed by Cristiano Antonelli

*Liberalism Caused the Great Enrichment* is a wonderful, brilliant essay that delivers a clear economic and political message. The essay has been written with a strong motivation by a professional economist that has chosen to try and reach a far larger community of readers than the usual conventicle of academic “high-brow” economists to which she belongs. Its audience spans widely well beyond the borders of the economic profession. It deserves to be read and disseminated in the broader community of social scientists and especially students in social sciences. It argues that the great enrichment experienced by Western countries since the late Eighteen century can be explained only by the unfolding of innovation made possible by liberalism. The rich historical evidence collected by the author shows convincingly that the accumulation of capital has contributed only to a very limited extent to the great enrichment. Only the persistent introduction of innovations can account for the impressive increase of labor productivity. The increase of human capital has indeed contributed but again the large evidence cited shows that the increase of total factor productivity can account for the spectacular growth of welfare experienced by most European countries first and eventually by the all the regions in the rest of the world where liberalism became the basic political culture. The implications of this strong point are well elaborated both from the viewpoint of the economic analysis and the social and political analysis. With respect to standard economics it is argued that the obsession with optimization in a static context with given technologies as the single requirement to achieve the maximum welfare is totally groundless. It is groundless because it is irrelevant compared with the effects of the introduction of innovations. Society should “maximize” the rate of introduction of innovations rather than the output with given technologies. The core of standard economics is criticized harshly. From the viewpoint of social and political analysis the essay argues that liberalism created the social and personal conditions that enabled economic agents to try and change the traditional ways of producing goods. According to the author liberalism is the foundation of the freedom to undertaking and hence -automatically- to innovating. The quality of the writing is impressive and supports the analysis with plenty of historical evidence, and references to a rich cultural background that goes well beyond the disciplinary boundaries of social sciences. *Liberalism Caused the Great Enrichment* is clearly intended to be or to become a manifesto or a proclamation where the reputation of the author supports the height of the ambitions.

The reviewer has much appreciated the entertainment and shares the motivations of the essay. He misses a better acquaintance with the large and fast-growing literature of an emerging branch of economics: economics of innovations. Economics of innovation has been emerging since the late decades of last century as a well identified branch of

economics that specializes in assessing how, when, where, and most importantly why firms and agents do innovate. The great variance in the distribution of innovations is itself one of the key issues that deserve to be understood: why some regions, some industries, some firms, are far better able to introduce innovations than others and why this happens only – at least in most cases- for a limited stretch of time. The great synchronic and diachronic variance of that rates and directions of technological change raise radical issues. Radical issues that question even the basic message of *Liberalism Caused the Great Enrichment*. Liberalism is not sufficient to account for the capability to innovate. The introduction of innovations requires the generation of new knowledge. Both activities are characterized by high risks that are close to uncertainty: risks of generation and risks of appropriation. The introduction of innovations requires the capability to deal with high levels of risks bordering uncertainty: some firms and some firms are better able to cope with such risks. The identification of the conditions and circumstances that support or reduce the capability to deal with risk is most important. The recombinant generation of knowledge is very sensitive to the access conditions to the stocks of knowledge. The access to the stocks of knowledge is routed in very specific and idiosyncratic conditions that are far from given: they keep changing as they are typically endogenous. Some institutional and social contexts, that happen to be implemented in some historical intervals and in some regions, are better able to support the generation of technological knowledge than others. The generation of knowledge is inherently a collective activity that requires high levels of participation. Liberalism is not the single ingredient to the blossoming of innovation: liberalism is indeed a necessary condition, but it is not sufficient to “maximize” the rates of introduction of innovation. *Liberalism Caused the Great Enrichment* would have greatly benefitted from a better familiarity with this literature.