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Not Institutions, But Ethics and Religion:

A Reply to Whaples, Hill, Fox, Oslington, and Boettke and Candela

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I am honored by my colleagues here, many of whom are old friends, and am reluctant to reply, since all of them, even my harshest critic here, the amazing Paul Oslington, seem to agree so much with what I have written. Perhaps I should let their agreements stand, and walk away, well satisfied. But the rhetorical convention of scientific trial by jury requires me to offer a "defense" of the items in which my "opponents" claim to "disagree" with in *Bourgeois Equality*.

So let us begin, in a *Faith-and-Economics* spirit of isolating what the scientific hypothesis is, and what it has to do with religion.

The best summary of my case is given by Robert Whaples. Robert is always good at such tasks, and maintains here his usual standard of lucidity. He reports that I claim that "economic growth unintentionally blossomed due to the spread of ideas about dignity and freedom – the idea that common people have worth as human beings and are better off if elites are deprived of the ability to run everyone else's lives for them and the idea that business people deserve respect because trading usually benefits both buyers and sellers. In a nutshell, *BE* argues that the 'trade-tested-betterments are good'

(p. 521) meme started in northwestern Europe and then spread worldwide." If you can't stand long books, rely on Robert.

Yet, like too many of my colleagues in economic history, he wants me to fall into line with the present orthodoxy of neo-institutionalism, propagated by excellent people such as Douglass North, Barry Weingast, John Wallis, Daron Acemoglu, James Robinson, and the staff of the World Bank. Robert ends a paragraph of indignant complaint that Deirdre does not think much of the orthodoxy – because it ignores the force of faith in the economy – with "If institutions don't matter much, what explains the incredible success of the Chinese in Hong Kong and Singapore but not in communist China (before it learned from their example)?" To which I reply, with similar heat, "Good Lord, Robert, don't you realize that my main point in bringing up the Asian Tigers and then the formerly 'Red' Chinese is precisely to show how crucial was the new idea of liberalism, of *laissez faire* in the economy (if not, alas, in the polity), which the orthodoxy reduces to certain 'institutions' commonplace in all of human history?"

Robert has, too, a methodological objection to my book. He likes numbers but doesn't like literary evidence. After charitably admitting that "both types of evidence have their place," he immediately denies it. "The beauty of the statistics economists normally use – such as average real income levels and growth rates – is that virtually everyone agrees about what these terms approximately mean, they rely on data that covers all of society, and they are hard to fake." One stands amazed at such an

assertion, and is led to wonder what the fierce disputes in quantitative economic history, to which I have contributed my share, are all about. Robert doesn't seem to realize that literary evidence, adjusted as I was careful to do in the book for representativeness or upper bounds, is a mind scanning device, of dead minds, even. It is greatly superior to the *brain* scans that the late lamented Douglass evoked in recommending "brain science" as a way of finding out the force of ideas. The brain is not the mind.

And anyway the mind is evidence. I hesitate to arouse Robert by calling on a literary example, but as Andrew Marvell put it, "The mind, that ocean where each kind / Does straight its own resemblance find, / Yet it creates, transcending these, / Far other worlds, and other seas; / Annihilating all that's made / To a green thought in a green shade." (Yes, I know: it *irritates* you that I use a form of argument you are not accustomed to; "You darn professors of English," I hear you complaining.) Robert doubts "what anecdotes and snippets from a few (possibly unrepresentative) authors tell us." A remark like this is barbarous, though a barbarity widely shared in quantitative circles. I recall Greg Clark's indignation in 2007 against "Deirdre's invitation to us to come wallow in the cultural mud [, which] is the guarantee that we will continue to go round in circles in economic history forever." And in 2016, when I mildly ventured to ask at a seminar that Joachim Voth was giving at Northwestern what might be the supporting literary/written evidence for a quantitative proposition he was making, Joachim waxed wroth in similar terms. My joke about such evidence-trashing opinions as Doug's and Robert's and Greg's and Joachim's about literary

sources is that the quantitative social scientists hate it that I use written sources, aside from quantified words, and the humanists hate it that I use numbers, aside from page numbers . . . which is why I haven't got any friends! Seriously, pity Poor Deirdre who irritatingly wants to examine *all* the evidence, in order to *really* understand how we got rich.

Yet Robert does make some sound points of substance. He claims that the "evolution [of the word 'honest' from aristocratic to bourgeois definition] – which elevated bourgeois values – took place throughout much of Europe, not just in the appropriate [northwest] corner of the Continent." Not quite "much," since it did not happen, as I point out, in Spanish or the Slavic languages, indicative of their ideological retardation. But in any case the change in Germanic and most Romance tongues was more or less simultaneous with a growth of bourgeois ideology, though other factors such as Colbertian centralization in France and the seizure of Italy by aristocratic powers and the chaos of central Europe before 1648 worked against it. Robert notes again that "if God is a truly a jealous God (see the First Commandment)" [actually 1-4, dear] "our elevating of baseball or science or anything else to equal Him as sacred and transcendent is a path to doom." I admit it, and worry about it – which is why I made merry of the Swedish obsession with lingonberry-collecting as their (inadequate) substitute for a Lutheranism they have so proudly (note the word) renounced.

To speak again of the role of religion, Robert notes that "the list of areas where radical reformation sects were strongest includes places where economic growth didn't

accelerate, such as Hungary and Poland." That's right, and is a sound point. But again other contingencies mattered. In the seventeenth century in Poland, for example, the "Great Deluge" (as the Poles called it) and the Jesuit-led Counter-Reformation killed off what in the sixteenth century was a close competitor with the Dutch-in-Revolt as the most tolerant country in Europe. Meanwhile the English, safe across the Channel from the armies of a Sweden or a France locked in the Thirty Years War, busied themselves with their own Civil War, which resulted in a breaking off of hierarchical Anglican discipline à la Archbishop Laud, and then the trying at law and the execution of an anointed king. Ordinary English people were invited to grow bold, as for example the Quakers, famous entrepreneurs, did. On the other hand, Robert claims that Deirdre "paradoxically argues that these rhetorical changes were often superficial but somehow revolutionary." There is nothing "paradoxical" about such an assertion. Superficials can matter, unless one does not believe, for example, that Lenin's journey to the Finland Station mattered for Russian history.

Robert ends with a complaint that the book is too long (so did Murray Milgate in a boyish review in the *Journal of Economic Literature*). I have never understood such a complaint. Some good books and some bad ones are long. Likewise for short. Length doesn't seem sinful in itself. The coefficient in a regression would be nil. It seems to me silly and unscholarly to complain, like a whining undergraduate, that the reading assignment, Professor, is *so long*. If you want to make a serious scientific argument you need to assemble all the evidence, pro (*Bourgeois Equality*) and con (*The Bourgeois Virtues* [2006], *Bourgeois Dignity* [2010]). Anyway, if you can't tolerate long books, I have not

been shy about summarizing the case, in the book itself (in the Table of Contents, for example, or the first few pages of the text) and elsewhere, at lengths varying from a paragraph to twenty pages (McCloskey 2016a, b, c, d, e, and on-going attempts at deirdremccloskey.org). Or you can merely recur to Robert's excellent summary.

Second prize for accuracy in seeing what the book actually says goes to my friend and fellow Christian, Peter J. Hill, known to his friends as "P.J." As P.J. says, "institutions that don't have a moral underpinning don't mean much. In fact, one can argue that the moral revolution must precede the institutional one." Exactly. The deduction of points for understanding, though, comes from his belief, added into the list of explanations I am supposed to have rejected, that I reject "technological change." On the contrary, the starting place for us of the Ideational School in economic history – Joel Mokyr, Peg Jacob, Jack Goldstone, myself, and in some moods Eric Jones – is that the heart of economic growth has been radical change in technology (steam, anesthetic, printed circuits) and change in some economic institutions (forward markets, branding, containerization; not the formal rules of the game). Our point is that the routine investment or the routine specialization that economists have been inclined to credit since the Blessed Smith, not to speak of, since the Masterful Marx, the appropriation of surplus value or the redistribution of the fruits of the struggle on the picket line, cannot come close to explaining increases in production possibilities per person since 1800 on the order to 3,000 percent. It is such an order of magnitude we need to explain, not 100 percent or 300 percent. Its great size is what makes routine accumulation or routine redistribution or routine institutions so unlikely to do the scientific job. Still, P.J. is not

the first to assign such a bizarre "rejection of technology" to me. My exposition has to be at fault. I wonder where.

Like Robert, P.J. doesn't like my disagreements with neo-institutionalism. He writes, "the institutions, particularly the legal rules protecting freedom of contract and property rights, would seem to be an important component of any reasonable definition of liberty." Well, sure. But such a truth does not imply that institutions *changed* significantly just before or during the Industrial Revolution. (Incidentally, they *did* change some in course of the nineteenth century, through the codification in England of the law of contract and of property. But causes need to come just *before* what they are supposed to cause, not well after.)

"Clear and effective rule of law is a relatively rare phenomenon," P.J. claims. But from Pollock and Maitland (1895) through Harold Berman (2003), the legal historians have not agreed. I wish economists and economic historians would stop crediting the undocumented claim by North and Weingast that English law, for example, was notably defective before the Glorious Revolution. P.J. insists, channeling North, Wallis, and Weingast (2009), that "one of the characteristics of the open access order is the rule of law, an institution that is noticeably absent in the limited access orders." On what evidence could one assert that rule of law was absent in, for example, the Ottoman Empire? A recent book by Metin Coşgel and Boğaç Ergene (2016) looks deeply into the matter for a portion of northern Turkey in the eighteenth century. Their findings do not seem to be radically different from the ferocious slant of English law against poor

people in the same century. Rich people did better in court, though not always. So what else is new?

P.J. and I agree that there is something very good in the Abrahamic respect for individual souls. He writes, "I would give a much longer history of the concept of human equality, rooting it in the Jewish and Christian [and Islamic] concept of the *Imago Dei*." I of course agree, but the problem is the delay in implementation after Abram first made his property deal with the Lord (*Gen. 15*), a delay of about 3,400 years. It suggests strongly that something peculiar about the ideologies c. 1,700 CE – not c. 1,700 BCE – made the modern world. Yet P.J. immediately concedes the point: the liberal equality he and I admire "does get uniquely expressed in wide-spread attitudes and in the social, political, and economic structures during the 1517-1789 period." P.J.'s Abrahamic hypothesis, in other words, has the same problem of timing and change-fulness that the neo-institutional hypothesis of property rights has.

P.J. quotes Larry Siedentop, who writes that "Centuries would be required for the implications of Christian moral beliefs to be drawn out and clarified." That seems to me like special pleading for Christians, considering that they held people in slavery, and in other ways approved of appalling inherited inequalities of status in this world, without the slightest misgiving, right up until liberalism in the persons of Locke, Voltaire, Montesquieu, Smith, Kant, Lord Mansfield, Tom Paine, William Wilberforce, and Mary Wollstonecraft sharply changed their minds. In the book I push back the causes of a nascent liberalism and equality of standing to its origins during the centuries

after the Reformation. There was no noticeable drawing out and clarifying until some radical Protestants spoke out in Europe, presaged by less successful challenges to the Church of Power before the printing press, such as Lollardy – as did some radical bourgeois stripped of a ruling nobility in Holland, and some radically egalitarian citizenry during the English Civil War, and some radical revolutionaries in America and France in the late eighteenth century. Yet liberalism did not become at all common even among the advanced among the clergy until late in the eighteenth century. On the scale of millennia since Abraham, or since Jesus of Nazareth, it was a sharp change, no gradual drawing out.

Nancy Ruth Fox wants me to join in with Catholic Social Thought, Father Ryan and all that. I would be open to the suggestion – it must be evident from the first volume of the trilogy, *The Bourgeois Virtues: Ethics for an Age of Commerce* (2006) that I am for example an adoring fan of St. Thomas Aquinas – if the American Bishops or the economic advisors to the various popes would think through their economics more carefully. But they won't think carefully, and so I won't join.

I do worry about Professor Fox's reading. In the little comprehension test I am running here (I was a teacher for fifty years, so I'm entitled) she does not rank high. She worries for example that "by championing efficiency over equity, aren't we economists making a value judgment?" Of course we are, but a major point in *Bourgeois Equality*, and also in *Bourgeois Dignity* (2010) is that efficiency is not my bag, as we used to say. Enrichment of the wretched of the earth is, and in economic history and in the present it

has depended massively not on Harberger-triangle efficiencies beloved of the Chicago School or on egalitarian redistributions from zero-sum in the style of Catholic Social Thought, but on a liberal permission to let people have a go, as the British put it, *laissez faire, laissez passer*, as the French put it, yielding gigantic positive sums from technological change, more Austrian than Chicagoan or socialist or progressive.

Fox says again that McCloskey "eloquently makes the case that the market has been the engine for economic growth since ancient times, continuing through the modern day." No, I do not. Markets have existed and often flourished from the caves onward without a Great Enrichment. I argue that it is not the market but the great acceleration of discovery, especially in northwestern Europe after 1700, and more generally after 1800, that made the Great Enrichment, not the plodding (if desirable) rate of betterment from bow-and-arrow through porcelain to the full-rigged ship. A market is necessary, I argued at length, but it is not the key. A liberal change in ideology is.

Fox's opinions sometimes seem to be taken uncritically from the conventions of the moderate left. For example, she asserts that "In the United States and abroad, people 'at the margin' have not always benefited from economic growth." Oh, yes they have. The descendants of the poor people whom James Agee and Walker Evans demeaned as objects in *Let Us Now Praise Famous Men* (1941) have prospered, many going to college. The Okies whom John Steinbeck elevated as subjects in *The Grapes of*

Wrath (1939) left fruit picking and entered the airplane factories of California and built little houses in the East Bay.

The concern for inequality that Professor Fox evinces is admirably charitable of her, if fashionable. But it is dangerous – even, I would soberly suggest, evil – in its effects on people at the margin, if it causes, as it has even in China since 2008, a slowing down of economic growth. The greatest challenges facing humankind are *not* inequality or environmental decay. Inequality worldwide is falling like a stone, and even in rich countries continues to decline as measured in basic consumption (as against how many \$950 Manolo Blahnik shoes the rich have in their closets unworn). The environment is improving – witness particulate pollution in countries that have become rich enough to care. The greatest challenge, on the contrary, is poverty. Solve the poverty, as argues the engineer Bjorn Lomborg and the physicist Freeman Dyson (and, with much less standing to have an opinion, the economist Deirdre McCloskey), and we will have the engineers and entrepreneurs to supply and the consumers and politicians to demand improvements in the environment. And the poor shall inherit the earth.

I have long thought that Catholic Social Thought needs to think through its economics more humbly. It seems proud about its highly conventional, unchallenged opinions. The CST people would do well to chat with free-market Anglicans like me more often. "Should we encourage," Professor Fox asks, "outsourcing of labor to countries where people work under sweatshop conditions?" Of course we should, if we

care about poor people in Vietnam and in New Jersey. It is called trade and specialization, and the "sweat shops" are opportunities for employment superior, in the opinion of the workers involved, to their alternatives (rummaging in the city dump for food, say, or sitting back in Russia c. 1910 waiting for the next pogrom). "Is deciding between not having enough to eat and working in a sweatshop (or selling a kidney) really a choice?" Yes, it is. The relevant distinction is between a slavery backed by violence and a choice backed by exchange. The one leads to the stagnation characterizing the universally illiberal world before 1800 in present-day prices at under \$3 a day. The other, liberal course, as events in the recent history of poor countries such as China and India show, and as I showed in the trilogy, leads to immense betterment — in the same prices, a betterment with prospects of future growth to \$100 a day in Britain and \$80 a day in Italy and \$30 a day in Botswana.

Fox states a truth of ethics and economics when she says that "too many do not have what they need." On that we agree, although what Paul Collier calls the Bottom Billion, the one billion out of seven now in desperate straits, is an enormous improvement over the four billion in misery in 1960 out of the then five billion people on the planet. But Fox falls back into the unreflective slogans of Catholic Social Thought: "we cannot wait for the Great Enrichment; we need government regulation and participation by faith based institutions, secular groups, and NGOs to fill the gaps until the Great Enrichment catches up." Oh yes, we can "wait," because 10 percent growth per year, doubling income every seven years, is readily available in the really

poor countries if they will but adopt liberal economic policies, as China and India have, and Brazil and South Africa have not.

I am not against charity – though I am very much against government-to-corrupt-government "aid." I tithe to my Episcopal church, and recently had two homeless people living with me in my apartment for four and a half years (if I ever debate face-to-face with Thomas Piketty, as the BBC tried to arrange, I am going to ask how much of his book royalties he gave to the poor). But as I show in all three of the books, redistribution pales by comparison with economics growth, even over the short run. And directly egalitarian policies imposed foolishly, as they so often are, kill economic growth, forever, and leave the poor in despair. They have in Brazil and South Africa.

Fox quotes the deep student of theology Alan Blinder: "The unfettered market shows no mercy. If there is to be mercy, it must be imposed from the outside." I see. We should "fetter" the one social mechanism that has saved the poorest among us, in favor of literal and figurative and merciless fettering by government backed by legalized violence. Whom does Fox and Blinder imagine the government will serve? What's the record so far? As I noted in the book, 86 percent of the world's population is ruled by governments less honest and competent even than Spain's, which is the margin between the 40 best governments and the 137 worse (Italy, for example, ranks 75th). The ignorant thugs or misled saints who run most governments in the world are the heroes of Blinder's and Fox's and CST's social policy.

Fox admires trade unions, as one of the redistributive mechanisms approved by many in CST, such as *The Catholic Worker* and Dorothy Day. I admire them, too, and was a proud member of the faculty union at UIC, and briefly as a kid of the National Maritime Union. But I don't think unions enrich the poor. Walters and Mishkel (2003) conclude, Fox reports, that "the impact of unions on total nonunion wages is almost as large as the impact on total union wages," about 20%. This is an impossible result if wages are determined as we in economics have thought since Hicks' *Theory of Wages*, or for that matter in less precise terms since Smith. I suppose the result comes from a regression supported by meaningless tests of statistical significance. It is obvious that higher wages for union workers such as plumbers and medical doctors comes from capturing politics to block entry. Under what understanding of the economy would such activity benefit the farm workers and house cleaners?

On the minimum wage Fox admits wisely that poor people will be hurt some, though she swallows Card and Krueger (1993), against economic logic. But let us think ethically, I reply, as Christians, about the shocking immorality of taking from *very* poor people and giving to *somewhat* poor people, even if the balance of dollars favors doing so.

I am, however, very far from insisting that economics is all that is needed. I merely think the economics should be thoughtful, not reduced to leftish slogans ("Tax corporations, not people") and tests of "significance" that in 2016 were rejected by the American Statistical Association. Fox says, "I wish [McCloskey] had expanded her

interdisciplinary approach beyond history and literature to include more philosophy and theology, with more of an emphasis on ethics." She must not be aware that I wrote a long book subtitled *Ethics for an Age of Commerce* (2006). She quotes the Democratic politician Rebecca Blank: "'there are times when other-interest is more important than self-interest, when we as a society need to respond more effectively to the human pain caused by market outcomes, and when 'freedom to choose' must give way to other values.'" I certainly agree with such sentiments, and say so throughout the trilogy. I am a sisterly Christian real liberal. But we need in Christian economic ethics to get beyond a naive optimism about governmental intervention, a misunderstanding of the cooperative character of a market society, a weighting of one human soul against another in money, a quantitative misunderstanding of the size of charity, an ignoring of the raising up of the wretched of the earth by economic growth, and much of the rest of CST.

Paul Oslington, on the other hand, does not want me to join in Catholic Social Thought, about which he shares my economist's doubts, and certainly not the cheerful strain of Roman Catholic theology that focuses optimistically on such life-enhancing sentiments as "glory be to God for dappled things." He wants me to join St. Anthony in the desert, and most particularly join in the overwhelming Augustinian-Calvinist sense of fallen humanity, which he identifies with the economic pessimism I spend so much time in the book arguing against. "Deirdre's simplistic opposition between the two and exhortation to optimism doesn't cut it in my view, and I think reflects her lack of theological depth." Ouch. Paul evidently thinks that a proper pessimism, sinners in

the hands of an angry God and all that, is the only adult theology. Somewhat mysteriously – doubtless it is my lack of theological depth that leaves me in the dark here – he claims that it is the only basis for a proper hope. In such an account the sunny character of Aquinas, or for that matter St. Francis, is childish, that of the Dumb Ox. If St. Francis bursts out with "The Canticle of the Sun," "Praise be to you, my Lord. . . . Praise to my lord brother Sun. . . Sister Moon. . . Mother Earth. . . our Sister Bodily Death," he is merely being silly. Face up to how awful life and humanity are, Frank. And quit messing with the birds.

The point to make in defense is that there is no reason to assume that Augustine and Calvin, though surely worthy of the closest study, are the last word, or even a determining first word, in theology, or life, and certainly in economics. Consider as an analogy the pessimism following on the First World War, which the Second and the Cold War hardly relieved. When I was 18 I found the pessimism in Eliot ("We are the hollow men") and Picasso ("Guernica") so very cool, and favored a socialist revolution. At 74 I find it less so, and approve more of the affirming of life in, say, Yeats and Willa Cather, Matisse and Marc Chagall, and think less well of socialist revolutions.

I find an affirming of life inconsistent with Calvinism also in Smith, though Paul does not, and regards my little joke that Smith was a secular Aquinian in that respect, and in his attachment to virtue ethics (it pervades *The Theory of Moral Sentiments*, well before 1790 and Book VI), as exhibiting my lack of theological depth. On the contrary, he says, Smith "was theologically shaped by Augustine and Calvin in an eighteenth-

century Scotland dominated by the Presbyterian Kirk. Smith followed them in skepticism about human capacities after the Fall that led him to advocate markets as a way of limiting the moral and intellectual effects of human sin. It is only when the effects of the Fall are recognized and contained in some way that we have a well grounded hope for human advancement." I get it: we need a mechanism, which Smith saw in commercial society, for containing the passions, in the manner that Albert Hirschman noted long ago. But consider the point made by Anthony Waterman, whom Paul and I join in admiring very much, that "Malthus' first [1798] *Essay* made land scarcity central, and so began a century-long mutation of 'political economy,' the optimistic science of wealth, to 'economics,' the pessimistic science of scarcity" (Waterman 2012, p. 425). Spot on.

Early on Paul expresses disappointment in *Bourgeois Dignity* in terms that would mortify any serious cricket fan, as he well knows me to be: "Reading this third volume felt a bit like [the vulgar, white-ball slugfest under the lights of] an extended 20-20 cricket tournament rather than the test match cricket of her earlier volumes." Double ouch. The figure will elude Americans. It would be like saying that *The Bourgeois Virtues* and *Bourgeois Dignity* resembled the Chicago Cubs in 2016, and that the present volume resembles the Loveable Losers in any other year 1908–2015.

Yet he concludes generously:

She has dealt with a huge and important question, and mostly in my view got it right. Her argument about the causes of the Great Enrichment is

hard to resist, her identification of rhetoric as an important element in economic progress reignites and redirects a debate that has been going on at least since Weber, and her willingness to bring theology into this debate opens up new possibilities for understanding economic progress.

These volumes are indeed a major intellectual achievement.

Like Kennedy accepting the Good Message from Khrushchev during the Cuban Missile Crisis and ignoring the Bad, I'll take it.

It pains me to have to observe of the fifth piece, by my dear friend Pete Boettke and his co-author Rosolino Candela, that they seem to be missing the point. A more generous reading of their piece than the one I am going to adopt, in line with the rhetoric of scientific trial by jury, is that they are cordially inviting me into their neo-institutionalist program of research, finding a place for my ideas in the manner of P.J.'s suggestion that "it is true that North, Wallis, and Weingast [by contrast with McCloskey] provide almost no reasons for the change in beliefs about equality, but why not build upon their framework? One can see the two works as complementing each other." Can't we just get along?

Boettke and Candela start promisingly: explanations of the Great Enrichment "must be grounded in ideas that legitimate and bring dignity to commercial practices," which would be, if widely adopted, a significant amendment of the neo-institutionalist dogma. But then they introduce their central metaphor: "When the ideas, institutions and practices align, a combustible combination emerges." The "Great Enrichment is

inseparable from an *institutional* extension of the market, but the spark in the combustible combination is provided by *ideas*."

The "spark" idea is historically mistaken, as I showed in the book, and in *Bourgeois Dignity*. Boettke and Candela are rescuing the neo-institutionalist dogma by claiming it is necessary. "Secure property rights under the rule of law are necessary for trade to take place." Not really. Vikings sometimes traded, sometime stole, what they wanted. Anyway, secure property rights are ubiquitous, as Berman points out for the High Middle Ages. The trouble, as I have already said here, is that institutions favorable to market-tested betterment have happened repeatedly in world history – Genghis Khan, for example strictly enforced property rights in horses and wives within his horde – but the ideologies supporting a Great Enrichment were confined to northwestern Europe and its offshoots, quite late. Note well: France, Spain, Sweden, and the German and Italian lands, for example, already had the rule of law. Likewise, in many ways China nowadays does *not* have the rule of law. Yet France, Spain, Sweden, and the German and Italian lands did not initiate anything like the Great Enrichment, which was the follow-on to the Industrial Revolution, until northwest Europe led the way. And China since 1978, without the rule of law but very much with the new and liberal ideology of "making money is glorious," has grown at upwards of 10 percent per year per capita.

"Property rights are fundamentally about what it means to be engaging in proper action." That's right, and it is an ethical matter foreign to the neo-institutionalist

orthodoxy. But my point is that proper action in property (note the identical etymology of the two words: *proprius*, "one's own" in Latin, coming from *prō-* + *pater*, which means "from one's father") is ancient, human, pre-institutional, and above all pre-governmental, in sharp contrast to the statist premise of North, Weingast, Acemoglu, and Robinson. Bart Wilson and colleagues (2012 and many other papers) have done experimental and historical research showing that a state is not by any means necessary for secure property.

Boettke and Candela, wanting I think to preserve the static models of Adam Smith, and also one side of the Austrian School, speak often of "generalized increasing returns." That is not what I would say. I would say ingenuity, having a go, or the Austrian word "discovery," not anything like increasing returns to mere scale. The largest cities in the world during most of recorded history were Chinese. But their scale did not eventuate in a great enrichment. Boettke and Candela praise "generalized increasing returns from productive specialization and mutually beneficial trade and creative innovation." What saves the assertion is the tacked-on "and creative innovation." Increasing returns, productive specialization, and mutually beneficial trade happened massively in ancient Mesopotamia, China, and the Persian, Athenian, Roman, Ottoman, and Mughal empires. What did not happen in such places was what was unique about the Great Enrichment, a fantastically greater rate of market-tested betterment, a rise in mechanical and institutional and biological betterment per year from 0.1 percent to 2 percent per capita, coming directly from a new ideology that gave

the masses – unless they happened to be American slaves or Swedish agricultural laborers – permission and encouragement to have a go.

Mises in their quotation of him, as he did more forthrightly elsewhere, emphasizes ideas – it would be "ideologies," had he deigned to use the Marxist word. But Mises then immediately claims that ideologies merely "created . . . private ownership." No. They created, in a context that had seen private property enforced for millennia, as it is under any organized society (that being what we mean by "organized"), a liberally inspired mass of ordinary Christians, and soon Jews. It is the egalitarian *mass* that is the hinge of modern history, a fulfillment at long last of the equal value of souls in Abrahamic theology.

We need to get beyond the machinery of neo-institutionalist "rules of the game" in property rights, and the resulting exaggeration of the static gains from specialization and trade. Such gains are of course desirable. They achieve efficiency and the division of labor. I am not giving back my true-liberal-economist union card. But they do not yield a Great Enrichment, the frenetic discovery that characterizes the modern world. The change in ideology in an sharply egalitarian direction – all men [and women] are created equal – did yield it.

Praise be to my Abrahamic God.

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