

DEIRDRE MCCLOSKEY AND ART CARDEN EXPLAIN HOW THE MODERN WORLD CAME TO BE

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HOW DID THE WORLD GO FROM POOR TO RICH?

After tens of thousands of years of living at a subsistence level, how did the world suddenly become so rich?

By “suddenly” I mean in the last 250 years (I’m a long-term investor). However, even if you think in shorter time frames, the rise of China in the last 40 years, and of the United States, Europe, and Japan in the century before that, would have come as a big surprise to a caveman or a medieval peasant. In their new book, *Leave Me Alone and I’ll Make You Rich*,¹ Deirdre McCloskey and Art Carden set forth a new and provocative answer to this question.

It was not capitalism, capital accumulation, education, pure science, technology, political freedom, or the rule of law allowing people to keep the fruits of their labors. Those were all necessary but not sufficient conditions. Other civilizations had those virtues but no Industrial Revolution resulted.

It was a sudden increase, in northwestern Europe in the 1700s, in the *respect and dignity accorded the bourgeoisie*. The missing ingredient was *Bourgeois Dignity*, as McCloskey titled one of her books.

While this line of thinking might sound like a purely academic exercise, it’s not. Getting the right answer is key to the future of global economic growth, as each country tries to find the best path forward. And the success or failure of these efforts is key to long-run future rates of return for investors today.

LAISSEZ FAIRE

McCloskey and Carden leave no doubt as to their basic philosophy: The book’s title is an amended translation of the familiar French phrase *laissez faire*, meaning, roughly, “leave me alone.” (A French government minister in the 1700s asked a businessman how he could help the business community, and *laissez faire* was the businessman’s answer. It caught on.) The authors’ amendment, “...and I’ll make *you* rich” (my emphasis), reflects their passionately held view that a thriving commercial society is good for everyone, not just for the business owner.

They also believe that a commercial republic — Hamilton’s phrase² — is morally good and offers a milieu in which people can best realize their spiritual as well as their material potential.

¹ University of Chicago Press, 2020.

² Apparently. Writing collectively as “Publius,” Alexander Hamilton, James Madison, and John Jay seem to have coined the felicitous phrase, describing what we might now call liberal capitalism. *Federalist 6*, in which the phrase first appears, is usually attributed to Hamilton.

ABOUT THE AUTHORS

But McCloskey is no doctrinaire libertarian or conservative. Far from it. She describes herself as:

a literary, quantitative, postmodern, free-market, progressive-Episcopalian, ex-marxoid, Midwestern woman from Boston who was once a man. Not “conservative”! I’m a Christian classical liberal.³

Talk about eclectic!

She’s also a graphomane: a person who can’t stop writing. She’s written 24 books, some of them very long, and 400 articles. She needed Art Carden, an economics professor and popular Forbes.com contributor, to help her condense her three tomes, *The Bourgeois Virtues*, *Bourgeois Dignity*, and *Bourgeois Equality* (collectively called the Bourgeois Trilogy and weighing in at 1700 pages), into the one reasonably short, and very good, book that is the subject of this review. While I’d only recommend the entire trilogy to the fully retired and intellectually voracious, *Leave Me Alone and I’ll Make You Rich* is



Deirdre Nansen McCloskey
[Source](#)

Sunday reading, accessible to everyone. It conveys very effectively the message that McCloskey has spent the last 15 years of her life honing.



Art Carden
[Source](#)

SOME WRONG ANSWERS TO THE “GREAT QUESTION”

A large and highly informative proportion of *Leave Me Alone* is devoted to discussing conventional reasons why the world started to become rich since the Industrial Revolution, and why they were necessary but not sufficient conditions. The authors show respect for the various explanations I listed above — it is not quite a debunking — and then demonstrate that these conditions, while necessary, were not enough.

They then transition to the “One True Explanation” (I’m not mocking McCloskey; I’m quoting her own self-mocking phrase). This review follows the same outline:

the conditions that the authors think are necessary but not sufficient, and why they are not sufficient; then bourgeois dignity, the secret sauce.

³ Source: <https://www.deirdremccloskey.com>. Carden is a more conventional conservative, but the book’s ideas are mostly McCloskey’s.

A QUICK SUMMARY OF THE CONVENTIONAL EXPLANATION

McCloskey and Carden take the explanation set forth by the historian Niall Ferguson, whose most recent book, *Doom*, I reviewed somewhat favorably in *Advisor Perspectives*,⁴ as the conventional starting point that they seek to replace or modify:

Our friends on the moderate right...extol the "Killer Apps," as...Ferguson calls them. His list is: "better property rights, a work ethic, a consumer society, competition, modern medicine, and science." We agree that any decent society should want more of these. But we disagree that they are the "killer apps" explaining why people in some places are very rich while people in other places are very poor.⁵

Let's now consider the killer apps, including some not listed by Ferguson, one at a time.

IT WASN'T "RESOURCES OR RAILWAYS OR PROPERTY RIGHTS"

It certainly wasn't natural resources. In the aftermath of World War II, Burma (Myanmar) and the Philippines were regarded as the most promising Asian economies because of their natural resources. Burma's per capita income in 1950 was higher than that of Hong Kong, Korea, Malaysia, and Thailand.⁶ Today it's one of the poorest countries in the world outside Africa, with a PPP GDP per capita one-twelfth that of Hong Kong, the richest of that bunch, and one-fourth that of Thailand, the poorest. The Philippines have also done badly, although not "Myanmar badly."

The countries with the most abundant resources are in Africa, South America, and Central Asia. These are among the poorest, not the richest, parts of the world.

It wasn't railways. The railroad was a world-changing invention, yet it lowered the price of corn coming from Iowa by only 50%; meanwhile, transportation by barge became less costly too. "To this day, a good deal of the corn crop leaves the Midwest by barge," write the authors. Without railways, we'd have a small Chicago and a giant Saint Louis, and cars would have been developed earlier. The authors estimate, using a low-tech analysis called the Harberger triangle, that the net gain to the United States from the coming of the railways was 2.5% of GDP, about one year's growth. Who knew?

⁴ <https://www.advisorperspectives.com/articles/2021/08/09/niall-ferguson-says-were-getting-worse-at-dealing-with-catastrophes-but-hes-wrong>

⁵ Echoing the late Harvard professor David Landes, whose classic book on this topic is titled, *The Wealth and Poverty of Nations: Why Some are So Rich and Some So Poor*. Landes, sometimes called an institutionalist, says the key variables are "institutions and culture first; money next; but from the beginning and increasingly, the payoff was to knowledge." Landes' lively book is a delight to read, filled with historical facts and insights. It is the book that started me on the path to being an amateur (very amateur) development economist.

⁶Wong, John. 1997. "Why Has Myanmar not Developed Like East Asia?" *ASEAN Economic Bulletin*, Vol. 13, No. 3 (March), pp. 344-358.

Property rights are a different story. They *have* to matter, don't they? They do matter, up to a point: If you can't be sure of getting and keeping the profit from an activity or enterprise, why bother? Societies with few or no private property rights, such as the former Soviet Union, usually fail quickly and dramatically.

McCloskey and Carden respond:

[Property rights are] again necessary, but nothing like sufficient... English common law [which strongly guarantees property rights] was in place hundreds of years before the Enrichment... The...historian Alan MacFarlane notes that "England was as 'capitalist' in 1250 as it was in 1550 or 1750." It relied on property rights and the rule of law.

But no Great Enrichment in England until well after 1700.

Trade? Same answer. "Trade...is ancient... Amber from the shores of the Baltic and lapis lazuli from Afghanistan turn up in Egyptian grave goods. European grain prices moved together *by arbitrage* in the late Middle Ages."⁷

IT WASN'T CAPITAL ACCUMULATION

The idea that saving and investment are vital for economic growth is so deeply ingrained (a five-year old with a piggy bank can understand it) that many readers will think that it just has to be right. Again, the iconoclastic authors say, "No, it isn't." They argue that "accumulation was necessary, as were sunlight and the presence of a labor force, but it raised income sharply only when it embodied brilliant new ideas, such as containerization." The authors emphasize their belief that *only new ideas*, implemented through commerce made possible by a profit motive, make growth not only plausible but inevitable. McCloskey and Carden call this hypothesis "innovism," a clunky word for a brilliant concept, and one to which I'll return.

I find some fault with the "innovation is everything" position. Let's start with this hypothetical: If you do everything tomorrow in the exact same way that you did it today, the economy won't have grown. You have to do it a little better tomorrow for the output of your little economy to increase.

Here's the rub: Let's say that a machinist in Cleveland finds a better way to manufacture a ball bearing. The GDP of Cleveland rises by the amount of the improvement. A few days later, a machinist in Cincinnati hears about the improvement and imitates it. No new idea has been created in this second step, but the GDP of Cincinnati has increased by just as much as the GDP of Cleveland. *Democratization* of existing ideas, through trade, transportation, and communication, is as important as the creative impulse that produced the new idea in the first place. McCloskey and Carden don't address this.

IT WASN'T EDUCATION AND SCIENCE

Here, McCloskey and Carden go against basic intuition (including mine) once again:

⁷ My emphasis.

...[A]s sources of the Great Enrichment, the wonderful schooling and glorious science were limited in scope. The Great Enrichment got going without much schooling and without much in the way of “high” science...until 1900 or so.

The authors go on to show that literacy rates were low until late in the Great Enrichment, and that tinkering and commercially motivated invention were more important to economic growth than advanced math, nuclear physics, or even biology until the last century or so. I agree: Those are the facts.

But I object to the conclusion! You do not need mass literacy to make technological progress — you need a community of highly literate experts on various subjects. Three percent of the population with advanced literacy ought to make a huge difference. A society in which only three percent were competent in John Adams’ famous list,

mathematics and philosophy, geography, natural history and naval architecture, navigation, commerce and agriculture, [which one pursues] in order to give their children a right to study painting, poetry, music, architecture, statuary, tapestry and porcelain

might be considered a pathetic failure in spiritual or aesthetic terms. But it could be quite prosperous, because of the achievements of those three percent. Look at the United States in 1900, a hundred years after Adams, when only 6.7% of young men and women (and a much smaller percentage of the total adult population) had completed high school. It was a very rich country by the standards of the time.

IT WASN'T IMPERIALISM, SLAVERY, OR "WAGE SLAVERY"

I'd like to dismiss these with a wave of the hand. They are all variations on “taking that which doesn't belong to you.” This has been tried by kings, priests, and generals since the beginning of historical time. It always results in the appearance, but not the reality, of prosperity. It's a zero-sum game: My prosperity comes at the expense of your poverty. Many people still believe that is the case with business and capitalism, but if McCloskey and Carden cannot convince you otherwise, nobody can.

ARE RICH PEOPLE BAD?

The idea that prosperity is a zero-sum game set me off on a digression that passes through first-century Israel. Jesus said, “It is easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of God.”⁸ Why? What did Jesus have against rich people?

In those times, rich people ordinarily got that way by seizing other people's resources. Jesus had a good reason not to like them. But with economic freedom, one can get rich in a non-exploitative way: just produce something other people value, and keep the proceeds. Whole countries could increase their prosperity by industrializing, instead of by plundering other countries. As a result, with the dawn of capitalism, wars over

⁸ King James Version, Matthew 19:24.

territory and resources began to diminish, as documented in Steven Pinker's best-seller, *Enlightenment Now*, which I also reviewed in *Advisor Perspectives*.⁹ (Pinker provides evidence that the paroxysm of wars in the first half of the twentieth century was an exception to the secular decline in violence, not the rule.)

And the respect and dignity accorded businesspeople grew as people began to experience the benefits of a commercial society. Which was the cause and which the effect? McCloskey and Carden clearly say that the new respect accorded the bourgeoisie was the cause, and prosperity and the success of commercial society the effect, but it is not clear. An argument can be made either way.

At any rate, in the biblical passage referenced above, we see a vivid example of the antibusiness position that the Greeks, Romans, Catholics, and many others held and carried forward until the Enlightenment and, in modified form, to the present time. McCloskey's *Bourgeois Trilogy*, and the book reviewed here, persuade us to at least consider the possibility that a shift from anti-business to pro-business attitudes was the key to the Great Enrichment, the 30-fold increase (100-fold in the advanced countries) in the standard of living and human development over the last 250 years. But it is always hard to distinguish cause from effect in historical speculations.

IS CAPITALISM THE SECRET SAUCE?

We get to the fun part. Yes, it's capitalism. No, McCloskey and Carden don't call it capitalism — they hate the word. As you recall, their name for the secret sauce is the "respect and dignity accorded the bourgeoisie." How can these two very different-sounding ideas represent the same secret sauce?

I link the two as follows: Reduced to its essentials, capitalism means economic freedom. In the words of Mark Kritzman, a celebrated investment analyst, economic freedom is "the idea that, if you produce a resource, it's yours to do what you want with it."¹⁰

The dignity accorded businesspeople by the larger society also means economic freedom, the ability to act in one's own interest without becoming a pariah. You are only free if you can practice your craft without social or religious disapproval or worse.

This is one reason why the Jews became the business class in medieval and Renaissance Europe. Non-Jews couldn't be soiled by the taint of commerce — their religion (sort of) forbade it.¹¹ Also, Jews, chased from country to country, knew they had to carry their human capital, the ability to earn money, wherever they went. They developed skills that could be practiced anywhere. These included business skills.

The secret sauce for a self-sustained growth, according to both McCloskey-Carden and me, then, is *economic freedom*. The newfound dignity of the bourgeoisie is a cultural

⁹ <https://www.advisorperspectives.com/articles/2018/04/30/is-life-improving-documenting-the-remarkable-progress-of-humankind>

¹⁰ Personal communication.

¹¹ This didn't stop the Medicis, the Fuggers, etc.

expression of that underlying idea. Which came first is a question I cannot answer. McCloskey and Carden have, of course, made their position clear — it was bourgeois dignity that brought about the flourishing of economic freedom. But other theories abound, and I wouldn't dismiss them quite yet.

And finally, since the word "capitalism" is misleading (economic freedom has very little to do with capital) and has come to mean whatever a given speaker likes or doesn't like, let's retire it as McCloskey and Carden suggest.

ONE-AND-A-HALF CHEERS FOR INNOVISM

But what word shall we replace it with? McCloskey and Carden have suggested "innovism," the system that both produces and rewards innovation. It will do — but it will not do well. It focuses most readers' minds too narrowly on growth through better engineering, rather than through any of the other channels — salesmanship, distribution, financing, business organization, and so forth — that contribute to betterment over time. The authors would counter, correctly, that innovation can take place along any of these channels, and that only an unimaginative reader will equate the word with mere clever tinkering. But I still think "innovism" is tin-eared, especially if it's supposed to proxy for economic freedom supported by liberal democracy.

THREE CHEERS FOR THE COMMERCIAL REPUBLIC

To sum up, "economic freedom with liberal democracy" and "respect and dignity accorded the bourgeoisie" are so closely related that they come down to the same thing: liberty. A society conveys what it values by choosing whom it elevates to a position of respect: the ancient Greeks, philosophers, athletes, and dramatists; the Romans, lawyers, orators, and builders; medieval Europeans, saints and religious leaders.

Starting around 1600 in the Low Countries and 1700 in Britain, men (and they were almost all men) of a practical bent gained admiration: scientists, engineers, architects, writers, painters. The most practical were businessmen, buying and selling tangible goods all day. When this new bourgeois class became heroes instead of goats, an ambitious person could achieve respectability by joining the Commercial Republic instead of the kingdom of God or the military or the royal court. And that is how capitalism, or more properly a society dominated by people freely engaging in commerce and trade, came to be.

Today, McCloskey and Carden's bourgeoisie doesn't just consist of entrepreneurs, those celebrated heroes of today. It also includes engineers, salesman, accountants, assistant managers, software developers, and medical, financial, and legal professionals of all stripes. It is the dominant class in every advanced society in the world.

WHAT DO WE GET FOR ALL THIS BOURGEOIS DIGNITY?

Whatever the reasons for the Great Enrichment, I've been talking about it at length without putting it in pictures. A graph is the best way to visualize growth over time, so look at Exhibit 1 — a reconstruction of per capita GDP in England, in today's money, over the last 750 years. (I choose England because it has the best very long-term data,

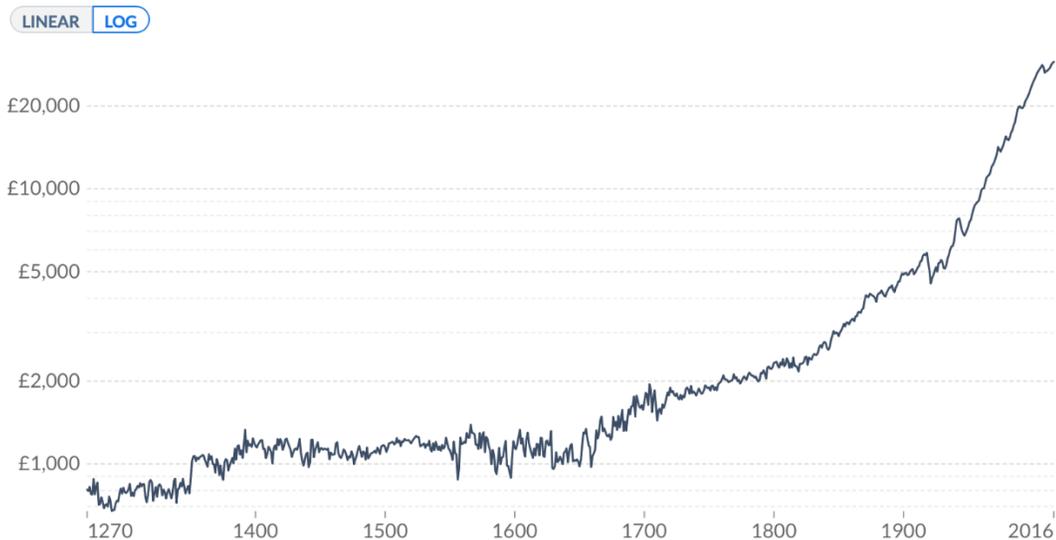
chiefly records of wages and prices, from which modern economists can make rough estimates of per capita GDP.)

The line in Exhibit 1 shows the stages of the Great Enrichment as experienced in that country, which led the way during the critical seventeenth through nineteenth centuries. There is a point of inflection around 1660, when the English Civil War and Glorious Revolution brought more economic freedom to the island. There's another around 1820, when the Industrial Revolution was in full flower, and a bigger one around 1920, when the country became fully modern. (I use a log scale so that the earlier inflection points don't become invisible.)

EXHIBIT 1 THE GREAT ENRICHMENT IS NOT A FIGURE OF SPEECH OR A MISINTERPRETATION OF HISTORY. IT REALLY HAPPENED.

GDP per capita in England

Adjusted for inflation and measured in British Pounds in 2013 prices



Source: Broadberry, Campbell, Klein, Overton, and van Leeuwen (2015) via Bank of England (2020) OurWorldInData.org/economic-growth • CC BY

But what about the rest of the world? We all know that the United States, much of Europe, and Japan (the “West”) thrived since 1700, but there are still a lot of poor people in the “rest.” How much has bourgeois dignity helped them?

A great deal, but later in the “rest” than in the west. Look at Exhibit 2. The blue line, representing the entire world, lags the United States by about 80 years. Thus, the whole world lives — on average (with wide variation) — at a standard the U.S. had reached around 1940-1950. The compound growth rate of per capita GDP has been a remarkably consistent 1.8% per year, in the U.S. and the U.K. for 200 years and for the world for at least 150, a rate that compounds up to huge increases over long periods of time.

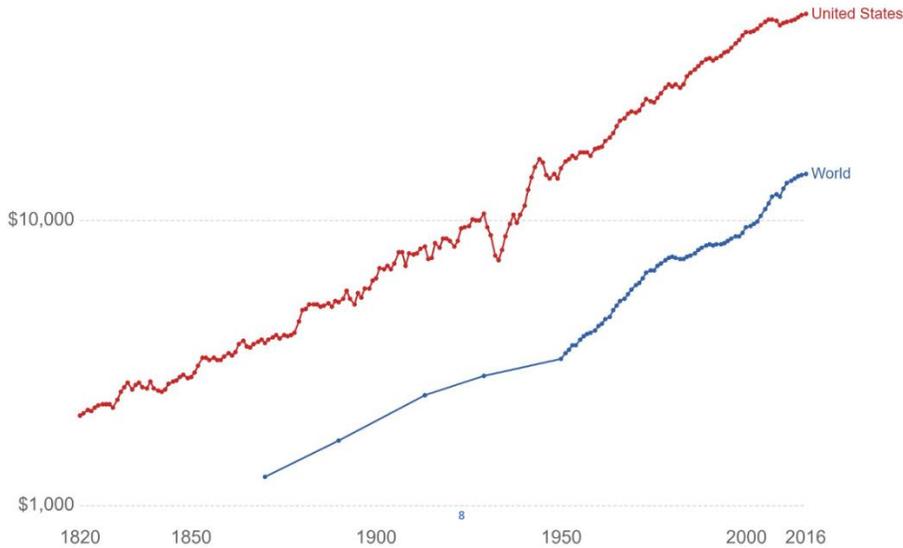
EXHIBIT 2

THE AMAZING TENACITY OF THE GLOBAL ECONOMIC GROWTH RATE

Income per capita, 1820 to 2018 (US) and 1870 to 2018 (world), in today's dollars.

GDP per capita

Real GDP per capita is measured using US\$, inflation adjusted at prices of 2011. Multiple benchmarks allow cross-country income comparisons.



Source: Maddison Project Database (2018)

Source: <https://ourworldindata.org/economic-growth>

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This is a tremendous accomplishment. But it's not good enough. We need more bourgeois dignity and economic freedom.

RECOMMENDATIONS FOR READERS

There are a lot of classical liberal books. What makes this one special?

The authors have an unconventional answer to the question of how the world got rich in the last quarter of a millennium. Unless you're already familiar with Deirdre McCloskey's books, articles, and videos, you probably haven't thought of the dignity newly afforded the bourgeoisie in the 1600s and 1700s as a factor — much less the dispositive factor — in explaining the world as it is today.

The book presents details exposing the inner workings of McCloskey's absurdly fertile mind. Just about anyone else writing 1700 pages (the trilogy, not this book!) about the bourgeoisie would have accomplished little other than a surefire formula for putting people to sleep. McCloskey and Carden's writing is lively and easy to read.

They've compressed their ideas into fewer than 250 pages of accessible storytelling. Those who do economic research rarely recast it in popularized form. Those who write popular books on economics are rarely capable of doing original research. McCloskey and Carden are excellent at both endeavors.

I enthusiastically recommend this book.

Laurence B. Siegel is the Gary P. Brinson Director of Research at the CFA Institute Research Foundation, the author of [Fewer, Richer, Greener: Prospects for Humanity in an Age of Abundance](#), and an independent consultant. His latest book, [Unknown Knowns: On Economics, Investing, Progress, and Folly](#), contains many articles previously distributed by AJO and AJO Vista. He may be reached at lbsiegel@uchicago.edu. His website is <http://www.larrysiegel.org>.