



DACA AT THE COURT

Cato influence on both majority and dissent

PAGE 3



POLICY FORUM

The origins of American empire

PAGE 9



LOOMING BANKRUPTCY

How America can avert a debt crisis

PAGE 13

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How the Bourgeois Deal Enriched the World

BY ART CARDEN AND DEIRDRE NANSEN MCCLOSKEY

IT'S A DIFFERENT WORLD

Thomas Hobbes wrote in 1651 that lives in the state of nature, without an all-powerful Leviathan in charge, are “solitary, poor, nasty, brutish, and short.” His list fits most of the human experience, both with an effective Leviathan and without. But a century or so after he wrote, the times they really were a-changin’. In the words of a British schoolboy, “about 1760 a wave of gadgets swept over England.” That wave soon became a flood of global prosperity. Real income per person has increased since 1800 by at least a factor of 10—even in very poor countries. It’s more like a factor of 30, 50, or 100 in the rapidly expanding list of bourgeois countries in places such as East Asia and Latin America.

What happened? Is the appropriate response to the modern world irritated sorrow or happy celebration? We suggest celebration. The world was and continues to be greatly enriched by adopting the Bourgeois

Deal. As evidenced by our book title—*Leave Me Alone and I’ll Make You Rich*—we’ve been enriched in the past two centuries, not only materially but spiritually and socially.

Did the government do it? Nope. Louis XIV’s finance minister, Jean-Baptiste Colbert, asked the businesspeople of Paris in 1681 how the government could help. Leave us alone, they replied: *Laissez-nous faire* (let us do it). Leave the government out of it. A restrained but effective gov-

ernment might help with prompt responses to Canadian invasion or novel coronaviruses, but “restrained and effective” asks more from governments than they have typically been willing to give. In any case, the Governmental Deal—Your money or your life—has never massively enriched us. The Bourgeois Deal has, every time.

In contrast with a solitary, poor, nasty, brutish, and short life, someone born in
Continued on page 6



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Clark Neily, Cato vice president for criminal justice (second from left), appeared on ESPN’s *The Undeclared* to discuss the case against qualified immunity in the wake of nationwide protests over the killing of George Floyd by police in Minneapolis. Cato’s Project on Qualified Immunity has been advocating for the reform or repeal of the doctrine that shields police officers who have violated constitutional rights from most civil suits. The panel was hosted by journalist **Michael Eaves** (left) and included **Patrisse Cullors**, cofounder of Black Lives Matter, and **Domonique Foxworth**, retired NFL athlete and former president of the NFL Players Association.

Continued from page 1

2020 can expect a life that is connected, wealthy, clean, peaceful, and long. Solitary? The revolution in communication makes it easy to play chess with someone on the other side of the world. Poor? Compare \$3 a day worldwide around the year 1800, expressed in 2008 prices, to roughly \$30 a day nowadays worldwide (and roughly \$100 a day in rich countries). Nasty? Compare your Roomba-swept floor to Erasmus of Rotterdam's account of 16th-century English houses: "The floors are commonly of clay, strewn with rushes; under which lies unmo- lested an ancient collection of beer, grease, fragments, bones, spittle, excrements of dogs and cats, and everything that is nasty." Brutish? As the late Hans Rosling put it, "Hunter-gatherer societies often had murder rates above 10 percent, and children were not spared. In today's graveyards, child graves are rare." Short? Life expectancy worldwide was 29 years in 1770. It had risen by 2014 to 71.

It would be cold comfort if the gains since 1800, or 1960, had gone to the rich, as you hear claimed every day. But the poor have been the big winners. The great economist Joseph Schumpeter described "the capitalist achievement" in his 1942 book, *Capitalism, Socialism, and Democracy*: "Queen Elizabeth owned silk stockings. The capitalist achievement does not typically consist in providing more silk stockings for queens but in bringing them within the reach of factory girls in return for steadily decreasing amounts of effort." Marie Antoinette is supposed to have said, when told that the peasants had no bread, "Let them eat cake" (well, "brioche," but same difference.) In rich countries now, people worry about different problems. All of us, even the poor, have too much bread. We eat too much cake. We are on our way to a world in which everyone has "first-world" problems such as bulging waistlines, cluttered closets, and nothing good to watch on Netflix.

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**BUT NOT BECAUSE OF GEOGRA-
PHY, EDUCATION, EXPLOITATION—
OR ANY OF A LOT OF THINGS**

It didn't happen for the reasons most people—even economists—think. Science, coal, investment, education, the move to free trade, better transportation, and secure property rights were all very nice. But they didn't do it. The geography, timing, and logic of the conventional reasons don't work. For example, as McCloskey showed in crushing detail in her 2010 and 2016 books, routine investment is nice, but it is, after all, routine. Sheer accumulation, such as having six cars instead of one, runs rapidly into diminishing returns.

Capital accumulation, the rule of law, a labor market, liquid water, and the existence of the universe were among the necessary conditions for the Great Enrichment. But "necessary" doesn't mean "sufficient." The necessary conditions suggested by economists and historians were historically commonplace worldwide. Countries abounding in natural resources such as Congo and Russia have remained poor while resource-lacking countries such as Japan waxed rich. The iron ore in Red Mountain near Birmingham, Alabama, was there for eons without greatly enriching anyone. China and medieval Europe enforced the law and invested heavily in seed (and drank liquid water and existed in the universe). But they did not explode in ingenuity.

"Ah," you may think, "then the trick is science and technology." We reply: Hurrah for the natural sciences, but technology in free markets has until recently preceded

basic science, not followed it. People butchered, baked, and brewed long before they understood the chemistry involved. And yet it wasn't until about 1760 that we got the "wave" of gadgets, which lead to the "tsunami" after 1800 and especially after 1900.

It also wasn't slavery or imperialism. In 1846, Karl Marx wrote to Pavel Annenkov that "direct slavery is as much the pivot upon which our present-day industrialism turns as are machinery, credit, etc. Without slavery there would be no cotton, without cotton there would be no modern industry. It is slavery which has given value to the colonies, it is the colonies which have created world trade, and world trade is the necessary condition for large-scale machine industry." It sounds plausible, but it is utter nonsense. Marx's nonsense has been exhumed recently by the King Cotton School of historians. This school is contradicted by the work about the economics of slavery by economists and historians during the 1960s and 1970s, and it has been further devastated by recent and meticulous empirical research. The argument is anyway nonsense on its face. If slavery made the United States rich, why does Canada have about the same income per person? And slavery is ancient and universal. Slaves were trafficked for centuries into markets in Algiers, just as slaves from West Africa were into New Orleans, with no hint of a Great Enrichment.

As to imperialism, the historian Niall Ferguson observes that it was the least original thing the Europeans did in the centuries before the Great Enrichment. Two centuries ago, the Scottish liberal Adam Smith and the French liberal Jean-Baptiste Say both argued that imperialism was economically unprofitable for the home country. Later research has confirmed their analysis even for the glorious British Empire. With exceptions such as Leopold II, the European elite didn't do much actual stealing from their overseas subjects. Stealing from their subjects at home was more profitable. It

turns out that stealing from poor people in India and Africa is not a very good business plan. Steal instead from France or England.

So then what, as Adam Smith asked, are the nature and causes of the wealth of nations? McCloskey in her books has shown factually what the economist Israel Kirzner asserted theoretically. Discovery, not reshuffling of existing resources by commerce or exploitation, led to riches. Kirzner argued that entrepreneurship is not chiefly about optimal shuffling. A hired manager can carry out such a routine. “The incentive,” Kirzner explained, “is to try to get something for nothing, if only one can see what it is that can be done.” We say that something for nothing came from a new rhetorical environment in the 18th century that encouraged (literally: gave heart to) entrepreneurs. As a result, over the next two centuries, production possibilities rose exponentially.

LET’S MAKE A DEAL: READING, REFORMATION, REVOLT, AND REVOLUTION MEANT REVALUATION

We prefer “innovism,” therefore, to the misleading word “capitalism,” which implies that capital accumulation caused the enrichment. Accumulation of cotton mills and university educations was not the cause any more than Rome’s accumulation of roads or China’s accumulation of Great Walls, or for that matter the Ghanaian government’s accumulation of foreign aid.

The new—and scientifically correct—theory of the cause of the wealth of nations is novel ideas, ideology, rhetoric, spirit, Geist. What matters is not some implausible claim that businesspeople became more virtuous, or more greedy, or more anxious about their salvation. That’s not what McCloskey’s “bourgeois virtue” means. It means that people started to believe that the bourgeoisie and its economic activities of trade and innovation were virtuous, or at least tolerable. In every successful lurch into modern riches from Holland in 1650

“ Societies embraced the Bourgeois Deal in three acts. ”

to the United States in 1900 to China in 2000, one sees a startling reevaluation in how people thought about exchange and innovation. Deng Xiaoping is supposed to have said, “To get rich is glorious.” When the Chinese signed on to the Bourgeois Deal (in the economy, at least), they at length got bourgeois incomes.

Liberalism was slowly liberated in northwestern Europe after 1500. Meanwhile, during those centuries it was largely suppressed in the other growth-ready places such as China and the Ottoman Empire. The causes of European liberalism in turn can be gathered into four Rs. Reading material poured from the unevenly censored printing presses across a politically fragmented Europe. Reading in turn meant the Reformation of Christianity in northern Europe, which in its radical forms such as among Baptists and Quakers radically flattened church governance.

The democratization of so important a part of their lives inspired believers to look kindly on consenting acts of exchange among adults, even among women and poor men. The Quakers in particular flourished by producing such famous examples as Lloyds insurance, Barclay banks, and Cadbury and Rowntree chocolate. The third and fourth Rs caused human liberty and dignity to explode, in the successful Revolt against Spain in the Netherlands of the 16th century and the Revolutions in 17th-century England, in 18th-century France, and most of all in the new United States. The four Rs together created a fifth, a Revaluation of the bourgeoisie and its innovations. It was incomplete and imperfect, to be sure,

as on display today with movements such as Black Lives Matter. But it sufficed to act as the spring of a Great En-Richment.

Societies embraced the Bourgeois Deal in three acts that can be summarized as follows: “Allow me, in the first act, to have a go at innovating in how people travel or buy groceries or do open-heart surgery, and allow me to reap the rewards from my commercial venturing, or absorb the losses (dam it: isn’t there something the government can do about that?). I agree, reluctantly, to accept that in the second and third acts my supernormal profits will dissipate, because my lovely successes from innovating the department store or devising the laptop will attract imitators and competitors. (Those pesky imitators and competitors. Hmm. Maybe I can get the government to stop my competition.) By the end of the third act, I will have gotten rich, thank you very much, but only by making you, the customers, very rich indeed.” It’s a good deal, too. The Nobel laureate economist William Nordhaus calculated that, in the United States since World War II, consumers have earned 98 percent of the social gain from innovation. The suffering innovators (Malcolm McLean, Sam Walton, Bill Gates, Joy Mangano) have earned only 2 percent.

The Bourgeois Deal differs radically from the other deals. The Blue-Blood Deal says, “Honor and obey me, an aristocrat by birth and blood, and by the third act I at least will not have broken you on the rack or disemboweled you on the field of battle.” The Bolshevik Deal says, “Turn over everything produced according to your ability (which the Party will determine) for distribution to others according to their needs (which the Party will determine), and don’t ask why the Party elites have dachas and caviar while you have too many left-footed boots. By the third act, we might not have sent you to the gulag in Siberia or put you in a Uighur concentration camp.”

The Bismarckian Deal, named for the

German liberal-turned-anti-liberal Otto von Bismarck, offers a welfare-state truce between the Bourgeoisie and the Bolsheviks, saying, “Come to view in acts one and two the present government as your noble and benevolent lord, forsaking family and the institutions of civil society, which so imperfectly provided for elder care and emergency medical care. By act three I will at least have protected you from the terrible Bolsheviks and the worse Bourgeoisie.” The Bureaucratic Deal sneers at bourgeois innovation: “Honor me, an expert by possession of a master’s degree, and give me the power to tax and regulate you in the first act, and also in the second and all subsequent acts. I forbid you under penalty of legislation (which I write) from seeking a better deal, such as by moving your factory to Mexico, shifting your money to the Cayman Islands, operating a business without a government license (which I give out), or working for less than a decreed minimum (which I determine). If you follow my orders and keep paying your taxes, then by the third and subsequent acts I will at least not have jailed you.”

These other deals are recipes for what at best might be an orderly stasis. Historical experience suggests that they are often recipes for blood-spattered poverty. Better to have the Bourgeois Deal. Of course, no polity is perfect: McCloskey’s Sweet Home Chicago and Carden’s Sweet Home Alabama mix Bourgeois-Dealing innovism and Bolshevik(-ish)-Dealing of socialized control of the means of educational production under the auspices of a Bureaucratic-Dealing license raj, a Bismarckian-Dealing welfare state, and Blue-Blood-Dealing political machines. Out of the crooked timber of humanity no straight thing was ever made. But since 1800, we have managed under the new liberalism of Voltaire and Smith and Wollstonecraft to get enough of the Bourgeois Deal to produce the Great Enrichment. Huzzah!

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The Great
Enrichment
comes out of
liberalism.
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KEEP CALM AND CARRY ON

Beware of the distractions. The real problems, without which the other problems don’t get solved, have always been tyranny and the poverty it leads to. Not the environment or alienation or the sick hurry of modern life or whatever new worry the clerisy comes up with this afternoon. Worrying about economic inequality, for example, distracts from the main story of the modern world. The Dutch and the British slowly learned centuries ago, and the Chinese and Indians finally realized a few decades ago,

that the salvation for the wretched of the earth is the Great Enrichment that comes out of liberalism, not restrictions and redistributions imposed by governments. As the economist Thomas Sowell is fond of saying, people live on real income, not on income shares. The early 21st-century obsession with within-country inequality, in short the differences between the Global Mega Rich and the Global Merely Rich, is scientifically erroneous and ethically wrong.

Contrary to what you hear daily, the world is getting better, and the poor are the big winners. We need to keep our ethical wits about us, and not, for example, decide in a fit of COVID-19 panic to abandon the liberal project of encouraging innovism among a free people. Liberalism has massively enriched the descendants of peasants and slaves and the lowest of the low—that’s you and us. Let’s keep it. ■

“**Find out why, if you are not an optimist, you should be.**”

—VERNON L. SMITH, *Nobel Prize-winning economist*



The world is, for the most part, getting better. While major concerns such as climate change, marine plastic pollution, and declining wildlife populations are still with us, many of these problems are already in the process of being ameliorated as a result of favorable economic, social, and technological trends. *Ten Global Trends Every Smart Person Should Know: And Many Others You Will Find Interesting* will provide busy people with beautifully illustrated, quick-to-read, easily understandable, and entertaining access to surprising facts that they need to know about how the world is really faring.



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