

Weekly column in Folha de S.Paulo.

Translated into Portuguese in the newspaper.

In English on the website, and at deirfremcloskey.org

September 2023

New Technology Caused by Liberalism Made the Modern World

Deirdre Nansen McCloskey

The second and third volumes of my trilogy (2006, 2010, 2016) argue that technology spurred by liberalism made the modern world. I've refined the argument in several, later books, such as a popular book with Art Carden summarizing it all, *Leave Me Alone and I'll Make You Rich: How the Bourgeois Deal Enriched the World* (2020). The point is that neither capital investment made by good rich folk nor surplus value extracted by evil bosses made for the Great Enrichment. The very word "capitalism" contains the mistake. Piling up bricks, or stealing the bricks from the working class, is not creative. Capital is necessary. But so is sunlight and labor.

The arrival of equality of permission in a liberalism starting in the 18th century unleashed creativity. Better technology, new ways of doing things, such as reinforced concrete and the modern university and votes for women and the abolition of slavery, made us astoundingly richer than our ancestors.

Even quite intelligent people keep getting this backwards. They think I am saying that technology is precisely *not* what made us rich. I think their problem is that they are accustomed to mixing up investment and technology. Even the Blessed Adam Smith did so, and his follower Karl Marx did so massively. We got the silly world "capitalism" in turn from Marx's followers. The word makes people believe that investment is creative. It's a little bit creative. If you invest in stupid projects like burning down the Amazon rain forest to make farmland that you already have plenty of, you'll do better to stop such investment. "Doing better" is what innovation is.

But such decisions are minor in their effect on prosperity. Some economists such as Robert Solow and Moses Abramowitz started realizing this crucial historical fact during the 1950s. They distinguished routine investment, piling up bricks of university degrees, from the much more enriching force of entirely new ideas. The World Bank never got the memo.

Economic science should not be mainly about allocation, in, say, banking or finance or corporate profits. It should be about the sources of economic creativity. I say so in another book, *Bettering Humanomics: A New, and Old, Approach to Economic Science* (2021).

But I suppose people will get this backwards, too. Grrr!