

“Populism Is Zero Sum Under Majority Rule”

Paper for Mont Pelerin Meetings,

Stockholm, 2 November

Preliminary draft; references to be supplied.

Deirdre Nansen McCloskey¹

Populism revives the ancient ideology of zero sum for an age of majority rule. Liberalism, by contrast, is a recent ideology of positive sum, with rights for minority groups, which often generate the positive sum. The pioneering management theorist of the 1920s, Mary Parker Follett, called it “win-win.” Populism speaks instead of “win-lose,” and darkly suspects that the minority groups are the source of the “lose.”

Populism can be given what the philosophers call an “ostensive” definition, that is, pointing to instances one after another until the point is clear. All right, to speak only of those who achieved substantial if often temporary political power, the Gracchi, Savonarola, William Jennings Bryan, Mussolini, Juan Peron, Huey Long, Joseph McCarthy, George Wallace, Hugo Chávez, Silvio Berlusconi, the Tea Party, Jeremy Corbyn, Marine Le Pen, Bernie Sanders, Donald Trump. Zero sum prevails. Italy in the 1930s can be rich and, especially, glorious only by foreign conquest, incompetently pursued. Southern whites in the 1880s can only be dignified if blacks are not. America in the late 2010s can only be made richer if China and Mexico are made poorer.

What has been odd and definitive of populism during the past couple of centuries, though, is not the zero sum, an old and commonplace assumption about the economy, but majority rule as the default in politics. “Democracy,” after all, has only recently become a good word. Majority rule was until the nineteenth century regularly described as mob rule. *Odi profanum vulgus*. It was to be disdained, and only a tiny group of radical priests and levellers disagreed. “When Adam delved, and Eve span / Who then was the gentleman?” John Ball asked in 1380, for which he was drawn and quartered. In 1685 the Leveller Richard Rumbold, facing the hangman, declared, “I am sure there was no man born marked of God above another; for none comes into the world with a saddle on his back, neither any booted and spurred to ride him.”² Few in the crowd gathered to mock him would have agreed. A century later, many would have. By 1985 virtually everyone did, at least in declaration.

1 Emerita Professor of Economics, History, English, and Communication, University of Illinois at Chicago. I thank Atanacio Hernandez, Alfred Saucedo, and J. J. Chen for valuable comments on an early draft,

2 Quoted in Brailsford 1961, p. 624. Thomas Jefferson, the driver of slaves, had the temerity to use Rumbold’s words. Compare Jefferson’s behavior, unto death, with John Lilburne’s charge in 1646 that the upper house of Parliament was now acting as the king had: “All you intended . . . was merely to unhorse and dismount our old riders and tyrants, that so you might get up, and ride us in their stead” (Brailsford 1961, p. 93).

Populism, then, is democracy in the polity when obsessed with zero sum in the economy. Socialism is a populism with a grand theory attached. Neither is strange. After all, zero-sum thinking is deeply natural. It is the default, certainly, for humans and for other great apes. Herd animals and social animals behave “charitably” towards their herd or society, it may be, though all animals will fight for territory, or else avoid the fight from a sense of justice. A dog will not steal another’s bone.

Modern populism was expressed by the Louisiana governor Huey Long in 1934 as “Every man a king.” A classical liberal can warmly agree, as against the affection for hierarchy among conservatives. In the eighteenth century kings had rights, and women had none. Now, thankfully, it’s the other way around.

But Huey’s way of achieving the rights was that of both Bad King John and his enemy Robin Hood, characteristic of the feudal and now the socialist and populist order, of violence. “It is necessary to scale down the big fortunes,” he said, “that we may scatter the wealth to be shared by all of the people.”³ Scale down by governmental violence one person’s earnings by trade and betterment, in order to give to another person, and all will be well. Zero sum. Win-lose.

The liberal espouses not an equality of end state but an equality in procedure. She does not wish the government to enter at the end with police powers to make incomes equal. She wants people to be equipped at the beginning to have a go, as the British say. The liberal expects, without the assurance of compulsion, that having a go under law will yield win-win. And, remarkably in the past two centuries, it has.

The once-radical equality urged by modern liberalism – whether justified by equal natural rights or by utilitarian theorems about the greatest happiness – suggests an analogy with the democratic “one person, one vote.” Such equality is another point of political agreement between liberal and populist. But political equality is also analogous to the equality the liberal stresses in the marketplace, too, in which a rich man’s dollar is no more valuable than a poor man’s, expressed by the phrase “dollar votes.” True, a rich man has more votes than a poor man. Since when has that not been true? But the economist Armen Alchian long ago made the point that in a world of scarcity the alternatives to dollar votes are either social losses such as competition by queuing or theft, or else appeals to hierarchy, such as competition by race or class, charm or beauty, Party membership or education.⁴ In particular, without the primacy of dollar votes the end-state equality can only be achieved by using the government’s monopoly of violence. That is where the populist or socialist or conservative part company with the liberal, at the door of the police station.

If *il popolo do* rule, it will of course be expected to vote to seize by violence the income of the rich and turn over the loot to itself, unless restrained by some other ideology, of republican respect for minorities, perhaps, or by a belief in mutual advantage when others are allowed to have a go – in a word, by an ideology of economic liberalism. What is unusual about “liberal democracy” is the combination of two principles in tension, *laissez faire* and majority rule, Smith and Rousseau, positive sum and zero sum, the economy and the polity.

3 <http://www.americanrhetoric.com/speeches/hueyplongking.htm>

4 CITE

The populist proposal for redistribution is seen, too, in the simple altruism as understood by some in Christianity and Islam and other faiths. Altruism is seen as a redistribution of a fixed sum. As Jesus said to the rich young man, "If thou wilt be perfect, go and sell what thou hast and give to the poor, and thou shalt have treasure in Heaven; and come and follow Me." Thus Saint Francis, and Pope Francis.

Christian theology can be construed, however, to imply a more liberal attitude. Many of the parables of Jesus recommended prudence in a market society, the parable of the talents, for example, or the fig tree not bearing fruit. Anyway the deeper theology affirms that God's grace is infinite, with no scarcity, and therefore not zero sum. The cliché that "There but for the grace of God go I" implies that God is constrained to give to you or to me, not both. Likewise liberation theology, with its recommendation of zero-sum socialism (see again Pope Francis), is not a liberal theology, and is questionably coherent. The point, contrary to many of our progressive Christian friends, is that a *liberal* theology is no oxymoron.

§

In an economy with no aggregate growth, an assumption of zero sum is not unreasonable. Until 1800, consequently, it seemed reasonable as a basis for policy. The economist Benjamin Friedman has observed that slow growth implies that envy dominates.⁵ Fast growth satisfies all, averting the occasion for sin.

In poor times the populist assumption is that the rich must have got their riches the old fashioned way, by stealing. Georg Simmel put it well in 1907: "The masses – from the Middle Ages right up to the nineteenth century – thought that there was something wrong with the origin of great fortunes. . . . Tales of horror spread about the origin of the Grinaldi, the Medici, and the Rothschild fortunes . . . as if a demonic spirit was at work."⁶

Simmel is being precise here, as he usually is. It is the masses, *hoi polloi*, who hold such views most vividly. Thus European and now Middle Eastern anti-Semitism. A jailer in the thirteenth century scorned a rich man's pleas for mercy: "Come, Master Arnaud Teisseire, you have wallowed in such opulence! . . . How could you be without sin?"⁷ Echoing Jesus when he speaks of rich men and camels, another of Le Roy Ladurie's Albigensians declared that "those who have possessions in the present life can have only evil in the other world. Conversely, those who have evil in the present life will have only good in the future life."⁸

The people feel just so against most entrepreneurs, too, though admiring their buccaneering spirit. The economist Virgil Storr has written illuminatingly about the corruptions of the buccaneering spirit in his native Bahamas.⁹ Simmel's phrase "up to the nineteenth century" refers to the rise of liberalism, in which having a go and getting rich by non-buccaneering means came for the first time to be respected. Schumpeter called it

⁵ CITE

⁶ Simmel 1907 (2004), p. 245.

⁷ Le Roy Ladurie 1978 (1980), p. 332.

⁸ Le Roy Ladurie 1978 (1980), p. 336.

⁹ CITE

the “business-respecting civilization,” which he remembered fondly from before the First World War.

The recent fashion for worrying and worrying about inequality has the same source in perceived slow growth, and the resulting anxiety that zero sum may prove to be true. Your gain will be my pain. French politics, aside from a brief flirtation with liberalism in the time of Bastiat and Tocqueville and Chevalier, runs on a theory of zero sum, as does much of radical and reactionary politics everywhere since the French Revolution. Such a politics claims that the bosses have stolen a vast sum that can easily be drawn down, repeatedly, endlessly, to improve the lot of the workers. The reactionaries object to the draw-down, but still believe it as zero sum. The radicals rejoice, and also believe it as zero sum. And so the 230-year Franco-French War continues.

The theorized source of the zero-sum supposition that we are poor because the rich are rich is specifically of course Rousseau, who wrote in 1754 in *On the Origin of the Inequality of Mankind* that “The first man who, having fenced in a piece of land, said ‘This is mine,’ and found people naïve enough to believe him, that man was the true founder of civil society. . . . [and] how many crimes, wars, and murders.”¹⁰ When half of GDP went to landlords, as it did in 1754, a policy of seizing the land of the landlords would have made some sense, to provide an instant doubling of the income of the non-landlords.

But in modern times the statistics of land rents would not allow much of a rise, except for the very poorest. Land rents now are in their share of national income derisory by historical standards, belying the conventional rhetoric that “resources” are what made, say, the United States rich. Profits, then? Let us expropriate the expropriators. If you ask even quite intelligent people what share of GDP is profit, they will often say “50 percent.”

Not so. More like 20 percent. Redistribution from rich people, although assuaging bourgeois guilt, has never been the chief sustenance of the poor. The social arithmetic of 20 percent shows why. If all profits in the American economy were forthwith handed over to the workers, the workers (including some amazingly highly paid “workers,” such as sports and singing stars, and big-company CEOs) would be 25 (= 20/80) percent or so better off, right now. Again, the very poor would benefit more, even much more, though the top of the distribution of income from working correspondingly less.

But in any case the benefit is one time only. The expropriation is not a 25 percent gain every year forever, but merely this one time, since you can’t expropriate the same people year after year and expect them to come forward with the same sums ready to be expropriated again, and again. A one-time expropriation raises the income of the workers. But then their income reverts to the previous level. If the profits can simply be taken over by the government without damage to their level, miraculously, and then are distributed to the rest of us by saintly bureaucrats without sticky fingers or favored friends or silly projects, workers continue getting whatever rate of growth the economy was experiencing. And it supposes, unnaturally and contrary to the evidence of communist experiments from New Harmony, Indiana to Stalinist Russia, that the expropriation of the income of entrepreneurship and capital will not in fact reduce the rate of growth of the pie.

¹⁰ *On the Origin of the Inequality of Mankind*, Second Part.

The real sustenance of the poor has been economic growth, the Great Enrichment, which raised real incomes in the past two centuries by a factor of *thirty*. Look again at the figure: a factor of 30, or about 3,000 percent. The great Marxist economists Joan Robinson pointed out that if market-tested betterment in such large magnitude happened, as it obviously did, then it cannot be true that *all* incomes decline. Yet some Marxists insist on both a falling rate of profit and an immiserization of the workers. In logic the betterment has to go to someone. And in fact it has gone to the workers. The rate of return on capital is about what it was in 1848. The real wage of workers, on the other hand, is 20 or 30 times what it was.

Which is to say that we were once *very* poor. Thank God for the Great Enrichment (and no scarcity about it: the Great Divergence, so-called, is rapidly coming to an end). Over the winter in Burgundy the vineyard men in the 1840s hibernated, and not merely figuratively. An official reported in 1844 that “these vigorous men will now spend their days in bed, packing their bodies tightly together in order to stay warm and to eat less food.”¹¹ Even in fast-enriching Sweden, whose economy grew after the liberalization of the 1860s faster than any economy except Japan’s, the novelist Vilhelm Moberg remarked of his childhood around 1900 in the countryside that he could bring to mind only the long summers. In winter “the children in a smallholder’s cabin . . . were too badly clothed to stand the cold. . . . Life in winter was quite literally shut in: we dozed by the open fire and slept through many hours of the [very long Scandinavian] night: it was, for children, a quiet vegetating in the darkness under the low cabin.”¹² In 1917 in a backwater of a by then definitely enriching Sweden, the potato crop failed and some of the poorer people literally starved to death.

No longer, because exchange-tested betterment under liberalism made poor people rich.¹³

§

After such a triumph for economic liberalism as France and Sweden in the nineteenth century, and China and India in the twenty-first, why does zero-sum thinking persist? Repeatedly after 1800, in the Venezuela of Chavez and Maduro, or in less stark form in the United States of Trump, zero sum has proven wrong. The factors in the Great Enrichment of 20 or 30 would seem to be sufficient proof. The demonstration effect of liberal economies should be decisive in showing that the best way to help the poor is to let exchange-tested betterment flourish. Hong Kong. South Korea. Ireland. Botswana.

One trouble is that in much of life zero-sum thinking makes instant psychological sense, as in competitive sports, or elective politics. Whenever rank is the issue, zero sum is true. Only one person can be best in class.

And another is sociological, and peculiar to a rich modern world. Dinner in a bourgeois household is far from production and the market. A loving household is in fact socialist—from each according to her ability, to each according to his need. The mother in the household is the central planner. Solutions to inefficiencies within the household are

¹¹ Robb 2007, p. 78.

¹² Quoted from Moberg’s memoir in Brown 2008, pp. 9–10.

¹³ Brown 2008, p. 16, the year corrected by Myllyntaus and Tarnaala 1998, p. 36.

obvious. And so choosing winners is a snap. Income falls like rain from The Office. If one child gets more ice cream, the other gets less.

Children growing up in such a family are natural zero-sum thinkers, or anyway vaguely populist in the Occupy-Movement way. At age 16 I was, for example, a Joan-Baez, folk-singing socialist. I dreamt I saw Joe Hill. until I started studying economics. I only became a thoroughly positive-sum liberal when I started teaching the subject. Teaching Edgeworth boxes makes utterly clear the distinction between zero sum, in the initial allocation (see Rousseau) or in a redistribution along the contract curve (see Mill and Rawls) and positive sum in achieving the contract curve from a non-equilibrium outset (see Smith, both Adam and Vernon).

Children growing up on farms, as most children did before the 20th century, or growing up in small businesses in which they participate, or even children who have jobs like delivering papers, know where meat comes from and know how prices matter and know how scarcity rules. My few students at the University of Iowa from farms understood economics readily. Bourgeois children, who were most of my students wherever I taught, do not. More and more people in a rich society are bourgeois.

For this reason the liberal argument of positive sum – not to speak of liberties such as freedom of speech for its own value – needs to be re-taught to every generation. Give the kid a summer job. Otherwise we raise up our own populist-socialist gravediggers. A liberal young woman, instructed by farming experience or by the study of economics, in other words, will know that exchange is positive sum.

I have a dear neo-Marxist friend who says, “I *hate* the market!” I say, “But, Jack, you *love* to search for antique furniture. . . in markets.” “I don’t care: I *hate* markets.” The left populist like Jack or Karl Polanyi stands against trade and its outcomes. Such opposition to the positive sum of mutually beneficial exchange entails protectionism, over-regulation, passports, industrial policy, and the seizure of the means of production.

Positive sum has been denied by all illiberals, such as medieval guildsmen or eighteenth-century mercantilists or nineteenth-century protectionists or early twentieth-century socialists or late twentieth-century regulators or early twenty-first century populists. Marx, for instance, famously claimed that exchange of labor for wages was intrinsically exploitative. Zero sum. It resonates down to the present in the phrase “wage slave,” coolly defined in the *Concise Oxford Dictionary* of 1999 as “a person who is wholly dependent on income from employment,” with the notation “informal” – but not “ironic” or “jocular” or, better, “illiberal.” Thus Judy Pearsall, the editor of the *Concise Oxford*, who lives, it may be, in a nice semidetached in London NW6 and drives an old Volvo, is a “slave.” You are a slave. I am a slave. We had better rethink, in positive-sum terms, or else we are doomed to populist socialism.

An example of failing to think in such terms is the notion of “competitiveness.” You will hear it in populist circles, but also in schools of business very far from the mob. It sounds tough and economic. But it violates the core economic principle of comparative advantage. Competitiveness is about “Good only for me.” The very word evokes war or sports. It occurs naturally, and even appropriately, from a single person’s point of view, or a single company’s point of view. By all means let me become more

efficient and therefore more “competitive.” If the Saab auto company fails, Volvo clearly is made better off. Lose-win.

Comparative advantage, by contrast, the analysis of which the liberal Ricardo devised, is about teamwork, “Good for us.” Good for the society. In later analysis it is the move to the contract curve. (Absolute advantage, by contrast, is about the initial dimensions of the Edgeworth box.) The pattern of trade has nothing to do with absolute advantage, competitiveness, or zero sum. It is wholly determined by comparative advantage, a positive sum.

Feudalism, aristocracy, autocracy, and most other traditional systems, I say, were zero-sum, though in non-democratic ages. The invention of agriculture led to stationary bandits, in Mancur Olson’s phrase.¹⁴ A man on a horse with a sword can collect rent or taxes or tribute or enserfment or protection money, call it what you will. When you admire the ornamentation of the Taj Mahal in Agra or the Cappella Palatina in the Royal Palace in Palermo, note that the gold and ivory was extracted from the peasantry under zero sum.

But of course the peasants believe in zero sum, too – in absolute rather than comparative advantage, in protection rather than trade, in rank rather than general prosperity. It’s merely the peasant’s misfortune not to be the Emperor Shah Jahan or King Roger II. A folktale from the Czech lands tells of Jesus and St. Peter traveling in disguise, asking peasant families for food and shelter for the night. At last a generous peasant couple provides. The next morning the travelers reveal their identities, and Jesus says, “To reward your blessed charity, you may receive anything you want.” The husband and wife consult in whispers for a moment, and the husband turns to Jesus, saying, “Our neighbor has a goat, which provides milk for his family . . .” Jesus anticipates: “And so you want a goat for yourselves?” “No. We want you to kill the neighbor’s goat.” Negative sum.

Cut down the tall poppies. Don’t think you are someone special. Thus the modern Law of Jante (ask any Scandinavian). The intellectual historian Henry C. Clark has observed that cutting down the tall poppies is an “unsocial passion,” as Adam Smith put it, the uncooperative conviction that my rank in advance of yours is more important than the annoying and probably self-enriching project for our alleged mutual betterment that you keep offering.¹⁵

A right-wing version of zero-sum also maintains hierarchy, and was well understood in Czech and other lands before 1800. At all costs we must keep the distribution of income we started with. “Innovation,” like “democracy,” was a bad word until the liberal nineteenth century. No disturbing betterment is to be tolerated, even if [Rawls-style] the standard of genuine comfort of the poorest is thereby greatly improved. The Spanish proverb is “*mal de muchos, consuelo de tontos*,” that is, “evil for many, a comfort to fools” – making them feel that after all they are equal, and have no one to envy.

§

14 CITE

15 CITE

Furthermore, populism re-enacts feudalism and other systems built on rank and honor in stressing loyalty, as Hirschman put it, rather than the voice of the democratic socialist or the exit of the democratic liberal. Feudalism is the economic and political system of everyone having a permanent boss. Liberalism is a society of no bosses, except temporary and voluntary ones, now even in marriage.

But the trouble is that humans *want* a master. Liberty is terrifying. People want gangs, of skinheads or communists. The fascist lean of populism comes from its bossism, in a mass society with modern communication, and indeed a lack of the honest faithfulness that was the feudal ideal of the boss – the Christian knight. Bossism replaces the rule of law by various versions of “amoral familism,” as Edward Banfield called it, or of celebrity, arising from the glamour of kingship.¹⁶ Trump combines the two, as did Huey Long. Unsurprisingly, Trump grew up in real estate, highly zero sum by nature, and not even in a corporation in which he would have to attend to outsiders as stockholders. One person gets the deal, another competitor does not, at any rate in Trump’s view.

We need a liberal faith in *no* permanent, involuntary bosses. By contrast both conservatives and socialists believe, with the legal mind, as Hayek put it in 1960, that “order [is] . . . the result of the continuous attention of authority.”¹⁷ A boss. Both, in other words, “lack the faith in the spontaneous forces of adjustment which makes the liberal accept changes without apprehension, even though he does not know how the necessary adaptations will be brought about.”¹⁸

But such a liberal faith seems hard to hold on to.

§

Liberalism, then, is the political theory of positive sum. It is threatened by populism, from the right or from the left.

An economics developing from political economy is the core theory of liberalism. By 1848 in Mill’s *Principles of Political Economy* the theory was mostly worked out, standing forth in the common sense of, for example, Frédéric Bastiat. The simplest way of stating it is supply and demand, which says that what roughly happens by voluntary deals in a market is also what is pretty good for the world as a whole.¹⁹ No permanent bosses, whether barons or bureaucrats, with the result that you get a good and rich society. The theory was perfected by the Neoclassicals of the 1870s, Jevons and Walras and Menger, followed by the technical excellence of Marshall and Wicksell and Edgeworth.

But there were two problems.

(1.) The first is that such a theory of liberalism is static, not evolutionary; mechanical, not organic; settled, not discovered. Once the specimen was pinned and mounted on a lovely diagram of supply and demand, it invited tinkering. The strange drift away from liberalism in the New Liberalism in Britain and Progressivism in the United States and democratic and revolutionary socialism on the Continent infected the

16 CITE

17 Hayek 1960 (2011), p. 523

18 Hayek 1960 (2011), p. 522

¹⁹ Muller 1999.

economist. He began to think of himself—mostly “he” and “himself”—as an economic engineer in detail, the “man of system” Smith decried. “The man of system. . . is . . . enamored with the supposed beauty of his own ideal plan of government. . . . He seems to imagine that he can arrange the different members of a great society with as much ease as the hand arranges the different pieces upon a chess-board” (TMS).

The crux in the retreat from understanding after 1848 was an ill-chosen piece of rhetoric, the locution “perfect competition.” “Perfect” competition came to be seen by the left and then by the center and even by some on the right as a unicorn. Economists discovered more and more reasons, they thought, to doubt that such a beast existed, even approximately. And so the ideal plan of government was to be applied to correct the bad placement of the chess pieces. Yet seldom if ever was a proffered imperfection—monopoly, spillovers, informational asymmetry—shown to be large enough to make it desirable to overturn the liberal order, and to require action by a (presumptively wise and honest) government. The science was not done. It is an on-going scandal in economics.²⁰

(2.) The second problem is that the core theory of economic liberalism predicted very modest economic growth. Yet the Great Enrichment came. During the century and a half of accumulating Nobel-worthy claims of “imperfections in the market” the liberal economic system delivered a rise of real income per head of 3,000 percent. In Yiddish syntax one might exclaim: You should have such imperfections!

The magnitude of the growth was wholly unanticipated. Most economists since Smith have expected small gains from the division of labor, what later came to be called Harberger Triangles—efficiency gains alone.²¹ The economists have been mistaken. In 1871, a century after Smith, John Stuart Mill’s last edition of *Principles of Political Economy* marks the perfection of classical economics, on the eve of a better, neoclassical economics (worse than Classical political economy at dynamics, except in its Austrian branch). Listen to Mill: “Much as the collective industry of the earth is likely to be increased in efficiency by the extension of science and of the industrial arts, a still more active source of increased cheapness of production will be found, probably, for some time to come, in the gradual unfolding consequences of Free Trade, and in the increasing scale on which Emigration and Colonization will be carried on.”²² Yet the gains from trade, though commendable from a static point of view, and well worth having, and necessary for free people having a go, proved to be trivial beside the extension of the industrial arts. He says elsewhere, “Hitherto it is questionable if all the mechanical inventions yet made have lightened the day’s toil of any human being,” a strange assertion to carry into the 1871 edition, with child labor falling, education increasing, the harvest mechanizing, and even the work week shortening.²³

Taking the long view, modern economic growth has in fact been a massive free lunch. The mechanism was not reshuffling towards efficiency, an accumulation of Harberger triangles, but an explosion of discoveries of betterments. As Israel Kirzner puts it, entrepreneurship is not about optimal shuffling, since a hired manager can carry out such a routine, anytime in history. “The incentive is to try to get *something for nothing*, if

²⁰ McCloskey 2017.

²¹ CITE

²² CITE

²³ CITE

only one can see what it is that can be done."²⁴ Consider: the steam engine, the railway, steamships making the nineteenth century, and then the great discoveries in chemistry and electricity and electronics that made the twentieth century. Investment came after the idea, and the idea is a free lunch (though occurring often first to the expensively prepared mind; though often enough to the poor but ingenious fellow). Consider reinforced concrete, which combined a Roman and Chinese technology of concrete with newly cheapened steel. A French gardener trying to make larger pots discovered it. Consider containerization in intermodal transport, which occurred to a trucker in North Carolina in 1956.

A rhetorical turn towards liberalism in the eighteenth century encouraged (literally: gave courage to the hope of) entrepreneurs. As a result, over the next two centuries the production possibility curve leapt out by a factor of thirty. More. Our riches are not chiefly a matter of methodical investment, which could just as well have happened in Song China or Fifth-century Greece, but of discovery. And the discovery came from inspiring great masses of people under an expanding liberalism to have a go.

Economists understand investment, or think they do. Therefore they wish to turn every development into an investment—physical capital, human capital, social capital, spiritual capital, and so forth. Dale Jorgenson, in collaboration with the late Zvi Griliches, pushed investment as far as it could go.²⁵ They were determined to admit no free lunches, no creativity leading to discovery. They proposed to trace every gain of real income back to the supposed opportunity cost accounting for it, arguing for example that modern hybrid Indian corn was a result of earlier investments in the United States in land-grant universities.

But ideas, not investment following on the ideas, was the cause of the modern world.²⁶

§

And the master idea was liberalism freed from the envy of populism. Liberalism promises to liberate the wretched of the earth. Unless we fall back into zero sum.

24 CITE. Italics supplied.

25 CITE

26 McCloskey 2010, 2016,