

An Open Letter to Alan Olmstead and Paul Rhode

in Response to Alan's essay

HISTORICAL AND INSTITUTIONAL PERSPECTIVES ON AMERICAN AGRICULTURAL
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Dear Alan and Paul,

Alan sent me his recent survey of the Olmstead-Rhode findings, which was extremely enlightening. It is an amazing body of work. If the Nobel committee rewarded actual economic science instead of silly mathematical tricks, you would both have an appointment in Stockholm.

Your work blows sky high the induced-innovation tale, which anyway has never made sense economically. A dollar saved is a dollar saved, whatever the margin on which it is saved. And so the USA, you show, adopted labor-intensive crops such as tobacco and cotton, and saved by biological innovation massively, of all things, land. Bob Allen persists in believing the induced innovation story of Hayami and Ruttan, and before them of H. J. Habakkuk and many, many others, illogically mixing up movements along a known isoquant with innovation by its shrinking towards the origin.

I think you need to somehow get your news out to students of technology more broadly. Like Joel Mokyr and me, you are saying that innovation depends on politics and ideology and, to use a too-vague word, "culture" more than on endowments or faux "logics" of factor prices. As Tocqueville said, "Looking at the turn given to the human spirit in England by political life; seeing the Englishman . . . inspired by the sense that he can do anything . . . I am in no hurry to inquire whether nature has scooped out ports for him, or given him coal or iron."¹

Understand that we little band of actual (Smithian the Millian) liberals fully acknowledge that contagion – of the animal diseases that you decisively demonstrate were controlled by coercion by a newly empowered United States Department of Agriculture in the late 19th century, or nowadays, and for these many months to come, covid-19 – is a justification for state coercion. Of course we actual liberals also note that the trouble is, as Bob Higgs showed long ago, is that actual war, or a metaphorical war against foot-and-mouth disease in cattle, yields also a permanent bureaucracy, which turns out to be hard to tame. After its justified work in research and information dissemination and coercion in aid of a true public good such as control of pests, the USDA turns to schemes of redistribution in favor of, well,

1. Alexis de Tocqueville. 1835. *Journeys to England and Ireland*. Edited by Jacob Peter Mayer. Translated from the French by G. Lawrence and K. P. Mayer. Yale University Press, 1958. New Brunswick: Transaction Books, 1988, p. 116.

agriculturalists. When my mother in the 1930s asked her Uncle Oliver whether he was distressed when his crop in central Illinois failed, he told her not to worry: crop insurance meant he farmed the government, not the land. A visitor to the USDA in the old joke asks why the one bureaucrat in the vast hall among hundreds is weeping uncontrollably. His host replies, "His farmer died."

Your story is similar to one I have been gradually realizing is true more widely: that *social* conditions of innovation are what matters – on the one hand the always crucial liberation of a free people to experiment, and on the other the sometimes sensible use of the monopoly of coercion in government to overcome, as you say, free riders. My own story in *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World*, emphasizes the innovation coming from a free people. Your story is the innovation coming from the state using its understanding of science (and in the covid-19 case, culpably rejecting science, and therefore *not* accumulating emergency supplies of ventilators and test facilities). But the point is that *both are new and distinctive of the 19th century*, the dual results of the experiment in the New World, and with different emphasis in the Old, of a government by the people and for the people – a shocking, even absurd idea c. 1700 anywhere on a big scale. Traditional agricultural societies were machines of hierarchy serving King and God, and only by secondary accident serving *il populo*. Giving permission to a free people is the liberalism of Adam Smith and other Scottish thinkers; turning the coercion of the state to serving people instead of the king is the statism of Rousseau and other French thinkers. Both are given massive emphasis in the 19th century, uniquely in Europe and its offshoots.

I think the liberal permission is the dominant cause of the Great Enrichment, and am horrified as we all are by modern societies that do not have it. But I readily admit that statist coercions in the USDA and in public schools and in subsidy to science and in the coming of regular police forces figure, too. The so-called "ordo-liberals" of postwar Germany take such a stance in favor of a modest but highly competent state, armed against, say (as the Germans worry), cartels.

Love,

Deirdre