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HOW THE WEST GREW RICH

*The Economic Transformation
of the Industrial World.*

By Nathan Rosenberg and L. E. Birdzell Jr.

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By Donald N. McCloskey

MARX and Engels wrote in 1848 that "the bourgeoisie, during its rule of scarce two hundred years, has created more massive and colossal productive forces than have all preceding generations together," and on this we can agree. Since 1848 the bourgeoisie has gone on creating productive forces, with notable consequences. The typical great-great-grandfather of the typical American was very, very poor in food and housing and the material comforts of life. Statistically speaking, as Nathan Rosenberg and L. E. Birdzell note, "more than 85 percent of the per-capita output [of the United States] in 1985 represented growth since 1885." We may ask why. Economic historians, influenced by Marx's strange notion that history matters, have been asking the question for a century, and have by now discovered pieces of the answer. Mr. Rosenberg and Mr. Birdzell assemble the pieces in "How the West Grew Rich," a sweet and lucid tale.

An edifying tale it is, of how the West — in 1300 a babel of baronies huddled in a corner of Eurasia, pathetic next to the empires of the East — rose at last to wealth and power. It did not rise, these authors say, by robbery alone (although nothing in the character of J. P. Morgan, or Christopher Columbus, stayed their hands when the chance for a bit of honest robbery presented itself). But on the contrary, the productive forces of the bourgeoisie depended mainly on the opposite of bold roguery — sober reliability: "thrift, industry, honesty, and promise-keeping."

The assertion will seem strange to a cynical world, yet is ordinary enough. Look at diamond merchants in New York or automobile mechanics in Iowa. And even the high-fliers depend on regular people. Columbus could not have sailed the ocean seas without a brilliant spurt of ship design, mainly Dutch, which depended on an honest trade in fish. Morgan could not have sailed seas of watered stock without a brilliant spurt of organizational design, mainly American, which depended on honest rules for stock exchanges.

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The tale told here is evidently pro-capitalist; that is, it takes the same optimistic view of the achievements of capitalism that Marx and Engels once took (although after the work of so many generations of professional historians the tale can go beyond them). We now know, for example, that the wicked Andrew Carnegie reduced the cost of steel rails by 88 percent in 25 years, and the wicked John D. Rockefeller reduced the cost of kerosene by 66 percent in three years. This book is an argument for capitalism, in the same way that the successes of

Hong Kong or the failures of Moscow are arguments for capitalism. But this is no pamphlet. It is jammed with economic argument and historical fact. Scholarly, amusingly written, accurate, it is a good college course in "What We Know About Economic History." If what we know adds up to three cheers for capitalism that's just too bad.

The narrative line is the economic history of Western Europe. Mr. Rosenberg, an economist and historian of technology at Stanford University, and Mr. Birdzell, who is a lawyer, repeatedly contradict the fairy tales in educated minds — aristocrats were damaged by capitalism, for instance, or imperialism was a great profit. They begin the tale in the Middle Ages, portrayed (in one of their few major errors) as hostile to capitalist values. Two long and splendid chapters on "The Growth of Trade to 1750" and "The Evolution of Institutions Favorable to Commerce" put forward the main point of the book: "The first requisite for the release of these potentialities was the expansion of the sphere within which trade could be conducted with some degree of freedom from the arbitrary exercise of external power."

The big words here are "requisite" and "freedom." Once the "requisites" had been provided, as they had been by 1700 by a freewheeling commercial capitalism, there were a lot of consequences to be worked out; but the drama goes out of the tale. The second half of the book, which traces the 19th- and 20th-century consequences, reads like a sequel, a "Rocky IV," to the main event in the 18th century and earlier. Ironically, Mr. Rosenberg and Mr. Birdzell are better known for their scholarly work on those later consequences — technological change in the age of steam, institutional innovation in the age of corporatism, the link between science and wealth, the role of research and development in the modern economy.

The requisite achieved by 1700 was freedom, not the freedom to vote Tory and buy dirty books but the freedom to own things and use them. The authors argue that economic growth has little to do with unions and natural resources, to pick two popular favorites. As Mr. Rosenberg said in an earlier book, it has a lot to do with what goes on inside the black box of technological change. The black box runs on economic freedom.

The argument is an old but good one. European capitalists could cut a favorable deal with European princes because the princes were competing bandits. Henry Hudson could deal with the Dutch as easily as with his countrymen when he had a good idea (it turned out that he did not have a good idea,

but there is also a freedom to fail). For a few centuries the merchants of Europe extracted an exemption from the more usual policy of princes, a policy which in fact characterized China during these centuries, "making only such changes as do not appreciably disturb anyone." The policy is enough to stop any black box cold, "a formula for glacially slow advances, both in technology and in economic growth." One wonders with a chill whether the formula describes Ralph Nader or the Sierra Club.

FOR we liberal Westerners wish freedoms to cluster. We want freedom to be good for us in every way, to make us rich and good and smart. Slavery is not merely bad, it is bad for everyone, for the owner as much as for the slave; and freedom is good. This is the charm of the Rosenberg-Birdzell tale; it chronicles the main instance in which freedom brought the goods.

The only doubt (a different book would be needed to silence it) is this: Do we really *know* that freedom was responsible for the success of the West? The Marxist idea is that, on the contrary, the success of capitalism was built on slavery. I and many others want the Marxist idea to be wrong. We don't think the evidence for it is persuasive. The cases in point seem to better fit the pro-capitalist tale. But I admit to an ache, shared no doubt by Mr. Rosenberg and Mr. Birdzell. Let us see *exactly* how religious freedom encouraged industrial innovation; let us see exactly how vested interests prevented economic growth in China or Japan; let us see exactly, down on the shop floor. Mostly in history we see fuzzily, through correlations and tendencies, not through experiment in detail.

But this lively and intelligent book is not meant to see details. It is an essay of interpretation, not a tome. It carries on the project of historical research begun by Marx. And it contributes brilliantly to the argument in favor of Adam Smith's deal — leave me alone and I'll make you rich. □

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