

## Why Europe Rose And Others Did Not

Institutions and values evolved in the Western world that favored private property limited the state.

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Europe

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Among writers on economic development, P.T. Bauer is noted both for the depth of his historical knowledge, and for his insistence on the indispensability of historical studies in understanding the phenomenon of growth (Walters 1989, 60; see also Dorn 1987). In canvassing the work of other theorists, Bauer has complained of their manifest "amputation of the time dimension":



The historical background is essential for a worthwhile discussion of economic development, which is an integral part of the historical progress of society. But many of the most widely publicized writings on development effectively disregard both the historical background and the nature of development as a process. (Bauer 1972, 324–25)

Too many writers in the field have succumbed to professional overspecialization combined with a positivist obsession with data that happen to be amenable to mathematical techniques. The result has been models of development with little connection to reality:

Abilities and attitudes, mores and institutions, cannot generally be quantified in an illuminating fashion.... Yet they are plainly much more important and relevant to development than such influences as the terms of trade, foreign exchange reserves, capital output ratios, or external economies, topics which fill the pages of the consensus literature. (Ibid., 326)

Even when a writer appears to approach the subject historically, concentration on quantifiable data to the neglect of underlying institutional and social-psychological factors tends to foreshorten the chronological perspective and thus vitiate the result:

It is misleading to refer to the situation in eighteenth -and nineteenth-century Europe as representing initial conditions in development. By then the west was pervaded by the attitudes and institutions appropriate to an exchange economy and a technical age to a far greater extent than south Asia today. These attitudes and institutions had emerged gradually over a period of eight centuries. (Ibid., 219–20)<sup>1</sup>

At the root of the approach criticized by Bauer there appears to be a methodological holism that prefers to manipulate aggregates while ignoring individual human actors and the institutions their actions generate. Yet, "differences in people's capacities and attitudes and in their institutions are far-reaching and deep seated and *largely explain differences in economic performance and in levels and rates of material progress*" (Ibid., 313–14; emphasis added).

Bauer's critique thus draws attention to the need to study both the centuries of European history antedating the Industrial Revolution and "the interrelationships between social, political, and legal institutions" in that period (Ibid., 277).<sup>2</sup> Here his assessment links up with an impressive body of scholarship that has emerged in recent years emphasizing precisely these points.

### **The "European Miracle"**

While it would be wrong to suggest the existence of any monolithic analysis, a number of scholars concerned with the history of European growth have tended to converge on an interpretation highlighting certain distinctive factors. For the sake of convenience, we shall, therefore, speak of them, despite their differences, as forming a school of thought. The viewpoint may be referred to as the "institutional" — or, to use the title of one of the best-known works in the field — the "European miracle" approach.<sup>3</sup>

The "miracle" in question consists in a simple but momentous fact: It was in Europe — and the extensions of Europe, above all, America — that human beings first achieved per capita economic growth over a long period of time. In this way, European society eluded the "Malthusian trap," enabling new tens of millions to survive and the population as a whole to escape the hopeless misery that had been the lot of the great mass of the human race in earlier times. The question is: why Europe?

One possible answer, which has long enjoyed powerful support in intellectual circles in the West and among officials in underdeveloped countries, was heavily influenced by socialist and even Marxist tenets.<sup>4</sup> It accounted for Europe's extraordinary growth largely by the more or less spontaneous advance of science, combined with a "primitive accumulation" of capital — through imperialism, slavery and the slave trade, the expropriation of small farmers, and the exploitation of the domestic working class. The conclusion was clear. The extraordinary growth of Europe was at the expense of untold millions of the enslaved and downtrodden, and the European experience should serve decision makers in underdeveloped countries more as a cautionary tale than an exemplar.

The contributors to the newer model, however, reject this venerable legend. Concerned as they are with comparative economic history, they have sought for the origins of European development in what has tended to set Europe apart from other great civilizations, particularly those of China, India, and Islam. To one degree or another, their answer to the question, why Europe? has been: Because Europe enjoyed a relative lack of political constraint. As Jean Baechler, in a pioneering work, pointedly expressed it:

The first condition for the maximization of economic efficiency is the liberation of civil society with respect to the state...*The expansion of capitalism owes its origins and raison d'être to political anarchy.*  
(Baechler 1975, 77, 113; emphasis in original)

## **The Uniqueness of Europe**

John Hicks partially adumbrated this approach in the late 1960s (Hicks 1969).<sup>5</sup> In *A Theory of Economic History*, Hicks laid out the "chief needs" of the expanding, mercantile phase of economic development — the protection of property and the enforcement of contracts — and stated:

The Mercantile Economy, in its First Phase, was an escape from political authority — except in so far as it made its own political authority. Then, in the Middle Phase, when it came formally back under the traditional political authority, that authority was not strong enough to control it. (Ibid., 33, 100)

Hicks's account, however, proved to be much too schematic, besides limiting itself to economic analysis and deliberately ignoring political, religious, scientific, and other factors (see Bauer 1971). Around the same time as Hicks, David Landes was sketching the essentials of the newer outlook. In seeking to answer the question why the industrial breakthrough occurred first in western Europe, he highlighted two factors "that set Europe apart from the rest of the world ... the scope and effectiveness of private enterprise, and the high value placed on the rational manipulation of the human and material environment" (Landes 1970, 14–15). "The role of private enterprise in the West," in Landes's view, "is perhaps unique: more than any other factor, it made the modern world" (Ibid., 15).

But what was it that permitted private enterprise to flourish? Landes pinpointed the circumstance that would be vital to the new interpretation — Europe's radical decentralization:

Because of this crucial role as midwife and instrument of power *in a context of multiple, competing polities* (the contrast is with the all-encompassing empires of the Orient or the Ancient World), private enterprise in the West possessed a social and political vitality without precedent or counterpart. (Ibid.; emphasis in original)

Damaging incursions by government did occur, and the situation in some parts of Europe conditioned a social preference for military values; "on balance, however, the place of private enterprise was secure and

improving with time; and this is apparent in the institutional arrangements that governed the getting and spending of wealth" (Ibid.).

A precondition of economic expansion was the definition and defense of property rights against the political authority. This occurred early on in Europe. Landes contrasts the European method of regular taxation (supervised by assemblies representative of the tax-bearing classes) with the system of "extortion" prevalent in "the great Asian empires and the Muslim states of the Middle East ... where fines and extortions were not only a source of quick revenue but a means of social control — a device for curbing the pretensions of *nouveaux riches* and foreigners and blunting their challenge to the established power structure" (Ibid., 16–17).<sup>6</sup>

Landes's insights, briefly sketched in a few pages of introduction to his *Prometheus Unbound*, have been vastly elaborated upon by the new school. The upshot is an overall interpretation of Western history that may be stated as follows:

Although geographical factors played a role, the key to western development is to be found in the fact that, while Europe constituted a single civilization — Latin Christendom — it was at the same time radically decentralized.<sup>7</sup> In contrast to other cultures — especially China, India, and the Islamic world — Europe comprised a system of divided and, hence, competing powers and jurisdictions.

After the fall of Rome, no universal empire was able to arise on the Continent. This was of the greatest significance. Drawing on Montesquieu's dictum, Jean Baechler points out that "every political power tends to reduce everything that is external to it, and powerful objective obstacles are needed to prevent it from succeeding" (Baechler 1975, 79). In Europe, the "objective obstacles" were provided first of all by the competing political authorities. Instead of experiencing the hegemony of a universal empire, Europe developed into a mosaic of kingdoms, principalities, city-states, ecclesiastical domains, and other political entities.

Within this system, it was highly imprudent for any prince to attempt to infringe property rights in the manner customary elsewhere in the world. In constant rivalry with one another, princes found that outright expropriations, confiscatory taxation, and the blocking of trade did not go unpunished. The punishment was to be compelled to witness the relative economic progress of one's rivals, often through the movement of capital, and capitalists, to neighboring realms. The possibility of "exit," facilitated by geographical compactness and, especially, by cultural affinity, acted to transform the state into a "constrained predator" (Anderson 1991, 58).

Decentralization of power also came to mark the domestic arrangements of the various European polities. Here feudalism — which produced a nobility rooted in feudal right rather than in state-service — is thought by a number of scholars to have played an essential role (see, e.g., Baechler 1975, 78). Through the struggle for power within the realms, representative bodies came into being, and princes often found their hands tied by the charters of rights (Magna Carta, for instance) which they were forced to grant their subjects. In the end, even within the relatively small states of Europe, power was dispersed among estates, orders, chartered towns, religious communities, corps, universities, etc., each with its own guaranteed liberties. The rule of law came to be established throughout much of the Continent.

Thus, there is general agreement that crucial to laying the foundations for the European miracle were, in Jones's words, the "curtailment of predatory government tax behavior" and "the limits to arbitrariness set by a competitive political arena" (Jones 1987, xix, xxi). Over time, property rights — including rights in one's own person — came to be more sharply defined, permitting owners to capture more of the benefits of investment and improvement (North 1981). With the freer disposition of private property came the possibility of ongoing innovations, tested in the market. Here, too, the rivalrous state system was highly favorable. The nations of Europe functioned "as a set of joint-stock corporations with implicit prospectuses listing resources and freedoms" in such a way as to insure "against the suppression of novelty and unorthodoxy in the system as a



whole" (Jones 1987, 119). A new social class arose, consisting of merchants, capitalists, and manufacturers "with immunity from interference by the formidable social forces opposed to change, growth, and innovation" (Rosenberg and Birdzell 1986, 24).

Eventually, the economy achieved a degree of autonomy unknown elsewhere in the world except for brief periods. As Jones puts it:

Economic development in its European form required above all freedom from arbitrary political acts concerning private property. Goods and factors of production had to be free to be traded. Prices had to be set by unconditional exchange if they were to be undistorted signals of what goods and services really were in demand, where and in what quantities. (Jones 1987, 85)

The system protecting the ownership and deployment of private property evolved in Europe by slow degrees — over at least "the eight centuries" mentioned by Bauer. Quite logically, therefore, the economic historians concerned with "how the West grew rich" have directed a great deal of their attention to the medieval period.

## **The Importance of the Middle Ages**

The stereotype of the Middle Ages as "the Dark Ages" fostered by Renaissance humanists and Enlightenment *philosophes* has, of course, long since been abandoned by scholars. Still, the "consensus" writers on economic development whom Bauer faults have by and large ignored the importance of the Middle Ages for European growth — something that makes as much sense as beginning the explanation of the economic and cultural successes of European Jewry with the eighteenth century. Economic historians, however, following in the footsteps of the great Belgian historian Henri Pirenne (Pirenne 1937), have had a quite different estimation of the medieval period. Carlo M. Cipolla asserts that "the origins of the Industrial Revolution go back to that profound change in ideas,



social structures, and value systems that accompanied the rise of the urban communes in the eleventh and thirteenth centuries" (Cipolla 1981, 298).

Of Europe from the late tenth to the fourteenth centuries, Robert S. Lopez states:

Here, for the first time in history, an underdeveloped society succeeded in developing itself, mostly by its own efforts ... it created the indispensable material and moral conditions for a thousand years of virtually uninterrupted growth; and, in more than one way, it is still with us. (Lopez 1971, vii)

Lopez contrasts the European evolution with that of a neighboring civilization, Islam, where political pressures smothered the potential for an economic upsurge:

The early centuries of Islamic expansion opened large vistas to merchants and tradesmen. But they failed to bring to towns the freedom and power that was indispensable for their progress. Under the tightening grip of military and landed aristocracies the revolution that in the tenth century had been just around the corner lost momentum and failed. (Ibid., 57)

In Europe, as trade and industry expanded, people discovered that "commerce thrives on freedom and runs away from constriction; normally the most prosperous cities were those that adopted the most liberal policies" (Ibid., 90). The "demonstration effect" that has been a constant element in European progress — and which could exist precisely because Europe was a decentralized system of competing jurisdictions — helped spread the liberal policies that brought prosperity to the towns that first ventured to experiment with them.

Scholars like Cipolla and Lopez, attempting to understand European development in the Middle Ages, make constant reference to *ideas, value systems, moral conditions*, and similar cultural elements.<sup>8</sup> As Bauer has emphasized, this is a part of the distinctive European evolution that cannot be divorced from its institutional history. In regard to the Middle Ages, prime importance, in the view of many writers, attaches to Christianity. Harold J. Berman (Berman 1974)<sup>9</sup> has stressed that with the fall of Rome and the eventual conversion of the Germans, Slavs, Magyars, and so forth, Christian ideas and values suffused the whole blossoming culture of Europe. Christian contributions range from the mitigation of slavery and a greater equality within the family to the concepts of natural law, including the legitimacy of resistance to unjust rulers. The Church's canon law exercised a decisive influence on Western legal systems: "it was the church that first taught Western man what a modern legal system was like" (Ibid., 59).

Berman, moreover, focuses attention on a critical development that began in the eleventh century: the creation by Pope Gregory VII and his successors of a powerful "corporate, hierarchical church ... independent of emperors, kings, and feudal lords," and thus capable of foiling the power-seeking of temporal authority (Ibid., 56).<sup>10</sup> In this way, Berman bolsters Lord Acton's analysis of the central role of the Catholic church in generating Western liberty by forestalling any concentration of power such as marked the other great cultures, and thus creating the Europe of divided and conflicting jurisdictions.<sup>11</sup>

In a major synthesis, *Law and Revolution*, Berman has highlighted the legal facets of the development whose economic, political, and ideological aspects other scholars have examined (Berman 1983): "Perhaps the most distinctive characteristic of the Western legal tradition is the coexistence and competition within the same community of diverse legal systems. It is this plurality of jurisdictions and legal systems that makes the supremacy of law both necessary and possible" (Ibid., 10)<sup>12</sup>

Berman's work is in the tradition of the great English scholar, A.J. Carlyle, who, at the conclusion of his monumental study of political thought in the Middle Ages, summarized the basic principles of medieval politics: that all — including the king — are bound by law; that a lawless ruler is not a legitimate king, but a tyrant; that where there is no justice there is no commonwealth; that a contract exists between the ruler and his subjects (Carlyle and Carlyle 1950, 503–26).

Other recent scholarship has supported these conclusions. In his last, posthumous work, the distinguished historian of economic thought, Jacob Viner, noted that the references to taxation by St. Thomas Aquinas "treat it as a more or less extraordinary act of a ruler which is as likely as not to be morally illicit" (Viner 1978, 68–69). Viner pointed to the medieval papal bull, *In Coena Domini* — evidently republished each year into the late eighteenth century — which threatened to excommunicate any ruler "who levied new taxes or increased old ones, except for cases supported by law, or by an express permission from the pope" (Ibid., 69). Throughout the Western world, the Middle Ages gave rise to parliaments, diets, estates-generals, Cortes, etc., which served to limit the powers of the monarch. [13](#) A.R. Myers notes:

Almost everywhere in Latin Christendom the principle was, at one time or another, accepted by the rulers that, apart from the normal revenues of the prince, no taxes could be imposed without the consent of parliament ... By using their power of the purse [the parliaments] often influenced the rulers' policies, especially restraining him from military adventures. (Myers 1975 29–30)

In a recent synthesis of modern medievalist scholarship, Norman F. Cantor has summarized the heritage of the European Middle Ages in terms strikingly similar to those employed by the current institutional historians:

In the model of civil society, most good and important things take place below the universal level of the state: the family, the arts, learning, and science; business enterprise and technological process. These are the work of individuals and groups, and the involvement of the state is remote and disengaged. It is the rule of law that screens out the state's insatiable aggressiveness and corruption and gives freedom to civil society below the level of the state. It so happens that the medieval world was one in which men and women worked out their destinies with little or no involvement of the state most of the time. (Cantor 1991, 416)

One highly important factor in the advance of the West, possibly linked to Christianity, has not, however, been dealt with by the newer economic historians. It is the relative lack of institutionalized envy in Western culture. In a work endorsed by Bauer, the sociologist Helmut Schoeck has drawn attention to the omnipresence of envy in human societies (Schoeck [1969] 1987). Perceived as a grave threat by those at whom it is directed, it typically results in elaborate envy-avoidance behavior: the attempt to ward off the dangers of malicious envy by denying, disguising, or suppressing whatever traits provoked it. The antieconomic consequences of socially permitted — or even encouraged — envy and reactive envy-avoidance scarcely lend themselves to quantification. Nonetheless, they may clearly be highly damaging.

Drawing on anthropological studies, Schoeck stresses the harm that institutionalized envy can inflict on the process of economic and technical growth (Ibid., 73). Western culture, according to Schoeck, has somehow been able to inhibit envy to a remarkable degree. Why this is so is less clear. Schoeck links this fact to the Christian faith: "It must have been one of Christianity's most important, if unintentional, achievements in preparing men for, and rendering them capable of, innovative actions when it provided man for the first time with supernatural beings who, he knew, could neither envy nor ridicule him" (Ibid., 79). Yet the evident

variation in socially permitted envy in different Christian societies (e.g., Russia as against western Europe) suggests that the presence of Christian faith alone is not an adequate explanation.

## Case Studies of Development

Obviously, all of Europe did not progress at the same rate. In particular, in the modern period the Netherlands and then England became the pacesetters of economic growth, while other countries declined. These facts can also be accounted for by the model.

The Low Countries had long benefited from the legal system inherited from the dukes of Burgundy. These rulers, who governed in collaboration with an active estates-general,<sup>14</sup> had promoted an open commercial and industrial system, based on protection of property rights. In the rise of the "northern Netherlands" (the United Provinces, or "Holland") we have a near-perfect example of the European miracle in operation. First, the area had been a major participant in European economic, political, social, and cultural developments for centuries. As Cipolla has observed, "The country that in the second half of the sixteenth century rebelled against Spanish imperialism and then rose to the role of Europe's economically most dynamic nation, was anything but an underdeveloped country from the outset" (Cipolla 1981, 263). Owing its independence to the decentralized state system of Europe, it emerged itself as a decentralized polity, without a king and court — a "headless commonwealth" that combined secure property rights, the rule of law, religious toleration, and intellectual freedom with a degree of prosperity that amounted to an early modern *Wirtschaftswunder*. It is not surprising that Holland exerted a powerful demonstration effect. As K.W. Swart states:

both foreigners and Dutchmen were apt to believe that the Dutch Republic was unique in permitting an unprecedented degree of freedom in the fields of religion, trade, and politics.... In the eyes of contemporaries it was this combination of freedom and economic predominance that constituted the true miracle of the Dutch Republic. (Swart 1969, 20)

The success of the Dutch experiment was noted with great interest, especially in England, whose soil was already well prepared to accept the idea that prosperity is a reward of freedom. The deep roots of economic individualism, and hence of development, in English medieval history have been emphasized by Alan Macfarlane (Macfarlane 1978 and 1987).<sup>15</sup> In the early modern period, the common law, which had evolved over many centuries, acted as a guarantor of the sanctity of property and free entry to industry and trade against the policies of the early Stuart kings.

In the face of authoritarian usurpations, Sir Edward Coke and his fellow jurists acted, in the words of North and Thomas, "to place the creation of property rights beyond the royal whim; to embed existing property rights in a body of impersonal law guarded by the courts" (North and Thomas 1973, 148). Crucial in the case of both the Netherlands and England was the preservation, against attempted royal encroachments, of traditional representative assemblies determined to deny the ruler the right to tax at will. Here the antiauthoritarian side exploited — and further developed — the inherited discourse whose key concepts included "liberties," "rights," "the law of nature," and "constitution."

The decline of Spain, on the other hand, is also taken into account in the model. Confiscation of the property of Jews and Moors by the Spanish crown was, according to North and Thomas:

only symptomatic of the insecurity of all property rights . . seizure, confiscation, or the unilateral alteration of contracts were recurrent phenomena which ultimately affected every group engaged in commerce or industry as well as agriculture.... As no property was secure, economic retardation was the inevitable consequence. (Ibid., 131)

The economic decay of Spain, in turn, provided a negative demonstration effect that played a potent role in the policy choices of other countries.

The theme of the autonomy of the market and the inhibition of the predator-state as major factors in economic growth is pursued in the examination of non-European cultures. Baechler, for instance, states that "each time China was politically divided, capitalism flourished," and maintains that Japanese history manifests conditions approximating those of Europe (Baechler 1975, 82–86). Anderson, after surveying economic growth in the history of Sung China and Tokugawa Japan, as well as the Netherlands and England, concludes that the common element is that "they occurred when governmental constraints on economic activity were relaxed" (Anderson 1991, 73–74)<sup>16</sup>

While, needless to say, much more research requires to be done on economic development in the history of non-European civilizations, the evidence so far suggests strong support for the basic thrust of the institutional approach.

### **Contrast of Europe with Russia**

The meaning of the European miracle can be better seen if European developments are contrasted with those in Russia. Colin White lists, as the determining factors of Russian backwardness "a poor resource and hostile risk environment ... an unpropitious political tradition and institutional inheritance, ethnic diversity, and the weakness of such key groups limiting state power as the church and landed oligarchy." (White 1987, 136) After the



destruction of Kievan Rus by the Tatars and the rise of Muscovy, Russia was characterized for centuries by the virtual absence of the rule of law, including security for persons and property.

The lawlessness — as well as the poverty — of Muscovite Russia was notorious. When the emissary of Elizabeth I inquired of Ivan the Great the status of his subjects, he was told: "All are slaves" (Besançon, in Baechler, Hall, and Mann 1988, 161). Ivan IV, the Terrible, annihilated the flourishing commercial republics of Novgorod and Pskov, and loosed his *Oprichnina* (Ivan's praetorian guard) on the kingdom for a frenzy of butchery that came to stand for what was permissible in the Muscovite state. Alain Besançon remarks dryly, "Of the three legends (Romanian, German, and Russian) that depict, in the guise of Dracula, the reign of Vlad the Impaler, the Russian alone sings the praises of the prince" (Ibid.).

The nobility in Russia was a state-service nobility, lacking any independent base. As White observes: "Russia was never truly feudal in the west European sense of the term" (White 1987, 10). In contrast to Europe and America, the towns, as well, were "simply another arm of the state" (Ibid., 137–38). The differences between Russia and the West can be seen in their respective ideas of "absolutism." Ivan IV's concept is well known. It may be compared with that of a political writer in the West who is famous as a defender of royal absolutism, Jean Bodin. Alexander Yanov has pointed out that, for all his faith in absolutism:

Bodin regarded the property of the citizens as their inalienable possession, in the disposition of which they were no less sovereign than was the monarch in ruling his people. To tax citizens of a part of their inalienable property without their voluntary consent was, from Bodin's point of view, ordinary robbery. (Yanov 1981, 44–45)<sup>17</sup>

In this connection, Yanov reports a telling anecdote. A French diplomat in a conversation with an English colleague affirmed his belief in the principle enunciated by Louis XIV, that the king was ultimate owner of all the

property within his kingdom (a principle which even the Sun-King never dared to act upon). The Englishmen retorted: "Did you study public law in Turkey?" (Ibid., 44 n. 17)

The fact that Russia received Christianity from Byzantium rather than Rome shaped the entire course of Russia's history (Pipes 1974, 221–43). In the words of Richard Pipes, the Orthodox church in Russia became, like every other institution, "the servant of the state." Pipes concludes, regarding the "relations between state and society in pre-1900 Russia":

None of the economic or social groups of the old regime was either able or willing to stand up to the crown and challenge its monopoly of political power. They were not able to do so because, by enforcing the patrimonial principle, i.e., by effectively asserting its claim to all the territory of the realm as property and all its inhabitants as servants, the crown prevented the formation of pockets of independent wealth or power. (Ibid., 249)

What ideas of liberalism came to Russia came perforce from the West. It was from listening to the lectures on natural law at the University of Leipzig that Alexander Radishchev first learned that limits may be put to the power of the tsar (Clardy 1964, 37–38). The beginnings of the shift to a more market-oriented economic policy before the First World War are traced by Besancon to the fact that the Russian ministers read the liberal economists (Besancon, in Baechler, Hall, and Mann 1988, 166).

## **The Downfall of Marxist Historiography**

The Marxist philosophy of history is filled with manifold, often strategic, contradictions and ambiguities. Yet, if "historical materialism" has any significant content at all it is as a *technological* interpretation of history (Mises 1957, 106–12; Bober 1962, 3 — -). Although Nathan Rosenberg has denied that Marx held that "technological factors are, so to speak, the

independent variable in generating social change, which constitutes the dependent variable" (Rosenberg 1982, 36; see also 34–51),<sup>18</sup> the weight of evidence is heavily against him (Cohen 1978, 134–0).

According to Marx, Engels, and the theoreticians of the "Golden Age" of the Second International, history proceeds basically via changes in the "material productive forces" (the technological base), which render obsolete the existing "mode of production" (the property system). Because of technological changes, the mode of production is compelled to change; with it, everything else — the whole legal, political, and ideological "superstructure" of society — is transformed, as well (Marx [1859] 1969b, 8-). As Marx put it aphoristically: "The wind mill yields a society with feudal lords, the steam mill a society with industrial capitalists" (Marx [1847] 1969a, 130).

Marxism has, of course, been subjected for generations to withering rebuttal on many different fronts, not least in regard to its philosophy of history. The newer understanding of European history is particularly destructive of its fundamental claims, however, in that it directs attention to the peculiar *shallowness* of "historical materialism." This newer understanding insists that the colossal growth of technology in the Western world in the past millennium must itself be explained, and the explanation it provides is in terms of *the institutional and moral matrix* that emerged in Europe over many centuries.<sup>19</sup> New and more productive machines did not spring forth mysteriously and spontaneously, nor was the spectacular expansion of technical and scientific knowledge somehow inevitable. As Anderson has summed up the evidence, "the scientific and technical stasis that followed the remarkable achievements of the Song dynasty, or of the flowering of early Islam, indicates that scientific inquiry and technology do not necessarily possess in themselves the dynamism suggested by the European experience" (Anderson 1991, 46). On the contrary, technology and science emerged out of an interrelated set of political, legal, philosophical, religious, and moral elements in what orthodox Marxism has traditionally disparaged as the "superstructure" of society.

## Conclusion

According to the Indian development economist R.M. Sundrum, if we are to understand how development can be promoted in the poorer countries today, we must understand the historical process which transformed developed countries in the past, and why this process failed to take place elsewhere (cited in Arndt 1987, 177). This is the position that P.T. Bauer, too, has insisted upon. Rejecting the "timeless approach" to economic development, Bauer has accentuated the many centuries required for economic growth in the Western world, and the interplay of various cultural factors that were its precondition. Most important, in Bauer's view, is that in the Western world institutions and values evolved that favored private property and the market, set limits to state arbitrariness and predation, and encouraged innovation and the sense that human beings are capable of improving their lot through their actions on the market.

Recently, W.W. Rostow, in a summary of Bauer's career, chided him for failing "to take adequately into account the extremely large and inescapable role of the state in early phases of development" (Rostow 1990, 386).<sup>20</sup> Such a criticism is not surprising, coming from one of the leaders of what Bauer has for years assailed as the "spurious consensus." Yet it finds little support in the work of the historians dealt with here. (For some reason, Rostow ignores this whole body of scholarship in his very lengthy history of theories of economic growth; *Ibid.*, *passim*). While some of these authors would stipulate a significant role for the state in certain areas — particularly in defining and enforcing property rights — this is consistent with Bauer's viewpoint. Moreover, the overall thrust of their work — which stresses the importance of limits on state action in the development of the West — tends to corroborate Bauer's position rather than Rostow's. Peter Burke, for instance, writing on one of the earliest examples of European development — the merchant-states of northern Italy and the Netherlands — describes them as "pro-enterprise cultures in which governments did relatively little to frustrate the designs of merchants or hinder economic growth, a negative characteristic which all the same gave those countries an important advantage over their competitors" (Burke in Baechler, Hall,

and Mann 1988, 230). William H. McNeill notes that "within Europe itself, those states that gave the most scope to private capital and entrepreneurship prospered the most, whereas better governed societies in which welfare on the one hand or warfare on the other commanded a larger proportion of available resources tended to lag behind." As the growth leaders McNeill cites "such conspicuously undergoverned lands as Holland and England" (McNeill 1980, 65). And F.L. Jones takes as a guiding principle in the explanation of growth a famous passage from Adam Smith: "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things" (Jones 1987, 234–35, cited in Stewart [1793] 1966, 68).

The new paradigm generated by the work of these and other scholars has already helped produce further major works of research and synthesis.<sup>21</sup> It goes without saying that a great deal more study is required. Yet it is likely that further research will provide additional substantiation of the viewpoint steadfastly represented by Professor Bauer. As Anderson observes: "The emphasis on release from constraints points to a fruitful direction of research into why some societies experienced economic development and others didn't" (Anderson 1991, 73–74). In any case, the subject will continue to be of very great theoretical interest to scholars — and to many millions in the underdeveloped world, a matter of life and death.

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- [1](#). Cf. Roberts (1985, 75), who writes of "the general liberation of the economy," which was well on the way to autonomy everywhere in western Europe by 1500, if autonomy means regulation by prices providing undistorted signals of demand and a substantial degree of security for property against arbitrary confiscation by king, lord, or robber."
- [2](#). Cf. Rosenberg (1976, 286), who raises the question why Western European civilization was able to evolve a uniquely powerful combination of cultural values, incentive systems, and organizational capabilities, and remarks: "Interesting answers to this question are unlikely to come from any single social science discipline."
- [3](#). Major works in the field include North and Thomas (1973); Baechler (1975); North (1981); Rosenberg and Birdzell (1986); Jones (1987); Baechler, Hall, and Mann (1988), especially the essays by Michael Mann, John A. Hall, Alain Besançon, Karl Ferdinand Werner, and Peter Burke; and Jones (1988). Summaries of some of the scholarship are provided by Anderson (1991); and Weede (1988) and (1990, 40–59). See also

Osterfeld (1992, 43–46). The essay by McNeill (1980) makes creative use of the fundamental concepts of the approach.

- [4.](#) F.A. Hayek in the 1950s referred to "a socialist interpretation of history which has governed political thinking for the last two or three generations and which consists mainly of a particular view of economic history." See Hayek (1954, 7).
- [5.](#) The idea of a strong connection between the relative freedom of European society and its economic success can, of course, be traced back to much earlier authors, including those in the Whig historical tradition. Here it is being considered in the context of recent, mainly economic, historiography.
- [6.](#) A secondary theme (Landes 1970, 21–22) is the character of the European Weltanschauung. Landes points to the emphasis on rationality in European culture, relative to others, fostered by elements in Christianity that ultimately may be traced to Judaism's disparagement of magic and superstition.
- [7.](#) Cf. Baechler (1975, 74): Europe was "a society based upon the same moral and material civilization that never ended up in political unity, in short, in an Empire."
- [8.](#) Cf. Douglass C. North, "Ideology and the Free Rider Problem," in North (1981, 45–58).
- [9.](#) I am grateful to Leonard P. Liggio for calling my attention to this essay.
- [10.](#) Cf. Roberts (1985, 67–9), on the Hildebrandine reform, and his comment, 68–69: "The preservation of an idea of liberty and its transmission to the future thus owes an incalculable amount to the quarrels of church and state."
- [11.](#) See Lord Acton's great essay, "The History of Freedom in Christianity (Acton 1956): To that conflict of four hundred years [between the Church and the temporal rulers] we owe the rise of civil liberty... although liberty was not the end for which they strove, it was the means by which the temporal and the spiritual power called the nations to their

aid. The towns of Italy and Germany won their franchises, France got her States-General, and England her Parliament out of the alternate phases of the contest; and as long as it lasted it prevented the rise of divine right" (86–87).

- [12.](#) Cf. Chirot (1986, 23): "The main reason for the legal rationalization of the West, then, was the long, indecisive, multisided political struggle between king, nobles, the church, and the towns."
- [13.](#) See A.R. Myers (1975, 24), who states of these parliamentary bodies: "they flourished at one time or another in every realm of Latin Christendom. They first emerge clearly towards the end of the twelfth century in the Spanish kingdom of Leon, in the thirteenth century in Castile, Aragon (and also Catalonia and Valencia), Portugal, Sicily, the Empire and some of the constituent states such as Brandenburg and Austria, and in England and Ireland. In the fourteenth century ... in France ... the Netherlands, Scotland, more of the German and Italian states, and Hungary; in the fifteenth century ... in Denmark, Sweden, and Poland."
- [14.](#) Cf. Chirot (1986, 18): "a Burgundian states-general met 160 times from 1464 to 1567, exercising great fiscal powers and defending the rights of towns and merchants."
- [15.](#) Cf. Baechler (1975, 79): "If the general political structure of the West was favorable to economic expansion, it would be the most marked in that country where political power was most limited and tolerated the greatest autonomy of civil society." That country, according to Baechler, was England.
- [16.](#) See also the chapters on Sung China and Japan in Jones 1988.
- [17.](#) Compare Carlyle and Carlyle (1950, 512): "And most remarkable is it that Budé, who set out the doctrine of the absolute monarchy in France in the most extravagant terms, should have at the same time felt compelled to draw attention to the fact that the French Kings submitted to the judgment of the Parliament of Paris; and that Bodin should have contended that the judges should be permanent and irremovable, except by process of law, because the kingdom should be governed by laws and not by the mere will of the prince."

- **18.** Rosenberg states that the technological interpretation of the Marxist philosophy of history relies upon a few "aphoristic assertions, often tossed out in the heat of debate" (1982, 36). Nowhere in his essay, however, does he allude to the locus classicus of the subject, Marx's Preface to *A Contribution to a Critique of Political Economy* (Marx [1859] 1969b).
- **19.** Anderson (1991, 41) rejects technical change as an independent variable explaining economic growth: "Technology is more appropriately seen as dependent on the institutional structure and the availability of capital, including 'human capital' expressed as an educated, skilled, and healthy workforce. The availability of capital is in turn dependent on a favorable set of institutions."
- **20.** Rostow's dismissive tone in his treatment of Bauer may well have been affected by Bauer's devastating review of Rostow's magnum opus, *The Stages of Economic Growth*. See Bauer (1972: 477–89).
- **21.** See, for instance, Roberts (1985); Chirot (1986); and Kennedy (1987, 19–20), where the author of this celebrated book writes of the "decentralized, largely unsupervised growth of commerce and merchants and ports and markets [in Europe]... there was no way in which such economic developments could be fully suppressed ... there existed no uniform authority in Europe which could effectively halt this or that commercial development; no central government whose change in priorities could cause the rise or fall of a particular industry; no systematic and universal plundering of businessmen and entrepreneurs by tax gatherers, which so retarded the economy of Moghul India."



### **Ralph Raico**

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