Book Reviews

A Farewell to Alms:
A Brief Economic History of the World

by Gregory Clark
Princeton University Press • 2007 • 420 pages • $29.95

Reviewed by Gene Callahan

Economic historian Gregory Clark has written a fascinating book offering a serious challenge to the currently predominant explanation of why, beginning around 1800, "Western" societies have experienced a rate of economic growth never before seen in history. Clark supports his case with an impressive body of empirical evidence, making his challenge impossible to ignore.

Contemporary economists commonly propose that the West experienced its recent, unprecedented growth because there alone people finally hit upon the "right" institutions to promote prosperity. Just why they did so has been attributed to various causes. Max Weber, for example, pointed to the Protestant exaltation of worldly success as the key factor.

However, Clark contends that the historical evidence does not support this thesis. To the contrary, as he illustrates with many instances, the conditions supposedly responsible for the unique phenomenon of the Industrial Revolution also were present in a number of other societies. For example, late-medieval and Renaissance England was characterized by tax rates hovering around 1 or 2 percent, negligible government budget deficits, secure property rights, little violent crime, extensive social mobility, and active markets in land and capital. But centuries passed before the surge in English productivity occurred. Clark argues that such cases demonstrate that the institutional explanation is unsatisfactory.

Instead, Clark claims that the Neolithic Revolution, when humans first adopted agriculture, meant that certain traits, which previously had been unimportant, became pro-survival. These included skill in the symbolic thinking, particularly literacy and numeracy, needed to follow increasingly complex transactions, the self-control to forgo some current consumption in favor of ensuring future success, a lowered preference for leisure over labor, and the reduced impulse to employ violence. Clark proposes that, over the millennia separating the Neolithic and Industrial Revolutions, the reproductive advantage yielded by such traits gradually made them commonplace in agricultural societies, transforming the character of their populations and finally producing modern "bourgeois" society.

Clark notes that his thesis doesn't mean that those humans who embraced agriculture were intellectually superior to those who did not. In fact, a medieval English peasant's productivity peaked around the age of 20, while a hunter from the Ache tribe of South America doesn't reach maximum productivity until 40, indicating that the hunter is mastering the more complex set of cognitive skills. Rather, a settled farming existence rewards forms of intelligence that are irrelevant to a hunter-gatherer, forms that are prerequisites for sustained economic growth. Groups that adopted agriculture did so under environmental pressures rendering hunting and gathering progressively inadequate sources of sustenance, certainly with no inkling that ten thousand years later their choice would make their descendants wealthy.

In fact, as Clark demonstrates with various measures, it wasn't until the nineteenth century that the members of technologically advanced societies achieved better living standards than "primitive" tribesmen. As the chief culprit responsible for this counterintuitive economic stagnation, he points to the "Malthusian trap" in which all of humanity, prior to 1800, was ensnared. In that condition, any advance in technology resulted, not in greater individual well-being, but only in population growth sufficient to negate the productivity gains, leaving incomes unchanged.

While Clark makes a compelling case for his thesis, there are a few places where I think he goes astray. For example, he shows that modern, high-growth economies operate under higher tax burdens and levels of governmental economic intervention than did their low-growth predecessors. He suggests that this finding contradicts the belief held by many economists that a minimally intrusive government is a major factor promoting prosperity. But I suspect that he may have put

the cart before the horse: perhaps only prosperous societies can afford expansive government and would be even wealthier in its absence.

Clark also feels compelled to disparage historians whose research, unlike his, focuses on historical specifics, claiming that the "individual personalities and events, so beloved of narrative historians, do not matter [for an explanation of the Industrial Revolution]." That irrelevance is not, as he appears to be suggesting, a conclusion discovered in the course of his research, but is rather an inherent consequence of the methods he has adopted: if one's attention is fixed on searching for macro-level trends in data aggregates, then it's hardly surprising that the different details one has generalized away do not appear in one's results.

What does this thesis imply for attempts to spur Third World development? Clark argues that there is "no simple economic medicine" with which wealthy nations can "cure" poverty if modern growth arose from the long, gradual transformation of individuals' characters. The best, short-term prospect for the residents of the world's poorest countries is to allow them to immigrate into rich nations, where they can share in the benefits of that evolutionary process. The dismal results of decades of programs aimed at promoting Third World growth suggest that Clark has a point.

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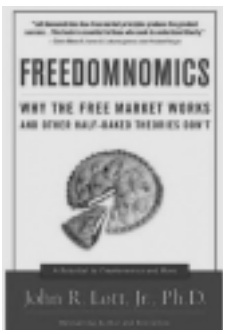
Freedomnomics: Why the Free Market Works and Other Half-Baked Theories Don't

by John Lott
Regnery Publishing • 2007 • 275 pages • $27.95

Reviewed by Robert P. Murphy



Lately economists have been making it onto the bookshelves of Barnes & Noble with breezy volumes for the lay reader. The most striking example of this newfound hipness is Steven Levitt and Stephen Dubner's *Freakonomics*. John Lott's *Freedomnomics*, another example, is itself largely a response to that runaway bestseller.

In taking on some of Levitt and Dubner's glib dismissals of the free market, Lott doesn't disappoint. In my favorite duel, Lott quotes *Freakonomics*' rendition of the "problem of the lemons" in the used-car market. Because of asymmetric information, the authors casually claim that a new $20,000 car can't be resold for more than $15,000 (because people will assume it is defective) and that the owner of a lemon should just wait a year in order to fool buyers.

From the first time I heard this particular market-failure story in college, I thought it was wrong, but never bothered to follow my hunch. Fortunately, Lott isn't nearly as lazy. He asks the reader to imagine he has just bought a $20,000 car but needs to resell it immediately. Assuming the car is in perfect condition, is it really true that the owner needs to eat $5,000 due to imperfect markets? Lott transforms the problem: "Here is the real question: can you convince someone for, let's say, $4,000 that there is nothing wrong with your car? What about for $500? Could you hire the car's original manufacturer to inspect the car and certify that it's in brand new condition?"

Typical for Lott, he doesn't stop with these rhetorical musings. He did the research and found that for cars with only a few thousand miles, the "certified used car price was on average just 3 percent less than the new car MSRP [manufacturer's suggested retail price]," while cars that were a year old sold for 14 percent less than the new car MSRP. This directly contradicts the tale in *Freakonomics*, but accords entirely with common sense.

Like others of its genre, *Freedomnomics* is full of "Didja ever wonder why . . . ?" explanations. For example, one reason that lunch prices are lower than dinner prices is that diners linger over their meals longer at night, tying up the valuable table. Here's another: last-minute airline tickets aren't expensive just because "you have no options." Rather, the airlines are providing a service by holding some seats for last-minute travelers, and they need to be compensated for the chance that those tickets will go unsold. And do you want to know why the spread between self- and full-service gasoline gets smaller as the grade of gasoline improves? If so, you'll just have to buy Lott's book.

I enjoyed *Freedomnomics* and can honestly say that I was sorry when it ended. Even so, I did have some serious misgivings, which I think many *Freeman* readers will share. In his efforts to debunk popular misconceptions about our "way of life," Lott goes beyond defending the free market. He defends the American political system too, making it sound as if anyone who criticizes U.S. politics must be a whiny leftist who hates McDonald's to boot. In a particularly inexplicable section, Lott argues that despite a few bad apples, "the vast majority of American politicians and businessmen" remain untainted by charges of corruption. This is because "there is a powerful incentive toward honest behavior that is built into our democratic political system and free market economy—that of maintaining a good reputation."

Now what's incredible is that Lott then goes through and explains *point by point* why the incentives for honest marketplace behavior *are not present* in the political sphere. (For example, a firm's good name can be sold, whereas a political record cannot.) When one also factors in items that Lott doesn't discuss—such as the lack of free entry into the political realm and the fact that 49 percent of the population can be forced to deal with a politician they despise as a liar—it is all the more mysterious why he didn't write a section explaining why politicians are more likely to be crooked than a businessperson in a free market.

My final objection is that Lott at times is blatantly partisan, seeming to overlook that Republicans have grown government quite nicely during George W. Bush's tenure. Space doesn't permit me to justify my charge of partisanship, but suffice it to say that at one point Lott declares, "Remarkably, it looks as if virtually all felons are Democrats." I promise that I'm not taking that out of context.

Despite its shortcomings, *Freedomnomics* is an enjoyable read for those who can't get enough economics books for the layperson. Libertarian readers will be put off by Lott's casual attitude toward certain aspects of government intervention, but they will learn much from the book to compensate.

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Our First Revolution: The Remarkable British Upheaval that Inspired America's Founding Fathers

by Michael Barone

Crown/Three Rivers Press • 2007/2008 • 270 pages • $25.95, hardcover; $14.95, paperback

Reviewed by Martin Morse Wooster

In the mid-1980s Michael Barone, a columnist for *U.S. News and World Report* and a fellow at the American Enterprise Institute, decided he would write a history of American politics from 1930 to 1988. "Since I had never written a narrative book before," he writes, "I decided to read some of the great narrative history." He read Thomas Macaulay's multivolume *The History of England from the Accession of James II.*

Ever since then, Barone says, he's been interested in the Glorious Revolution, the struggle of 1688–89 that ended with the ousting of Britain's King James II and his replacement by the team of King William III and his wife, Queen Mary II. This revolution, he writes, was "a significant step forward for representative government, guaranteed liberties, global competition, and a foreign policy of overcoming hegemonic tyranny."

As Barone observes, when the Founding Fathers were rebelling against Britain, they modeled their complaints against the British Crown on those made in 1688. If we are to understand what the Founders were thinking when they made their enduring arguments for freedom, we need to know what happened during the Glorious Revolution. If you're interested in the history of liberty, you'll find Michael Barone a very good guide.

It should be noted that *Our First Revolution* is very much a book for Americans unfamiliar with British history. British readers will find that the book tills familiar fields. Readers who enjoy Barone's columns should know that he is as forceful and eloquent at longer lengths as he is in op-eds.

When King Charles II died of a stroke in 1685, his death provoked a political crisis in England. Charles's

brother, James II, succeeded him. King James had converted to Catholicism. Britain was a Protestant nation, and the Church of England was (and is) the state church. Many foes of King James feared that his goal was to force Protestants out of the military and religious posts, and possibly to crush Protestants as ruthlessly as the kings of France had.

King James tried to loosen the connections between church and state to allow Catholics to become high-ranking military officers. He also made fitful attempts to reach out to Dissenters—Protestants who were not affiliated with the Church of England.

But King James, in Barone's view, wasn't a very smart man. He exploited ambiguities in the nature of Parliament at the time. Parliament existed and had some control over government spending during wartime. But it did not meet regularly, and British monarchs thought they had enough control over excise taxes that they could rule without Parliament.

King James intimated that he could try to rule without Parliament. He also tried to pack lightly populated rural election districts with enough pro-Catholic voters to ensure that Catholics were elected to Parliament,

Then in 1688 the court announced that King James's wife, Mary of Modena, was pregnant. If Queen Mary gave birth to a son, that Catholic child would have precedence to the throne over James's Protestant daughters, Mary and Anne. Protestants, fearing a permanent restoration of Catholic rule began what became known as the Glorious Revolution, in which James and his court fled for France, while James's daughter Mary and her husband, King William III of Holland, jointly ruled the throne.

King William was engaged in wars with France and needed Parliament's help to pay the bill. Moreover, the king wanted to ensure the legitimacy of his rule. So Parliament began to meet continuously. In 1689 William issued the Bill of Rights, which for the first time said that his subjects had rights—to worship as they pleased, to have a trial by jury without having the jury packed by the court, and not to have excessive bail placed on them if they were arrested. Protestants were allowed "arms for their defence suitable to their conditions and allowed by law." And the Crown had to get Parliamentary approval for *any* spending.

By doing this, Barone writes, King William ensured that Britain would have a representative government that would not be threatened by a monarch wishing to reach for absolute power. The king's legacy also reached to America. When the Framers were drafting the Constitution, the model they used for the Bill of Rights was the document King William had approved in 1689. Many of the protections in the American Bill of Rights—including the right to bear arms—were based on the bill King William signed a century before.

The Glorious Revolution is an unjustly neglected advance for freedom and liberty, and Americans should know more about it. Anyone interested in the history of liberty ought to read Michael Barone's excellent book.

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Nanny State: How Food Fascists, Teetotaling Do-Gooders, Priggish Moralists, and Other Boneheaded Bureaucrats Are Turning America Into a Nation of Children

by David Harsanyi
Broadway Books • 2007 • 236 pages • $24.95

Reviewed by George Leef

Several years ago I drove a colleague to his house a little more than a mile from the office. While driving back over city streets at low speeds, I was stopped by a policeman. Why? Because I had neglected to buckle my seatbelt. For having ignored that nanny-state regulation, I was hit with a ticket.

Alas, the nanny state is not confined just to traffic enforcement in my town. It has spread across the whole of America, and almost every day some new mandate or prohibition is decreed. For example, Washington dictates that we must use only certain kinds of light bulbs and may not use the Internet for gambling; and officials in San Francisco demand that "pet guardians" (their approved term for pet owners) must have a tip-proof water dish for Fido and change the water at least once a day.

In *Nanny State*, *Denver Post* reporter David Harsanyi surveys the numerous fronts on which America's elected officials are waging war against our freedom. He covers the crusades being waged against alcohol, tobacco, pornography, junk foods, and other things that some people like but others detest. "As you read this," he writes, "countless do-gooders across the nation are rolling up their sleeves to do the vital work of getting your life straightened out for you." *Freeman* readers all know about this malignant trend, but seeing the big picture is really frightening.

The idea that the government needs to treat us like children is everywhere. Republicans and Democrats both love the nanny-state concept, although they sometimes disagree on exactly where to apply it.

Many Republicans, especially of the social-conservative faction, demand nanny-state measures to save us from our own immorality, enthusiastically pursuing laws against gambling, drugs, and other real or imagined vices. Such initiatives are presumably of no interest to "liberal" Democrats, who instead demand that government control us so we'll be safer, healthier, and kinder to the planet. Unfortunately, Harsanyi points out, the different factions don't fight each other. Instead, they seem to have worked out a pact that says, "We won't try to block your do-gooderism if you won't try to block ours."

Unlike a real nanny or parent who just sends you to your room if you aren't good, the modern nanny state is prepared to use force against its disobedient children. Harsanyi relates some utterly jaw-dropping stories where the state arrives in SWAT gear and packing heat. When it comes to cracking down on Things That Are Bad, the nanny staters are happy to copy the tactics of Prohibition enforcers—armed raids in the middle of the night. Furthermore, police-state enforcement doesn't much trouble the Supreme Court, which found no constitutional problem in jailing a mother who had briefly and slowly driven her car with a child unbuckled.

Arresting a mother in front of her children is pretty disgusting, but Harsanyi has even worse tales to tell. In 1998 a SWAT team was sent along with officials who were intent on serving a warrant on a gambling operation. A security guard who thought the intruders were a criminal gang was fatally shot in the confusion. Just some "collateral damage" in the great war to rid America of vice.

Slowly but surely our freedom to live as we please is being erased by self-righteous crusaders who believe themselves entitled to use coercion to make us behave the way they know we should. Their crusades are a terrible menace to what's left of liberty in America.

My only quarrel with the book is Harsanyi's optimistic statement that our burgeoning nannyism "is anathema to the spirit of the American people." I'm afraid that such spirit was broken long ago. It was broken not by niggling annoyances like mandatory seatbelt usage, but by massive frontal assaults such as Social Security and compulsory school attendance. Once the authoritarians among us had established that they could get away with huge infringements on freedom, the Nanny State became a sure thing. People accustomed to the lash won't rebel at frequent spankings with a willow switch.

The sad fact is that most Americans have had the spirit of independence crushed out of them, thanks to government education and other sources of collectivist propaganda. Has any politician ever been voted out of office for his support of nannyism? I'm not aware of even one instance. I rest my pessimistic case.

Still, damp as the kindling may be, it is worth the effort to ignite the indignation at the continuing encroachments on our liberty.

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Correction: We regret that credit for the May 2008 *Freeman* cover photo was omitted. The photo, taken by Tom Ribaudo, was used with permission. He retains all rights to that image.