

Why was economic growth so rare and intermittent before the later 18th century and why did this change at that time and later?

Due to the scope of this question and the answer's word limit, this essay shall focus mostly on England, as the first beneficiary of sustained economic growth.

According to the Business Dictionary, economic growth can be defined as an "increase in a country's productive capacity" (Business Dictionary). It is caused either by an increase in the quantity or quality of the factors of production (land, labour, capital, entrepreneurship). This essay contends that institutional change was the vehicle of economic growth, and will adopt the framework of 'inclusive' and 'extractive' political institutions provided in Acemoglu and Robinson's 'Why Nations Fail' to clearly explain this argument. Whilst inclusive institutions "make power broadly distributed in society and constrain its arbitrary exercise" (Acemoglu & Robinson, 2012, p. 82), extractive institutions 'concentrate power in the hands of a narrow elite and place few constraints on the exercise of this power' (Acemoglu & Robinson, 2012, p. 81). These political systems form symbiotic relationships which foster, or inhibit growth respectively; inclusive economic institutions encourage mass participation in economic activity, provide property rights and ensure sustainable growth (Acemoglu & Robinson, 2012, pp. 74), whilst their extractive counterparts suppress innovation by siphoning wealth "from one subset of society to benefit a different subset" (Acemoglu & Robinson, 2012, p. 76). This vehicle of growth emerges in the 18th century because of developments in political philosophy. The works of 17th century philosophers such as John Locke, whose ideas will be the focus of this essay, provide compelling and transcendent motivations for pursuing inclusive institutions. By applying reasoned 'laws of nature', these authors characterised man as sovereign, rational, and naturally predisposed to ownership of property. This substantial intellectual basis justified the creation of inclusive institutions, and by extension permitted sustainable growth.

The underlying cause of economic growth was the shift in mainstream political philosophy from a defence of extractive political institutions, to a vindication of their inclusive equivalents. Before the 17th century, ideas about rulership in England were dominated by a belief in the 'Divine Right of Kings'. This notion is encapsulated in Robert Filmer's 'Patriarcha', which postulated that Kings, through birth, possess a 'natural sovereignty' traced back to the Biblical Adam (Feldman, 1997, p. 108). The method of argument, with its appeal to scripture, enshrined a natural hierarchy mandated by God and headed by the King. (Wolff, 1996, pp. 17-19). It thus underpinned the archetypally extractive institution of the British monarchy (Acemoglu & Robinson, 2012, p. 188), equating restraint on monarchical power with a defiance of the will of God Himself. The doctrine's appeal to absolute sovereignty made it a particularly compelling argument; previous monarchs such as James 1st were known to justify their extension of power using this very principle (Feldman, 1997, p. 84), which could not be reconciled with any attempt to restrain the King's power. Filmer's book, published in 1680, was itself widely popular (Dunning, 1905, p. 224). Yet it was written at a time of philosophical upheaval; through the works of men such as Hobbes, Harrington (Feldman, 1997, pp. 104-105), Hugo Grotius, and John Locke, the Divine Right of Kings was critiqued and gradually eroded. Locke, like Filmer, based his political philosophy on scripture, yet characterised the role of Adam as a representative of humanity, whose dominion extended only over non-human creatures (Feldman, 1997, p. 109). From this basis, Locke deduced the sovereignty of individual man, equal to his peers before a 'natural law' which governed society and which could be ascertained through reason (Wolff, 1996, p. 17). Sovereignty was naturally distributed amongst men, and only through voluntary consent could that sovereignty be ceded to a government (Wolff, 1996, p. 39). Locke thus laid a similarly absolute foundation to Filmer, yet appealed to scripture to justify an inclusive political institution. Locke's genius was to intertwine his philosophy with a distinct characterisation of the

nature of man, defining man as a rational being who enters civil society to “open up the possibility of obtaining more (material possessions) without limit” (Fukuyama, 1992, p. 159). Material betterment could only be guaranteed by the security of private property, whose distribution should be contingent on input of labour (Wolff, 1996, p. 139). Locke thus asserts man’s natural predisposition for economic growth, providing an absolute philosophical foundation not only for political, but also economic pluralism in wider English society. The nature of man helped dismantle extractive, feudal socioeconomic relationships in favour of the capitalist alternative, which, according to Locke, better suited mankind. The late 17th century thus saw the erosion of powerful justifications for extractive institutions, and the emergence of an equally compelling basis for inclusive alternatives.

The ‘rarity’ and ‘intermittence’ of economic growth before the 18th century stemmed from the lack of philosophical justification for institutional inclusivity, rendering its fleeting presence in previous societies vulnerable to dismantlement. Venice offers one typical example of cursory inclusion; its relatively pluralistic ‘General Assembly’ which elected the ‘Doge’, facilitated the creation of a rudimentary joint stock company, known as a commenda (Acemoglu & Robinson, 2012, p. 152). Its structure, based on a partnership between a ‘sedentary’ partner and a ‘travelling’ partner, demanded unequal capital requirements from either party. This allowed the young entrepreneurs to join companies as a ‘travelling partner’ and build sufficient wealth, stimulating extensive upwards social mobility (Acemoglu & Robinson, 2012, pp. 153-154) and economic growth. Yet its lack of philosophical structure meant that its efficacy was judged on a purely practical basis, leaving it vulnerable to opposition from antagonistic interest groups (Acemoglu & Robinson, 2012, pp. 154-155). Established elites sitting on the Venetian ‘Grand Council’, whose market share was consistently eroded by the opportunities of commenda, imposed political restrictions on the council. Eventually, the contract was itself banned (Acemoglu & Robinson, 2012, p. 156) ending a period of growth. The self-interested pragmatism with which it was treated can be contrasted with the major period of English political change, which was, at its core, a philosophical movement. Its primary aim was to dismantle the institutionalised ‘Divine Right of Kings’. This outdated maxim was epitomised by the legal dictum that ‘The King Can Do No Wrong’ (Schwoerer, 1990, p. 538), and Charles 1st’s period of ‘personal rule’ extended it beyond tolerable extremities (Clark, et al., 2010, pp. 311-312). The ‘Glorious Revolution’ imposed a new political philosophy, expressly mandating that sovereigns were to rule ‘by the will of the nation- not by any prerogative higher than the law’ (Feldman, 1997, p. 95). Sovereignty was said to lie ‘with the King in parliament’ (Blanning, et al., 2000, p. 13), effectively creating a conditional social contract between ‘the people’ (parliament) and the sovereign in a manner espoused by Locke himself. The makeup of this parliament deserves some attention; arising initially as a ‘national convention’, it became a formal parliament after the Revolution, with a franchise of 4% based on property rights, another Lockean proposal (Schwoerer, 1990, p. 535). Whilst hardly ‘inclusive’ by modern standards, it is worth noting the ubiquity of trade in its makeup; of the 5034 men who sat as MPs 1734-1832, 897 were associated with business (Clark, et al., 2010, p. 355). This was important because it created political inclusion for the proto-capitalist economic stakeholders, whilst elevating the political status of private property. Political inclusion was accompanied by economic inclusion; provision of ‘improvement rights’ and patenting were wholly ceded to parliament (Bogart, p. 2). The arbitrary allocation of rights to friends of the crown (Bogart, p. 10) was replaced with an inclusive system whose primary metric was merit, rather than royal sympathy. What distinguishes this institutional development from its Venetian counterpart was its decisively philosophical underpinning; behind this revolution stood idealists such as Shaftesbury and John Somers, both of whom were close associates of Locke (Schwoerer, 1990, p. 532). The sanctity of property and the sovereignty of the people were both principles which, whilst tainted by political

reality, can find practical fruition in the Glorious Revolution, and their philosophical grounding eliminated the vulnerability experienced by Venice.

John Locke's, and later Adam Smith's characterisation of man as an economic, rational being helped to profoundly alter the socioeconomic relationships existing in England, directly contributing to economic inclusivity. This definition of human nature is predicated on the principles of 'unlimited wants' and of 'barter' (Polanyi, 2001, p. 47). Yet English feudal society, with its complex set of interrelationships, operated based on neighbourly 'reciprocity' (Griffiths, Fox, & Hindle, 1996, p. 13) whose aim was to preserve a hierarchical status quo through social interdependency (Wrightson, 2005, p. 10). Thus, the notion of barter was largely confined to towns (Polanyi, 2001, p. 66), whilst 'common land tenures' limited the ability of individuals to improve land beyond basic subsistence levels (Jones, et al., 1967, p. 12). The extractive nature of economic feudalism (Acemoglu & Robinson, 2012, p. 98) was thus embedded in the social relations of society. Appealing to the natural inclinations of man provided a compelling reason to modify these social interrelations; it exposed feudalism as a backwards and inhibiting society, demanding instead man's freedom from such institutions. The ensuing social change necessarily complemented political inclusion; the surge in Enclosure Acts (Jones, et al., 1967, p. 13) represented both the desire of landlords to be included in economic barter, and the enshrinement of property rights in parliament. Their symbiosis is essential in understanding the increase in economic growth, yet both were made sustainable by a firm philosophical structure, predicated on incorrigible laws of nature.

In the words of Hobsbawm, the economic essence of the 18th century was that 'revolutionary change had become the norm' (Hobsbawm, 1972). This aptly encapsulates the immediate causes of sustained economic growth. If growth is assured through improvement in the quantity or quality of factors of production, then the political and societal normalisation of innovation provides great scope for its manifestation. Such conditions were met by English institutions. Property rights, whose security lowered risk of innovation, were based on an unwavering natural law, held to account by a (relatively) inclusive parliament, and demanded by agrarian capitalists and technological innovators alike. This interdependence exemplifies the synergistic relationship between political and economic inclusion, whilst emphasising the importance of philosophical underpinning. The sharp rise in completed investment following the Glorious Revolution corroborates the crucial nature of property rights, sparking interest in the revolution's importance in harbouring the eventual transport revolution (Bogart, p. 22). Meanwhile, British industrial patents expanded in every decade after 1700 (Blanning, et al., 2000, p. 119), with Watt's steam engine just one of the innumerable innovations helping transform the British economy. This was not the product of a sudden and coincidental spurt of individual talent, or a consistent level of scientific advantage; the British education system paled in comparison to its French counterpart, whilst the theory behind these transformative innovations was not particularly challenging to contemporary academics (Hobsbawm, 1972, pp. 30-31). It is rather more convincing to look to willingness of British institutions to provide economic opportunity, supplemented by the philosophical conviction that man is naturally predisposed to economic growth. Increased investment in transport and enclosed land expanded the quantity of factors of production, whilst innovative technology improved their quality. Underpinned by philosophical justification, England could embark on indefinite and sustained economic growth by the late 18th and early 19th centuries.

The 'rarity' of economic growth before the 18th century was caused by a deficit in inclusive institutions. Yet its 'intermittence' was the product of fleeting inclusivity which faltered because it possessed no higher philosophical stature. The introduction of Natural Laws into intellectual discourse provided an absolute basis for political inclusion. Meanwhile, the framing of man as an

economic being challenged the premises of feudal society and strengthened the principle of barter at the expense of reciprocity. By the time modern philosophy comprehensively challenged Anglo-Saxon philosophy, the notions of innovation and growth had become embedded in English society, much like feudal neighbourliness and reciprocity had once been, and extended across modern economies, providing the basis for sustained economic growth.

Main body: 1982 words

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