Abstract

There is strong evidence that the beginnings of sustained economic growth occurred in England and the Netherlands between 1750 and 1820. This was followed by similar growth in North America and other Western European economies. Recent work provides convincing evidence that institutions are the fundamental cause of sustained economic growth. Furthermore, the concept of the moral equality of all people appears to be at the root of the relevant institutional change. This paper details the importance of Jewish and Christian thought for moral equality and hence for the economic take-off in Europe and North America. It also discusses the relevance of the concept of moral equality for subsequent growth in parts of the world that do not have the same ideological background as Europe.
I. The Beginnings of Sustained Growth

One of the most dramatic events in all of economic history was the sustained take-off in economic growth in certain parts of the world in the early nineteenth century. Led by England and the Netherlands, by 1900 most of Western Europe and North America had experienced long run increases in material well-being. In the twentieth century growth spread to Japan and the four Asian tigers of South Korea, Taiwan, Singapore, and Hong Kong. In the last few decades China, India, and Chile have joined the ranks of growing economies. One of the ongoing puzzles, however, has been the divergence in growth rates, with some parts of the world finding it difficult to move out of poverty (Acemoglu and Robinson 2012, Collier 2007, Easterly 2013,). The economic growth take-off can be summarized graphically.

![Graph showing per capita annual world GDP from 500 BC to 2000 AD](http://delong.typepad.com/print/20061012_LRWGDP.pdf)

**Figure 1**

Gregory Clark provides more insight into the divergence in growth in per capita income after 1800.
The Search for Explanations of the Take-Off in Growth

The beginnings of modern economic growth have spawned several research agendas. The first is a search for an explanation of the beginnings of sustained growth in the West, followed by growth in other countries. The second agenda focuses on the reasons for the great divergence in growth across regions and nations. Both streams of research have concluded that the institutional framework of nation states is of crucial importance. The rule of law, contract enforcement, well defined and enforced property rights, and ease of entry in occupations and production seem to be critical components of economic take-off (Acemoglu and Robinson 2012, Greif 2006, Landes 1998, Mokyr 2009, North, Wallis, and Weingast 2009, Olson 1982, and Rodrik 2007). Likewise, failure to grow is caused by a host of dysfunctional institutions (Acemoglu and Robinson 2012, De Soto 1989, 2000, Easterly 2013, and North, Wallis and Weingast 2009).

A major dissenter is Deirdre McCloskey (2016), who argues that it is ideas, not institutions that led to the economic take-off in Britain and the Netherlands. McCloskey presents impressive evidence that the period from 1600 to 1848 saw much of Europe embrace the concept of human dignity for the ordinary person, the artisan, the entrepreneur. Despite repeated claims that she has a substitute explanation for economic growth that differs dramatically from the neo-institutionalists, I take her work as complementing and fleshing out the work of
North, Wallis, and Weingast in *Violence and Social Orders*, as well as other neo-institutionalists. Greif and Mokyr (2016, 31) make the same argument.

... Professor McCloskey argues that beliefs and preferences—most of us would call it ‘culture’—as the root factor that makes institutions work. Economists have recently gotten interested in culture, as they have reached the same conclusion as Professor McCloskey: we cannot understand institutions without culture. Therefore McCloskey, despite her denials, has made a significant contribution to our understanding of how institutions develop.

Although there is a widespread consensus on the importance of appropriate institutions for economic growth, explanations of the origins of growth enhancing institutions are much more sparse. Oliver Williamson (2000), the co-recipient of the 2009 Nobel Prize in Economics, has provided a typology of institutions that helps one understand the paucity of explanations about the origins of institutional change. He describes the four levels of institutions:

I. Embeddedness: informal institutions, customs, traditions, norms and religion.
II. Institutional environment: formal rules (constitutions, laws, property rights)
III. Governance structures, especially contracts
IV. Resource allocation and employment (prices and quantities; incentive alignment)

Almost all of the work in institutional economics has focused on level II or level III. But, “The institutions of embeddedness (Level I) are an important but underdeveloped part of the story” (Williamson 2000, 610). These norms and customs are crucial foundations of the Level II rules. Therefore, if one is to understand the development of an institutional structure that produced the economic take-off one must look at the moral, religious, and ethical belief structures that grounded the formal rules.

Dani Rodrik (2014, 191) has voiced a similar view:

Much human behavior is driven by abstract ideals, sacred values, or conceptions of loyalty that cannot be reduced to human ends. Studies by anthropologists and psychologists suggest, “humans kill and die

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2 Alesina and Giuliano prefer the term culture to informal institutions, arguing that too much analysis lumps informal and formal institutions together. They see the distinction between the two as significant, a theme that motivates this paper.

3 As noted above, McCloskey (2016) is the most significant contributor to the argument than culture (ideas) changed dramatically prior to what she calls the Great Enrichment. I find her ideas of culture change important, but argue for a much different history of the reasons for change than hers.
not only to protect their own lives or defend kin and kith, but for an idea—the moral conception they form of themselves of ‘who we are.’"

The most complete theory of institutional change that recognizes the background conditions for that change is found in North, Wallis, and Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (2009). They postulate that most national governance structures throughout history have been limited access orders, or what they call the “natural state.” Limited access orders exist because they are an improvement over a world of anarchy and violence. They can be quite stable over time because the ruling elite grants monopoly privileges to an economic elite, and in turn the recipients of the benefits of restrictions on entry support the ruling elite.

Of course, the limited access order leaves many of the members of the society without full access to certain means of production. In other words, property rights are not secure for all citizens, and contract enforcement is uneven. The basis for social and economic relationships is the “pervasive sense that not all individuals were created or are equal” (12). An important implication of this order is the lack of rule of law that is applied equally to all citizens. These societies do not sustain economic growth because of the limits on entrepreneurial activity and property rights.

**Open access orders, on the other hand, allow ease of entry into professions, organizations, and economic production. They are a relatively recent phenomenon in the long sweep of economic history, occurring first in the Netherlands and England around 1800. The characteristics of the open access order are:**

1) A widely held set of beliefs about the inclusion of and equality for all citizens.
2) Entry into economic, political, religious, and educational activities without restraint.
3) Support for organizational forms in each activity that is open to all (for example, contract enforcement).
4) Rule of law enforced impartially for all citizens.
5) Impersonal exchange (114).

The question of political and economic change cannot be divorced from belief structures, or the embedded institutions of Williamson. The first requirement of the North, Wallis, and Weingast open access order, a commitment to the equality of all citizens, is foundational for the other parts of that order. Freedom of entry, contract enforcement, and the rule of law all are rooted in a claim about the moral equality of all members of a society.4 It is in this arena that the influence of Judaism and

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4 Although North, Wallis, and Weingast list moral equality as one of the most important concepts of the open access order, they offer no explanation of the change from a belief in human inequality to human equality.
Christianity is important. The rest of this paper traces the embedded institutions that led to the rule of law and the economic growth take-off in the early nineteenth century. I argue that the concept of universal human dignity is responsible for the institutions that led to economic growth. I also discuss economic growth in countries that do not have a Jewish or Christian background.

The Ideological Foundations of Institutional Change

Luc Ferry (2011), the prominent French philosopher, argues that Christianity, because it contested the Greek aristocratic idea of differential human endowments and hence potentialities, represented a dramatically different worldview than Greek philosophy.

In direct contradiction [to Greek philosophy], Christianity was to introduce the notion that humanity was fundamentally identical, that men were equal in dignity---an unprecedented idea at that time and one to which our world owes its entire democratic inheritance. But this notion of equality did not come from nowhere. (72).

But with Christianity, the idea of a common humanity acquired a new strength. Based on the equal dignity of all human beings, it was to take on an ethical aspect. As soon as free will becomes the foundation of moral action and virtue is located not in natural, ‘unequal gifts,’ but in the use to which they are put, then it goes without saying that all men are of equal merit. Humanity would never again be able to divide itself (philosophically) according to a natural and aristocratic hierarchy of beings: between superior and inferior, gifted and less gifted, masters and slaves. From then on, according to Christians, we are all ‘brothers’ on the same level as creatures of God and endowed with the same capacity to choose whether to act well or badly. Rich or poor, intelligent or simple: it no longer holds any importance. And this idea of equality leads to a primarily ethical conception of humanity. The Greek concept of barbarians---synonymous with a ‘stranger’ (anyone not Greek)--soon disappeared to be replaced by the conviction that humanity is ONE. To conclude we could say that Christianity is the first universalist ethos; universalism meaning the doctrine or belief in universal salvation (76-77).

Ferry, while recognizing the historical influence of Christianity on philosophical thought, is an atheist and hence does not spend much time discussing the actual theological doctrines that produce this radical departure from conventional thought. In reality, it is Judaism that provides the original foundation for dignity for all because of the concept of the Imago Dei. If all humans are image bearers of the omniscient, omnipotent God of the universe, then social and political equality are logical necessities of that concept.
If it is Jewish and Christian thought that is responsible for the institutional changes that led to sustained economic growth the question arises, why the long lag between the time the ideas originated and institutions changed. Intellectual historian Larry Siedentop (2014) sees, like Ferry, the spread of Christian thinking as disruptive to the Greek and Roman ideas that some are born to command and others to obey. Like Williamson, however, Siedentop recognizes that changes in fundamental concepts, like the revolution in moral equality, require a long period of time to realize their full impact.

Centuries would be required for the implications of Christian moral beliefs to be drawn out and clarified--- and even more time would pass before long established social practices or institutions were reshaped shaped by these implications (114).

The Jewish belief in human agency and moral equality worked its way out in many forms. The fact that God chose to reveal his plan for humankind through a particular people, the Israelites, makes the universal claims of human dignity somewhat less obvious, but the creation account gives the metaphysical grounding for human dignity for all. The fundamental concept is in Genesis 1:27. “So God created man in his own image, in the image of God he created him; male and female he created them” (ESV).

According to Joshua Berman (2008), the Pentateuch describes a social order that recognizes human dignity and was much different than the rest of the ancient Near East. Political and social hierarchy had strong metaphysical legitimation in the non-Israelite world. The theology of the covenant in the Pentateuch rejects this. In one of the most radical texts in ancient political economy God asks for a commitment from all the Israelites, not just from their leaders. Even though Moses was the spokesperson for the people, the actual covenant was between God and all of the people, including the women and children (Deut. 29:10—15). Berman (2008, 29) argues that “it is in the covenant, properly conceived, that we may discern a radically new understanding of the cosmic role of the common man within the thought systems of the ancient Near East, one that constituted the basis of an egalitarian social order.” The request of a commitment of all members of the society implies a strong sense of universal human agency, of the ability of all to decide, when asked, yea or nay to a moral proposition.

Because the covenant was between all members of the society it was important that they all hear it read. Thus, on numerous occasions Moses, Joshua, or another leader read the covenant to all the people (Joshua 8:30-35, 2 Kings 23: 2-3, Deuteronomy 31:10-13). The purpose of such reading is clear

“And Moses commanded them, “At the end of every seven years, at the set time in the year of release, at the Feast of Booths, when all Israel comes to appear before the Lord your God at the place that he will
choose, you shall read this law before all Israel in their hearing.
Assemble the people, men, women, and little ones, and the sojourner
within your towns, that they may hear and learn to fear the Lord your
God and be careful to do all the words of this law.” (Deuteronomy
31:10-13 ESV)

Again, the requirement of an ongoing commitment from all the people of Israel
represented a dramatically different view of the moral responsibilities and moral
accountability of ordinary people than found in Greek philosophy. Aristotle, while
defending the rights and responsibilities of citizens also argued that many in society
don’t have equal moral standing and don’t count as citizens. “(F)rom the hour of
their birth, some are marked out for subjection, others for rule”(1948, Bk.1 1254a).

Siedentop (2014) argues that for Christianity, Paul was the primary intellectual
force in the development and spread of the concept of moral equality and moral
agency of all people because he gave an ontological foundation for the concept of the
individual. Through his travels throughout the Mediterranean world and his
numerous letters to the various churches, he built upon the Jewish concept of
universal dignity. His Damascus Road encounter with Christ gave him clear
instructions that the gospel message was relevant to all humanity, since Christ’s
death and resurrection was atonement for all sinners everywhere. The argument
that the Christian faith was open to everyone also meant that all humans are moral
agents, capable of choice and responsible for those choices. “Faith in Christ requires
seeing oneself in others and others in oneself, the point of view which truly
moralizes humans as agents” (Siedentop 2014, 65).

There are many New Testament texts that also articulate the idea of human dignity
for all, and one of the most explicit is Paul’s declaration “There is neither Jew nor
Greek, there is neither slave nor free, there is no male and female, for you are all one
in Christ Jesus” (Galatians 3:28, ESV). Jesus himself made the claim that his atoning
sacrifice was for all of humanity. “For God so loved the world, that he gave his only
Son, that whoever believes in him should not perish but have eternal life” (John 3:16,
ESV).

Although the moral practices of Christians didn’t always reflect the concept of
universal human dignity, that theme would be reiterated again and again by various
spokespersons and in numerous church documents. Augustine, the great theologian
who followed Paul, strongly articulated the concept of universal human dignity
through his emphasis upon the universal fallenness of humankind and the absolute
necessity of God’s grace for all (Madigan 2015, 107). Once again, this represented a
sharp break from Greek and Roman thought that denied human equality, drawing
sharp distinctions between class, race, and sex.

As Christianity spread throughout the Mediterranean world new forms of human
association arose. Monastic orders, quite prevalent by the fourth century, were a
uniquely egalitarian social order, open to all believers, no matter what their class or
status. They also gave new meaning to the concept of work, changing it from one of servile status to an exercise of human dignity and worth (Siedentop 2014, 95, 160).

Women also formed cloisters, sometimes as separate communities and sometimes as “double monasteries,” where female and male monks lived in the same monastic premises (Madigan 2015, 22, 43). Women’s choice to join such orders meant recognition of their own moral agency, something not possessed by most women throughout ancient history. For instance Aristotle saw women as incomplete or deformed men and hence not truly human in the sense of having the ability to make moral choices (Madigan 2015, 275).

At times the monasteries got caught up in church politics and became centers of power that various factions competed to control. The Cluniac reforms of the 10th century returned the monks to self-government and renewed care for the poor (Madigan 2015, 120-121). The establishment of monks in much of rural Europe also meant much previously unproductive land was cultivated. Again, the dignity of work and egalitarian nature of the Christian faith was affirmed by both the activities of the monks and their lay brothers. For instance, the friars at the end of the thirteenth century reiterated the message “that the Christian life was one open to all classes and vocations” (Madigan 2015, 245).

The church’s concern for the poor and disenfranchised was an important step in the recognition of universal human dignity. Hospitals for the care of the needy were an important part of monastic life. The laity was taught that charity was one of the highest of virtues. “... certain ways of life, and entire social classes of people, could no longer simply be dismissed as incorrigible or irredeemable” (Madigan 2015, 311). Hildebrand of Sovana (1028-1085), who became Pope Gregory VII, declared that rulers would be judged according to what they had done for “all souls” (Siedentop 2014, 206). Knights were also expected to respect property rights, especially those of the powerless (Siedentop 2014, 186). According to Madigan (2015, 314) there was a “prodigious volume of spiritual and secular charity received by the poor and anguish in the high and middle ages.”

Charlemagne (742-814) was anything but a consistent advocate of human equality, but gradually the concept of moral agency crept into his activities. In 792 and in 802, in an effort to consolidate his power and assure the loyalty of his subjects, he required that all should swear an oath of allegiance to him. In the first case, the oath was demanded of “all Christian men,” but ten years later of “every Christian person,” and of “absolutely everyone, without exception” (Siedentop 2014, 153). The expansion of the oath to slaves and women represented a radical change in the social calculus of who counted, that is, who possessed the moral agency such that they could be expected to understand and agree to an oath of loyalty. In earlier, non-Christian societies, such a concept of agency would have been unthinkable. Slaves were “living tools,” and women were not free moral agents.
Feudalism disenfranchised many Roman cities, but in the eleventh and twelfth centuries a rebirth of urban life occurred. These cities were built upon the concept of the right of the individual to choose his or her residence and occupation. These entities became a more complete expression of human dignity than existed in other parts of the social order, particularly the feudal estates. The urban centers also developed a new social class, the bourgeois, who had dignity and social standing. “...the married, the lay, the merchant—all could lead a fully Christian life in the world” (Madigan 2015, 244). A further recognition of the moral agency of people different than oneself came through the merchant guilds’ desire to engage in trade across time and space. Thus recognition of the rights of “foreign” merchants became a part of the legal structure (Siedentop 2014, 273).

Pope Gregory VII was also involved in the investiture controversy of the eleventh and twelfth centuries. The Pope wanted to remove the authority of civil authorities to appoint (invest) church officials. In challenging this power, of course, the power of the emperor to appoint the pope was also contested. Henry IV, the Holy Roman Emperor, eventually lost the battle with the Pope and the Church was established as an entity outside of political control. The existence of a separate religious authority from the authority of the state was important in limiting the power of government over individuals, hence enhancing the concept of universal human dignity. This also represented the beginnings of the rule of law (Fukuyama 2011, 272-275).

The fact that the Christian worldview was responsible for the concept of equal human dignity does not mean that the believers always acted in a manner consistent with an egalitarian belief structure. There was a continual tension between social practices and the revolutionary doctrine of the *Imago Dei*. For instance, it was a remarkable statement of human agency that slaves were accepted into the community of faith from the beginning of Christianity, but Christians still held slaves for over a millennium. Gregory (335-395), Bishop of Nyssa, made a strong plea for the immorality of slavery, but it took another 1400 years for his arguments to gain substantial traction in the Christian world.

The Spanish Inquisition in the 15th century saw thousands of Jews burned at the stake or forced to leave the country. For many years the church debated whether equality of souls in God’s eyes only extended to those baptized into the Christian faith (Siedentop 2014, 257). During the religious wars of Europe from 1524 to 1648 Protestants and Catholics had little compunction about killing each other.

Despite the social order not fully reflecting the idea of human dignity, numerous voices articulated the concept and were responsible for it eventually becoming a part of standard political thought. Constantine, in 316, banned the branding of criminals on the face, for “man is made in God’s image” (Siedentop 214, 117).

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5 Even though feudalism represented less than free labor, the church served as an important constraint on feudal lords and prevented serfs from becoming slaves (Siedentop 2014, 170).
Hildegard of Bergen (1098-1179) was one of the most influential women of her age. She was an articulate defender of orthodox Christian belief, but protested vehemently against the burning of heretics because the heretic was also made in the image of God.

The authority of law, and especially the concept of natural law, a law distinct from the legal apparatus of the state, was strengthened by the ongoing development of canon law. Moral equality before the law was a basic presupposition of canon law, and its elaboration from 1050 to 1300 made it the first modern legal system (Siedentop 2014, 226). According to Tierney (1997, 69) “By 1200 the canonists had created a language in which natural rights theories could readily be expressed.”

Scholasticism, a system of thought that used reason to articulate and formalize principles of human ordering, also advanced the concept of human dignity, largely through the development of the natural law (Forster 2008). There were differences among the scholastics, especially ones like Thomas Aquinas and William of Ockham, as to the exact content of God’s law, but both affirmed humans as agents of free will with the ability to discover truth.

The church’s natural law and natural rights doctrines were an important part of political thought long before the modern era, but they were more forcefully articulated and more successfully applied to cultural structures with the coming of the Protestant Reformation. One of Martin Luther’s primary claims was the dignity of all humans as expressed in his 1520 tract, “The Freedom of the Christian” (Witte 2006, 50-51). Because we all stand equal before God, human equality is divinely constructed, not humanly constructed. Luther did not develop a strong case for political freedom; in fact, after the Peasant’s Revolt of 1525, he emphasized strong political authority as necessary for an orderly society. Nevertheless, his argument for freedom of conscience was an important first step in the development of more general human rights.

John Calvin (1509-1564) wrote eloquently about the importance of protecting other domains in life – including church, family, and commerce – from potentially selfish use of power in the hands of political rulers. This was another important step toward recognizing that people have political and economic rights. Theodore Beza (1519-1605), a reformer in the mold of Calvin, developed a more complete articulation of an appropriate political order that protected religious and economic liberty. For Beza, the right of revolution against tyrants was an important part of one’s basic rights. An aristocratic Frenchman, he was expelled from the French Parliament when he converted to Protestantism. Throughout the 16th century, there was tension between advocates of individual liberty and those who wanted freedom for the religious authorities to deal with heretics. Because of French persecution of Protestant believers, Beza gradually developed a more robust theory of individual freedom based upon a contract theory of the state (Witte 2007, 129-131).
Although Beza’s writings represented new developments in political and religious thought, he drew upon centuries of Christian thinking. In the words of John Witte (2007, 89), “he called on five decades of Protestant and five centuries of Catholic teachings on law, politics, and society as well as the whole arsenal of classical and patristic sources.”

**Emergence of the Open Access Order: The Netherlands**

Although much of the early debate over religious liberty and individual rights occurred in France and Germany, the Netherlands fairly quickly became a hotbed for discussion over the importance of the image of God in formulating rules for the political order. Johannes Althusius (1557-1638) was probably the most important contributor to this debate. Althusius was an active pamphleteer, authoring numerous pieces on natural law and the liberties of individuals and groups.

Althusius started his theory of society and politics with an account of the state of nature – which he equated with human nature and more particularly, with the nature of persons as creatures and image bearers of God. God created humans as moral creatures, Althusius argued, with natural law written on their hearts and consciences and “an innate inclination,” “hidden impulse,” and “natural instinct” to be “just and law abiding.” God created persons as rights holders, vested with natural sovereignty, rooted in the supernatural sovereignty of God, whose image each person bears upon birth. (Witte 2007, 182)

Throughout the 16th and 17th centuries, there was a gradual evolution toward an open access order in the Netherlands, and the concept of the moral equality of all people was an important driving force. Religious toleration, a radical concept in Christian history, became a part of Dutch political life. “But the Dutch had also come to believe that religious toleration was the most Christian policy as well as the most politically effective policy” (Forster, 2008, 153). Such toleration was based on the concept of equal human dignity of all, despite differences in religious belief.

The Joyous Entry of 1356, like the Magna Carta, provided a written basis for governance, and the Grand Privilege of 1477 provided a list of the ruler’s duties and the rights of the people. Finally, in 1581, the Dutch Act of Abjuration declared Phillip II, King of Spain, Duke of Burgundy, and the Lord of the Netherlands a tyrant who no longer was to be obeyed.

These formal changes in governance gave the Northern Provinces greater political freedom. With increased political freedom came more economic freedom, especially the freedom to enter trades, undertake manufacturing start-ups, and engage in transactions across time and space. Thus, the features of the open access order became more and more a part of Dutch economic life. Property rights were clearly defined and enforced. By 1500, manorial obligations were eliminated, and clear title to land was more the rule than the exception. Because of economic and political
freedom, an influx of foreigners arrived to ply their trades, and the local guilds were not powerful enough to stop them (North and Thomas 1973, 134). In the first part of the 17th century, one-third of Amsterdam's 100,000 residents were newly arrived foreigners (Stark 2005, 145).

The state was not active in granting monopoly rights to particular producers. The freedom to form new businesses and to engage in trade without interference from the government meant increased specialization, bringing enormous increases in productivity and trade. Regional fairs became commonplace and served to reduce the transaction costs of trade. “A London merchant, for example, could purchase grain from the Baltic in these markets, seeing and retaining only a sample. The seller warranted that the delivered goods would be as good or better than the sample” (North and Thomas 1973, 136). Of course, secure property rights and contract enforcement were crucial elements in such transactions. There were even futures markets and sale by grade. An active capital market developed, enabling investors to finance production and trade.

Emergence of the Open Access Order: England

In England, individual rights also evolved over time, a phenomenon that reduced the power of the natural state. The Magna Carta was signed in 1215, enforcing one of the first limitations of the power of the sovereign. In 1265, the first Parliament was elected. The next 400 years saw evolution of ideas and institutions, with numerous changes in political power. King Charles came to the throne in 1625 and regarded Parliament as more a functionary of the Crown than a representative of the people, imposing taxes that supposedly required the assent of Parliament. He also persecuted the Puritans, driving many of them to the Netherlands and the American colonies (Witte 2007, 210). When Charles called Parliament into session in 1640, after no meetings for 11 years, chaos ensued. Many of Charles’ acts were revoked, civil and criminal jurisdiction was moved from the King’s Court to common law courts, and power over all future taxation was claimed by Parliament. Charles retaliated by abolishing Parliament and attempting to arrest its leaders for treason; he was executed in 1649 after a public trial. A civil war erupted between the Crown loyalists and supporters of Parliament, with most Puritans siding with the parliamentary forces.

For a time, a somewhat democratic form of government ruled England. In 1660, the monarchy was restored under Charles II. His brother, James II, succeeded to the English throne a few years later; he came into even worse conflict with Parliament. The Parliament revolted again in 1688 in the Glorious Revolution, firmly establishing parliamentary supremacy in the English constitution. The English Bill of Rights in 1689 was a major institutional move toward an open access order because it codified the rights of ordinary Englishmen.

This was a period of vibrant intellectual debate over the rights and duties of English citizens. Between 1640 and 1680, over 22,000 pamphlets, sermons, and tracts were
published. The power of the sovereign, the protection of the rights of citizens, and the legitimacy of various laws and forms of governance were hotly contested (Witte 2007, 213).

As in the Netherlands, a major part of the political debate over human rights was driven by the articulation of the dignity of all people as expressing in the biblical doctrines of Christ’s death for all humans, and the universality of the image of God in every person. These were important influences on the move to the rule of law, contract enforcement for all market participants, and the opening of occupations and businesses to a wider range of people.

Although numerous theologians and philosophers were involved in the debate, one of the most important figures was John Milton (1608-1674). According to John Witte (2007):

[I]t was the great poet and political philosopher John Milton who provided the most interesting integrative theory of rights and liberty... Milton argued that each person is created in the image of God with “a perennial craving” to love God, neighbor, and self. Each person has the law of God written on his or her heart, mind, and conscience and rewritten in Scripture, most notably in the Decalogue (Witte, 12).

McCloskey (2016) provides copious details on the many ways in which the concept of universal dignity became a part of ordinary life. Literature, language, bible translations, church governance, and attitudes towards wealth generation were all affected by the ideological revolution,

Finally, a discussion of the influence of ideas on political and economic institutions is incomplete if it does not consider the influence of John Locke (1632-1704). Locke published his “Two Treatises of Government” in 1689, the same year that the English Bill of Rights was adopted. He offered what would later come to be the predominant understanding of the rights proclaimed in that document, developing more fully the conditions under which a revolution was justified. He also developed a much more complete theory of natural rights than was embodied in the 1689 Bill of Rights. Locke argued for the application of natural law to all equally, because all are equally God’s creatures, made to exercise dominion over the natural order.

Locke also made a substantial contribution to the concept of the rule of law applied equally to all because of his principle of religious freedom (Forster 2008, 161-165). Prior to Locke political philosophy justified the use of the state’s coercive power force against heretics, with the reigning religious authorities responsible for defining heresy. This meant that there were always members of society who could not claim equal treatment under the law because of their particular set of religious (or non-religious) beliefs. Locke said government should enforce the rules of justice and equity, and, in the words of Greg Forster,
If government plays favorites among religions in any way, it undermines the moral laws on which government itself is based, because those laws require the impartial administration of justice to all people (2008, 162).

Although it took several more decades for the institutional changes of the Glorious Revolution and the Bill of Rights to have a substantial impact on economic growth, the groundwork had been laid for an open access order. Over the 17th and 18th centuries, economic freedom shifted from the sole hands of political rulers to the hands of the citizens, and disapproval of government-granted monopolies grew. For example, the Royal African Company, chartered in 1660 under Charles II, lost numerous court cases over its monopoly rights and was finally abolished in 1689. The emergence of secure property rights aided innovators and entrepreneurs.

Property rights to land were codified and enforcement strengthened. The creation of the Bank of England in 1694 aided the development of financial markets and funding for industry. By 1800, numerous technological changes had dramatically lowered the costs of production. James Watt’s improvements in the steam engine in the 1760s provided a major new source of power, which opened the door to many new economic developments. Advancements in metallurgy made possible the production of high-quality wrought iron, important for tools and machine parts. Numerous technological changes in textiles made cheap cloth available to people all over the world. British exports, primarily of textiles, doubled between 1780 and 1800 (Acemoglu and Robinson 2012, 205). It was more than just technological change, however. The “growth was based on the expansion of commerce, the growth of markets, and improvements in the allocation of resources” (Mokyr 2009, 5).

Again, it was the idea of the equality of all humanity that drove changes in attitudes and institutions that permitted freedom of entry to all economic activity. The specialization and gains from trade that followed were at the heart of sustained economic growth.

**Open Access Spreads to France and Spain**

If England and the Netherlands were the first countries in Western Europe to experience economic growth, another question arises: What about other European nations that were powerful commercial entities, such as France and Spain? Why were they not among the first movers? Of course, one can argue that the move to a growth-enhancing institutional order was simply a function of the Protestant Reformation, and that Catholic countries experienced growth much later simply because they were Catholic.

That argument is too simple and does not fit the facts well. The Protestant Reformation was a part of France’s religious experience. Moreover, as stated earlier, the Reformation ideas about natural law and the dignity of all people were deeply rooted in pre-Reformation religious thought. The Scholastics strongly articulated a
doctrine of human equality, and the Late Scholastics (1350-1500), especially those in Spain, developed a whole body of thought that was supportive of commercial activity (Chaufen 1986).

One has to turn to the economic and political conditions of France and Spain to understand why the institutional revolution was delayed in those countries. At the end of the Hundred Years War (1337-1453), France had driven the English out of territories in what is now northern France, and the government in Paris controlled the political and economic lives of French citizens. The result was an absolutist regime with little institutional change.

France remained a mercantilist country, meaning its economic policies were focused on accumulating wealth at the expense of others through colonization, monopolization, restraint of trade, and other extractive policies, rather than seeking mutual gains through open trade. It had heavy taxes, a large bureaucracy, and strong protection of guilds and crown monopolies. The symbiosis of political and economic power meant that traditional means of production were protected by the state. For instance, its rules concerning the dyeing of cloth contained 317 articles (North and Thomas 1973, 126). The mercantilist policies were designed to generate income for the Crown. Institutional change was difficult because it threatened the stable relationship between favored producers and the ruling class. As Weingast (2010) has argued, the existence of powerful economic interests aligned with political power make it difficult to move to a rule of law.

The intellectual atmosphere was also different in France than in Britain. The eighteenth century French Enlightenment thinkers focused on the priority of reason at the expense of religion. The “Enlightenment project” was designed to create a new world where past traditions and beliefs were replaced by new, more rational understandings of the world. In contrast the British Enlightenment focused much more on virtue and the moral sense which “was the natural necessary, and universal attribute of man, of rich and poor alike, the educated and uneducated” (Himmelfarb 2004, 33). According to Woodberry (2012, 248) “The Protestant English and Scottish Enlightenments were not anti-Christian . . . The “Catholic” French Enlightenment was virulently anti-Christian (particularly anti-Catholic) . . .” Therefore the influence of the Christian understanding of human agency and individual dignity was less powerful in France than in England.

Spain in 1500 was the unquestioned economic powerhouse of Europe. Over the next 200 years, however, its economy failed to generate economic growth, and it declined rapidly relative to England and the Netherlands. Much of the Crown’s income came from the extraction of wealth from external sources. Spain had a large colonial network, especially in the New World, and the conquered regions and peoples there generated large amounts of income for the home country. Much of Spain’s wealth

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6 Although English power was limited after 1500, what became modern France was not unified under one government for another 50 years.
from the New World literally came from seizing resources – digging up gold and other valuable commodities and shipping them across the Atlantic. The Low Countries also made payments to the Spanish Crown. The final source of government income came from the sheep industry, to which the Crown granted numerous special privileges that prevented increases in productivity in the rest of agriculture.

Property rights were insecure, and the dependence of the Crown on outside sources of income meant it had less reason to emulate the revolution in manufacturing and trade occurring in England and the Netherlands (North and Thomas 1973). Evidence of the economic stagnation of Spain can be found in the move of people from the city to rural areas. In 1600, 20 percent of the Spanish population lived in urban settings, but by 1700, the number had fallen to 10 percent. This is the opposite of what happens in a growing economy (Acemoglu and Robinson 2012, 221).

Spain did not have the general debate or institutional ferment of England and the Netherlands. This meant that basic concepts of human dignity had little opportunity to impact the institutional order. Those who cared about the moral equality of all people could not gain much of a hearing for their views or have much influence over institutional choices.

**Growth in Non-Western Societies**

It seems clear that the transition to sustained economic growth in Western Europe and North America had its roots in the concept of human moral equality, particularly as articulated by Christian thinkers over many centuries. This, however, raises important questions for understanding nineteenth and twentieth century beginnings of growth in other parts of the world. Following the Meiji Restoration in 1868, Japan became the first non-Western nation to industrialize and to experience long-term increases in its standard of living. After World War II Singapore, Hong Kong, South Korea, and Taiwan entered the ranks of growing economies. More recently China and India have had several decades of impressive economic growth.

It is clear that economic growth is not just a Western phenomenon. If, however, the first movers in the world of modern economic growth relied upon the Jewish and Christian conception of all humans as God’s image bearers, what were the ideological foundations of growth in countries where these religions had minimal influence?

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7 The Jewish diaspora also had influence on ideas about human equality. Because of persecution, however, Jews tended to live in more homogeneous communities and hence had less influence on general public thought.
The most plausible explanation for substantial economic growth in Japan and China was their pragmatic willingness to copy the institutions and technology that lead to growth, despite the absence of a strong belief structure emphasizing individual moral agency and universal human dignity. Once substantial long-term growth had occurred in some parts of the world, countries that wanted to replicate that growth had institutional models to emulate. According to North, Wallis, and Weingast (2009, 188) “Leaders in natural states can look to the developed world and see how open-access produces enough output to make everyone, elite and non-elite better off.” And McCloskey (2016, 368) argues, After the Industrial Revolution and the Great Enrichment had created an enormous pile of easily adopted betterments such as electricity and antibiotics, no specifically European tradition of religious faith was necessary, as is clear from the vigorous adoption of trade-tested betterment in non-Christian and indeed non-Abrahamic places such as China and India.

Japan’s exposure to modernity came when Commodore Matthew C. Perry entered Echo Bay in 1853. The Tokugawa family had ruled Japan since 1600 and had closed the country to international trade. Japan was an extremely poor country, isolated from most of the rest of the world. Perry was demanding trade concessions similar to the ones that England had extracted from China. In the China case the First Opium War of 1839 to 1842 led to a loss of Chinese coastal territories. Japan saw the potential for a similar loss of power and territory.

The leaders of the Satsuma domain realized that economic growth—perhaps even Japanese survival—could only be achieved by institutional reforms, but the shogun opposed this because his power was tied to the existing set of institutions” (Acemoglu and Robinson 2012, 298).

There was a revolt against the shogun, the Tokugawa family, with the excuse of bringing the emperor back to power. In reality the revolutionaries wanted to bring Japan as rapidly as possible into the modern world of economic growth. In January of 1868 the Meiji Restoration occurred, which consolidated power in the hands of the pro-growth reformers. One of their first efforts was to invite Western legal scholars to come to Japan to advise them. And, when a formal constitution was drawn up a German constitutional expert was one of the five drafters (Fukuyama 2014, 342). After the writing of the constitution one of the most powerful figures in Japan, Ito’ Hirobumi, spent 13 months in Europe examining the institutional structures there.

Other leaders travelled to the United States and Europe, intent on adopting the institutions and technology that had led to Western prosperity. From 1870 through 1890 a top priority in the country was instituting domestic reform policies that followed those of the West. Compared to the institutional evolution that occurred in Western nations, the change was extraordinarily rapid (Fukuyama 2014, 339).
Japan became the first Asian nation to adopt a written constitution and along with the constitution, much of the institutional structure of Western nations. The background of the institutions were quite different in that Japanese political philosophy recognized no pre-political rights of individuals, but there was a strong national identity that gave a reasonable degree of dignity to all Japanese.\(^8\) (Fukuyama 2014, 339). All of this created an institutional structure sufficient for Japan to be the first Asian economy to experience sustained economic growth.

China's growth take-off came over a century later than Japan's, in 1978. Like Japan, however, the institutional framework that was necessary for economic growth was adopted for pragmatic reasons, rather than because of a long evolution of ideas about human dignity and human rights. The difference in belief structures is emphasized by Frances Fukuyama (2014, 357-58),

"In China, by contrast, (to Europe) there never was a transcendental religion and there never was a pretense that law had a divine origin. . . . While the law could be administered impartially, this was not due to any inherent rights possessed by the citizens. Rights were the gift of a benevolent ruler. Impartiality was simply a condition for good public order. It was for this reason that property rights and private law--contracts, torts, and other issues arising between individuals and not involving the state--were given very little emphasis. This stood in sharp contrast to both the Common Law and the Roman Civil Law traditions in the West.

China had long history of technological development and a reasonably effective bureaucracy. Under the Song Dynasty (960-1279) they invented gunpowder, the compass, and porcelain, and they were able to produce pig iron at a rate not met in England for another 700 years. They even had a power-driven spinning machine 500 years before the English (Landes 2006, 5). In 1500, income per person in China was very close to that in Europe (Acemoglu and Robinson 2012, 231). Beginning in 1839, however, when China lost the First Opium War to Britain, there began what became known as the century of humiliation. In 1843 China was forced to cede Hong Kong to Britain and extraterritorial rights were given to other nations (Fukuyama 2014, 356). China was defeated by China in 1895 in the Sino-Japanese War and lost Taiwan as a result. Japan also occupied much of China after its 1937 invasion.

When Mao and the Communist Party came to power in 1949 China had fallen far from its position of economic parity with the rest of the world. Mao attempted to revitalize the economy through strong central control, and in the process, created two economic and human disasters in the Great Leap Forward (1958-1961) and the Cultural Revolution (1966-1976). When Mao died in 1976 the average Chinese had one of the lowest

\(^8\) The lack of an understanding of universal human rights was evident in the brutal invasion of China in 1937 and in the harsh treatment of Western prisoners of war in World War II.
standards of living in the world (Coase and Wang 2012, 199) and 30 to 40 million had
died prematurely, most in the forced industrialization of the Great Leap Forward.

Deng Xiaoping came to power in 1977 and began a gradual program of introducing
market reforms. There were constitutional revisions in 1978, 1982, 1988, 1993, 1999, and
2004 (Fukuyama 2014, 363). Perhaps more important than the reforms at the
constitutional level, however, were the on-the-ground changes. Private farming was
secretly practiced in many areas in 1978. The official ban on private farming was
removed in 1980 and agriculture immediately became a growth sector.

The year 1978 has been called the year of foreign diplomacy. Factory managers and
government officials made twenty visits to over fifty countries, most of them
economically developed (Coase and Wang 2012, 32). When Wang Zhen, Vice President
in charge of industrial development, visited Britain in 1978 he was astounded that the
working class was living so well (Coase and Wang, 2012, 155). The next decade saw a
rapid adoption of market reforms, including the creation of quasi-private ownership in
township and village enterprises (TVEs). Four economic zones were created in 1980
where markets were allowed to operate relatively freely. Fourteen more zones were
created in 1988, and individual entrepreneurs were allowed much more freedom across

Property rights evolved through negotiation of regional and local governments with the
central authorities and contract law was strengthened by various legal reforms through
the 1980s. Because of the reasonable security of property rights foreign direct investment
increased rapidly through the decade.

In 1989 the Tiananmen Square revolt and government crackdown slowed economic
reform as hardliners regained control of much of the government. Deng Xiaoping,
although he had no formal role in the government or the army, continued to be a powerful
voice for reform, however. He was famous for his saying, “To get rich is glorious.” Even
under Mao’s regime he had said, “No matter whether the cat is black or white, if it
catches mice it is a good cat,” which meant the ideological commitment to Marxism
should be tempered by economic reality. (Acemoglu and Robinson 2012, 421). During
the post-1989 political struggle he argued that China should never close the door to the
outside world and that foreign investment would benefit ordinary Chinese (Coase and
Wang 2012, 110).

Perhaps most important to the economic reforms was the ancient principle of “seeking
truth from facts.” (Coase and Wang 2012, 122). The non-ideological pragmatism of this
approach to economic reform was embodied in an official pronouncement in 1978 that
“Practice is the Only Criterion for Testing Truth” (Coase and Wang 2012, 25). Deng
continued to label his favorite economic system socialism, but said “if we want socialism
to achieve superiority over capitalism, we should not hesitate to draw on the
achievements of all cultures and learn from other countries, including the developed
capitalist countries.” He also argued “the essence of socialism” was “the ultimate
achievement of prosperity for all” (Coase and Wang 2012, 137).
After Deng’s death in 1997 reforms that enhanced markets continued, although perhaps at a slower pace. In 2008 Hu Jintao, the President of China once again invoked the principle of learning from facts, arguing that economic reforms that increased economic well-being should continue (Coase and Wang, 2012, 176).

Given that those in power in China have seen prosperity as rooted in the institutions of a market economy it is not surprising that the country has continued to move in the direction of markets. China has grown rapidly since 1978 with only minor setbacks. Of course it is difficult to distinguish between simple catching up because of the disastrous policies under Mao and growth that would have occurred under normal circumstances, but in either case, one can attribute China’s economic growth record to its pragmatic adoption of institutions that copy those of the developed economics of the West.

The most difficult institutional problem for China has been to move to a substantive rule of law. Despite its numerous economic reforms that have enable markets to develop and entrepreneurs in many sectors to thrive, the Communist rulers still operate outside the strictures of the law. In October of 2014 an important plenary session of the Communist Party was supposedly devoted to establishing the rule of law. There are differences in interpretation of what that phrase means in practice, however. In fact some scholars have argued that the term should be translated “rule by law,” rather than “rule of law” (http://online.wsj, October 24, 2014) Thus, even though much of the institutional framework of the West has, for pragmatic reasons, been adopted in China, the concept of human dignity and human rights for all enshrined in the legal system has yet to take hold.

The prognosis for a society that doesn’t have a fundamental commitment to human dignity is unclear. It could be that growth will occur, but there will be fundamental flaws in governing institutions such that the benefits of growth will be very uneven and gross injustices will occur (Haugen and Boutros 2014). It is also possible that societies without a fundamental understanding of moral equality before the law will not be able to sustain growth for an extended period of time.

**Conclusion**

Economists have contributed much to understanding global poverty and to policy efforts to relieve that poverty. Most of the analysis, however, has used the standard tools of optimization under constraints, which, while powerful are incomplete. In the words of Dani Rodrik (2014, 191), “In fact, each of the three components of the optimization problem—preferences, constraints, and choice variables—rely on an implicit set of ideas.” The goal of this paper is to provide a better understanding of the ideas that both motivate and constrain the economic actors in a society. A more complete history of the concepts of human ordering that influenced the first movers in the story of sustained growth is the first step. The Judeo-Christian understanding of universal human dignity because of the Imago Dei seems to have been of particular relevance in those first movers.
More recent experiences in the non-Western world raise interesting questions with regard to explaining economic growth in those societies. Examination of two major cases of non-Western growth, Japan and China, indicate that economic growth in those countries copied the institutional changes of the first-movers. Thus once the ideology of human dignity produced the first take-off in economic growth, other countries without such an ideology could copy the institutional structure of the Western economies and also experience growth.

References


