The Audacity of Clark:

A review essay on Gregory Clark's

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

by

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Since the mid-1980s Gregory Clark has been an assiduous and productive contributor to our knowledge of the economic history of England (and from time to time of other places). On many issues he has built a reputation as a maverick and iconoclast, who wishes to undermine erroneous conventional wisdom, and who seeks out and analyzes new or underutilized sources as simultaneously he sets out provocative ideas. His audacious book, *A Farewell to Alms*, incorporates much of his substantial body of earlier work to focus on what many economic historians regard as a central, if not the central, question in our profession: How can we explain the origins, location, timing and consequences of an Industrial Revolution that carried humanity from the parsimony of preindustrial material existence to the (largely) abundant contemporary world? Clark's answer rests on four propositions: that *everywhere* per-capita living standards did not begin to rise substantially until the 19th century, that the medieval and early-modern English population transmitted to each successive generation (perhaps even genetically) a set of behavioral patterns conducive to economic development, that these behavioral patterns were the wellspring of the technical and organizational innovations adopted during the English Industrial Revolution, and that the present wealth or poverty of nations is crucially associated with the presence or absence of those behaviors. He introduces his book is an "unabashed attempt at *big history,* in the tradition of *The Wealth of Nations, Das Kapital, The Rise of the Western World* and … *Guns, Germs, and Steel*" (p. *ix)*. Its historical range extends from the time of our hunter-gatherer ancestors through settled agricultural societies and the advent of "modern" economic growth to the present circumstance of some 40-fold differences in average national per capita real incomes.

If for no other reason than the volume of commentary it has evoked, *A Farewell to Alms* is an important book. It was published in July 2007 to almost instant acclaim in the press, and those early responses have been followed by a flood of more extensive commentary, including about 40 reviews in the professional literature by leading economists and economic historians, although (so far) reviews by Adam Smith, Karl Marx, Douglass North and Jared Diamond are wanting. (Clark 2007 provides a list of reviews through early 2009.) Every commentator has applauded the author for his boldness and energy, but almost to a reviewer they point to fundamental gaps in his evidence or analysis. I am rather more sympathetic to Clark's broad intent than some other reviewers, but generally I agree with their strictures.

Clark argues that before the half-century or so leading to 1800, humanity was snared in the Malthusian trap dictated by the law of diminishing marginal returns in which, for example, better technique may have raised productive capabilities but resulted ultimately in more people, not greater average prosperity (Ch. 2). Yet in England – more so than in her European neighbors or in China and Japan – the logic of this Malthusian homeostasis, acting on greater reproductive success among the more substantial households, led to relentless downward mobility of their offspring, taking the values and behavior of prosperous parents into progressively lower ranks of society. The upshot by the 18th century was widespread diffusion of attitudes conducive to the ongoing explosion of innovation that began with the Industrial Revolution proper (Chs 6, 13).

That Revolution is the centerpiece of the book, linking a world of snail-paced technological progress and population expansion to our world of rapid population increase and even more rapid productivity growth. Although people learned over the millennia how to accomplish amazing things they failed to learn, for nearly all of human history, how to raise the average living standard for the bulk of the population much above that of ancient agrarians (see p. 139, Table 7.1; p. 2, Figure 1.1; p. 62). The English, however, learned – they learned how to advance production knowledge by beginning to respond “differently to incentives that had been in place for generations …” and, “we may speculate,” that the English held an “advantage [that] lay in the rapid cultural, and potentially also genetic, diffusion of the values of the economically successful throughout society in the years 1200–1800” (pp. 259, 271).

The third Part of the book (“The Great Divergence”) makes a cultural argument little different from Clark’s explication (1987) of the question “Why isn’t the whole world developed?” Absent the sorts of bourgeois values developed by the English or similar societies, low-paid workers in lower-income countries are (or were) less productive than their more highly paid counterparts in higher-income countries, as evidenced, for example, by wide variation in manning levels in cotton mills or railways using identical equipment under similar management regimes in the later 19th and early 20th centuries (Chs 16, 17). Part of the divergence of national incomes per person of the past century or so must derive, according to Clark, “from differences in labor quality … across societies, differences that stem largely from the local social environment.” The other portion derives from differences in “social energy” that recently have been able to multiply income differentials greatly, from modern medicine (he omits public health measures), which has reduced the minimum subsistence wage, and from existing technology, which is “much less forgiving” of low-quality labor than once it was (pp. 352–53).

There is much in this book that is interesting to know, but also much that rests on a Clarkian take on the evidence. Less than systematic but more than casual observation suggests that reviewers have pointed to at least one distinct fault in the book for every two pages or so of a 380-page text. So, what’s wrong?

Malthus, institutions and the absence of intensive growth: In Part I of *Farewell*, Clark provides a careful and clear exposition of the logic of a Malthusian economy and its approximately stationary population at equilibrium. He notes the historically observed fertility restriction below the biological maximum, and the corresponding lower mortality, that led to a level of living in many societies well above bare subsistence, adducing evidence not only from the economic sources he has helped to exploit (for England, back to the 13th century), but also from the archaeological and anthropological literature. However, Clark’s rather strict Malthusianism has abundant counter-evidence and argument in some recent works of historical demography, where the required feedback between population and living standards cannot be detected (see, *e.g.*, Allen 2008, pp. 950–51; Grantham 2008, pp. 158–60). Further, inherent to the model is a near fixity of land resources and agricultural technology that dictates the Malthusian inverse relationship between population size and labor productivity. Based on considerable evidence, George Grantham’s long-held view is that the application of agricultural methods known from antiquity has varied according to changes in economic environment, referring in his commentary on *Farewell* to a “latent productivity of traditional husbandry … significantly higher than average productivity,” and the ability of farmers to exploit that latent capacity (without sharply declining marginal productivity) by generating higher yields when “exposed to stronger market opportunities.” That is, medieval and early-modern European farmers were capable of responding, and did respond, to financial incentives long before the bourgeois values so highly regarded by Clark had diffused throughout the English population and the Malthusian land-technology constraint was inoperative (Grantham 2008, pp. 160–61).

Clark is dismissive (even derisive, p. 147) of the institutionalist school, revived by Douglass North decades ago, which focuses on a steady infusion into English and European society of institutions that led progressively to a growth-oriented society well before the onset of industrialization. He argues, on evidence heavily disputed (see, *e.g.,* Bowles 2007, p. 395; Goldstone 2007, p. 218), that the stability, lack of violence, security of property and "good" government stressed by the institutionalists were well in place in medieval times and thus could not have led to the economic Revolution of the 18th and 19th centuries. Perhaps the most amusing element in the book is Figure 11.3, with the caption "Institutionalism?": a cartoon showing two lab-coated men walking down a hallway, one remarking to the other, "If it made sense, that would be a very powerful idea." Clark surely knew he could be hoist on that very petard by changing the caption to "Clarkism?", but he included it anyway. But as Allen (2008, p. 957) observes, even if "good" institutions were not sufficient to cause intensive growth, they may well have been necessary.

Darwin?: By far the most disputed of Clark's contentions is that bourgeois values were carried demographically into the wider English population over succeeding generations (whether by genetic selection or cultural transmission is not altogether firmly stated). His case rests on careful work done with Gillian Hamilton (*JEH* 66:3 2006, 707–36) on a set of wills of English testators from 1585–1638, showing assets and bequests across a wide range of wealth classes (including some with humble occupations) and revealing, for example, that survivorship of sons was much higher for the top wealth groups than for the poor (see chs 6, 9). Simple arithmetic leads one to conclude that many sons moved into lower social strata than those of their fathers, at least before the rapid expansion of the '"middle classes" in the 17th and 18th centuries. Whether Clark can generalize from these results to make his point about English cultural change is far from clear. Personality traits known to be linked genetically almost vanish in two generations. There is no evidence adduced by which one can measure the values of the richer 16th- and 17th-century testators, nor whether those values were carried into the next generations, genetically or otherwise (Bowles 2007, pp. 394–95). Even granting Clark the spread of the middle-class values of "thrift, prudence, negotiation, and hard work" (p. 166) the more plausible outcome for 18th-century England would be an equilibrium of bourgeois prudence, of Adam Smith's "nation of shopkeepers" (*Wealth of Nations*, 1776, Bk. 4, ch. 7, pt 3) or of Paul Langford's *A Polite and Commercial People* (Oxford, 1989), rather than the innovators, known and unknown, who began to advance technique more rapidly than ever before.

Industrialization in England: Part II of *Farewell* is relatively brief, containing a straightforward exposition of growth theory, examination and dismissal of other people's explanations of the Industrial Revolution, a too-brief discussion of innovation and the "drawn-out" rise in English productivity, an approach to the question, "Why England?" rather than elsewhere, and an examination of the Revolution's social consequences. Clark observes that modern economic growth "is generated overwhelmingly by investments in expanding the stock of production knowledge in societies." He continues: "To understand the Industrial Revolution is to understand why such activity was not present or was unsuccessful before 1800, and why it became omnipresent after 1800" (p. 197). The approach in *Farewell* to each of these three issues is either indirect or limited. One cannot help but be reminded of yet another cartoon, showing a man who had written equations on the left and right of a chalkboard, linked in the center by the statement "Then a miracle occurs." His companion says, "I think you should be more explicit here in step two." Indeed.

A not unreasonable *description* of the British or English "Industrial Revolution" will contain discussion of famous innovations of the 18th and early 19th centuries: processes (including those borrowed from foreigners), products (ditto), changing organizational forms, transport investment and improvements and many others (including, as Clark notes quite properly, the agricultural improvements that went along with new "industry" that make the common term misleading). Accounting for this revolutionary transition is a different matter. Although Clark insists, and I agree, that the transition had deep historical roots and lasted more than a century, he does not demonstrate that the changes in English society and economy he examines systematically in Part I (*e.g.*, falling rates of interest suggesting rising thrift, the spread of literacy and numeracy, increases in public order) were linked to expanding the stock of useful knowledge. There is no "model" showing that bourgeois prudence generates originality; his explanation for the paradox of greater innovation with no apparent increase in rewards thereto is that facing "the same challenges and incentives as in other economies, British producers were more likely to attempt novel methods of production" (p. 238). If one is to understand only the technological elements of British industrial development, in particular their timing, interrelationships (in some cases necessarily sequential) and indeed profitability, a more articulated discussion than what Clark provides is necessary, a lack stressed also by Allen (2008, pp. 963–5), Grantham (2008, pp. 162–4), and Goldstone (2007, pp. 219–21).

What's wrong with rest of the world?: Part III of *Farewell* struck me as curiously perfunctory, given its purpose of explaining the great divergence between rich and poor societies of the past two centuries. That divergence is well described in chapter 15. As with his treatment of others' explanations of the Industrial Revolution, Clark in the next chapter runs through, and rejects, possible explanations for the poverty of the poor: low-income nations did not have disadvantageous access to capital, technology, resources, management or markets. Rather, they were inefficient in their use of labor, and labor rewarded the employers who paid their low wages with unproductive effort. This effectively is a circular argument, an observation not missed by others on the importance of changing values in the pre-industrial period (*e.g.*, Grantham 2008, p. 157).

To some commentators, Clark's discussion of an association between low-quality labor and absence of proper bourgeois values smacks of Social Darwinism (a not-yet-dead theory not only distasteful but wrong) however innocently he was led to make the observation (McCloskey 2008, pp. 146–48). The evidence comes largely as "lessons from the cotton mills" (Clark 1987), augmented by a later study of India that Susan Wolcott and he conducted (*JEH* 59:2, 1999, 397–423), along with a new set of lessons from the railways. Low labor quality equals low labor productivity equals overmanning under otherwise identical conditions, a product of local culture or even (seemingly) the workers (p. 359). Numerous cogent objections to this argument were raised in print in response to Clark's 1987 paper, and Allen argues persuasively in turn that the production analysis Clark makes in the book is conceptually inappropriate. That is, "over" manning resulted from more complex phenomena than Clark examines or proposes (Allen 2008, pp. 967–69). Clark has little to say about India or China in recent decades but, as Robert Solow (2007) observes in one of the first extensive reviews of *Farewell* (and here I interpret), it seems that, when the institutional setting is changed for the better, bourgeois behavior can erupt quite rapidly. Whence the values underlying *that* behavior? Not from the peculiarities of English demographic history.

I am willing to give *A Farewell to Alms* a verdict from Clark's land of origin, the Scottish "Not proven." But we cannot end with that judgment, because Clark's is just one of many books fairly recently published asking and answering "big" questions, each in a distinctive way.

There are two underlying methodological problems in attempting any treatment of such questions. One is the general problem of colligation, of building often disparate information into a logical structure, in this instance of choosing just how far back in history one must go to find an origin and then selecting what is most relevant to the argument. The second comes from the distinctiveness of the English or British Industrial Revolution, and that because of that singular set of events all subsequent industrializations could not repeat the experiment. On the second point I cannot outdo Solow (2007), so I quote (selectively): "[h]ow can there be a test of a theory about a unique historical event… [when] there is nothing to compare it with? … any theory will have various building blocks … some of which can be tested against a broader class of facts.… [but for this sort of event] we simply have to judge whether the story … passes the test of plausibility." One of the more common words in the reviews of *Farewell* is "implausible," but the same might be said about other cases built from selecting a limited range of facts and analytical strategies to address the big question. A cursory examination – and simplistic characterization – of a few of the more important books attempting to answer "big" questions about the history of economic development, published only in the past decade, reveals how different the solutions to the problems of colligation and theory construction can be.

Kenneth Pomeranz argues in *The Great Divergence* (Princeton, 2000) that China and "the West" were on a par until about 1800, but that Britain and Europe were subsequently able to industrialize more rapidly because of differential access to colonies and coal. Avner Greif's *Institutions and the Path to the Modern Economy* (Cambridge, 2006) focuses on how institutions supporting the modern market economy grew from solving problems of trust in the medieval world of Mediterranean commerce. In *The Industrious Revolution* (Cambridge 2008), Jan deVries stresses how the northern and western European household economy experienced a "transformation of consumer desire" that led, in the context of improving transport costs and growing market opportunities, to the reallocation and intensification of household labor, an industriousness before industrialization linked to greater consumption from, and greater production for, the world outside the cottage or the village. With an approach laid out briefly in his review of *Farewell*, Robert Allen attributes the "Britishness" of technical change during the Industrial Revolution to an economy of high wages relative to energy costs, unique to Britain, that made British innovations profitable there but (until later) not elsewhere, in his *British Industrial Revolution in Global Perspective* (Cambridge, 2009). Finally, in *The Enlightened Economy: An Economic History of Britain 1700-1850* (Yale, 2010), Joel Mokyr augments his previous expositions of technological change and discussions of an "industrial enlightenment" by homing in on joint changes in economic behavior and world view deriving from the intellectual Enlightenment and the Scientific Revolution that made those technical developments possible.

Each of these authors, and of course Gregory Clark, takes on a distinct "event" of centuries' duration, none identical but all overlapping, and solves the colligation problem differently. It might go without saying that reviewers and commentators (some of the above reviewing each other) have found more than minor faults with each of these books (except Mokyr's, which as I write is just published; the criticisms will come), but the point needs to be made. Each stands or falls on whether it tells a plausible story, employing analytical methods appropriate to the facts as they are known. A synthesis of the six books mentioned here would, no doubt, produce a more articulated and persuasive history, but that synthetic effort would entail tossing onto the rubbish heap many ideas dear to the heart of each author. And there are more such works recently published or on the way.

Technically, the book is handsomely presented and contains only a few typos and "wrong" words that can and do mar many publications. There are, however, two non-trivial technical problems needing mention: a venial sin of commission and a cardinal sin of omission. I find it misleading to conflate, as does Clark throughout the book, the concept of total factor productivity growth with "efficiency growth." They are related, of course, but analytically distinct, despite their wide use as synonyms by the economics profession. A move from inefficient allocations to an efficient one will, of course, raise factor productivity, but not beyond the economy's production possibilities. The astonishing increases in global total factor productivity of the past two centuries or so come from the rapid expansion of those production possibilities, even as all economies have been demonstrably inefficient.

Through much of the book Clark cites his sources assiduously, but about ten per cent of the tables and fully a quarter of the (empirical) figures have no sources listed clearly, either in captions or text. Near the beginning of his review, Jan Luiten van Zanden (2009) expresses frustration about his inability to acquire the working paper that obviously underlies many of Clark's presentations of long-run relationships between English GNP and other variables. That paper, listed in Clark's bibliography as 2007b, "The Economic Aggregates for England, 1209–1869", is at last forthcoming in volume 27 (2010) of *Research in Economic History.* But, as van Zanden remarks, this ordering "is an interesting procedure first to tell the grand story and then to start worrying about the underlying data … I would not recommend it to my students."

My welcome concluding task is to indicate what's right with *A Farewell to Alms*. Not only is every serious review of the book filled with critique, rebuttal, and citation of contrary evidence but virtually every review also confers praise, rarely grudgingly. The book is written for an educated lay public in a clear style, with a modicum of formal economics, containing numerous useful (and mostly intelligible) graphs, tables and other illustrations, and fascinating odd bits of information. It is also the author on paper – engaging, deliberately provocative, acerbic about the economists and economic historians of whom he does not approve, by turns brilliant and funny, and for boldness sometimes simply exasperating. The book exhibits its author's cat-like curiosity about anything and everything that might be relevant to his case. These characteristics (and the modest prices set by Princeton University Press) have made it a "best seller" on some lists. "What more can we wish, as a profession, than that our members draw so much attention to our kind of research?", asks van Zanden (2009, p. 124). Likewise after a cautionary note, Deirdre McCloskey (2008, pp. 141–42), , asserts, "Much of the book is uncontroversially good, a very good review for outsiders of what we economic historians have learned since, say, Karl Polanyi." She continues with a long list of where "we" can agree with Clark, on points well-known to the profession (but not necessarily to the educated lay public), before chiding him for the defects in *Farewell.* If not renown, then a tinge of notoriety may do.

On a personal note, I can say that reading and trying to assess Clark and his interlocutors has been good for me: that process has led (I think) to improvement in my economic history teaching and has improved my thinking about up-coming work. It is good, from time to time, to be blasted out of a quotidian intellectual torpor, and in its boldness, audacity, wit, and sheer outrageousness *A Farewell to Alms* stimulates good thoughts, whether they be of intrigued agreement or of determination to show him wrong. The collective response to date underscores Eric Jones's prediction (in a pre-publication endorsement printed on the book jacket) that it "should start whole industries trying to test, refine, and refute its explanations" and that on some points it "will infuriate all the right people." Clearly it has done both. In his preface (p. *x*), Clark expresses a hope "that, even if the book is wrong in parts, it will be clearly and productively wrong …" It *is* wrong in parts, inadequate in others, yet suggestive elsewhere, and fascinating even when annoying. In the quarter-century I have known and engaged with Greg Clark, I have come to know him as a very good companion – so is his book.

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