

Gregory Clark (2007) *A Farewell to Alms: A Brief Economic History of the World*, Princeton, Princeton University Press.

Reviewed by **Tom Conley** for the Australian Journal of Political Science.

This is a big book with a narrow view of world history, economic in practice, bombastic in tone. I enjoyed it immensely. Clark offers a materialistic view of economic development with an under-developed cultural and genetic explanation. Clark considers the two major questions of world economic history: why the Industrial Revolution occurred when and where it did, and why the world subsequently diverged so comprehensively between the first and third worlds. Clark promotes the book as “an unabashed attempt at *big history*, in the tradition of *The Wealth of Nations*, *Das Kapital*, *The Rise of the Western World*, and most recently *Guns, Germs and Steel*. All these books, like this one, ask: How did we get here? Why did it take so long? Why are some rich and some poor? Where are we headed?” (ix) No shortage of confidence in that assessment of one’s own work, but it is a confidence that is probably warranted.

The book is divided into three parts: 1) The Malthusian Trap: Economic Life to 1800; 2) The Industrial Revolution; and 3) The Great Divergence. It begins with an excellent introduction: “The Sixteen-Page Economic History of the World”.

In part one, Clark argues that quality of life in the world of 1800 was no better than life in the stone age. His focus is predominantly on income:

Over the long run income is more powerful than any ideology or religion in shaping lives. No God has commanded worshippers to their pious duties more forcefully than income as it subtly directs the fabric of our lives”. (4)

Given the amount of time spent working by the average English person in 1800, Clark argues that living standards in early forager societies were probably substantially superior. (63)

Clark outlines the Malthusian world (from the Stone Age to 1800), which he argues exhibited “a counterintuitive logic” where:

anything that raised the death rate schedule – war, disorder, disease, poor sanitary practices, or abandoning breast feeding – increased material living standards. Anything that reduced the death rate schedule – advances in medical technology, better personal hygiene, improved public sanitation, public provision for harvest failures, peace and order – reduced material living standards. (27)

In other words, vice equalled virtue and virtue equalled vice. (37) Even gradual improvements in technology increased population and therefore did not lead to lasting increases in living standards. Hobbes, Clark contends, was wrong; man was better off in his natural state.

As befits an economic determinist, Clark allows no real role for politics in the Malthusian era: “Good government could not make countries rich except in the short-run, before population growth restored the equilibrium”. (35) But as another economist warned us some time ago “in the long-run we are all dead”. Despite his long-run analysis, Clark concedes that “living standards did vary substantially across societies before 1800”. (70)

In part one, Clark sets up his case for why the Industrial Revolution occurred in England outlining that the rich had more children than the poor, which led to “a world of constant downward mobility”. (113) Given the static nature of the economy the dispersal of the children of the rich throughout society meant that the values necessary for capitalist growth were spread throughout the population. Britain became increasingly middle class as “[t]hrift, prudence, negotiation and hard work [became] values for communities that had previously been spendthrift, impulsive, violent and leisure loving”. (166)

Clark gives short shrift to the idea that institutions and economic incentives were necessary preconditions for the Industrial Revolution. He argues that the incentives many economists believe to be necessary for growth were present in medieval England. And explanations for the Industrial Revolution such as the Protestant Reformation or the Scientific Revolution “merely push the problem back one step”. (183) The real question is why these events occurred when they did?

While living standards were not changing, the culture, perhaps even the genes, of the people subject to these conditions were changing under the selective processes they exerted. All Malthusian societies as Darwin recognized, are inherently shaped by survival of the fittest. They reward certain behaviors with reproductive success, and these behaviors become the norm of the society. (186)

Part two deals with the Industrial Revolution, whose most remarkable feature is the “all-pervading rise in incomes per person”, and which resulted in a remarkable divergence between rich and poor countries. (195) The gap between the living standards of the rich and poor countries grew from 3-4:1 before 1800 to 40:1 today (He says “more than 50:1” on page 320!).

Clark contends that understanding modern economic growth is easy, “it requires no more than basic arithmetic and elementary reasoning ... growth is generated overwhelmingly by investments in expanding the stock of production knowledge in societies”. (197) Land, once very important, is no longer a major factor. Increasingly from 1800 growth in income was due to two changes: more capital per worker (about 25 per cent) and greater efficiency of the production process (75 per cent). This means that “the bulk of the growth is explained by advances in efficiency”. But Clark goes further to argue that the “apparent independent contribution of physical capital to modern growth is illusory”. (204) The growth in physical capital is caused by growth in efficiency.

To explain the Industrial Revolution then we need to explain why before 1800 there was “such limited investment in the expansion of useful knowledge, and why this circumstance changed in for the first time in Britain some time around 1800. Then we will understand the history of mankind.” (207) Simple! But Clark’s argument is ultimately unsatisfying and, given all his data on other issues, underdone:

Millennia of living in stable societies, under tight Malthusian pressures that rewarded effort, accumulation and fertility limitation, encouraged the development of cultural forms – in terms of work inputs, time preference and family formation – which facilitated modern economic growth. (209)

Clark argues that “contrary to appearances, the Industrial Revolution actually stretched back hundreds of years to its origin, and that it was a gradual and evolutionary development that affected other European countries almost as much as England.” (231) The appearance of abrupt change was caused “by accidents and contingencies”: rapid population growth in England after 1760, British military success against France, and economic development in the United States. (231)

Clark also deals with the question of why the Industrial Revolution took place in Britain and not China, India or Japan. He dismisses arguments about the advantages of geography or of new sources of energy and raw materials. What matters is that Britain was ahead on bourgeois values. (262-271) Asian societies were not static as Malthus had assumed, instead they had simply “not evolved as far”. (266)

Clark points out that the major beneficiaries of the Industrial Revolution, contrary to Marx and Engels, were the working classes. Ricardo was wrong about wages staying at subsistence and most of the rewards going to land as a factor of production. (273-4) The Industrial

Revolution also improved the lot of women because the shift in production away from agriculture to manufacturing and services meant strength was less important. Skills such as dexterity and social interaction became more important. (277-8)

These skills also explain why unskilled labour improved its lot in relation to skilled labour. Dexterity means that humans cannot be easily replaced by machines. (287) Even today, jobs in food preparation and supermarkets cannot be replaced by machines (at least not yet). And human interaction, unsurprisingly, is also something that humans do best. The effectiveness of pleasant interactions should not be underestimated for business success, he argues, especially in a world of similar products. Clark warns, however, that the past may be “no guide to the future” and that eventually unskilled labour may lose its value. (288) It would have added to the current relevance of the book if Clark had considered how globalisation and immigration have affected returns to unskilled labour.

Equalizing tendencies only applied, however, within advanced societies. Across societies the income gap increased enormously. This is the subject of the third (and shortest) part of the book. From the late eighteenth century “technological, organizational, and political developments seemed to imply the coming integration of all countries into a new industrialized world”. (305) But the integration that seemed so promising resulted instead in the “divergence of national incomes and living standards” that “continues to widen to the present day” return of globalisation. (319)

Clark argues that the failure of political and social institutions does not account for the great divergence. What matters are “differences in efficiency”. These efficiency differences did not come from “discrepancies in access to the latest technologies [or] from economies of scale”; rather they came from “a failure to utilize technology effectively”. The particular form of the failure was “rooted in an inability to effectively employ labor in production, so that output per worker, even using the latest technology, was peculiarly low in the poorest countries”. (329) Clark lays the blame not on poor management, but on workers. (357)

According to Clark, the real problem in India, for example, was the lack of discipline and high absenteeism of the workforce when compared to Britain. (363) While this is an extremely ‘efficient’ argument, it is almost certainly too simplistic, disregarding any role for politics and the legacies of imperialism. One doesn’t need to be left-wing to realise that the developing world’s problems go well beyond the “laziness” of their workers.

Clark concludes by noting that the West has no model to offer poor countries and the best way for the West to help would be to liberalise immigration.

Aid to the Third World may disappear into the pockets of Western consultants and the corrupt leaders of these societies. But each extra migrant admitted to the emerald cities of the advanced world is one more person guaranteed a better material lifestyle. (373)

He also notes that despite our income growth today “we are no happier than our hunter-gatherer forebears” (374) How we can know how happy our ancestors were is a mystery to me, but random conjecture to make a point is no bar for Clark. So much of the book, despite the huge pool of evidence on fertility, mortality and income rests on conjecture. Clark adds cultural determinism to his boiler plate economic determinism. Despite being crucial to his argument, statements about culture and genetics are left hanging like exotic, out of reach fruit on Dr Suess-like trees. Too often he dismisses alternative explanations with the briefest of rhetorical and statistical flourishes.

In stylising his facts and trying to be bold, Clark pushes his arguments too far – the averaging and subsuming does some disservice to his obviously amazing breadth of knowledge and data collection. His economic focus on income makes it appear that for thousands of years up until 1800 little of consequence really changed. The mind boggles at the ingenious nature of some of the evidence used to support his claims and despite not being convinced by his arguments they were certainly interesting to read.