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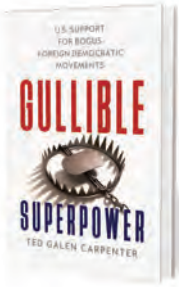

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Modernity and Its Causes

BY STEPHEN DAVIES

The world we live in is profoundly different from that of our ancestors, even our recent ones. There is a bigger difference in terms of everyday experience between someone born in the 20th century and somebody born in 1700, than between the person from 1700 and someone from the time of Jesus.

The force that has so transformed the world and the nature of everyday life is, in the first level of explanation, economic growth. Not just any kind of growth, however, but something that is found only since approximately 1760: sustained, intensive growth. Economic growth simply means an increase in output—more stuff. However, some growth, historically the main kind, is extensive. This means getting more output from more input of land, labor, and capital. Intensive growth means that you get more output for the same or less total input. It is intensive growth that leads to sustained rises in living standards.

A huge rise in real incomes is the main factor that has transformed everyday life. Compared to 1800, average incomes, on a global basis, have risen by a factor of 16. The World Bank estimates that in 1800, just over 80 percent of the world's population lived on the equivalent of their level for absolute subsistence-level poverty, whereas today, less than 10 percent of the world's population is that poor. It is this huge increase in wealth that drives most of the other changes we can observe and that distinguishes us from earlier generations.

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JACQUELINE PILAR

DAVID BOAZ, executive vice president of the Cato Institute, addresses the Young America's Foundation at the Reagan Ranch Center in Santa Barbara. A version of his talk appeared in the January/February issue of *Cato Policy Report*.

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These changes are not just a matter of having more stuff and greater comfort. Because of economic growth, there have been radical social changes. We live and interact with each other in ways that either were rare before or are truly novel. One example is the role of the household. For most of human history, it was almost impossible to live on one's own for any sustained length of time, even for the wealthy. Nowadays, people can do this easily, and many do. Ordinary people today have far more effective choice and a vastly wider range of options than even their recent ancestors. Instead of looking forward to a life as a farmer in the great majority of cases, they have a dazzling array of possibilities, even if they are relatively poor. Many kinds of experiences are available that even kings could only imagine before. Much of the dark or unpleasant side of human life has been dramatically reduced. For example, the chance of losing a sibling or parent to accident or illness before the age of 20 has sharply declined. Human beings are now much less violent and much milder and gentler in their behavior than was the case even two centuries ago.

HOW INNOVATION CHANGED THE WORLD

The ultimate cause of all these changes is widespread, persistent, and cumulative innovation. This is true whether we are talking of innovations that are productive, economic, social, cultural, or purely intellectual. Understanding innovation, and how and why it is so much more widespread in the last two centuries, is crucial to understanding the world we live in and its likely future.

Not everyone welcomes this. Ever since the transformation of the world by innovation began, people have argued that its benefits come at too high a cost or that it means a loss of something truly human. In this view, modern innovation has led to the creation of a world incompatible with our nature. People taking this position, such as the English poet Southey or, before him, Rousseau, have argued that humans should give up modernity. Marx shared their dark view of modernity as it is but thought that you could have its benefits without the supposed costs once you had moved to a higher level of social organization; you could have your cake and eat it too.

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So is the modern condition a good thing? The answer for most people is a resounding yes. Life is simply better by any number of criteria compared to what it was before. The possibilities for human flourishing and self-realization are incomparably greater and more varied. Moreover, as T. B. Macaulay observed in his review of Southey, there is little evidence that the critics of modernity want to actually experience their own prescriptions.

It is important to understand how this transformation of the world happened. This is for three reasons: first, to keep it going and stop the process from petering out; second, to protect against its being reversed either by design or (more likely) by accident as a product of things done with other intentions; and third, to complete it. Not all parts of the world have experienced the transformation to the same degree, and this more than anything else accounts for the marked disparities that we observe. This understanding draws on the insights of several disciplines, such as economics, psychology, sociology, anthropology, and politics. The one that brings them together is history, because this is ultimately a historical question. There is no doubt about where the modern revolution began: by general agreement, it was in northwestern Europe. The chronology is more disputed, but there is a growing consensus on a date no earlier than the middle of the 18th century and no later than the middle of the 19th century.

ESCAPING THE MALTHUSIAN WORLD

From this, we can begin to construct a more general theory both of why sustained innovation is rare and short-lived in traditional agricultural and pastoral societies and of why it has become more intense and sustained in the last two and a half centuries. The starting point is that from the advent of agriculture 10,000 years ago, human beings lived in a Malthusian world—that is, a world of acute scarcity where most human populations will tend to expand to the maximum that can be sustained by a given combination of resources and a level of technology. This means that most people in most times and places are living at subsistence level, that improvements are short-lived and step changes rather than part of a trend, and that it is very hard to build up large accumulations of capital and to grow the economic pie. So typically, most economic life has a zero-sum quality, and the easy way to riches is to make others worse off. The response to this is the emergence of institutions, rules, and practices that mitigate the effects. Some are overt and explicit; others exist at the level of norms and practices. Their main purpose is to protect people against contingency on the basis that no one starves unless all do. (This typically does not apply to elites.) These practices work, but have the effect of limiting innovation, because innovation is risky (most innovations do not work) and costly (they consume scarce resources).

In all human societies there are two kinds of social relations and two ways of making a living and acquiring resources. The first are peaceful relations based upon mutual exchange and benefit. Here, resources are gained through productive activity and exchange. The second are relations based on power, on domination and submission. Here, resources are gained by the use or threat of force, or by deceit. The second kind of relations means that all reasonably

complex societies have a class division between productive classes and ruling or exploitative classes. The latter control the means of predation: organized force and violence, typically supplemented by systematic obfuscation. They may also control productive resources, and usually do, but this is a consequence of their control of force rather than a cause. These rent-seeking classes are the ruling classes, the elites of traditional society. They have an ambivalent relationship to innovation. In the short run and in a limited way they welcome it, especially if they are secure in their ruling position. However, sustained innovation will undermine their position by giving ordinary people more freedom, and so they are hostile to it.

So in traditional agricultural societies, there are two structural factors that check innovation and stop episodes from becoming sustained: the social institutions that develop as a response to Malthusian constraints, and the policies of elites, who support the social institutions in many cases and can take direct action to stop or reverse innovation (as happened to Song-dynasty China). However, if we look at the 18th century, we find something different in a few particular parts of northwestern Europe. Before then Europe had been very much the same as other parts of the world, and its elites and society had functioned in much the same way as their counterparts elsewhere (though less effectively than the Chinese). From about 1750 to 1850, the world as a whole began to experience a Malthusian crunch, in which global population began to press up against structural limits in an acute way. The ruling groups in a number of European societies—most notably Britain but also France, the Netherlands, Sweden, and parts of Germany—responded to this by actively encouraging innovation. They did this directly but also indirectly, by deliberately attacking and sweeping away social and other institutions, such as guild privileges, that inhibited innovation. Consequently, innovation accelerated and was sustained. In a period of intense political conflict, the pro-innovation elements in society triumphed in most parts of Europe and in the United States. By the 1860s, the process had become almost unstoppable.

> “The civilization we live in is not historic Western civilization.”

WHY DID SUSTAINED INNOVATION HAPPEN?

Why did this happen? Why did elites and wider society in northwestern Europe behave in this way at that time when they had not done so before and the same had not happened elsewhere? There are three possible explanations on offer. One is that there was a cultural shift, starting in the Dutch Republic in the 17th century, in which entrepreneurial business activity, tinkering and inventiveness, and heretical freethinking all became socially admired and respected to some degree, as Deirdre McCloskey has recently argued. A second theory is that the later 17th century saw a radical shift in Europe in the way that knowledge was both produced and understood, the so-called scientific revolution, which had massive practical effects.

My own view is that there was also a third, more important factor in play. This was a change in the incentives facing ruling classes in western Europe from about the middle of the 17th century, as compared with both earlier periods and the incentives facing their counterparts elsewhere in the world. The military revolution of the 16th and 17th centuries had led, in most of the world, to the appearance of large hegemonic powers such as the Ottoman, Chinese, and Russian empires. This development intensified the already strong incentives on elites to keep things the same.

In Europe, for contingent reasons, this did not happen. Because of the outcome of wars and dynastic accidents, neither of the possible hegemonic powers (Habsburg Spain and France) achieved that status. Instead, Europe saw the appearance of about a dozen large, powerful states, none of which had a predominant or hegemonic position and all of which were in intense competition with each other. This competition was more intensive and acute than the competition that had always existed between elites because it required mobilizing much greater resources. Consequently, these states now had a powerful incentive to actually encourage innovation. As time went on, the social constituency of people and groups who benefitted from the innovation also grew, so there was a force in civil society behind it as well.

ARE WE STILL LIVING IN WESTERN CIVILIZATION?

All this has very important implications for how we see the world and our own place in history. In the first place it means that the modern civilization we live in is not historic Western civilization. Because the changes of modernity are such a decisive rupture, there is a clear distinction between the two: Western civilization is in a real sense defunct, continuing only as a memory or submerged force. Because the modern revolution first happened in a part of historic Western civilization, it originally had a strong inheritance from it, but as the transformation has happened in other parts of the world, this is ever less true. We may see either the emergence of a single new modern civilization that will be global, or the appearance of several new modern civilizations, distinct from each other and inheriting elements of older pre-modern civilizations but distinct from them as well. The example of China under the Ming should be salutary. The chance of a deliberate anti-modern revolution, a suppression and reversion of modernity, may be low, but we should not discount it too much. It is a real possibility, if not a probability. The major challenge to all people now, however, is that we might inadvertently recreate the political and social barriers to sustained and cumulative

innovation. If that were to happen, the experience of the last two hundred years would prove to be simply one long and intense episode of innovation, and we would revert to the norm.

There are three dangers to modernity and innovation to highlight. The first is the modern regulatory state, which is often clearly intended to check innovation. The second, related problem is that of powerful interests that have gained from innovation in the past but are now threatened by it and wish to use power to "freeze" it. These interests can be coupled with legal and other institutions that helped innovation at one time but have now become a force for privilege, rents, and stasis. Intellectual property is arguably the primary example of this. Finally, there is the acute problem of competition between political units. The initial competition between European states was driven by, and found expression in, frequent and savage wars. As time passed, these, became ever more damaging and devastating due to the innovative process they encouraged. As a result, we have now created an international order that is designed to check and limit that competition. There are obvious and good reasons for this, and peace is to be preferred to war. The problem is that if we do not get the institutions right, the incentives facing rulers and powerful groups will revert to their historically normal setting. The challenge is how to prevent that, and to enable interstate competition, without also reverting to international military conflict and the devastation it would cause. ■

> "There are three dangers to modernity and innovation."