

## Liberal Ideas and the Great Enrichment: A Theoretical Model

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We explore the intricate relationship between culture, liberal ideas, and economic growth, presenting a formal framework to better understand the drivers behind the Great Enrichment. It highlights how core values such as liberty, dignity and equality play a pivotal role in enhancing human welfare and fostering technological innovation. By delving into these liberal principles, the study sheds light on the mechanisms through which societies can achieve sustained economic development.

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### 1. INTRODUCTION

Deirdre McCloskey's concepts of bourgeois liberty, bourgeois virtues, bourgeois equality, and bourgeois dignity are central to her explanation of the Great Enrichment, the unprecedented economic growth that began in the 18th century and has continued to shape the modern world. According to McCloskey, these bourgeois values were not spontaneous developments but the result of a long, arduous process of human struggle, institutional development, and cultural investment that began centuries before the Great Enrichment. The origins of these values can be traced back to significant historical milestones such as the Magna Carta in 1215, which, though initially aimed at limiting the power of the monarchy in favor of the nobility, laid the groundwork for broader struggles for liberty and the rule of law. Over the centuries, these early efforts evolved into larger movements for political, economic, and social rights, embodied in events like the Protestant Reformation, the Enlightenment, and various revolutions across Europe and the Americas. These movements were not merely

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political but also cultural revolutions that challenged existing hierarchies and legitimized the aspirations of the emerging bourgeoisie, contributing to the spread and deepening of values like liberty, equality, and dignity.

McCloskey argues that the development and spread of bourgeois values were costly endeavors, requiring significant sacrifices and struggles over time. The fight for civil liberties, property rights, free speech, and political representation involved not only economic risks taken by entrepreneurs but also lives lost in wars and revolutions. These struggles gradually shifted societal norms, leading to the recognition and institutionalization of bourgeois virtues. McCloskey conceptualizes these values as a form of “capital stock” — intellectual and cultural assets that accumulated over time through the development of institutions, cultural transmission, and public discourse. Institutions such as parliaments, legal systems, universities, and the press played a crucial role in embedding these values into the fabric of society. They protected individual rights, encouraged innovation, and provided a stable environment in which people could take economic risks. At the same time, the spread of these ideas through literature, education, religious teachings, and public debate helped to shape public attitudes toward work, innovation, and social mobility, making bourgeois values an integral part of the cultural consciousness.

According to McCloskey, this accumulated capital stock of bourgeois ideas was crucial in creating the conditions for the Great Enrichment. The cultural shift toward valuing individual liberty, personal responsibility, and entrepreneurial initiative encouraged people to innovate, take risks, and pursue economic opportunities. This environment of liberty and respect for individual rights allowed for the rapid dissemination and application of new ideas, leading to continuous improvements in productivity, technology, and standards of living. Moreover, the rise of bourgeois values challenged the old feudal and aristocratic hierarchies that had previously dominated society, opening up opportunities for a broader segment of the population to contribute to economic growth. This democratization of economic opportunities was a key factor in the sustained economic expansion that characterized the Great Enrichment.

In summary, McCloskey’s analysis emphasizes that the extraordinary economic growth of the modern era was not simply the result of technological advancements or traditional capital accumulation but was deeply rooted in a long process of cultural transformation. The costly investment in and struggle for bourgeois values like liberty, dignity, equality, and the celebration of innovation played a crucial role in shaping the conditions for sustained economic growth and social progress. The accumulation of these ideas, which McCloskey likens to a form of capital stock, created a self-reinforcing cycle of growth that continues to influence the world today. The Great Enrichment, therefore, is not just an economic phenomenon but

the culmination of centuries of effort to cultivate and spread the values that underpin modern liberal societies.

Deirdre McCloskey has written extensively on the role of ideas, culture, and bourgeois values in driving economic growth and social transformation. Her major works on these topics are particularly focused on what she calls the “bourgeois era” and the “Great Enrichment.” Together, these books reflect McCloskey’s ongoing commitment to understanding and promoting the cultural, ethical, and rhetorical foundations of economic life, arguing that it is these factors — not just capital or institutions — that have driven the extraordinary economic and social achievements of the modern world. Her work consistently underscores the importance of liberal values, the power of ideas, and the need for a more holistic approach to economic science that recognizes the full complexity of human behavior.

The paper is organized as follows. Section 2 introduces the key concepts of liberal ideas, including liberty, dignity, equality, and individualism, and explores their historical and philosophical foundations. Sections 3 and 4 explores how liberal ideas have historically emerged, adapted, and persisted over time, emphasizing their resilience and transformative impact on societal and economic development. Section 5 describes the theoretical and simple framework influenced by Deirdre McCloskey’s critique of traditional models of economic growth. Section 6 discusses the balanced growth path under the allocating resources with a rule of thumb. Section 7 derives the optimal allocation of resources and the model for the equilibrium. Section 8 concludes the paper by summarizing our findings and discussing the broader implications of our model.

## 2. THE CONCEPTS OF LIBERAL IDEAS

Liberal ideas, including liberty, dignity, equality, and individualism, are foundational to modern political, social, and cultural thought. Each of these principles encompasses a range of dimensions and components that have evolved over time to address expanding and intersecting areas of human rights and societal organization.

### 2.1. Liberty (Freedom)

Liberty refers to the ability of individuals to act according to their own will, free from undue restraint or coercion. It has both positive (freedom to) and negative (freedom from) dimensions. Components include:

### 2.1.1. *Civil Liberties*

#### *Freedom of Speech.*

The right to express opinions without censorship or restraint forms the bedrock of an open and democratic society. It encourages the exchange of ideas, enabling innovation, creativity, and social progress. Historically, this right has been instrumental in empowering individuals to challenge unjust systems and advocate for reform, as seen during pivotal moments such as the Enlightenment and the abolitionist movements. Moreover, freedom of speech acts as a counterbalance to governmental and societal overreach, ensuring that diverse perspectives contribute to the public discourse.

#### *Freedom of the Press.*

A free press is essential for holding power to account and safeguarding democracy. By operating independently of government or corporate influence, the press can investigate and report on issues of public concern. This freedom ensures transparency, helps prevent corruption, and promotes informed decision-making among citizens. Historical examples, such as the role of pamphlets and newspapers in the American and French Revolutions, underscore how an independent press can galvanize movements for liberty and justice.

#### *Freedom of Assembly.*

The ability to gather peacefully for protests, meetings, or events is a cornerstone of collective action. It allows individuals to come together to express shared grievances, demand accountability, and advocate for change. Iconic movements, such as the Civil Rights Movement in the United States or the anti-apartheid protests in South Africa, highlight how this freedom has driven social and political transformation, often at great personal risk to participants.

#### *Freedom of Association.*

The right to join or form groups, parties, unions, or organizations empowers individuals to collaborate toward common goals. From labor unions fighting for workers' rights to political parties championing democratic principles, freedom of association has been a critical enabler of societal progress. This right fosters pluralism and diversity, ensuring that all voices, regardless of their popularity, have a platform in the public sphere.

#### *Freedom of Religion.*

The right to practice any religion or none at all, free from state interference, embodies the principle of individual autonomy. It ensures that

personal beliefs are respected and protected, fostering tolerance and co-existence in diverse societies. Historically, religious freedom has been a contentious issue, leading to conflicts like the Thirty Years' War. However, its recognition in documents such as the United States Constitution's First Amendment has laid the foundation for pluralistic societies.

*Freedom of Movement.*

The right to travel freely within a country and to leave or return to one's country enables personal autonomy and economic mobility. This freedom is crucial for accessing opportunities, escaping persecution, and fostering cultural exchange. In modern times, freedom of movement has been enshrined in international frameworks like the Universal Declaration of Human Rights, recognizing its role in promoting individual liberty and global interconnectedness.

*2.1.2. Political Liberties*

*Right to Vote.*

The right to vote is the cornerstone of democratic governance, granting individuals the ability to participate in free and fair elections. It ensures that citizens have a voice in choosing their leaders and shaping policies that affect their lives. Historically, this right has been at the heart of struggles for equality, including the suffragist movement that secured voting rights for women and the civil rights movement that fought for racial equality in voting. Universal suffrage, now a defining feature of modern democracies, enables inclusive representation and serves as a critical mechanism for holding governments accountable. By empowering individuals to express their preferences at the ballot box, this right fosters legitimacy, stability, and trust in political systems.

*Right to Political Participation.*

The right to political participation encompasses the ability of individuals to engage actively in political activities, including running for office, campaigning, and contributing to policy discussions. This right ensures that governance is not limited to a select elite but reflects the diversity and aspirations of the population. Political participation provides an avenue for marginalized groups to advocate for their interests and influence decision-making processes. Landmark events, such as the inclusion of women and minorities in political office, highlight the transformative power of this right in advancing equality and justice. In addition, political participation en-

courages civic engagement, strengthens democratic institutions, and enhances the accountability of those in power.

*Right to Petition the Government.*

The right to petition the government enables individuals and groups to seek redress for grievances, propose changes, and influence policy without fear of reprisal. It is a vital tool for ensuring that governments remain responsive and accountable to their citizens. From the Magna Carta's acknowledgment of the right to petition in 1215 to its enshrinement in the First Amendment of the U.S. Constitution, this right has served as a critical means of bridging the gap between the governed and their representatives. Petitions have historically driven significant social and political reforms, such as the abolition of slavery, labor rights, and environmental protections. By providing a formal avenue for dialogue, the right to petition empowers citizens to challenge injustice, advocate for reforms, and shape public policy.

*2.1.3. Economic Liberties*

*Right to Property.*

The right to own and use property without arbitrary confiscation is a foundational pillar of economic freedom and personal autonomy. This right ensures that individuals can acquire, control, and transfer property, whether tangible (such as land, homes, or goods) or intangible (such as intellectual property), without fear of unjust state interference. Historically, secure property rights have been linked to economic prosperity by fostering investment, innovation, and long-term planning. For instance, during the Enlightenment, the codification of property rights, as seen in John Locke's philosophy, emphasized their role in ensuring individual liberty and promoting economic growth. Modern societies enshrine property rights in legal frameworks to protect citizens from expropriation and arbitrary confiscation, providing a stable environment for wealth creation and economic participation. This right not only benefits individuals but also encourages entrepreneurship and the efficient allocation of resources, driving societal progress.

*Right to Trade and Contract.*

The freedom to engage in business and economic activities is central to the functioning of open markets and capitalist economies. This right includes the ability to trade goods and services, negotiate contracts, and participate in economic exchanges on fair and voluntary terms. The de-

velopment of trade laws and the enforcement of contracts have historically enabled trust and predictability in economic interactions, as seen in the rise of joint-stock companies and global trade networks during the Age of Exploration. The right to trade empowers individuals and businesses to seek out opportunities, compete in the marketplace, and generate value. It also supports innovation by allowing entrepreneurs to bring new ideas to market without undue restrictions. Moreover, the freedom to contract ensures that individuals and organizations can engage in mutually beneficial agreements, creating a foundation for economic cooperation and growth. This right not only fuels economic dynamism but also enhances individual agency by enabling people to determine their economic relationships and activities.

*Freedom of Labor.*

The right to choose employment freely is a fundamental aspect of economic liberty, empowering individuals to pursue occupations and careers that align with their skills, interests, and aspirations. This freedom counters coercive labor practices such as slavery, serfdom, or forced labor, which have historically suppressed human potential and economic progress. The abolition of slavery and the recognition of workers' rights during the Industrial Revolution marked significant milestones in the realization of this liberty. Modern legal frameworks ensure that individuals can freely enter, leave, or change employment without undue interference, discrimination, or exploitation. Freedom of labor also includes the right to negotiate fair wages and working conditions, contributing to the empowerment of workers and the promotion of social equity. By allowing people to choose how they contribute to the economy, this right fosters productivity, creativity, and personal fulfillment, while also enabling societies to benefit from the diverse talents and ambitions of their members.

*2.1.4. Social Liberties*

*Freedom of Lifestyle.*

The right to choose one's way of living, including marital status, career, and personal relationships, is a fundamental aspect of personal autonomy and self-determination. This liberty allows individuals to pursue a life that aligns with their values, beliefs, and aspirations without undue interference from societal norms or governmental regulations. Historically, the recognition of this freedom has been a cornerstone of social progress. For example, movements advocating for women's rights, LGBTQ+ equality, and the abolition of caste-based restrictions have sought to dismantle bar-

riers that limit personal choice. In modern societies, this freedom manifests in the legal recognition of diverse family structures, the right to choose or reject traditional roles, and the ability to explore nonconventional career paths. By enabling individuals to define their own lives, freedom of lifestyle fosters diversity, innovation, and inclusivity, contributing to the overall enrichment of society. It also promotes human dignity by recognizing the inherent right of individuals to live authentically, based on their unique identities and preferences.

*Freedom of Expression in Culture and Art.*

The right to create and share art, literature, and cultural expressions without suppression is vital for the flourishing of creativity, intellectual diversity, and cultural identity. This liberty enables individuals and communities to explore and communicate ideas, challenge societal norms, and celebrate shared heritage. Throughout history, cultural and artistic expression has been a powerful tool for resistance and transformation. For instance, during the Harlem Renaissance, African-American artists used their work to challenge racial stereotypes and advocate for social justice. Similarly, dissident art and literature during oppressive regimes, such as the Soviet Union, highlighted the importance of creative freedom in preserving human rights and dignity. In modern contexts, this liberty protects creators from censorship, enabling them to address pressing social issues, inspire dialogue, and push the boundaries of innovation. It also ensures that minority voices and underrepresented cultures have the opportunity to contribute to the broader societal narrative. By safeguarding this freedom, societies nurture a vibrant cultural ecosystem that fosters understanding, empathy, and mutual respect across diverse communities.

## **2.2. Dignity**

Dignity pertains to the inherent worth and respect owed to every individual as a human being. Its components address personal, social, and institutional recognition of this value.

### *2.2.1. Individual Autonomy*

*Self-Respect.*

Self-respect involves the recognition of one's intrinsic value and rights as a human being, independent of external validation or societal judgments. It is a fundamental aspect of dignity, empowering individuals to assert their worth and make choices that align with their principles and aspirations. Historically, the recognition of self-respect has been central to movements



for equality and justice, such as the civil rights movement and the fight for gender equality, which emphasized the inherent value of every individual regardless of race, gender, or social status. Cultivating self-respect requires societal structures that affirm human dignity, including education systems that foster critical thinking, legal frameworks that protect individual rights, and cultural norms that promote inclusion and respect. When individuals possess self-respect, they are more likely to advocate for their rights, contribute meaningfully to society, and resist oppression. In turn, societies that prioritize self-respect create environments where individuals can thrive, fostering mutual respect and collaboration.

*Bodily Autonomy.*

Bodily autonomy is the right to make decisions about one's own body, encompassing areas such as reproductive rights, healthcare choices, and freedom from physical coercion. This principle affirms the individual's sovereignty over their body and is critical to human dignity and equality. The struggle for bodily autonomy has been a defining feature of many human rights movements, including the fight against slavery, forced sterilization, and gender-based violence. Reproductive rights, for example, empower individuals to make decisions about contraception, childbirth, and family planning, ensuring that these deeply personal choices are free from external control or coercion. Similarly, the right to healthcare choices enables individuals to consent to or refuse medical treatments based on their personal beliefs and circumstances. Legal protections against practices like human trafficking, torture, and forced medical interventions further reinforce the principle of bodily autonomy. By safeguarding this right, societies promote not only personal freedom but also the physical and mental well-being of their members, allowing individuals to live with dignity, security, and self-determination.

*2.2.2. Protection from Dehumanization*

*Prohibition of Slavery.*

The absolute rejection of enslavement or forced labor is one of the most fundamental principles of human dignity and universal rights. Slavery, in its historical and modern forms, represents the ultimate violation of personal freedom, reducing individuals to mere commodities or tools for exploitation. The abolition of slavery, marked by milestones such as the Emancipation Proclamation in the United States (1863) and the Slavery Abolition Act in Britain (1833), was a crucial step toward recognizing the inherent dignity of all human beings. Internationally, this principle was enshrined in the

Universal Declaration of Human Rights (Article 4), which declares that “no one shall be held in slavery or servitude.” However, despite legal prohibitions, contemporary forms of slavery, such as human trafficking, debt bondage, and forced labor, persist in many parts of the world. Efforts to combat these practices involve international cooperation, stronger enforcement of labor rights, and support for victims. By eliminating slavery in all its forms, societies affirm the inviolable dignity of individuals and their right to freedom and self-determination.

*Protection from Torture and Cruel Treatment.*

Shielding individuals from physical or psychological harm is a cornerstone of protecting human dignity. Torture and other forms of cruel, inhuman, or degrading treatment violate the fundamental principle of respect for human life and integrity. The prohibition of torture is universally recognized in international law, including the United Nations Convention Against Torture (1984), which obligates states to prevent and punish acts of torture under any circumstances. Historically, the fight against torture has been central to the broader human rights movement, challenging practices such as political imprisonment, corporal punishment, and coercive interrogation techniques. Protection from cruel treatment also extends to psychological harm, such as emotional abuse or inhumane detention conditions. Organizations such as Amnesty International have worked tirelessly to expose and eliminate these violations worldwide. Beyond legal prohibitions, ensuring protection from torture requires strong institutions, accountability mechanisms, and public awareness campaigns to prevent abuse and rehabilitate survivors. Upholding this principle reinforces the idea that every individual, regardless of their circumstances, deserves to live free from fear, harm, and degradation.

*2.2.3. Cultural Dignity*

*Recognition of Identity.*

Respect for ethnic, cultural, religious, and gender identities is a vital component of human dignity, ensuring that individuals and groups can embrace and express their heritage and uniqueness without fear of discrimination or marginalization. Cultural identity encompasses shared traditions, languages, beliefs, and practices that define a community’s sense of self. Throughout history, efforts to suppress or erase cultural identities — such as the forced assimilation of Indigenous peoples, racial segregation, or the denial of gender and LGBTQ+ rights — have led to profound social injustices and human suffering. The recognition of identity is now enshrined

in numerous international frameworks, including the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), which affirms the right of Indigenous communities to preserve and revitalize their cultures, traditions, and languages. Societies that embrace and respect diverse identities foster inclusivity, social cohesion, and mutual understanding. Promoting the recognition of identity also involves addressing systemic barriers, combating stereotypes, and ensuring that everyone — regardless of their background — has equal access to opportunities and representation. By affirming the dignity of all identities, societies create an environment where diversity is celebrated as a source of strength and enrichment.

*Right to Participate in Cultural Life.*

Access to and preservation of cultural heritage are essential for ensuring that individuals and communities can engage in and benefit from cultural life. This right includes the ability to partake in artistic, literary, and religious expressions, as well as the preservation and transmission of historical and cultural legacies. Cultural participation fosters a sense of belonging, pride, and connection to one's roots, while also enabling individuals to contribute to the broader cultural mosaic of society. The protection of cultural heritage has been recognized as a global priority, exemplified by the establishment of UNESCO's World Heritage Sites, which safeguard landmarks of cultural and natural significance. Unfortunately, cultural heritage is often threatened by conflict, colonization, economic exploitation, and globalization. For instance, the destruction of historical sites in war zones or the loss of Indigenous languages highlights the need for robust preservation efforts. Ensuring the right to participate in cultural life also means providing equitable access to cultural institutions such as museums, libraries, and theaters, as well as protecting intangible cultural practices, like oral traditions, music, and rituals. By safeguarding these rights, societies enable individuals to connect with their heritage, celebrate diversity, and pass cultural knowledge to future generations, thus enriching humanity as a whole.

*2.2.4. Social Inclusion*

*Respect for Marginalized Groups.*

Inclusion and non-discrimination against minorities, immigrants, and the disabled are essential for fostering social cohesion and upholding human dignity. Respect for marginalized groups ensures that individuals from diverse backgrounds have equitable access to opportunities and are treated with fairness and empathy in all aspects of life. Historically, marginalized groups

have faced systemic exclusion, ranging from racial segregation and xenophobia to the neglect of the needs of people with disabilities. Landmark advancements, such as the Civil Rights Act (1964) in the United States, the UN Convention on the Rights of Persons with Disabilities (CRPD), and global refugee protection frameworks, have sought to address these inequalities and promote inclusivity. Respect for marginalized groups involves actively challenging prejudices, dismantling barriers, and creating environments where diversity is celebrated and valued. For immigrants, this means access to legal protections, pathways to integration, and recognition of their contributions to society. For minorities, it means equal representation, protection from discrimination, and preservation of cultural identities. For individuals with disabilities, it means ensuring accessibility in infrastructure, education, and employment, as well as respecting their right to participate fully in society. Societies that prioritize respect for marginalized groups uphold the dignity of all individuals, reduce inequality, and build stronger, more resilient communities.

*Workplace Dignity.*

Ensuring respectful treatment in professional environments is a cornerstone of social inclusion and personal dignity. Workplace dignity encompasses fair wages, safe working conditions, equal opportunities for advancement, and protections against harassment and discrimination. A workplace that respects the dignity of its employees fosters a sense of belonging, motivation, and well-being, enabling individuals to reach their full potential. Historically, labor movements and social justice campaigns have fought to address workplace inequities, leading to critical milestones such as the establishment of minimum wage laws, anti-discrimination legislation, and workplace safety regulations. The International Labour Organization (ILO) has been at the forefront of advocating for “decent work” as a global standard. Workplace dignity also extends to ensuring inclusivity for underrepresented groups, such as women, LGBTQ+ individuals, and people with disabilities, by creating policies that promote equity and counteract biases. This includes implementing measures such as equal pay initiatives, family-friendly policies, anti-harassment training, and accessibility accommodations. Beyond legal compliance, fostering workplace dignity is about building a culture of mutual respect, empathy, and collaboration. Such environments not only enhance individual well-being but also drive innovation and productivity, benefiting both employees and organizations.

### 2.3. Equality

Equality emphasizes that all individuals are entitled to the same rights, opportunities, and treatment. It is an ever-expanding concept encompassing numerous dimensions.

#### 2.3.1. Legal Equality

##### *Equality Before the Law.*

Equality before the law ensures that all individuals, regardless of their background or social standing, are subject to the same laws and judicial processes. This principle upholds the rule of law as the foundation of justice, preventing favoritism, bias, or unequal treatment. Historically, societies have struggled to achieve true equality before the law, with legal systems often favoring elites, specific racial or ethnic groups, or men over women. Milestones such as the Magna Carta (1215), which laid the groundwork for limiting arbitrary power, and modern constitutions like the U.S. Constitution's Equal Protection Clause, have sought to institutionalize this principle. In practice, equality before the law means that everyone, from the wealthiest business magnate to the most impoverished individual, has access to the same legal protections and is held accountable to the same legal standards. However, achieving this principle in practice requires vigilance against systemic biases, corruption, and unequal access to legal resources. Ensuring equality before the law promotes fairness, trust in institutions, and social stability, affirming the dignity and worth of every individual.

##### *Equal Protection.*

Equal protection under legal frameworks guarantees that individuals are safeguarded against discrimination and enjoy the same rights and privileges within a society. This principle, enshrined in documents such as the Universal Declaration of Human Rights and the U.S. Constitution's 14th Amendment, ensures that governments cannot enact or enforce laws that disproportionately harm or exclude specific groups. Equal protection has been instrumental in landmark legal cases, such as *Brown v. Board of Education* (1954), which ended racial segregation in U.S. public schools, and similar rulings worldwide addressing gender, disability, and LGBTQ+ rights. Safeguarding equal protection requires legal systems to actively address systemic inequalities, such as unequal sentencing based on race or gender, and to ensure that marginalized communities have equal access to justice. This principle goes beyond simply applying the law equally;

it requires that laws themselves do not disproportionately harm specific groups and that legal institutions proactively work to dismantle discriminatory practices. Equal protection strengthens social cohesion by affirming that all individuals, regardless of their background, have an equal stake in society's legal and social systems.

*Anti-Discrimination Laws.*

Anti-discrimination laws are measures designed to ensure fairness and protect individuals from being treated unfairly based on characteristics such as race, gender, religion, sexual orientation, or disability. These laws are critical for addressing systemic inequities and promoting equal opportunities in areas like employment, education, housing, and public services. Landmark anti-discrimination legislation includes the Civil Rights Act of 1964 in the United States, which outlawed segregation and discrimination in public spaces, and the Equality Act 2010 in the United Kingdom, which consolidated various anti-discrimination measures. Internationally, the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD) have set global standards for combating inequality. Anti-discrimination laws not only provide legal recourse for victims of injustice but also signal a society's commitment to fairness, diversity, and inclusion. Effective implementation of these laws requires robust enforcement mechanisms, public education, and efforts to address implicit biases that perpetuate inequality. By combating discrimination, societies can create environments where everyone has the opportunity to thrive, regardless of their identity or circumstances.

*2.3.2. Political Equality*

*Universal Suffrage.*

Universal suffrage is the right of all eligible citizens to vote in elections without discrimination based on race, gender, wealth, religion, or social status. It is a cornerstone of democratic governance and ensures that every individual has an equal voice in shaping the policies and leadership of their society. Historically, the struggle for universal suffrage has been one of the most significant movements toward achieving political equality. Early democracies often restricted voting rights to property-owning men, excluding women, racial minorities, and the working class. Landmark achievements such as the 19th Amendment to the U.S. Constitution, which granted women the right to vote in 1920, and the Voting Rights Act of 1965, which dismantled racial barriers to voting, exemplify the hard-fought progress

toward inclusivity. Similar milestones include New Zealand becoming the first country to grant women the right to vote in 1893 and South Africa's dismantling of apartheid, which led to universal suffrage in 1994. Universal suffrage empowers individuals to hold governments accountable, protects against tyranny, and ensures that governance reflects the will of the entire population, not just a privileged few. Despite progress, challenges such as voter suppression, disenfranchisement of marginalized groups, and unequal access to voting facilities highlight the ongoing need to safeguard this right.

*Access to Political Office.*

Equal opportunities to participate in governance and decision-making are critical for ensuring that political power is not concentrated in the hands of a select few but is representative of the broader population. Access to political office enables individuals from diverse backgrounds to contribute to the formulation and implementation of policies that affect society. Historically, barriers such as property qualifications, gender restrictions, racial discrimination, and social norms excluded vast segments of the population from holding political office. For example, women were systematically barred from political leadership until suffrage movements and gender equality campaigns began to break these barriers. Milestones such as the election of Sirimavo Bandaranaike in Sri Lanka as the world's first female prime minister in 1960 and the increased representation of Indigenous and minority leaders in modern parliaments demonstrate progress in expanding access.

Efforts to ensure political equality include measures such as affirmative action, gender quotas, and campaigns to reduce financial barriers to running for office. For instance, countries like Rwanda have introduced gender quotas, resulting in one of the highest percentages of female parliamentary representation globally. Ensuring access to political office also requires creating inclusive environments where candidates from marginalized communities feel supported and can participate without fear of discrimination or harassment. By promoting equal access to leadership, societies not only enhance representation but also ensure that diverse perspectives and experiences inform policymaking, fostering equity and innovation in governance.

*2.3.3. Social Equality*

*Gender Equality.*

Gender equality ensures equal rights, opportunities, and access for individuals of all genders, including men, women, and non-binary individuals. Historically, gender inequality has been deeply entrenched in social, eco-

nomic, and political systems, limiting opportunities for women and non-binary individuals and reinforcing patriarchal structures. Significant milestones in the fight for gender equality include the adoption of the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in 1979, which set international standards for gender equity, and the global women's suffrage movements, which secured voting rights for women in many countries during the 19th and 20th centuries. Achieving gender equality involves dismantling systemic barriers, such as unequal pay, gender-based violence, and discrimination in education and employment. In modern contexts, efforts to promote gender equality include policies such as paid parental leave, gender quotas in leadership, and access to reproductive healthcare. Moreover, advancing gender equality benefits society as a whole, fostering economic growth, social cohesion, and innovation by ensuring that individuals of all genders can fully contribute to and benefit from societal progress.

*Racial Equality.*

Racial equality seeks to eliminate discrimination based on race or ethnicity, ensuring that individuals of all backgrounds have equal opportunities and are treated with dignity and respect in all spheres of life. The fight for racial equality has been a central aspect of social justice movements, such as the U.S. Civil Rights Movement led by figures like Martin Luther King Jr., which resulted in landmark achievements like the Civil Rights Act of 1964. Globally, efforts to combat racial inequality have included the dismantling of apartheid in South Africa and international conventions such as the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD). Despite progress, systemic racism persists in many forms, including unequal access to education, healthcare, employment, and justice. Addressing these disparities requires comprehensive policies to combat racial bias, affirmative action programs to correct historical injustices, and public education campaigns to foster understanding and inclusivity. True racial equality not only benefits marginalized communities but also strengthens social harmony and economic productivity by harnessing the full potential of diverse populations.

*LGBTQ+ Equality.*

LGBTQ+ equality recognizes the rights of individuals regardless of their sexual orientation or gender identity, ensuring freedom from discrimination and equal access to opportunities. Historically, LGBTQ+ individuals have faced criminalization, social ostracization, and legal exclusion. Progress toward equality has been marked by milestones such as the decriminal-



ization of homosexuality in many countries, the legalization of same-sex marriage in over 30 nations, and the inclusion of gender identity in anti-discrimination laws. International efforts, such as the Yogyakarta Principles, outline the human rights of LGBTQ+ individuals and provide guidance on combating discrimination. Despite these advancements, challenges remain, including widespread violence, limited access to healthcare, and legal restrictions in many parts of the world. Promoting LGBTQ+ equality involves ensuring inclusive legal protections, providing safe spaces for expression, and fostering societal acceptance through education and advocacy. Societies that embrace LGBTQ+ rights benefit from greater inclusivity, diversity, and social cohesion, affirming the dignity and worth of all individuals.

#### *Disability Rights.*

Ensuring access, accommodation, and inclusion for people with disabilities is critical for achieving social equality and upholding human dignity. Disability rights aim to remove barriers that prevent individuals with disabilities from fully participating in society, whether in education, employment, transportation, or public life. Landmark legislation such as the Americans with Disabilities Act (ADA) of 1990 in the United States and the United Nations Convention on the Rights of Persons with Disabilities (CRPD) has advanced the cause of disability inclusion. These frameworks promote equal access to opportunities and require reasonable accommodations in workplaces, schools, and public spaces. Disability rights also encompass combating stigma and ensuring that people with disabilities are represented and respected in all aspects of society. Efforts to promote inclusion range from designing accessible infrastructure to advocating for assistive technologies and inclusive education. By empowering individuals with disabilities and removing systemic barriers, societies can create environments where everyone has the opportunity to thrive and contribute, fostering equity and shared prosperity.

#### *2.3.4. Economic Equality*

##### *Equal Pay.*

Equal pay refers to the principle of closing wage gaps between genders, races, and other demographic groups to ensure fair compensation for work of equal value. Despite decades of progress, wage disparities persist in many parts of the world, with women and minorities often earning significantly less than their male or majority-group counterparts for the same work. For example, in many countries, women earn 70-80% of what men

earn for equivalent jobs, and racial wage gaps remain a widespread issue, reflecting systemic inequities. Achieving equal pay involves implementing policies such as pay transparency, mandating equal pay for equal work, and addressing occupational segregation, where certain demographic groups are overrepresented in lower-paying fields. Landmark efforts, such as the Equal Pay Act of 1963 in the United States and similar legislation worldwide, have sought to address wage inequality, but enforcement and cultural shifts are still necessary. Equal pay is not only a matter of justice but also an economic imperative, as narrowing wage gaps increases productivity, reduces poverty, and fosters a more equitable society by enabling all individuals to reach their full economic potential.

*Access to Resources.*

Fair distribution of resources such as education, healthcare, housing, and employment opportunities is essential for achieving economic equality. Disparities in access to these critical resources perpetuate cycles of poverty and inequality, disproportionately affecting marginalized groups. For example, unequal access to quality education limits opportunities for upward mobility, while disparities in healthcare access result in significant gaps in health outcomes between different socioeconomic groups. Addressing these inequities requires targeted policies such as universal healthcare systems, equitable education funding, affordable housing initiatives, and anti-discrimination measures in hiring practices. Programs like free public education, subsidized healthcare, and social housing in many countries have demonstrated the potential of resource redistribution to reduce inequality and improve overall societal well-being. Ensuring equal access to resources not only empowers individuals but also fosters a more inclusive economy by providing all citizens with the tools they need to succeed, innovate, and contribute meaningfully to society.

*Wealth Redistribution.*

Wealth redistribution refers to policies aimed at reducing socioeconomic inequalities by reallocating resources from the wealthiest segments of society to those with fewer financial means. Mechanisms such as progressive taxation, social welfare programs, and public investment in essential services help to address disparities in income and wealth. Progressive taxation, for instance, ensures that individuals and corporations contribute to society in proportion to their earnings, enabling governments to fund programs that benefit the broader population, such as education, healthcare, and infrastructure. Historical examples, such as the New Deal in the United States and social democratic policies in Scandinavian countries, il-

lustrate how wealth redistribution can reduce poverty and inequality while promoting economic stability and growth. Beyond taxation, policies like minimum wage laws, universal basic income experiments, and targeted social programs address wealth concentration and support vulnerable populations. Effective wealth redistribution not only enhances fairness but also boosts economic resilience by creating a more balanced economy where all individuals can participate and thrive.

### *2.3.5. Equality of Opportunity*

#### *Merit-Based Advancement.*

Merit-based advancement ensures that success and upward mobility are determined by an individual's abilities, efforts, and achievements, rather than by privilege, wealth, or social status at birth. This principle is central to the idea of a fair and just society, where every individual has the chance to succeed based on their talents and hard work. Historically, rigid class systems, hereditary privileges, and discriminatory practices have limited social mobility, confining opportunities to a select few. Modern societies have sought to dismantle these barriers through policies that promote fairness in hiring, education, and professional development. Initiatives such as competitive examinations for public service roles, diversity-focused scholarships, and transparent recruitment processes aim to level the playing field. However, structural inequities, such as unequal access to resources and networks, can undermine true meritocracy. Achieving genuine merit-based advancement requires not only removing explicit biases but also addressing implicit barriers, such as disparities in early education, mentorship opportunities, and systemic discrimination. When merit is the driving force behind advancement, it fosters innovation, motivates individuals to strive for excellence, and ensures that society benefits from the full spectrum of talent and potential.

#### *Educational Access.*

Equal opportunities to acquire skills and knowledge are fundamental to leveling the playing field and enabling individuals to realize their potential. Education is widely recognized as the most effective tool for breaking the cycle of poverty and fostering social mobility. However, disparities in access to quality education — caused by factors such as socioeconomic status, geographic location, and systemic discrimination — continue to hinder equality of opportunity. For example, children from low-income families often attend underfunded schools, limiting their prospects for higher education and competitive careers. Efforts to address these inequities include

policies such as free and compulsory education, affirmative action in university admissions, and targeted funding for schools serving disadvantaged communities. Programs like universal primary education, as promoted by UNESCO, and initiatives like the Pell Grant program in the United States have expanded access to education for millions. Additionally, global campaigns to improve access to education for girls, refugees, and marginalized groups are crucial for building more inclusive societies. Ensuring equal access to education involves not only providing resources but also addressing systemic barriers, such as discrimination, language barriers, and lack of infrastructure. By equipping individuals with the skills and knowledge they need, equal educational access empowers them to contribute meaningfully to society and unlocks the collective potential of communities and nations.

## **2.4. Individualism**

Individualism champions the importance of personal autonomy and the right of individuals to make decisions for themselves without unwarranted interference.

### *2.4.1. Personal Autonomy*

#### *Freedom of Choice.*

Freedom of choice is the right of individuals to make decisions about their personal beliefs, relationships, and lifestyles without undue interference from external forces such as governments, societal norms, or familial expectations. This principle affirms an individual's sovereignty over their own life, allowing them to live in accordance with their values, interests, and preferences. Historically, freedom of choice has been central to movements advocating for religious tolerance, marriage equality, and reproductive rights. For example, the fight for religious freedom during the Enlightenment era sought to liberate individuals from state-imposed religions, laying the groundwork for pluralistic societies. Similarly, the recognition of same-sex marriage and LGBTQ+ rights in recent decades reflects the growing acceptance of diverse personal relationships and lifestyles. Freedom of choice also extends to matters such as career paths, cultural expressions, and dietary practices, ensuring that individuals can pursue their aspirations and interests without fear of coercion or discrimination. By safeguarding freedom of choice, societies promote diversity, creativity, and personal fulfillment, enabling individuals to lead authentic and meaningful lives.

*Self-Determination.*

Self-determination refers to the ability of individuals to shape their own future based on their values, goals, and aspirations. It is an essential component of autonomy, empowering people to take responsibility for their lives and make decisions that reflect their unique perspectives and circumstances. Self-determination is deeply connected to concepts of freedom, equality, and human dignity, as it allows individuals to assert control over their own destinies rather than being subjected to external domination or predetermined societal roles. Historically, the principle of self-determination has underpinned liberation movements, such as the struggle for decolonization and the fight for civil rights, which sought to empower marginalized groups to reclaim agency over their lives. In a personal context, self-determination involves the ability to pursue education, employment, and personal development in alignment with one's ambitions and values. It also includes the right to make critical life decisions, such as where to live, whom to marry, and how to raise a family. Supporting self-determination requires the removal of systemic barriers, such as poverty, discrimination, and lack of access to resources, that can constrain individual choices. When individuals are free to determine their own paths, they contribute more fully to society, bringing diverse ideas, perspectives, and innovations that drive progress and mutual understanding.

*2.4.2. Individual Rights**Property Ownership.*

Property ownership is the principle that individuals, rather than collectives or states, have the right to acquire, control, and use property and wealth. This right serves as the foundation of economic autonomy and personal freedom, enabling individuals to manage their resources and make decisions about how to utilize them. Historically, the recognition of private property rights has been closely tied to the development of liberal societies and market economies. For instance, Enlightenment implementers and discoverers like John Locke argued that property ownership is a natural right derived from an individual's labor and effort. The establishment of secure property rights has been instrumental in fostering economic growth, as it provides individuals with the incentive to invest, innovate, and contribute to societal development. Property ownership also empowers individuals to build wealth, create security for themselves and their families, and pursue personal goals. However, achieving equitable access to property and wealth remains a challenge, with systemic inequalities often favoring certain

groups while marginalizing others. Addressing these disparities requires legal protections against arbitrary confiscation, policies to ensure fair access to resources, and mechanisms to support broader economic participation. Upholding the principle of property ownership not only affirms individual autonomy but also drives innovation and progress, ensuring that individuals have the means to shape their own futures.

#### *Freedom of Expression.*

Freedom of expression is the right to articulate and act on personal ideas without fear of censorship, repression, or retaliation. This right is a cornerstone of individualism, as it empowers individuals to share their thoughts, engage in dialogue, and contribute to the exchange of ideas that drives societal progress. Historically, freedom of expression has played a critical role in challenging oppressive regimes, advocating for justice, and fostering cultural and intellectual development. For example, the Enlightenment era saw the rise of free speech as a key principle in the fight against absolutism, laying the groundwork for modern democratic societies. In contemporary contexts, freedom of expression extends to various mediums, including speech, writing, art, and digital communication, ensuring that individuals can participate in public discourse and shape collective decision-making. However, this freedom is not absolute; it must be balanced against the need to prevent harm, such as incitement to violence or hate speech. Legal frameworks such as the First Amendment of the U.S. Constitution and Article 19 of the Universal Declaration of Human Rights provide protections for freedom of expression while also recognizing its limitations. Safeguarding this right involves protecting individuals from censorship, supporting a free press, and fostering environments where diverse perspectives can thrive. By ensuring that everyone can express their ideas, societies encourage creativity, innovation, and critical thinking, which are essential for progress and the protection of human dignity.

#### *2.4.3. Responsibility and Accountability*

##### *Personal Responsibility.*

Personal responsibility emphasizes the individual's duty to act ethically, fulfill obligations, and take ownership of their actions and decisions. It reflects the belief that individuals are accountable for their behavior and the consequences of their choices, both in their personal lives and in their interactions with others. This principle is deeply rooted in the concept of individualism, which holds that people must actively shape their own lives rather than relying solely on external forces, such as governments

or institutions, to dictate their paths or resolve their challenges. Historically, personal responsibility has been championed by various philosophical traditions, from classical liberalism to existentialism, as a cornerstone of personal autonomy and social order.

In practice, personal responsibility manifests in diverse ways, such as adhering to social norms, fulfilling contractual obligations, and contributing to the well-being of one's community. For example, responsible citizenship may include paying taxes, voting, and participating in civic activities. At the personal level, it involves maintaining integrity, respecting the rights of others, and making decisions that align with ethical standards. While the emphasis on personal responsibility is critical for fostering self-reliance and accountability, it must also be balanced with an understanding of systemic factors that can constrain individual agency, such as poverty, discrimination, or lack of access to resources. By promoting personal responsibility, societies empower individuals to take ownership of their lives while fostering a culture of mutual respect and collective progress.

*Moral Autonomy.*

Moral autonomy refers to the freedom of individuals to form their own moral and ethical principles, guided by their values, reasoning, and conscience rather than external authority or societal pressure. It underscores the capacity of individuals to reflect on and determine what is right or wrong based on their internal sense of ethics, as opposed to blindly following rules, traditions, or imposed ideologies. This concept has been central to various philosophical and ethical frameworks, from Immanuel Kant's emphasis on rational autonomy to John Stuart Mill's advocacy for individual liberty and the right to pursue one's moral vision.

Moral autonomy is essential for personal development and societal progress, as it encourages individuals to question unjust practices, challenge oppressive norms, and advocate for change. For instance, movements for social justice and civil rights have often been driven by individuals exercising moral autonomy to resist unjust laws or cultural norms. In everyday life, moral autonomy enables individuals to navigate complex ethical dilemmas, make decisions with integrity, and take responsibility for their actions.

Fostering moral autonomy requires an environment that supports free thought, open dialogue, and critical reasoning. Education plays a pivotal role in nurturing this autonomy by encouraging individuals to explore diverse perspectives, question assumptions, and develop their ethical reasoning skills. However, moral autonomy also comes with the responsibility to respect the rights and dignity of others, ensuring that one's pursuit

of ethical principles does not harm others or undermine social cohesion. Societies that uphold moral autonomy empower individuals to live authentically, contribute to ethical innovation, and adapt to the evolving moral challenges of a complex world.

#### 2.4.4. *Recognition of Individual Merit*

##### *Achievements Based on Talent.*

Recognition of achievements based on talent emphasizes the importance of rewarding individuals for their effort, capabilities, and accomplishments, rather than relying on arbitrary factors such as privilege, status, or nepotism. This principle is central to the ethos of individualism, which values personal initiative and hard work as drivers of success. Historically, the emphasis on merit has served as a counter to systems of hereditary privilege and social hierarchy, such as those found in feudal societies, where status was determined by birth rather than ability. The shift toward meritocratic principles was instrumental in shaping modern democracies and market economies, enabling individuals to advance based on their talents and contributions.

In practice, merit-based systems can be seen in contexts such as competitive educational admissions, performance-based promotions in the workplace, and public honors for exceptional achievements in fields like science, art, and sports. For instance, the Nobel Prizes highlight individual talent and effort by recognizing groundbreaking contributions to humanity in areas such as physics, medicine, and literature. Similarly, academic scholarships and grants often reward excellence and potential, empowering individuals to pursue further growth and innovation.

However, ensuring true meritocracy requires addressing systemic barriers that limit access to opportunities, such as socioeconomic disparities, discrimination, or unequal access to education and resources. While merit is a powerful driver of progress, it must be coupled with efforts to level the playing field and create environments where everyone has a fair chance to succeed. By celebrating achievements based on talent and effort, societies not only foster motivation and productivity but also encourage innovation and creativity, ultimately benefiting both individuals and the broader community.

##### *Resistance to Conformity.*

The value placed on resisting conformity recognizes the importance of diverse perspectives, independent thinking, and innovation in driving progress and enriching societies. Individualism champions the idea that people



should be free to think and act differently, challenging established norms and conventional wisdom. Historically, resistance to conformity has been the catalyst for some of humanity's most significant breakthroughs. For example, groundbreaking implementers and discoverers such as Galileo, Darwin, and Einstein challenged prevailing beliefs in science, paving the way for transformative discoveries. Similarly, social reformers like Rosa Parks and Mahatma Gandhi resisted societal norms to advocate for justice and equality.

In creative and cultural domains, resistance to conformity allows for the exploration of new ideas, styles, and approaches, leading to advancements in art, literature, and technology. For instance, the artistic movements of the Renaissance and modernism flourished because individuals defied traditional constraints to explore new forms of expression. In the business world, resistance to conformity often fuels innovation, as seen in disruptive technologies and companies that challenge established industries to create better products and services.

Fostering an environment that values resistance to conformity involves encouraging critical thinking, protecting freedom of expression, and creating spaces where diverse perspectives are respected and welcomed. While nonconformity can sometimes provoke resistance or discomfort, it is essential for adapting to change and addressing complex challenges. Societies that embrace diverse viewpoints and allow individuals to challenge the status quo benefit from a continuous flow of new ideas, fostering resilience, creativity, and progress.

#### *2.4.5. Economic Individualism*

##### *Entrepreneurship.*

Entrepreneurship is the encouragement of individual initiative, creativity, and risk-taking in business ventures, serving as a cornerstone of economic individualism. By empowering individuals to identify opportunities, develop innovative solutions, and create value, entrepreneurship drives economic growth, job creation, and technological advancement. Historically, entrepreneurial efforts have played a pivotal role in transforming industries and societies. The Industrial Revolution, for example, was fueled by the ingenuity and determination of entrepreneurs such as James Watt, who commercialized the steam engine, and Andrew Carnegie, who revolutionized the steel industry.

Modern economies recognize entrepreneurship as a critical driver of progress, promoting policies and systems that support small businesses, startups, and

independent innovators. These include access to capital through venture funding or small business loans, reduced regulatory barriers, and education programs that teach entrepreneurial skills. Furthermore, the rise of digital technology and globalization has created new opportunities for entrepreneurship, enabling individuals to start businesses with fewer resources and reach global markets with ease.

Entrepreneurship also fosters competition, leading to better products and services for consumers and encouraging established businesses to innovate to stay relevant. Beyond economic benefits, entrepreneurial endeavors often reflect personal passion, creativity, and a desire to solve societal problems, such as social enterprises that address environmental or community challenges. Encouraging entrepreneurship nurtures a culture of self-reliance, ambition, and resilience, while also empowering individuals to take control of their economic destinies and contribute meaningfully to society.

#### *Market Participation.*

Market participation is the right of individuals to freely engage in economic transactions, allowing them to buy, sell, and trade goods and services without undue interference or coercion. This principle forms the foundation of free-market economies, where individuals and businesses interact based on mutual benefit and voluntary exchange. Historically, the evolution of market participation has been closely tied to the emergence of capitalism, which replaced feudal and command economies with systems that emphasized individual agency and competition.

The ability to participate in markets provides individuals with opportunities to improve their standard of living, accumulate wealth, and exercise choice in how they allocate their resources. Market participation also ensures that consumers can access a diverse range of goods and services, while producers can compete to meet demand efficiently. For example, open markets have enabled innovations such as e-commerce, which allows consumers and small businesses to engage in global trade from virtually anywhere.

Ensuring fair and equitable market participation requires protections against monopolies, unfair trade practices, and systemic barriers that exclude certain groups from participating fully. For instance, addressing gender and racial disparities in access to capital or tackling discriminatory lending practices ensures that everyone can benefit from market opportunities. Moreover, mechanisms like consumer protections, transparent regulations, and legal frameworks help to balance market freedom with fairness and accountability.

Market participation is not just an economic activity but also a reflection of individual freedom. It enables people to express their preferences, invest in their futures, and take risks to achieve personal and financial goals. By fostering inclusive and accessible markets, societies can unlock innovation, enhance productivity, and promote economic mobility, ensuring that everyone has the chance to thrive in a competitive economy.

#### *2.4.6. Limits on Collectivism*

##### *Protection from State Overreach.*

Protection from state overreach ensures that individual freedoms are not sacrificed for collective goals imposed by governments or authorities. While collectivist policies can address societal needs, unchecked state power often risks suppressing individual rights, creativity, and autonomy. Historically, excessive state control has led to oppressive regimes where individual freedoms were undermined in the name of national security, economic planning, or social unity. Examples such as authoritarian regimes of the 20th century, including those under Soviet communism and fascist dictatorships, illustrate how collectivist overreach can suppress dissent, stifle innovation, and violate basic human rights.

In modern democracies, protection from state overreach is often achieved through constitutional safeguards, legal frameworks, and checks and balances that limit government power. For example, the U.S. Bill of Rights and similar documents worldwide enshrine freedoms such as speech, religion, and assembly, ensuring that governments cannot infringe on these rights, even in the pursuit of collective goals. Additionally, judicial systems play a critical role in protecting individuals by ensuring that laws and policies respect constitutional principles and do not disproportionately harm certain groups.

However, achieving the right balance between collective interests and individual freedoms requires ongoing vigilance. Policies like surveillance for national security, eminent domain, or public health mandates must be carefully scrutinized to avoid unjustly infringing on personal liberties. By ensuring that individual rights are prioritized and protected, societies can foster environments where people can freely pursue their goals while contributing to the collective good.

##### *Voluntary Associations.*

Voluntary associations emphasize the freedom of individuals to form or leave groups based on personal choice, rather than being bound by communal, cultural, or state-imposed mandates. This principle is central to

individualism, as it respects personal autonomy and acknowledges that individuals, rather than collectives, should decide the associations they wish to engage in. Historically, many societies have compelled individuals to conform to rigid structures, such as caste systems, state-mandated labor unions, or community-imposed social norms, limiting their ability to choose their affiliations freely.

Voluntary associations include a broad spectrum of organizations, such as clubs, political parties, unions, professional networks, religious groups, and non-governmental organizations. They allow individuals to collaborate with like-minded people, pursue shared goals, and advocate for causes they believe in. For example, labor unions formed through voluntary participation can empower workers to negotiate fair wages and better working conditions. Similarly, non-governmental organizations enable people to tackle social, environmental, and economic challenges collectively while retaining the freedom to participate or withdraw.

This principle also protects individuals from being forced into memberships or roles that conflict with their values or interests. For example, international conventions like the Universal Declaration of Human Rights affirm the freedom of association, ensuring that individuals cannot be compelled to join political parties, religious organizations, or communal institutions against their will. Furthermore, voluntary associations strengthen civil society by promoting diverse perspectives and fostering collaboration across various fields, including politics, business, and community development.

By protecting the right to join or leave groups freely, societies affirm the importance of personal choice while enabling collective action that is truly representative and inclusive. Voluntary associations empower individuals to express their values, contribute meaningfully to shared causes, and build networks that reflect their aspirations, enhancing both personal fulfillment and societal progress.

### **2.5. Sum up**

Each pillar of liberalism — liberty, dignity, equality, and individualism — comprises diverse components that overlap and interact to form the foundation of democratic societies. These principles are not static; they evolve as societies address new challenges and expand their understanding of rights and freedoms. By understanding their components, one can better appreciate how liberal ideas shape political institutions, cultural values, and human aspirations.

### 3. THE EVOLUTION AND ENDURANCE OF LIBERAL IDEAS

The journey of liberal ideas such as liberty, dignity, and equality from their nascent conceptualization to their global realization has been a monumental human endeavor, marked by invention, production, expansion, implementation, realization, and defense over centuries. Each phase required immense intellectual labor, societal transformation, and often, extraordinary human sacrifice. Below is a detailed exploration of this process as it unfolded in Holland, England, America, and France since the 16th century.

#### 3.1. The Invention of Liberal Ideas

The intellectual groundwork for liberalism was laid during the Renaissance and the Reformation, reaching maturity in the Enlightenment.

##### 3.1.1. *Holland (16th–17th Century):*

The Dutch Republic in the 16th and 17th centuries stands as one of the earliest and most profound examples of how the evolution of liberal ideas fostered not only societal transformations but also long-lasting economic enrichment. This period, marked by the Dutch Revolt (1568–1648) and the rise of the Dutch Golden Age, was pivotal in demonstrating the tangible effects of embracing liberty, tolerance, and innovation. Holland became the epicenter of a societal reevaluation, where bourgeois dignity and entrepreneurial creativity were celebrated rather than stigmatized.

The Dutch Revolt against Spanish rule was a decisive event in the development of liberal ideas. Rooted in a struggle for religious and political freedom, the revolt culminated in the Union of Utrecht in 1579, which laid the groundwork for the Dutch Republic. The Union's principle of religious tolerance was revolutionary for its time, granting diverse religious groups the right to coexist. This tolerance provided a fertile ground for economic innovation and intellectual exchange, as persecuted minorities, such as the Sephardic Jews and Huguenots, found refuge in Holland and contributed significantly to its burgeoning economy.

Philosopher and jurist Hugo Grotius (1583–1645) was a towering figure in the intellectual landscape of the Dutch Republic. His works, such as *De Jure Belli ac Pacis* (1625), laid the foundations for modern international law and the concept of natural rights. Grotius argued that certain rights were inherent to human beings by virtue of their existence and were not contingent upon government recognition. These ideas provided an ideological framework that supported the protection of individual liberty and property rights, essential components of a thriving capitalist society.

The Dutch Republic also pioneered many of the economic institutions that would become central to modern capitalism. The establishment of the Amsterdam Stock Exchange and the creation of the Dutch East India Company (VOC) exemplified how liberal ideas translated into economic practice. The VOC, founded in 1602, was one of the world's first joint-stock companies, enabling widespread participation in economic ventures and distributing risk across investors. These innovations demonstrated the potential of a market-driven economy underpinned by the rule of law and respect for private enterprise.

The Dutch economy flourished, driven by free trade, a vibrant financial sector, and an innovative agricultural base. Cities like Amsterdam became hubs of global commerce, attracting merchants, artisans, and intellectuals from across Europe. This economic dynamism reflected the cultural and ideological shift that McCloskey describes as the "bourgeois revaluation," where trade and entrepreneurship were no longer viewed with disdain but were seen as honorable pursuits.

Holland's embrace of bourgeois dignity and innovation also reshaped its social and cultural fabric. The Dutch Golden Age saw an unprecedented flourishing of art, science, and philosophy. Figures like Rembrandt and Vermeer captured the life of the emerging middle class in their works, celebrating their values and aspirations. Similarly, advancements in science, with figures like Christiaan Huygens and Antonie van Leeuwenhoek, were deeply intertwined with the culture of innovation and inquiry fostered by a society that valued liberty and intellectual openness.

The Dutch model of religious tolerance, economic liberty, and respect for individual rights was instrumental in shaping the broader European Enlightenment. Holland's example inspired implementers and discoverers like John Locke and Montesquieu, whose ideas would later influence the development of liberal democracies in England, America, and France. Moreover, the Dutch Republic's success demonstrated that a society rooted in liberal ideas could achieve not only material prosperity but also cultural and intellectual enrichment.

### *3.1.2. England (17th Century):*

The 17th century in England was a transformative era that saw the emergence and consolidation of liberal ideas through significant political, intellectual, and cultural developments. These changes paved the way for economic progress and contributed directly to the Great Enrichment. England became a critical case study in how ideas of liberty, equality, and

bourgeois dignity could be institutionalized and used as a foundation for sustained economic growth and societal transformation.

The 17th century in England was marked by profound political upheaval, culminating in the English Civil War (1642–1651) and the Glorious Revolution (1688). These events dismantled absolutist monarchy and established constitutional monarchy, enshrining principles of parliamentary sovereignty, rule of law, and political representation. The 1689 Bill of Rights institutionalized these principles, creating a framework that protected individual liberties and limited the power of the crown.

These political transformations underscored the rise of a liberal order in which the dignity of individuals, particularly those of the emerging bourgeois class, was increasingly recognized and safeguarded. The Glorious Revolution, in particular, demonstrated how a balance between liberty and stability could be achieved. It laid the institutional groundwork for a market economy by ensuring that property rights and contracts would be honored without arbitrary interference by the state.

John Locke (1632–1704), often regarded as the “Father of Liberalism,” was a towering intellectual figure of the 17th century. His seminal work, *Two Treatises of Government* (1689), articulated key liberal principles that would profoundly influence political and economic thought. Locke argued for the natural rights of individuals to life, liberty, and property, positing that governments derived their legitimacy from the consent of the governed.

Locke’s ideas directly challenged the prevailing notion of divine-right monarchy and emphasized the importance of protecting individual freedoms and private property. This intellectual framework resonated with the values of England’s growing bourgeoisie, who sought a political and economic system that valued innovation, entrepreneurship, and personal agency.

The 17th century also saw the maturation of England’s market economy, facilitated by the liberal ideas emerging during this period. The recognition of property rights and the enforcement of contracts created a stable legal environment that encouraged trade, entrepreneurship, and investment. Financial innovations such as the establishment of the Bank of England in 1694 and the development of joint-stock companies provided mechanisms for risk-sharing and capital accumulation, enabling large-scale commercial ventures.

England’s economy increasingly shifted from a feudal, land-based system to a dynamic market economy driven by commerce and industry. London emerged as a financial and commercial hub, its bustling markets and institutions epitomizing the entrepreneurial spirit of the age.

In England, the bourgeois class gained increasing respect and social standing during the 17th century. The cultural reevaluation of the middle class paralleled the political and economic changes of the period. For the first time, merchants, artisans, and entrepreneurs were seen not merely as vulgar tradesmen but as vital contributors to the prosperity of the nation. This shift in societal attitudes created a fertile environment for the embrace of innovation and risk-taking.

The works of implementers and discoverers such as Adam Smith later built upon this reevaluation of bourgeois virtues. Though Smith's *The Wealth of Nations* (1776) was written in the following century, its philosophical underpinnings were shaped by the intellectual and cultural shifts initiated in 17th-century England. The increasing dignity accorded to commercial enterprise encouraged greater participation in the market economy, fostering creativity and technological progress.

### *3.1.3. France and America (18th Century):*

The 18th century witnessed significant political, intellectual, and cultural transformations in France and America, deeply rooted in the rise of Enlightenment ideals. Both nations played pivotal roles in advancing the principles of liberty, equality, and dignity that would later underpin the Great Enrichment. While France contributed groundbreaking philosophical and ideological foundations, America became the first large-scale experiment in applying these ideas in practice.

The intellectual contributions of French Enlightenment implementers and discoverers in the 18th century were central to the development of liberal ideas. Philosophers such as Montesquieu, Voltaire, Rousseau, and Diderot profoundly shaped how people conceived of governance, individual rights, and societal organization.

Montesquieu's *The Spirit of Laws* (1748) laid the foundation for modern constitutionalism by advocating the separation of powers within government. He argued that liberty could only be preserved if the legislative, executive, and judicial branches were independent of one another. This idea influenced both the American and French revolutions and became a cornerstone of liberal democracy. Voltaire championed freedom of speech, religious tolerance, and civil liberties. His sharp critiques of authoritarianism and organized religion helped dismantle traditional hierarchies and laid the groundwork for a society based on individual rights. His maxim, "I disapprove of what you say, but I will defend to the death your right to say it," epitomized the emerging liberal ethos. Rousseau's *The Social Contract*



(1762) introduced the concept of popular sovereignty, arguing that legitimate political authority arises from the consent of the governed. His vision of a society built on collective self-determination influenced revolutionary movements in both France and America, as well as later liberal thinkers. Diderot's *Encyclopédie* was an ambitious project to compile and disseminate knowledge, reflecting the Enlightenment's emphasis on reason, science, and progress. It democratized access to ideas, empowering individuals to question traditional authorities and embrace innovation.

The French Revolution (1789–1799) was a watershed moment in the history of liberalism. It sought to actualize the Enlightenment principles of *liberté, égalité, fraternité* (liberty, equality, fraternity) by overthrowing feudal and monarchical structures. One of the revolution's defining achievements was the 1789 Declaration of the Rights of Man and of the Citizen, which proclaimed that all men are born free and equal in rights. It enshrined principles of liberty, property, and resistance to oppression, challenging centuries of aristocratic privilege and laying the groundwork for modern human rights doctrines. The revolution abolished feudal privileges, redistributed land, and redefined political authority as emanating from the will of the people. While the revolution experienced periods of turmoil, including the Reign of Terror, it fundamentally reshaped French society and inspired movements for democracy and equality worldwide. The French Revolution inspired liberal and nationalist movements across Europe and Latin America. Its principles of self-determination and universal rights became a rallying cry for oppressed peoples and fueled revolutions throughout the 19th century.

While France was at the forefront of theorizing liberal principles, America became the first large-scale experiment in putting these ideals into practice. The American Revolution (1775–1783) and the subsequent founding of the United States demonstrated how Enlightenment ideas could be institutionalized into a functioning political and economic system.

Drafted by Thomas Jefferson in 1776, the Declaration of Independence asserted the natural rights to "life, liberty, and the pursuit of happiness." Drawing heavily from Locke's philosophy, it rejected monarchy and proclaimed the sovereignty of the people. This document remains one of the most eloquent expressions of liberal ideals in history. The U.S. Constitution (1787) and the Bill of Rights (1791) institutionalized Enlightenment principles such as the separation of powers, checks and balances, and the protection of individual freedoms. These frameworks created a stable political environment that allowed for the growth of a market economy and the flourishing of entrepreneurial activity. The First Amendment of the U.S.

Constitution guaranteed freedom of religion, creating a society that welcomed diverse groups, including persecuted minorities from Europe. This openness attracted skilled immigrants and fostered a culture of innovation and creativity, which became central to America's economic success.

In America, the liberal emphasis on property rights, free markets, and individual initiative created an environment conducive to economic growth. The abolition of feudal hierarchies and the distribution of land allowed the formation of a middle class with a strong work ethic and entrepreneurial spirit. The American experience showed how dignity and liberty for ordinary people could lead to rapid economic and social progress. America became a beacon of opportunity for those seeking to improve their social and economic standing. The lack of entrenched aristocracy meant that individuals could rise through hard work and innovation, fostering a meritocratic culture. Works like Benjamin Franklin's *Autobiography* celebrated the virtues of thrift, industry, and self-reliance, which became defining features of American bourgeois culture. These cultural values encouraged risk-taking and innovation, fueling economic dynamism and technological progress.

### **3.2. The Production of Liberal Ideas**

The production of liberal ideas during the 16th to 18th centuries was driven by the interplay of technological innovations, intellectual revolutions, and the creation of vibrant spaces for discourse. These ideas were disseminated through the emergence of print culture, public debate, and social hubs that fostered the exchange of radical thoughts. The production of liberal ideas was a crucial step in their eventual implementation and institutionalization, as it allowed these concepts to move from the abstract to the practical, reaching broader audiences and inspiring political and social transformations.

#### *3.2.1. The Printing Press*

The invention and proliferation of the printing press in the 15th century played a transformative role in the production and dissemination of liberal ideas during the following centuries. The printing press enabled philosophers such as Locke, Montesquieu, Rousseau, and Voltaire to publish and widely disseminate their works. Texts like Locke's *Two Treatises of Government* and Rousseau's *The Social Contract* reached large audiences, sparking debates about governance, individual rights, and liberty. Cheap and easily distributed pamphlets became a primary vehicle for spreading revolutionary ideas. For example, Thomas Paine's *Common Sense* (1776)

was instrumental in mobilizing public opinion in favor of American independence by articulating the case for self-governance and individual liberty. The increased availability of books and pamphlets created an informed public, leading to debates in salons, coffeehouses, and other social venues. This helped liberal ideas transition from elite philosophical discussions to topics of popular interest. Locke's influential essay (1689) argued that government should not interfere with religious beliefs, as faith could not be compelled. This work was foundational in articulating the separation of church and state and helped establish religious tolerance as a key liberal principle.

### *3.2.2. Coffeehouses and Salons*

Public spaces like coffeehouses, salons, and societies provided fertile ground for the production and refinement of liberal ideas. These venues allowed intellectuals, merchants, and members of the emerging middle class to exchange ideas, challenge existing norms, and envision alternative social and political structures. Known as "penny universities," coffeehouses in 17th- and 18th-century England became hubs for intellectual exchange. Frequented by merchants, writers, and political activists, these spaces facilitated discussions on commerce, governance, and philosophy. Ideas born in these coffeehouses, such as those of Adam Smith and David Hume, would later revolutionize economics and political theory. In France, salons hosted by figures like Madame de Staël and Madame Geoffrin became centers for the intellectual elite to discuss Enlightenment philosophy. These gatherings nurtured the development of revolutionary ideas about equality, secularism, and the role of government, which would later influence the French Revolution. Organizations like the Lunar Society in England brought together leading implementers and discoverers of the age, including James Watt and Erasmus Darwin, to discuss science, industry, and progress. Such collaborations helped bridge the gap between theoretical ideas and practical innovations.

### **3.3. The Expansion of Liberal Ideas**

The expansion of liberal ideas during the 17th to 19th centuries was marked by their spread across nations and social classes, resulting in profound transformations in governance, economics, and societal values. This process required not only the intellectual production of these ideas but also their active advocacy, popularization, and implementation by movements and leaders who sought to turn philosophical principles into political realities. As these ideas took root, they reshaped societies, inspiring revolutions, reforms, and economic development.

The Dutch Republic of the 17th century played a pivotal role in expanding liberal ideas through its policies and example. Holland's embrace of religious tolerance, as enshrined in the Union of Utrecht (1579), created a safe haven for intellectuals, scientists, and religious minorities such as the Sephardic Jews and Huguenots. This pluralistic society demonstrated that tolerance could coexist with economic and cultural flourishing. The Dutch Republic's model of governance, emphasizing property rights, free trade, and limited government interference, influenced neighboring countries. Its success as a trading hub and financial center demonstrated the potential of liberal economic policies. Through its colonial enterprises and global trade networks, the Dutch disseminated ideas of free markets and entrepreneurship, inspiring economic liberalization in other nations.

England's political and intellectual developments in the 17th century set the stage for the expansion of liberal ideas both domestically and globally. Following the Glorious Revolution, the Bill of Rights institutionalized principles of constitutional governance, including the separation of powers, parliamentary sovereignty, and individual liberties. These ideas became a model for other nations seeking to limit authoritarian rule. England became a leader in the abolition of slavery, with figures like William Wilberforce advocating for the expansion of liberty to enslaved peoples. The abolition of slavery in the British Empire (1833) demonstrated the application of liberal principles to human rights. England's liberal institutions and ideas were transmitted to its colonies, particularly in North America, where they laid the foundation for the American Revolution and the creation of a liberal democracy.

The American Revolution (1775–1783) was a key moment in the global expansion of liberal ideas, demonstrating their practical application and inspiring movements worldwide. The Declaration, authored by Thomas Jefferson, articulated universal principles of liberty and equality, asserting that “all men are created equal” and endowed with “unalienable Rights.” These ideas resonated far beyond America, influencing revolutionary movements in Europe and Latin America. America's foundational documents institutionalized liberal principles, including the separation of powers, checks and balances, and protections for individual freedoms. These frameworks became a model for emerging democracies worldwide. The success of the American experiment inspired liberal movements in France, Haiti, and Latin America, demonstrating the feasibility of self-rule and the protection of individual rights.

The French Revolution (1789–1799) was a turning point in the global expansion of liberal ideas, advancing principles of liberty, equality, and fra-

ternity. The Declaration of the Rights of Man and of the Citizen (1789) proclaimed universal human rights, emphasizing the equality of all men and the sovereignty of the people. It became a template for human rights movements worldwide. As French revolutionary armies swept across Europe, they dismantled feudal structures and spread liberal ideas. The Napoleonic Code, introduced by Napoleon Bonaparte, standardized laws across much of Europe, enshrining principles of equality before the law and individual property rights. The French Revolution inspired liberation movements in colonies such as Haiti, where enslaved people successfully revolted to establish the first free Black republic, and in Latin America, where figures like Simón Bolívar drew on French revolutionary ideals.

### **3.4. The Implementation of Liberal Ideas**

The implementation of liberal ideas was a transformative process that reshaped societies, economies, and political systems during the 17th through 19th centuries. While the production and expansion of these ideas created a foundation, their implementation required both revolutions and gradual reforms to translate abstract principles into tangible realities. This process involved the institutionalization of individual liberties, the establishment of democratic systems, and the adoption of market-driven economic policies, laying the groundwork for modern societies.

#### *3.4.1. Institutional Frameworks*

The implementation of liberal ideas began with securing individual freedoms, which formed the bedrock of liberalism. This process required political movements, constitutional reforms, and legal frameworks to protect rights such as freedom of speech, religion, and property.

The Dutch Republic in the 16th and 17th centuries established pioneering institutional frameworks that combined religious tolerance and limited government, creating a model for liberal governance. The Union of Utrecht (1579) codified religious tolerance as a fundamental principle, allowing Calvinists, Catholics, Jews, and other religious minorities to coexist. This policy not only fostered social harmony but also attracted skilled immigrants, such as the Sephardic Jews and Huguenots, who contributed to Holland's economic and cultural dynamism. The Dutch Republic was characterized by a system of limited government and decentralized power. The States General, a confederation of provincial assemblies, ensured that no single authority could dominate the political system. This decentralized approach allowed for local autonomy while safeguarding individual rights. The Dutch also created institutions such as the Amsterdam Stock Exchange

and the Dutch East India Company, which facilitated economic growth and innovation. These institutions were underpinned by a respect for contracts, property rights, and market freedom, reflecting the liberal ideals of the era.

In England, the establishment of parliamentary sovereignty and legal reforms during the 17th century created an enduring framework for liberal governance, ensuring checks on royal power and the protection of individual rights. The Glorious Revolution marked a decisive shift from absolute monarchy to constitutional monarchy. The English Bill of Rights limited the powers of the crown, established parliamentary supremacy, and guaranteed fundamental rights such as freedom from cruel punishment and the right to petition the government. These changes institutionalized the principle that governance must be based on the consent of the governed. England's common law tradition further strengthened individual liberties by providing a framework for impartial justice. Key developments, such as habeas corpus, protected individuals from arbitrary imprisonment, ensuring that the rule of law prevailed over royal prerogative. The development of a bicameral Parliament, with the House of Commons representing the interests of the people and the House of Lords maintaining a balance of power, ensured that legislation reflected the will of the broader population. This system served as a model for representative government worldwide.

The United States developed a federal system of governance that balanced state and national powers, while the Bill of Rights enshrined individual freedoms, creating a comprehensive framework for liberal democracy. The Constitution established a federal system that divided powers between the national and state governments, ensuring that no single entity could dominate. It also introduced checks and balances between the executive, legislative, and judicial branches, preventing the abuse of power and promoting accountability. The first ten amendments to the Constitution, known as the Bill of Rights, safeguarded fundamental liberties such as freedom of speech, religion, and assembly, as well as protections against unreasonable searches and seizures. These rights underscored the liberal principle that individual freedoms must be protected from government overreach. America's system of representative democracy ensured that governance reflected the will of the people. By granting states significant autonomy while maintaining a strong federal government, the system balanced local and national interests, fostering stability and individual liberty.

### 3.4.2. *Social Movements*

The 19th and early 20th centuries witnessed the rise of transformative social movements that aimed to implement liberal ideals of equality, dignity, and economic liberty. These movements emerged as grassroots efforts to challenge entrenched hierarchies and inequities, ultimately pushing for reforms that expanded political and economic rights for marginalized groups. Among the most impactful were the suffrage movements, which fought for political participation, and labor movements, which sought to improve economic conditions and workplace protections.

Suffrage movements in the 19th and early 20th centuries sought to fulfill the liberal promise of political equality by extending the right to vote to previously excluded groups, particularly women and working-class men. These movements reflected the growing recognition that true liberty and equality could not exist without inclusive political participation. Women's suffrage movements gained momentum in the mid-19th century, driven by the realization that political representation was essential for achieving gender equality. Leaders such as Emmeline Pankhurst in Britain and Susan B. Anthony in the United States advocated for women's right to vote through petitions, protests, and civil disobedience. In addition to women, working-class men in industrialized nations also fought for suffrage rights. In Britain, the Reform Acts of 1832, 1867, and 1884 progressively expanded voting rights to property-owning men and, eventually, to many working-class men. These reforms implemented the liberal principle that political participation should not be restricted by wealth or class. Suffrage movements inspired similar campaigns across the world, including in colonial and post-colonial nations. In New Zealand, women achieved voting rights as early as 1893, setting a precedent that influenced suffrage campaigns globally. These movements institutionalized the liberal ideal of equality by making political systems more inclusive.

Labor movements emerged in the 19th century as workers organized to address the exploitation and inequities of industrial capitalism. These movements sought to implement liberal ideals of dignity, fairness, and economic liberty by advocating for improved wages, safer working conditions, and legal protections. One of the central demands of labor movements was the reduction of excessive working hours, which often exceeded 12–16 hours per day during the early Industrial Revolution. The slogan “8 hours for work, 8 hours for rest, 8 hours for what we will” became a rallying cry for workers' rights. Labor movements also fought for the right to form unions, enabling workers to collectively bargain with employers. These

efforts empowered workers to negotiate for better wages, benefits, and conditions, embodying the liberal ideal of economic liberty and fairness. The success of labor movements in industrialized nations inspired similar efforts worldwide, particularly in colonial and post-colonial contexts where workers sought to challenge exploitative labor practices imposed by imperial powers. For example, labor strikes in India, South Africa, and Latin America in the early 20th century reflected the global resonance of the labor movement's ideals.

### **3.5. The Realization of Liberal Ideas**

The realization of liberal ideas required sustained advocacy, struggles, and sometimes outright conflict to turn philosophical principles into practical realities. By addressing deep-seated injustices and inequalities, the abolition of slavery, the fight for women's suffrage, civil rights movements, and the globalization of liberalism brought about transformative changes that reshaped societies. These milestones reflect the long and ongoing journey toward fulfilling the promises of liberty, equality, and dignity.

#### *3.5.1. Abolition of Slavery*

The abolition of slavery was one of the most profound achievements in the realization of liberal ideals. It required decades of advocacy, legislative reforms, and, in some cases, civil wars to dismantle the institution of slavery, which had persisted for centuries and was deeply entrenched in many societies.

England's abolitionist movement, led by figures such as William Wilberforce, achieved a major victory with the abolition of the transatlantic slave trade in 1807. This was followed by the emancipation of enslaved people throughout the British Empire in 1833, an event that underscored the liberal principle that all individuals are entitled to freedom and dignity. In France, slavery was first abolished during the French Revolution in 1794, only to be reinstated by Napoleon in 1802. It was permanently abolished in 1848 after decades of advocacy and the influence of revolutionary ideals that emphasized liberty and equality. In the United States, the abolition of slavery required the Civil War, a conflict driven by the fundamental clash between liberal ideals and the entrenched system of slavery in the South. The Emancipation Proclamation (1863) and the passage of the 13th Amendment (1865) permanently abolished slavery, marking a significant step toward fulfilling the liberal promise of freedom for all individuals. The abolition of slavery in these nations set a precedent that inspired similar movements worldwide. By the late 19th century, most nations had



formally outlawed slavery, though the fight against forced labor and human trafficking continues in various forms today.

### 3.5.2. *Women's Rights*

The fight for women's rights, particularly suffrage, was a critical aspect of realizing liberal ideals of equality. This movement sought to secure political and social equality for women, challenging centuries of patriarchal systems.

The suffrage movement in the U.S. spanned decades, with leaders such as Susan B. Anthony, Elizabeth Cady Stanton, and later Alice Paul advocating tirelessly for women's right to vote. The movement culminated in the passage of the 19th Amendment in 1920, which granted women the right to vote and marked a significant victory for gender equality. In England, suffragettes like Emmeline Pankhurst used protests and civil disobedience to advance the cause. The Representation of the People Act (1918) granted voting rights to women over 30, and full suffrage was achieved in 1928. In France, women's suffrage came later, with voting rights granted in 1944 after World War II, reflecting a broader societal shift toward equality. The women's suffrage movement inspired similar campaigns across the world. By the mid-20th century, most democratic nations had granted women the right to vote, embedding the principle of gender equality into their political systems.

### 3.5.3. *Civil Rights Movements*

The 20th century saw the rise of civil rights movements that aimed to eliminate racial discrimination and ensure equal treatment for all, fulfilling the liberal promise of equality and dignity.

Led by figures such as Martin Luther King Jr., Rosa Parks, and Malcolm X, the U.S. Civil Rights Movement of the 1950s and 1960s fought to end segregation and racial discrimination. Landmark achievements included the Civil Rights Act of 1964, which outlawed discrimination based on race, color, religion, sex, or national origin, and the Voting Rights Act of 1965, which eliminated barriers to voting for African Americans. In South Africa, the anti-apartheid movement, led by figures such as Nelson Mandela and Desmond Tutu, sought to dismantle the racist system of apartheid that segregated and oppressed the Black majority. The eventual collapse of apartheid in 1994 and the election of Mandela as president marked a significant victory for racial equality and liberal democracy. Civil rights struggles in other parts of the world, including the Dalit movement in India and indigenous rights movements in Australia and the Americas,

reflected the global resonance of liberal ideals in the fight against systemic inequality.

#### *3.5.4. Globalization of Liberalism*

The liberal ideals of liberty, equality, and dignity became increasingly globalized in the aftermath of World War II, as nations sought to create a more just and peaceful international order.

The founding of the United Nations marked a significant step in embedding liberal principles into the global framework. The UN Charter emphasized the importance of human rights, self-determination, and the promotion of peace and security, reflecting the influence of liberal thought on international governance. Drafted under the leadership of Eleanor Roosevelt and adopted by the UN General Assembly, the Universal Declaration of Human Rights (UDHR) became a landmark document in the realization of liberal ideals. It proclaimed that “all human beings are born free and equal in dignity and rights” and established a global standard for the protection of individual freedoms and human rights. In the post-war era, many nations adopted liberal democratic systems inspired by the success of the United States, Britain, and France. Decolonization movements in Africa and Asia also drew on liberal principles, as newly independent nations sought to establish governance systems based on liberty, equality, and justice.

### **3.6. The Defense of Liberal Ideas**

The defense of liberal ideas has been a continuous and multifaceted struggle, requiring effort on multiple fronts — through wars, resistance movements, and ongoing campaigns against rising authoritarianism and populism. The resilience of liberalism lies in its adaptability and the unwavering efforts of individuals and communities to protect liberty, equality, and dignity in the face of challenges.

#### *3.6.1. Wars and Conflicts*

Wars have often served as battlegrounds for the defense of liberal ideas against forces seeking to suppress freedom and impose authoritarianism. From the World Wars to the Cold War, liberal democracies have repeatedly mobilized to protect the principles of liberty and justice.

The Second World War was a defining moment in the defense of liberal ideals. The Allies, led by liberal democracies such as the United States, the United Kingdom, and France, fought against the Axis powers — Nazi Germany, Fascist Italy, and Imperial Japan — which sought to impose

totalitarian and racially supremacist ideologies. The victory of the Allies reaffirmed the principles of self-determination, human rights, and democracy on a global scale. The Cold War was another critical struggle between liberal democracies and authoritarian regimes. The United States and its allies, representing liberal democracy and free markets, opposed the Soviet Union and its satellite states, which advocated for centralized control and suppression of individual freedoms. This ideological conflict shaped global politics for decades and included proxy wars, cultural exchanges, and technological competition, such as the Space Race. In the aftermath of the 9/11 attacks, liberal democracies faced new threats from extremist ideologies that opposed the principles of freedom, equality, and pluralism. The War on Terror became a global effort to combat terrorism while grappling with the challenges of balancing security and civil liberties in liberal states.

### *3.6.2. Resistance Movements*

Activists and dissidents in totalitarian regimes have played a pivotal role in defending liberal ideas, often risking their lives to promote liberty, democracy, and human rights. Their courageous efforts have inspired movements worldwide and brought global attention to the value of freedom.

During the Cold War, dissidents in Soviet-controlled Eastern Europe emerged as powerful voices for liberty and democracy. Movements such as Solidarity in Poland, led by Lech Wałęsa, exemplified the defense of liberal ideals against Communist authoritarianism. Solidarity's success in mobilizing workers and citizens played a key role in the eventual collapse of Soviet control and the establishment of democratic governance in Poland. Figures like Václav Havel in Czechoslovakia and Aleksandr Solzhenitsyn in the Soviet Union used literature, essays, and speeches to expose the oppression of totalitarian regimes and to promote the values of liberty and human dignity. Their work inspired resistance movements and brought international attention to the plight of those living under authoritarianism.

### *3.6.3. Ongoing Struggles*

The defense of liberal ideas is far from over. In the 21st century, liberalism continues to face challenges from authoritarian regimes, rising populism, and other forces that seek to curtail individual freedoms and democratic governance.

Around the world, populist leaders and movements have emerged, often challenging liberal principles by undermining democratic institutions, restricting press freedoms, and marginalizing minority groups. Countries

such as Hungary, Turkey, and Brazil have seen significant backsliding in democratic norms. In response, activists, journalists, and civil society organizations have mobilized to defend the rule of law, free elections, and the rights of marginalized groups. In the digital age, social media and online platforms have become critical tools for defending liberal ideas. Movements like # MeToo and Black Lives Matter have leveraged these tools to promote equality, dignity, and accountability, demonstrating the enduring relevance of liberal principles in addressing systemic injustices.

In summary, the invention, expansion, and realization of liberal ideas like liberty, dignity, and equality have been monumental human achievements. They required intellectual innovation, grassroots movements, revolutions, and unyielding defense in the face of opposition. While significant progress has been made, the ongoing global challenges remind us that liberalism is not self-sustaining — it demands constant vigilance and commitment to thrive.

#### 4. THE LIBERALIZATION OF CHINA AND INDIA

The liberalization of China since 1978 and India since 1991 represents pivotal moments in the economic and social transformations of these nations. These reforms were deeply influenced by the implementation of liberal ideas, emphasizing market-driven growth, individual enterprise, and global integration. The outcomes demonstrate how adopting and implementing liberal ideas can unleash tremendous economic potential and transform societies.

##### 4.1. China's Liberalization Since 1978

###### 4.1.1. *Economic Reforms Under Deng Xiaoping*

The economic reforms initiated under Deng Xiaoping in the late 1970s and 1980s fundamentally transformed China's economy and society, marking a departure from the centralized, planned economy of Mao Zedong's era. Deng's reforms implemented liberal principles of decentralization, private enterprise, and openness to global trade, propelling China into an era of rapid economic growth and integration into the global economy.

###### *Decentralization of Economic Power.*

One of the most significant aspects of Deng Xiaoping's reforms was the decentralization of economic power, which gave local governments the autonomy to experiment with economic policies and manage their own resources.

Provincial and local governments were allowed to implement tailored economic policies suited to their regional conditions. This decentralization enabled local authorities to pursue growth strategies that leveraged their unique strengths, fostering competition and innovation among regions. The decentralization of power led to the rapid development of coastal provinces like Guangdong and Fujian, where local governments actively promoted industrialization and trade. Cities such as Shenzhen, once a small fishing village, became hubs of economic dynamism and innovation under these policies. By linking local government revenues to economic performance, the reforms incentivized regional authorities to promote growth and attract investment. This system of fiscal decentralization played a critical role in China's remarkable economic transformation.

*Private Enterprise.*

Deng Xiaoping's reforms significantly liberalized China's economy by allowing private enterprise to flourish. The introduction of the Household Responsibility System in agriculture allowed farmers to sell surplus produce in markets after meeting state quotas. This reform effectively dismantled the collectivized farming system, dramatically increasing agricultural productivity and rural incomes. Private businesses were gradually permitted, and entrepreneurs were encouraged to establish enterprises in sectors such as manufacturing, services, and retail. This marked the beginning of China's thriving private sector, which became a major driver of economic growth. Township and Village Enterprises (TVEs) emerged as a hybrid model of semi-private enterprises in rural areas. TVEs were initially owned by local governments but operated with significant independence, competing in markets and generating jobs and wealth. They became a cornerstone of China's rural industrialization, helping reduce poverty and bridging the urban-rural divide.

*Opening to Global Trade.*

Deng Xiaoping's reforms also included opening China's economy to global trade and investment. Deng introduced Special Economic Zones (SEZs) in cities such as Shenzhen, Zhuhai, Xiamen, and Shantou. These zones provided tax incentives, reduced regulatory barriers, and other preferential policies to attract foreign investment and encourage technology transfer. SEZs became engines of export-driven growth and gateways for China's integration into the global economy. By opening its doors to foreign investors, China gained access to advanced technologies, management practices, and global markets. Joint ventures between Chinese and foreign firms allowed for technology transfer and capacity building, accelerating industrial devel-

opment. The focus on exports transformed China into the “world’s factory,” with manufactured goods becoming the primary driver of economic growth. Trade liberalization policies, combined with low labor costs and efficient infrastructure in SEZs, enabled China to become a dominant player in global trade.

#### *4.1.2. Impact on Economic Growth*

Deng Xiaoping’s economic reforms had a transformative impact on China’s economic growth, reshaping it into one of the fastest-growing economies in modern history. These reforms not only created unprecedented economic expansion but also lifted millions out of poverty and firmly integrated China into the global economy. The success of these policies highlighted the effectiveness of liberal economic principles, such as market openness and decentralized decision-making, in driving sustained growth and development.

##### *Tremendous GDP Growth.*

One of the most striking outcomes of Deng’s reforms was the extraordinary economic growth that China achieved over four decades. From 1978 to 2020, China’s GDP grew at an average annual rate of 7% to 8%, making it the fastest-growing major economy in the world during this period. This rapid expansion transformed China from a predominantly agrarian economy into the second-largest economy globally, measured by nominal GDP. The economic reforms shifted China’s economy from state-controlled and agriculture-based to one driven by industry, services, and private enterprise. Key industries such as manufacturing, construction, and technology experienced exponential growth, contributing to sustained GDP increases. By the early 21st century, China became a vital driver of global economic growth, contributing more than 25% of global GDP growth annually by the 2010s. Its rapid development demonstrated the potential of embracing market-oriented reforms to achieve sustained economic dynamism.

##### *Poverty Reduction.*

Deng Xiaoping’s reforms also had a profound impact on poverty alleviation, achieving one of the most remarkable reductions in poverty in human history. Between 1978 and 2020, over 800 million people in China were lifted out of extreme poverty, as defined by the World Bank. This achievement accounted for more than 70% of global poverty reduction during this period, a feat unparalleled in scale and significance. The Household Responsibility System and the rise of Township and Village Enterprises (TVEs) significantly increased incomes in rural areas, where poverty had been most acute. These reforms allowed rural households to benefit directly

from their labor and entrepreneurial activities. Along with income growth, access to education, healthcare, and infrastructure improved dramatically. China's success in poverty reduction set a global example, underscoring the transformative potential of policies that combine market forces with targeted state interventions.

*Global Integration.*

Deng's policies of opening up to global trade and investment enabled China to emerge as a major player in the global economy, leveraging liberal economic principles to achieve international competitiveness. By the 2000s, China had become the world's largest manufacturing hub, producing goods ranging from consumer electronics to heavy machinery. Special Economic Zones (SEZs) such as Shenzhen became centers of export-driven growth, drawing foreign investment and fostering industrial innovation. China's share of global trade increased dramatically as it became the world's largest exporter by 2009. Its export-driven model, supported by low labor costs, efficient infrastructure, and a focus on manufacturing, demonstrated the power of global integration in driving economic growth. The opening of China's markets attracted significant foreign direct investment (FDI), which brought advanced technologies, management expertise, and access to global markets. This technology transfer and exposure to international competition spurred innovation and efficiency within China's industries. China's accession to the World Trade Organization (WTO) in 2001 symbolized its full integration into the global economy. Membership in the WTO further enhanced its access to global markets, solidifying its position as a key player in international trade and economic governance.

*4.1.3. The Role of Liberal Ideas*

Liberal ideas were at the core of China's transformation under Deng Xiaoping's reforms. By replacing rigid central planning with market-oriented principles, fostering entrepreneurship, and giving individuals greater economic autonomy, China unleashed a wave of productivity, innovation, and social mobility that reshaped its economy and society. These principles demonstrated how liberal economic ideas could drive remarkable growth and development when adapted to local contexts.

*Market Efficiency.*

One of the key liberal ideas implemented during Deng Xiaoping's reforms was the replacement of centralized economic planning with market mechanisms, allowing prices and competition to guide resource allocation. Deng's reforms shifted decision-making to the market, allowing supply and

demand to set prices and guide resource distribution. Market liberalization unleashed productivity by incentivizing firms and individuals to optimize production and innovate. Enterprises now competed for customers, driving improvements in quality and efficiency. This competition fostered rapid industrialization and technological advancement, transforming China into a global manufacturing leader. Market signals allowed resources to flow to industries and regions where they were most productive. For example, coastal regions such as Guangdong and Fujian leveraged their proximity to global markets to attract investment and build export-oriented economies, leading to rapid regional development.

*Entrepreneurship.*

Another critical liberal principle embraced during Deng's reforms was the promotion of entrepreneurship. By allowing individuals to start businesses and take risks, the government cultivated a culture of innovation and self-reliance. Deng's policies lifted restrictions on private enterprise, allowing millions of people to establish small businesses in industries like manufacturing, retail, and services. The rise of privately owned companies created new jobs, boosted incomes, and diversified the economy. Semi-private enterprises known as TVEs emerged as key drivers of rural industrialization. These businesses operated with significant autonomy and competed in open markets, blending public oversight with private initiative. TVEs became an engine for job creation and economic diversification in rural areas, lifting millions out of poverty. Liberalization policies encouraged risk-taking and innovation, transforming China into one of the most entrepreneurial societies in the world. Entrepreneurs like Jack Ma (founder of Alibaba) and Ren Zhengfei (founder of Huawei) built globally competitive firms that showcased the transformative potential of liberalized markets.

*Personal Autonomy in Economics.*

Deng Xiaoping's reforms extended liberal principles to individuals, granting farmers and workers greater economic autonomy. This empowerment was critical in driving higher productivity and living standards across China. The introduction of the Household Responsibility System gave farmers control over their land and production. For the first time, they could decide what crops to grow and sell surplus produce in markets. This autonomy significantly increased agricultural output, leading to food security and higher rural incomes. Workers in state-owned enterprises (SOEs) were given more decision-making power and access to performance-based incentives. The introduction of profit-sharing and the dismantling of rigid state quotas motivated workers to increase efficiency and innovate within



their roles. By allowing individuals to make economic decisions that directly benefited them, Deng's reforms improved overall productivity and dramatically raised living standards. Millions of people gained access to better housing, education, and healthcare, and the middle class began to expand, transforming China's social fabric.

## **4.2. India's Liberalization Since 1991**

### *4.2.1. Economic Crisis and Reforms*

India's liberalization was triggered by a balance-of-payments crisis in 1991, forcing the government to embrace reforms championed by then-Finance Minister Manmohan Singh under Prime Minister P.V. Narasimha Rao. The economic crisis India faced at the end of the 1980s and early 1990s — marked by a balance of payments crisis, high inflation, and slow economic growth — created the conditions for a major shift in economic policy. The reforms implemented thereafter had far-reaching implications, not only for India's economic growth but also for its broader cultural and social landscape.

#### *Dismantling the License Raj.*

The License Raj, a system of stringent licensing requirements, had long been a hallmark of India's post-independence economic structure. Under this system, businesses had to obtain licenses for virtually every aspect of their operations, from setting up factories to expanding production capacity. This bureaucratic web stifled entrepreneurship, discouraged foreign investment, and entrenched inefficiencies within the economy. The economic reforms of the early 1990s focused on dismantling these complex regulatory frameworks, which were often used by political elites to control industries and perpetuate a culture of rent-seeking. By abolishing the License Raj, India's government significantly reduced bureaucratic control over business activities, shifting the focus from regulatory compliance to innovation and entrepreneurship. This move was emblematic of the shift in India's economic ideology, aligning more with McCloskey's argument that it is not the imposition of controls, but the removal of barriers to dignity and opportunity, that fosters growth. Entrepreneurs in India, freed from the heavy hand of bureaucracy, were empowered to make decisions based on market signals rather than political favoritism. This deregulation also provided an opportunity for the Indian bourgeoisie to begin to flourish, as the freedom to enter new markets and innovate became more accessible.

*Trade Liberalization.*

One of the most significant aspects of India's post-1991 reforms was its approach to trade liberalization. Prior to the reforms, India maintained a protectionist stance, with high import tariffs and a limited focus on export-driven industries. The government's shift toward trade liberalization, which included slashing import tariffs and reducing trade barriers, was pivotal in integrating India into the global economy. The reduction of tariffs, in particular, allowed Indian firms access to cheaper foreign goods, machinery, and technology, which increased their productivity and competitive edge. This trade liberalization also coincided with the promotion of export-oriented industries. By opening up new markets and reducing the costs of exports, Indian firms were able to tap into global demand for their goods and services. The liberalization of trade was not only an economic policy change, but a shift in mindset that resonated with McCloskey's idea of dignity. As Indian entrepreneurs saw opportunities in international markets, the value of their entrepreneurial spirit grew, not just in their local communities, but globally. The "Great Enrichment" of India was, in part, made possible by this opening of international trade channels and the increase in market access.

*Privatization.*

In parallel with the reduction in bureaucratic control and the promotion of global trade, India also began privatizing many of its state-owned enterprises (SOEs) in the 1990s. The inefficiencies of the public sector — marked by corruption, lack of competition, and bureaucratic inefficiency — were widely recognized as hindrances to economic growth. The privatization process was aimed at increasing efficiency by introducing market competition into sectors that had been dominated by the state. Privatization initiatives, though initially met with resistance, gradually gained momentum as more sectors were opened to private ownership. The process improved productivity, reduced government debt, and, crucially, created a more dynamic and competitive environment in which firms were incentivized to innovate. The privatization reforms not only impacted the economy but also had profound implications for the cultural and social perceptions of wealth and business. As the private sector flourished, new business leaders and entrepreneurs emerged, further contributing to the cultural shift McCloskey describes in her trilogy. The rise of the private sector emphasized the idea that economic success could be achieved through hard work, innovation, and providing value to customers — principles deeply aligned with bourgeois dignity.

*Foreign Investment.*

A critical component of India's economic reforms was the liberalization of foreign direct investment (FDI) restrictions. Prior to 1991, India had maintained strict controls over foreign investment, with many sectors closed to foreign capital or subject to stringent conditions. The liberalization of FDI regulations, along with the easing of restrictions on foreign portfolio investment, was instrumental in attracting global capital into India. The influx of foreign investment provided Indian businesses with access to new technologies, managerial expertise, and global supply chains, further boosting productivity. FDI brought not only capital but also knowledge and innovation, which facilitated the modernization of key industries such as telecommunications, automotive, and information technology. The increase in foreign investment was a direct contributor to the Great Enrichment, as it accelerated the growth of high-productivity sectors in the economy. Furthermore, it provided Indian firms with the resources to scale up their operations, enter new markets, and become competitive players in the global economy. McCloskey's emphasis on the importance of global trade and investment in fostering cultural and economic progress resonates with this element of India's reforms, as the liberalization of FDI helped create a more open and dynamic economic environment conducive to growth.

*4.2.2. Impact on Economic Growth*

The liberalization reforms that India adopted in the early 1990s had profound and far-reaching effects on its economic growth, dramatically altering the trajectory of the country's development. The reforms not only spurred growth in traditional sectors, such as manufacturing and agriculture, but also catalyzed the emergence of new industries, particularly in information technology (IT) and services. India's post-liberalization economic experience illustrates how liberal reforms can unlock the potential of a nation's human capital and create an environment where growth is sustained and broadly distributed.

*Accelerated GDP Growth.*

Before the 1991 reforms, India's economy was often described as experiencing the "Hindu Rate of Growth," a term used to characterize the country's low and stagnating economic growth rate of around 3-4% annually. This growth rate was largely driven by a heavily regulated and protectionist economic model that placed severe restrictions on foreign trade, investment, and entrepreneurship. Despite the country's large population and abundant natural resources, its economy failed to achieve significant

growth due to bureaucratic inefficiency, poor infrastructure, and the lack of incentives for innovation and risk-taking. The liberalization reforms of the early 1990s — ranging from trade liberalization to deregulation and privatization — served as a catalyst for a dramatic acceleration in India's GDP growth. Post-reform, India's annual GDP growth rate consistently exceeded 6-7%, with some years even reaching double-digit growth. These reforms unleashed the latent potential of the economy, fostering greater productivity, technological innovation, and entrepreneurial activity. India's transformation from the "Hindu Rate of Growth" to sustained high growth was not an isolated phenomenon; it mirrored the global pattern where the opening of markets, combined with the freeing of business activities, enabled economies to grow faster and more sustainably.

*Rising Middle Class.*

One of the most profound consequences of India's liberalization was the emergence of a large, increasingly affluent middle class. Prior to the reforms, India's economy was characterized by significant income inequality and a low standard of living for much of the population. The lack of competition in key sectors, along with state control over the economy, kept wages low and economic mobility limited. However, as the economy liberalized, and the private sector began to expand, India's middle class began to grow rapidly. Liberalization directly contributed to rising disposable incomes, better job opportunities, and improved living standards for millions of Indians. The burgeoning middle class became an important driver of economic growth, as its consumption power began to fuel demand for goods and services across various sectors. This demand was not only driven by an increase in wages but also by improvements in education and access to technology, which empowered more individuals to participate in the economy as consumers, workers, and entrepreneurs. The expansion of the middle class also had broader social and cultural implications. As McCloskey emphasizes in her work, the dignity that comes with economic opportunity — where individuals are free to choose their livelihoods and innovate — was integral to creating a thriving middle class. The rise of the Indian middle class signified a shift from a culture of subsistence and scarcity to one of abundance and opportunity. This transformation had ripple effects across the entire economy, from the expansion of retail and consumer goods markets to the rapid growth of services industries like banking, healthcare, and education. The growth of the middle class also helped reduce the persistent inequality in India, though significant challenges remain. As McCloskey notes, economic growth that emphasizes the

dignity of the bourgeoisie — where work, innovation, and success are valued — can lead to greater social mobility and increased opportunities for previously marginalized groups. The Indian experience suggests that, when paired with inclusive growth policies, liberalization can have a transformative effect on social and economic structures.

*Global IT Hub.*

Among the most striking success stories of India's post-liberalization growth is its emergence as a global leader in the information technology (IT) and outsourcing sectors. In the 1990s, India's IT industry was still in its infancy, but by embracing the liberalization policies that reduced restrictions on foreign investment, deregulated telecommunications, and encouraged private sector growth, India became a global hub for software development and business process outsourcing (BPO). The liberalized economy provided the foundation for India's IT boom. India's large, English-speaking, and highly skilled workforce was able to tap into the global demand for IT services, and the relaxation of foreign investment regulations enabled global tech companies to establish operations in India. By the late 1990s and early 2000s, companies such as Infosys, Wipro, and Tata Consultancy Services (TCS) became major players in the global IT market, providing software solutions, customer support, and IT services to clients around the world. The rise of the IT sector in India was not just an economic phenomenon but also a cultural shift, consistent with McCloskey's emphasis on the value of bourgeois dignity. The IT boom symbolized the growing recognition that knowledge, skills, and innovation could drive wealth creation, offering new career opportunities for millions of young Indians. It was a sector where merit and talent mattered more than political connections, fostering a culture of competition, creativity, and entrepreneurship. The liberalization of the economy allowed India's IT sector to tap into global markets, and this industry alone played a significant role in the overall economic growth during this period. Additionally, the rise of outsourcing helped India's economy integrate more closely with the global value chain, increasing productivity and creating millions of new jobs. The IT and BPO sectors contributed not only to economic growth but also to the development of a globally competitive workforce, offering opportunities for upward mobility and professional growth. The success of India's IT sector highlighted how an open, deregulated economy could unlock significant gains by enabling the efficient allocation of resources — particularly human capital — and providing avenues for entrepreneurial growth.

#### 4.2.3. *The Role of Liberal Ideas*

The post-1991 economic liberalization in India was not only a technical shift in policy but also a fundamental transformation driven by the embrace of liberal economic ideas. These reforms represented a dramatic departure from the country's previous socialist-inspired economic policies, opening up new avenues for growth, competition, and innovation. The Indian reforms exemplified how the adoption of liberal economic principles can trigger a virtuous cycle of growth, fueled by market forces, global integration, and the flourishing of entrepreneurship.

##### *Market Orientation.*

For decades before the 1991 reforms, India's economy was governed by a system of socialist-inspired policies that stifled economic growth and innovation. The "License Raj" system, which imposed complex regulations on industries, and the widespread use of state-owned enterprises (SOEs) left little room for market forces to determine the allocation of resources. Under the "Hindu Rate of Growth," India's economy was characterized by slow growth, inefficiency, and a lack of competition, as state control over key sectors of the economy limited opportunities for private sector expansion. The liberalization reforms fundamentally shifted this economic structure, abandoning many of the policies that had been shaped by socialist ideology. The new focus was on market-oriented policies that allowed market forces — rather than the state — to allocate resources, determine prices, and guide investment decisions. Trade liberalization, reduced tariffs, deregulation, and privatization encouraged competition and removed the entrenched protectionist barriers that had hindered growth. This shift towards a market-oriented economy was aligned with McCloskey's argument that the recognition of entrepreneurial dignity and the unleashing of market forces is a crucial ingredient for economic growth. By fostering an environment where business owners could make decisions based on market signals and competition rather than state controls and regulations, India began to experience a profound transformation. Firms could now respond more dynamically to consumer demand, invest in new technologies, and innovate in ways that had been stifled in the previous system. This market orientation facilitated the transition from an inward-looking, state-controlled economy to an outward-facing, dynamic one. The efficiency gains from market orientation were immediately visible in India's post-reform GDP growth, which rose from a stagnant 3-4% to a sustained 6-7% annually.

*Global Integration.*

One of the most important consequences of the 1991 reforms was India's deeper integration into the global economy. Under the previous regime, India was largely isolated from global trade and investment, with high import tariffs and strict controls on foreign exchange. This protectionist policy, while intended to promote self-sufficiency, effectively restricted India's access to global markets and technologies. The liberalization reforms radically altered this landscape by opening India's doors to international trade, foreign investment, and competition. Trade liberalization, the reduction of import tariffs, and the relaxation of restrictions on foreign direct investment (FDI) were pivotal in connecting India to global supply chains. With the removal of trade barriers, Indian firms could now import higher-quality goods and machinery at lower prices, while also gaining access to international markets for their exports. The availability of cheaper imports also reduced the cost of production for Indian businesses, making them more competitive both domestically and globally. India's integration into global supply chains facilitated a host of positive economic outcomes. Global competition forced Indian firms to innovate, improve productivity, and adopt best practices. The entry of multinational companies brought new technologies, managerial expertise, and capital that helped modernize India's industries. This integration also opened the door to vast new export opportunities, particularly in sectors like textiles, chemicals, and, most notably, information technology (IT), where India emerged as a dominant player in the global services market. McCloskey's work stresses the importance of openness in fostering innovation and economic growth. She argues that a culture that values exchange — both intellectual and material — has been central to the success of the modern world. India's embrace of global markets and foreign investment epitomized this exchange, as the country leveraged its comparative advantages, such as a large, young, and increasingly well-educated workforce, to capture market share in global industries. The reduction of trade barriers and the welcoming of foreign capital did not merely open up foreign markets for Indian businesses; it brought in the ideas, technologies, and capital that were essential for modernizing India's industries and boosting its productivity. This global integration also brought about a shift in the cultural and social dynamics of Indian entrepreneurship. As businesses became more outward-looking, Indian entrepreneurs adopted a more global mindset, seeking out opportunities not just in their local markets but also in the larger, international arena. This created a new wave of competitive innovation, spurred by exposure to global best practices and international standards.

*Entrepreneurship and Innovation.*

Perhaps the most visible impact of India's economic liberalization was the growth of entrepreneurship and private-sector innovation. The dismantling of regulatory barriers, the opening up of previously protected sectors, and the encouragement of foreign investment created fertile ground for the rapid expansion of startups and private enterprises. In contrast to the old regime, where business creation was often hampered by bureaucratic hurdles and state control, the liberalization period unleashed a wave of entrepreneurial activity. Private-sector growth was encouraged through policies that promoted competition, reduced barriers to entry, and facilitated access to capital. The privatization of state-owned enterprises and the opening of previously restricted sectors to private investment created opportunities for new businesses to emerge and grow. The IT sector, for example, saw a dramatic rise in the number of small firms that not only serviced local markets but quickly grew into global players, providing software development, BPO services, and IT consulting to multinational corporations. McCloskey's analysis emphasizes the importance of dignity — the societal recognition of the value of entrepreneurship — in fostering innovation and growth. With liberalization, India's entrepreneurial class began to be viewed with greater respect, as their ability to create wealth through innovation and value creation was increasingly acknowledged. In particular, the rise of the Indian IT sector symbolized this cultural shift, where private entrepreneurs were able to generate significant wealth and contribute to national prosperity through creativity, risk-taking, and technical innovation. Moreover, the liberalization policies that encouraged entrepreneurial activity were instrumental in driving job creation. As new businesses were established and expanded, millions of jobs were created, helping to absorb the growing workforce and reduce poverty. The private sector also became a key engine of India's structural transformation, as industries such as telecommunications, finance, and manufacturing grew rapidly, creating a dynamic economy characterized by greater competition, productivity, and innovation. The encouragement of entrepreneurship was not limited to traditional industries; it also extended to the burgeoning startup ecosystem. The 2000s saw a boom in Indian startups, many of which leveraged technology to provide innovative solutions to domestic and global problems. The rise of India's venture capital market also facilitated this process, enabling startups to access the funding they needed to scale and grow. The policies of economic liberalization, by removing regulatory burdens and fostering competition, created a conducive environment for innovation and business creation.



### 4.3. Why Liberal Ideas Matter

The economic liberalization of both China and India marked a fundamental shift away from state-controlled, central planning systems toward market-driven economies, bringing with it profound transformations. At the heart of these transformations lay the adoption of liberal economic ideas — ideas that prioritize individual agency, the efficient allocation of resources, open markets, and global connectivity. These concepts have been critical to understanding the remarkable growth trajectories of both nations in the past few decades. Drawing from our framework, we can see that liberal ideas have not only created wealth but also fostered the cultural and institutional conditions that enabled entrepreneurship, innovation, and long-term economic growth.

#### 4.3.1. Empowering Individuals

One of the key tenets of liberal economic thought is the empowerment of individuals — the belief that individuals, when given the freedom to make their own decisions, will innovate, take risks, and contribute to the growth of the economy. In both China and India, the liberalization reforms sought to reduce the control of the state and give individuals the opportunity to enter markets, pursue entrepreneurial ventures, and respond to new opportunities. This shift toward individual empowerment transformed the economic landscape of both countries.

In India, the end of the “License Raj” and the dismantling of trade restrictions allowed private entrepreneurs to flourish. Entrepreneurs no longer had to navigate complex bureaucratic hurdles to start businesses or expand operations. This shift in policy unleashed the entrepreneurial energies of India’s population, leading to the creation of countless businesses, many of which capitalized on the growing demand for technology, services, and consumer goods. The IT boom, in particular, exemplified how removing state restrictions on business activities and encouraging private investment could unlock new industries.

Similarly, in China, the shift toward market-oriented reforms, especially after Deng Xiaoping’s “Open Door” policies in the late 1970s, gave individuals the freedom to start businesses, invest, and explore opportunities beyond the central-planning system. The liberalization of the agricultural sector, the creation of Special Economic Zones (SEZs), and the opening up of manufacturing to private entrepreneurs allowed China’s population to take advantage of its abundant labor force and rapidly expand its industrial base.

Both countries benefited enormously from unleashing the creative potential of their people. As McCloskey argues, when individuals are granted the freedom to pursue their own interests in a supportive environment that values dignity and hard work, they will innovate and drive economic progress. India and China provide compelling examples of how this cultural shift, combined with economic liberalization, can generate substantial growth.

#### *4.3.2. Efficient Resource Allocation*

One of the central arguments for liberal economic policies is the idea that market-driven systems allocate resources more efficiently than centralized, state-controlled systems. Under socialist and centrally planned regimes, both India and China had economies where the state made most of the decisions about what to produce, how to produce it, and at what prices. This often led to inefficiencies, waste, and misallocation of resources.

India's post-1991 liberalization demonstrated the importance of allowing market forces to drive economic decisions. The reduction in bureaucratic controls allowed firms to make decisions based on supply and demand, rather than political mandates. The process of deregulation, along with the opening up of markets to competition, led to better allocation of resources, as businesses became more responsive to consumer needs. This shift in resource allocation was particularly evident in sectors like telecommunications, where the introduction of private players, once monopolized by state-owned firms, led to a rapid expansion in services, a drop in prices, and a surge in technological advancements.

China's transition to a market economy also demonstrated the superiority of market allocation over central planning. The establishment of SEZs and the decentralization of economic decision-making allowed for more localized and efficient resource distribution. These reforms also enabled China to capitalize on its comparative advantage — cheap labor — and create massive industries that could quickly scale up to meet global demand. Market forces, rather than bureaucratic allocation, directed investment toward the sectors that could generate the highest returns, leading to more productive use of capital and labor.

Both countries experienced dramatic improvements in the allocation of resources as a result of embracing market principles. By moving away from central planning, India and China set the stage for sustained growth and development.

#### *4.3.3. Global Trade and Connectivity*

A key aspect of both China's and India's liberalization was their integration into the global economy. Prior to the reforms, both countries were relatively closed off from international trade and investment. In India, protectionist policies, such as high tariffs and restrictions on foreign investment, hindered the economy's ability to engage with the world. In China, the centrally planned economy isolated the country from the global markets, despite its vast human resources and manufacturing potential.

The liberalization of trade in both countries, particularly from the 1990s onwards, opened up new opportunities for growth and development. In India, the reduction of tariffs, the elimination of import quotas, and the encouragement of foreign investment allowed the country to become more integrated into global supply chains. India's services sector, particularly in IT and business process outsourcing (BPO), benefited greatly from global connectivity, as multinational companies sought to take advantage of India's large pool of skilled, English-speaking labor.

In 2001, China's accession to the World Trade Organization (WTO) marked a turning point in its economic trajectory, solidifying its place in global trade. As China became the "world's factory," it tapped into global supply chains, benefiting from the demand for low-cost manufacturing and exports. This global integration not only provided access to international markets but also opened the door to the latest technologies, management practices, and investments, which were essential for China's industrialization and modernization.

Both India and China saw their exports surge, benefiting from their increasing participation in international trade. As McCloskey notes, the ability to engage in global trade — by removing barriers to competition and opening markets — allows countries to grow more rapidly. Both India and China benefited from global trade in ways that would not have been possible under the protectionist policies of the past.

#### *4.3.4. Wealth Creation and Poverty Reduction*

The liberalization of India and China created unprecedented wealth and significantly reduced poverty levels in both countries. Economic liberalization — through the promotion of market forces, foreign investment, and private-sector growth — brought about rapid economic growth in both countries. India's GDP growth accelerated from an average of 3-4% in the pre-reform period to 6-7% in the decades following liberalization, lifting millions out of poverty and creating a vibrant middle class. Similarly,

China's rapid industrialization and export-led growth model helped the country sustain growth rates of 8-10% annually for several decades, lifting over 800 million people out of poverty since the reforms began.

The growth in both countries was not only reflected in GDP numbers but also in improvements in living standards. In India, economic liberalization contributed to improved healthcare, education, and infrastructure, which helped reduce poverty and broaden access to opportunities. In China, the growth of manufacturing and export industries created millions of jobs, and the rise in wages further contributed to the decline in poverty.

Both India and China exemplify how economic liberalization can lead to wealth creation and significant reductions in poverty. This is central to McCloskey's argument that prosperity is not simply about the accumulation of capital but about creating the conditions where people can exercise their entrepreneurial potential and contribute to the broader economy. As both countries embraced liberal ideas, the results were striking: economic growth, wealth creation, and a massive reduction in poverty levels that fundamentally changed the lives of billions.

#### **4.4. Challenges and Critiques**

While the economic liberalization of India and China has led to significant growth, prosperity, and poverty reduction, it has also created several challenges that remain central to discussions about the consequences of market-oriented reforms. These challenges, including rising inequality, governance issues, and social costs, underscore that liberalization, while highly effective in promoting growth, is not a panacea for all of a country's social, economic, and environmental problems. The transformation that both nations underwent has created a new set of issues that need to be addressed to ensure the long-term sustainability of their growth models and reduce the negative externalities of rapid economic expansion.

##### *4.4.1. Inequality: Rising Income and Regional Disparities*

One of the most significant critiques of economic liberalization in both India and China is the rise in inequality — both in terms of income distribution and regional development. While the liberalization process has dramatically increased wealth and reduced poverty overall, the benefits have not been equally distributed across all segments of society. This has led to growing disparities in income and opportunities, particularly between urban and rural areas, and among different social and economic groups.

In China, while the country lifted hundreds of millions out of poverty and saw the rise of a robust middle class, the gap between urban and

rural areas has expanded significantly. The concentration of wealth and development in urban areas, particularly along the eastern coast, has left many rural areas lagging behind. The rapid urbanization driven by market reforms has disproportionately benefited those in manufacturing and services, leaving rural communities — many of which depend on agriculture — further marginalized. This urban-rural divide is a direct result of the focus on export-led growth and industrialization in cities, often at the expense of rural development. The growing inequality has raised concerns about social cohesion and the long-term sustainability of growth, especially as it undermines the political legitimacy of the government.

Similarly, in India, the liberalization reforms have created a booming economy but have also intensified income inequality. While the country has seen significant growth in sectors like information technology, finance, and services, many rural regions, which continue to rely heavily on agriculture, have not experienced the same benefits. This rural-urban divide is exacerbated by the concentration of investment and infrastructure development in major metropolitan areas, leaving smaller towns and rural regions struggling with poor infrastructure, low job creation, and limited access to services. McCloskey's focus on the dignity of the bourgeoisie and the spread of entrepreneurship underscores that, while markets reward talent and innovation, they do not automatically ensure that the benefits of growth are shared evenly. Rising inequality challenges the notion of inclusive progress, as it often results in social tension and political instability.

Income inequality also persists within specific demographic groups. In both countries, women, minorities, and lower-caste groups have often found themselves excluded from the benefits of liberalization. In India, for instance, while the rise of the service sector has created significant wealth, many women and members of the lower castes remain marginalized in terms of access to economic opportunities. Similarly, in China, rural migrants, many of whom have moved to cities in search of work, face exploitation and are often denied access to social benefits like health care, education, and housing.

#### *4.4.2. Governance Issues: Corruption and Crony Capitalism*

While economic liberalization has fostered growth, it has also exposed governance weaknesses in both India and China. Corruption and crony capitalism have sometimes undermined the effectiveness of liberal reforms, leading to a situation where economic benefits are concentrated in the hands of a few, rather than being widely distributed.

In China, despite its remarkable economic growth, corruption has been a persistent issue. The rapid expansion of the private sector, the influx of foreign investment, and the increasing complexity of the Chinese economy have all created opportunities for corrupt practices. Local governments and state-owned enterprises (SOEs) have sometimes engaged in collusion with private businesses, leading to rent-seeking behaviors and inefficiencies that have undermined the potential benefits of market reforms. Crony capitalism has contributed to rising income inequality and social discontent, as individuals with political connections often receive preferential treatment in business dealings, access to land, and government contracts. While the Chinese government has made efforts to combat corruption, including high-profile crackdowns, the issue remains deeply entrenched and continues to pose a threat to the country's long-term economic sustainability.

India, too, has faced significant governance challenges. The transition from a heavily regulated economy to one that is more market-driven has often been accompanied by an increase in corruption. The privatization of state-owned enterprises and the relaxation of business regulations opened new avenues for rent-seeking and political influence. In many sectors, businesses with political connections have been able to secure favorable deals, such as land allocations, mining rights, and government contracts, which has perpetuated a system of crony capitalism. High-profile corruption scandals, including the 2G spectrum scandal and the coal allocation scam, have demonstrated the risks that accompany rapid liberalization without strong institutional frameworks to ensure transparency and accountability.

Both countries' experiences underscore the importance of governance in the success of liberal reforms. McCloskey emphasizes that economic success is deeply tied to a society's commitment to fair, transparent, and accountable institutions. In the absence of strong governance, the economic benefits of liberalization can be hijacked by elites, leaving the broader population with fewer gains from economic growth.

#### *4.4.3. Social Costs: Social Dislocation, Environmental Degradation, and Loss of Traditional Livelihoods*

While liberalization has brought significant economic benefits to India and China, it has also caused social dislocation, environmental degradation, and the erosion of traditional livelihoods. Rapid industrialization, urbanization, and the expansion of market-driven agriculture have created a host of negative externalities that have affected local communities and the environment.

In China, the drive for industrialization and urban expansion has led to significant environmental costs. The rapid growth of manufacturing and heavy industries has resulted in widespread air, water, and soil pollution, which have had severe health consequences for large sections of the population. The prioritization of growth over environmental sustainability has also contributed to land degradation and resource depletion. Additionally, millions of rural Chinese workers, particularly in the countryside, have been displaced by the expansion of urban centers, often without sufficient social safety nets or support for transitioning to new forms of work. McCloskey highlights the importance of social institutions that promote well-being and dignity, but in China, the rush to urbanize and industrialize has often come at the expense of these social safeguards.

India has faced similar challenges, particularly in rural areas. As the economy shifted from agriculture to services and manufacturing, many rural communities that depended on traditional forms of agriculture and small-scale industries saw their livelihoods threatened. The push for industrial growth, particularly in mining, construction, and agriculture, has led to environmental destruction and displacement of communities. The rise of multinational companies and large-scale infrastructure projects has often meant that local farmers and indigenous communities were forcibly displaced to make way for new projects. McCloskey points to the social costs of such dislocation, as these displaced communities face not just economic hardships, but also a loss of their traditional ways of life and cultural identity.

In both countries, the focus on rapid growth has often resulted in a neglect of environmental protections and labor rights. While economic liberalization has improved living standards for many, the resulting environmental degradation and social dislocation highlight the challenges of achieving growth that is both sustainable and inclusive.

#### **4.5. Sum up**

The liberalization of China and India demonstrates the transformative power of liberal ideas when implemented effectively. While their approaches differ — China's state-led capitalism versus India's mixed economy — the emphasis on individual enterprise, market forces, and global integration has been central to their success. These examples affirm that liberal ideas, when adapted to local contexts and coupled with strategic governance, can drive unparalleled economic and societal progress.

## 5. THE MODEL

We offer a theoretical and simple framework of bourgeois ideas and the great enrichment following the trending models on ideas and growth such as Charles Jones (2005). Creating a theoretical framework that connects bourgeois ideas with the Great Enrichment while aligning it with contemporary models on ideas and growth, such as those developed by Charles Jones in his 2005 contribution to the Handbook of Economic Growth, involves synthesizing McCloskey's historical and cultural analysis with formal economic growth theory.

### 5.1. Overview of the Framework

Here we outline the theoretical framework that integrates liberal ideas with economic growth models to explore the long-term dynamics of progress and prosperity. Central to this exploration is the use of Jones' model as a basis to challenge the arguments proposed by other leading economists, such as Lucas (1988, 2009), Romer (1990), Aghion-Howitt (1992), and Grossman-Helpman (1993). These prominent figures have argued that scientific and technological innovations can drive sustained economic growth through mechanisms of increasing returns, yet their assumptions, upon closer examination, fall short of capturing the full historical trajectory of growth.

The critical flaw in the thinking of these economists lies in their reliance on the idea that technological and scientific advancements provide ever-increasing returns. However, as Jones' own model reveals, these innovations often exhibit diminishing returns over time. Scientific breakthroughs and technological innovations have historically fueled short-term spurts of economic growth but have failed to deliver continuous growth over extended periods. Evidence from the last two centuries supports this observation: the transformative technologies of the Industrial Revolution and subsequent periods brought immense initial gains, but their impacts gradually waned as they matured and diffused throughout the economy. Sustained economic growth driven solely by technological innovation has not exceeded 200 years, underscoring the limits of this approach.

In contrast, the framework presented here aligns with McCloskey's core ideas, which emphasize the pivotal role of liberal ideas in fostering nearly 300 years of sustained economic growth. Unlike technological innovation, which is subject to diminishing returns, liberal ideas promote incremental returns by creating an enduring environment of openness, innovation, and dynamism. These ideas — rooted in liberty, dignity, equality, and individu-



alism — facilitate the continuous exchange of knowledge, the development of trust-based institutions, and the empowerment of individuals to pursue creative and entrepreneurial endeavors. This cultural and institutional shift has proven to be a more robust driver of long-term growth compared to the episodic bursts of productivity associated with scientific advancements.

The framework posits that the incremental returns of liberal ideas arise from their ability to perpetually adapt to changing circumstances and challenges. By fostering a culture of respect for individual autonomy and innovation, liberal ideas maintain a self-reinforcing cycle of progress that resists stagnation. The historical success of these principles in generating widespread prosperity and sustaining economic dynamism offers a compelling counterargument to the limitations of purely technological explanations.

In summary, this section establishes the foundation of our theoretical model by juxtaposing the diminishing returns of technological innovation with the incremental returns of liberal ideas. By leveraging Jones' model, we critically evaluate and challenge the assumptions of major economic theories, illustrating how McCloskey's emphasis on the transformative power of liberal ideas provides a more comprehensive explanation for sustained economic growth over the last three centuries.

#### *5.1.1. Why Jones' Results Are Incomplete*

Charles Jones, in his 2002 AER paper, "Sources of U.S. Economic Growth in a World of Ideas," focuses primarily on R&D, ideas, and human capital accumulation as the primary drivers of long-term economic growth. While his analysis offers important insights into the mechanics of idea-based growth, it largely omits the role of institutions — a critical factor in shaping how effectively R&D and human capital are translated into growth. This omission undermines his framework's explanatory power and leaves his conclusions incomplete, especially when applied to understanding the U.S. economic trajectory over the past century.

Below is a detailed critique of Jones' focus, highlighting why the neglect of institutions — especially classical liberal ideas such as economic freedom, limited government, and strong property rights — renders his results less applicable to real-world growth patterns.

#### *The Role of Institutions: What Jones Overlooks.*

Charles Jones' focus on R&D, human capital, and the accumulation of ideas as drivers of long-term economic growth is undoubtedly valuable, yet it overlooks the critical role played by institutions — particularly those

grounded in classical liberal principles such as economic freedom, limited government, and strong property rights. These institutions are essential for translating investments in R&D and human capital into tangible economic outcomes. Without them, even substantial efforts to generate new ideas or improve education may fail to produce the expected benefits in terms of economic growth and prosperity.

**Economic Freedom and Market Incentives** Classical liberal institutions, which emphasize free markets, limited government intervention, and low regulatory barriers, create the optimal environment for R&D and human capital accumulation to thrive. Free markets are necessary for ensuring that innovations are efficiently allocated and that individuals and firms have the incentives to invest in new ideas. When markets are open and competitive, firms are rewarded for creating new products or improving existing ones, which fosters further innovation and encourages the allocation of resources to their highest-value uses. In contrast, when markets are restricted or distorted by excessive government regulation, the incentives for innovation become weaker. For instance, industries such as healthcare and energy, which are subject to heavy regulation, often experience delays in the introduction of new technologies or ideas. These delays occur because regulatory hurdles can create uncertainty for investors and innovators, as well as limit the scope for competition. A more deregulated environment — where market forces can drive innovation — would allow R&D to be more effectively translated into economic growth.

Equally important are strong property rights, which are a cornerstone of classical liberal institutions. Property rights create the necessary incentives for individuals and firms to invest in R&D, as they can expect to reap the rewards of their innovations. When property rights are weak or poorly enforced, there is little to deter others from appropriating or copying someone else's ideas, making it more difficult to monetize innovation. In such environments, private-sector R&D efforts may be significantly reduced, as firms are less likely to invest in long-term projects if they cannot secure the benefits of their investments. For example, industries such as technology and pharmaceuticals rely heavily on intellectual property protection to ensure that the fruits of their innovation are not easily copied or stolen. Without strong property rights, the private sector lacks the assurance that their innovations will generate the returns they deserve, stalling the cycle of creative destruction that drives long-term growth.

In sum, while Jones emphasizes the role of R&D and human capital in economic growth, the failure to consider the importance of institutions — especially those that foster economic freedom and secure property rights

— leaves his model incomplete. Classical liberal institutions serve as the critical foundation that enables R&D to be effectively harnessed for growth. Without these institutions, even significant investments in knowledge and education are less likely to translate into sustainable economic progress, as regulatory burdens and weak property rights stifle the incentives needed for innovation to flourish.

**Property Rights and Innovation** The importance of property rights cannot be overstated when discussing the factors that drive innovation and long-term economic growth, especially in a framework that emphasizes R&D and human capital. Strong property rights — one of the cornerstones of classical liberalism — are essential in ensuring that innovators, entrepreneurs, and firms can reap the rewards of their work. These rights provide the legal and institutional assurance that individuals and businesses will retain ownership of their ideas, creations, and inventions, and can freely capitalize on them. In Jones' framework, which prioritizes the accumulation of human capital and the generation of new ideas, the absence of a discussion on property rights creates a significant blind spot, as institutional quality — specifically, the protection of property rights — plays a pivotal role in transforming knowledge and innovation into economic growth.

Without strong property rights, the incentives for innovation are severely weakened. Entrepreneurs and firms invest significant time, effort, and capital into developing new technologies, products, and services, with the expectation that they will have exclusive control over the use and benefits of their inventions. If these innovations can be easily copied or appropriated by others, the motivation to invest in creative, risky endeavors diminishes. Intellectual property protections, such as patents and copyrights, are the mechanisms that allow innovators to safeguard their ideas, ensuring that they can monetize their work without fear of theft. In sectors like technology, pharmaceuticals, and even creative industries, the strength of property rights directly influences the level of private-sector investment in innovation. Weakening or eroding these protections, therefore, discourages investment in R&D, as firms and individuals have less assurance that they will be able to enjoy the economic rewards of their innovation.

Jones' omission of property rights in his analysis overlooks how the erosion of these protections can harm long-term economic growth. In societies where property rights are not well-enforced or are subject to corruption, innovators are far less likely to take risks and pursue new ventures. If the legal system cannot adequately protect the intellectual property of individuals and companies, the innovation cycle slows, and economic progress

is stymied. For instance, in economies where intellectual property theft is rampant or where legal recourse is slow and unreliable, the returns to R&D and creative effort are significantly reduced. As a result, not only do innovation and entrepreneurship suffer, but so does the broader economy, as innovation is often the key driver of productivity growth and increased standards of living.

Moreover, the erosion of property rights can have a broader negative impact on the economy by discouraging foreign direct investment (FDI). When foreign firms perceive a lack of protection for intellectual property in a given country, they are less likely to invest in that market, fearing that their proprietary technologies and business strategies could be compromised. This, in turn, limits the influx of capital, knowledge, and expertise that FDI brings, further hindering innovation and growth. The absence of strong property rights creates an environment where resources are less efficiently allocated, and the economic system is less dynamic and competitive.

In conclusion, by neglecting the role of property rights in his analysis, Jones overlooks a fundamental institutional driver of innovation and economic growth. Classical liberal institutions that protect property rights create the conditions necessary for entrepreneurs and innovators to confidently invest in R&D and bring new ideas to market. Without these protections, the potential for economic growth through innovation is severely constrained, as innovators are less motivated to take the risks needed to push the boundaries of knowledge. Therefore, any framework for understanding economic growth — especially one that focuses on the accumulation of ideas and human capital — must incorporate the crucial role of property rights as a foundational institutional element that ensures the success and expansion of innovation.

**Government Intervention** Jones' model, while insightful in emphasizing the role of R&D spending and education as primary drivers of economic growth, overlooks a critical factor in shaping the effectiveness of these investments: government intervention. His framework assumes that increased spending on R&D and education will automatically lead to higher growth rates, yet it fails to consider how excessive government intervention — through high taxation, redistribution, or bureaucratic red tape — can distort the incentives for innovation and capital investment. This oversight weakens the model's ability to fully explain the complex dynamics of economic growth and innovation, especially in real-world settings.

Government intervention, particularly in the form of excessive taxation, can significantly distort incentives for investment and entrepreneurship.

High tax rates on income, capital gains, or corporate profits can reduce the returns to innovation and investment. When entrepreneurs and businesses face high taxes on the returns to their investments or innovations, their incentive to take risks or invest in R&D diminishes. The potential payoff for developing new technologies, products, or services becomes less attractive when a substantial portion of the rewards is taken away through taxation. This can lead to a reduction in overall investment, as firms and individuals may choose to divert their resources elsewhere — into less productive areas or even into tax avoidance strategies. In such an environment, innovation is stifled because the incentives that drive entrepreneurs to push boundaries and create new value are diminished.

Similarly, government-driven redistribution policies — while well-intentioned in aiming to reduce income inequality — can also distort the incentives that drive economic growth. While redistribution programs are often designed to provide social safety nets, when they become too extensive or are poorly designed, they can discourage work, savings, and investment. If individuals and firms anticipate that a significant portion of their earnings or profits will be redistributed through taxes and welfare programs, they may feel less motivated to innovate, work harder, or take entrepreneurial risks. This can reduce the overall productive capacity of the economy, as fewer individuals seek to maximize their human capital or invest in R&D, knowing that the benefits of their hard work will be partially redistributed. Instead of fostering an environment where individuals and businesses are encouraged to create wealth and innovate, such interventions can lead to a more passive economy where incentives are misaligned.

Bureaucracy, another form of government intervention, can further undermine innovation by creating obstacles to economic activity. Excessive regulatory requirements, complex permitting processes, and an overburdened administrative state can stifle the entrepreneurial spirit by adding unnecessary costs and delays to business activities. In sectors where innovation is crucial — such as technology, energy, and healthcare — bureaucratic barriers can delay the introduction of new ideas and technologies. Companies may face hurdles in obtaining necessary permits, navigating legal complexities, or complying with regulations that are often outdated or overly complex. This reduces the efficiency with which innovation can be translated into economic growth, as firms are forced to devote resources to regulatory compliance rather than productive endeavors like R&D and expansion.

Jones' model does not adequately account for how these forms of government intervention can impede the incentives necessary for economic growth.

By assuming that R&D spending and education alone will drive progress, his framework misses the crucial role that institutions play in creating an environment conducive to innovation. Without an institutional framework that minimizes distortions — such as low taxes, minimal bureaucratic interference, and a focus on protecting property rights — investments in R&D and human capital may not yield the desired results. High taxation, overzealous redistribution, and bureaucratic red tape can distort the decision-making processes of entrepreneurs, innovators, and investors, slowing the growth of both human capital and new ideas.

In conclusion, while Jones' emphasis on R&D spending and education as key drivers of growth is valuable, it is incomplete without considering the impact of government intervention. Excessive taxation, redistribution, and bureaucracy can significantly distort the incentives for innovation and investment, slowing or even reversing the potential benefits of R&D and human capital accumulation. A more comprehensive model of economic growth must recognize the importance of creating institutional conditions that support innovation and entrepreneurship, by ensuring that government intervention does not stifle the very forces that drive long-term prosperity. By aligning policy incentives with the needs of innovators, a society can maximize the potential for growth and harness the power of human capital and ideas to drive economic progress.

*The Decline of Classical Liberal Ideas in the U.S.*

Since the mid-20th century, the U.S. has seen a gradual shift away from classical liberal principles toward more interventionist and redistributive policies. This decline has constrained the nation's economic dynamism, even as R&D and education have expanded.

**Expansion of Government** Since the mid-20th century, the United States has witnessed a steady shift away from classical liberal principles, characterized by limited government and economic freedom, toward more interventionist and redistributive policies. This change has had profound implications for the nation's economic dynamism, especially as rising investments in R&D and human capital have been constrained by the expanding role of government in the economy. While Charles Jones' model highlights the importance of human capital and R&D as engines of growth, it fails to address how the growth of government — spurred by progressivism, the New Deal, and the Great Society — has created inefficiencies that limit the potential impact of these investments.

The rise of progressivism, particularly in the mid-20th century, led to an expanded role for government in the U.S. economy. Government interven-

tion, through policies such as social welfare programs, labor regulations, and healthcare reforms, became increasingly pervasive. While these interventions were intended to address issues of inequality and promote social welfare, they also led to a rise in taxes, which ultimately reduced the incentives for entrepreneurship and investment. Higher taxes, particularly on businesses and high-income earners, can discourage risk-taking and the reinvestment of profits into innovation and new ventures. Entrepreneurs, who often bear the financial burden of new ideas and ventures, are less likely to pursue risky projects if they perceive the potential rewards to be diminished by taxes. In this sense, the expansion of government through higher taxation has diminished the private sector's ability to drive innovation and economic growth, which is at odds with the principles of classical liberalism that emphasize minimal government interference in economic activities.

Additionally, the redistributive policies introduced by the New Deal and the Great Society have redirected substantial resources away from private-sector innovation and economic productivity. Programs such as Social Security, Medicare, and welfare, while crucial for supporting vulnerable populations, have also created a system of wealth redistribution that can undermine incentives for work and investment. In an economy where resources are redistributed through taxation and public spending, individuals and firms may become less motivated to create new value, as they know that a portion of their earnings will be redistributed. This dynamic is especially evident in sectors where government spending is high, as it can shift focus away from private innovation toward meeting the needs of existing social programs. When resources are channeled into government-run programs rather than private investment, the capacity for entrepreneurship and innovation is constrained, ultimately limiting the nation's economic dynamism.

Jones' model, which prioritizes R&D and human capital as drivers of growth, does not adequately consider the inefficiencies created by the expanding role of government. The increasing reliance on redistributive policies and higher taxation has created an environment where the benefits of human capital and innovation are less fully realized. The promise of education and R&D — if not supported by a conducive economic environment — can be muted by the distortions introduced by government intervention. For example, when taxes on capital are high or regulations stifle market competition, the returns on investment in new technologies and ideas are reduced, leading to slower growth and a diminished capacity for innovation. Jones' framework assumes that expanding human capital and R&D

will naturally lead to growth, but without addressing the broader institutional and policy environment, this assumption is incomplete. The decline of classical liberal ideas has, in many ways, reduced the effectiveness of investments in education and innovation, leading to inefficiencies that limit the potential of these investments to contribute to sustainable economic growth.

In sum, the expansion of government, particularly through progressive taxation and redistributive policies, has constrained the U.S. economy's dynamism. The shift away from classical liberal principles has diminished the incentives for entrepreneurship, investment, and innovation. While R&D and human capital continue to play important roles in economic growth, the broader institutional changes brought about by government intervention have created inefficiencies that limit their impact. To restore the vibrancy of American economic growth, it is essential to revisit the classical liberal principles that emphasize limited government, free markets, and the protection of private property. Only through such reforms can the full potential of human capital and R&D be realized in a way that sustains long-term prosperity.

**Regulatory Overreach** Regulatory overreach has become a significant barrier to economic growth and innovation in the United States, particularly in key industries such as healthcare and energy. The expansion of government regulation, while often intended to protect consumers or address societal issues, has in many cases had the unintended consequence of stifling competition and delaying the introduction of new technologies. This is a crucial area that Charles Jones' analysis overlooks — his model, which focuses primarily on the accumulation of human capital and R&D as the driving forces behind economic growth, fails to account for how excessive regulation can create significant barriers to the translation of these investments into tangible economic progress.

In the healthcare sector, for example, the burden of regulatory hurdles often slows the approval and adoption of new technologies and treatments. The U.S. healthcare system is heavily regulated, with agencies like the Food and Drug Administration (FDA) responsible for ensuring that new drugs and medical devices meet safety and efficacy standards. While these regulations are necessary to protect consumers, they also impose significant delays on the introduction of life-saving innovations. The lengthy approval processes can make it more difficult for new medical technologies to reach the market, which in turn slows down the potential health and economic benefits of these innovations. This regulatory bottleneck discourages investment in new treatments and technologies, as firms may face high costs



and extended timelines before they can bring their products to market. In sectors where innovation could lead to significant improvements in productivity and quality of life, the delay in adoption can be seen as a direct consequence of the decline in classical liberal values — values that prioritize market-driven solutions and the efficient allocation of resources, rather than excessive governmental control.

Similarly, in the energy sector, regulatory policies often prioritize political goals over market-driven solutions, which discourages innovation and disrupts the efficient functioning of markets. Energy policies in the U.S. have frequently been shaped by political considerations, such as environmental concerns or the desire to transition to renewable energy sources. While these goals may be important, they often result in policies that disrupt the functioning of free markets and prevent the optimal allocation of resources. For example, subsidies and mandates for certain types of energy (such as wind or solar) can distort market signals, leading to over-investment in one area and under-investment in others. This distorts innovation in the energy sector, as companies are incentivized to develop solutions that align with regulatory mandates rather than respond to consumer demand or market efficiencies. Additionally, the regulatory burden in energy markets often deters private investment in new energy technologies. Entrepreneurs may be hesitant to invest in innovative energy solutions if they face excessive government oversight, regulatory uncertainty, or the possibility of shifting policy priorities.

Jones' analysis, which primarily focuses on R&D and human capital as the main sources of economic growth, neglects the significant barriers that arise from regulatory overreach. Without considering the impact of government intervention in key sectors like healthcare and energy, Jones misses how the decline of classical liberal ideas — particularly those emphasizing limited government and free-market competition — can undermine the ability of R&D and innovation to drive economic progress. The assumption that more investment in human capital and research will automatically lead to growth is incomplete if the regulatory environment prevents the efficient deployment and commercialization of new ideas. Regulatory overreach creates an environment where market forces are distorted, competition is stifled, and the pace of innovation is slowed, ultimately limiting the potential of R&D to contribute to sustained economic growth.

In conclusion, regulatory overreach is a critical issue that Charles Jones' analysis fails to address. Increased regulation in sectors such as healthcare and energy creates significant barriers to innovation, delays the adoption of new technologies, and distorts market incentives. By overlooking these

regulatory barriers, Jones' model misses an important piece of the puzzle when it comes to understanding the decline of classical liberal ideas in the U.S. To foster the full potential of R&D and human capital, it is essential to reconsider the regulatory environment, focusing on reducing unnecessary regulations and fostering a more market-driven approach to innovation. Without such reforms, the U.S. risks continuing to undermine its own economic dynamism, despite increasing investments in research and education.

**Crowding Out Private Investment** The growing size of government debt and spending on entitlement programs has led to a significant crowding out of private-sector investment in key areas such as research and development (R&D). This phenomenon is a direct consequence of the increasing role of government in the economy, which, over time, has shifted the balance between public and private investment. While Jones' model focuses on the expansion of R&D spending as a key driver of economic growth, it overlooks the critical issue of how government dominance — particularly in the form of entitlements and debt-financed spending — can distort private-sector priorities and reduce the efficiency of overall investment.

As government spending on entitlement programs, such as Social Security, Medicare, and welfare, continues to rise, a significant portion of national resources is redirected from private investment toward funding these programs. This creates a situation where the government is absorbing an ever-increasing share of the economy's available capital, which diminishes the resources available for private-sector R&D. The diversion of capital to entitlement programs crowds out the private sector's ability to invest in innovation, infrastructure, and human capital — critical areas for long-term economic growth. When government spending increases, especially if funded by debt, it often leads to higher taxes and borrowing, which can raise the cost of capital for businesses and reduce the availability of funds for private investment in R&D. In this way, the growth of entitlement programs and public debt can have a chilling effect on the entrepreneurial spirit, as private-sector firms find it more difficult to secure funding for new ventures or technologies.

Jones' model assumes that more R&D spending, whether public or private, will invariably lead to growth. However, this assumption overlooks the fact that when the government assumes a dominant role in funding R&D, the priorities and focus of innovation may become distorted. Public-sector spending is often influenced by political considerations and bureaucratic inertia, rather than market demand or the identification of the most promising technological opportunities. Government-driven R&D initiatives

can be more susceptible to inefficiencies, waste, and the pursuit of projects that may not yield the best returns on investment. When the public sector dominates the allocation of R&D funding, it risks directing resources toward politically motivated or low-priority projects, rather than fostering innovation in areas that would have the greatest potential economic impact.

Furthermore, the public-sector dominance in funding R&D can lead to a reduced incentive for private firms to invest in innovation. When the government plays a large role in funding research, firms may believe that they can rely on public funds or subsidies rather than investing their own capital into R&D. This creates a moral hazard, where businesses may be less inclined to take the risks associated with pioneering new technologies or market solutions, knowing that the government will step in to fund or subsidize research. This lack of private investment undermines the competitive forces that drive innovation, as market-driven firms have less incentive to innovate when the government is perceived as picking up the tab.

The distortion of priorities and reduced efficiency associated with excessive government spending on entitlement programs is a critical oversight in Jones' analysis. By focusing on the expansion of R&D spending without considering the broader implications of government dominance in economic affairs, Jones misses how government debt and entitlement programs can impede the efficiency of innovation and growth. The private sector, which has historically been the primary engine of technological advancement and economic progress, becomes increasingly constrained by a government that monopolizes capital and distorts the allocation of resources.

In conclusion, the growth of government debt and spending on entitlement programs crowds out private-sector investment in R&D, undermining the efficiency and effectiveness of innovation. Jones' model, while highlighting the importance of R&D spending, fails to account for how public-sector dominance distorts priorities and reduces the capacity for private investment in cutting-edge technologies. The crowding out of private-sector capital and the misallocation of resources towards politically motivated projects weaken the economy's ability to foster long-term growth through innovation. To reinvigorate the economy and restore the vitality of private-sector R&D, it is essential to reduce the role of government in economic affairs, allowing markets to allocate resources more efficiently and allowing private investment to drive technological advancement.

*Misdiagnosing the Paradox of Rising Ideas and Sluggish Growth.*

One of the key weaknesses of Jones' analysis is its inability to explain why the U.S. growth rate has stagnated at around 1.8%, despite dramatic increases in R&D spending and education levels. This paradox can be better explained by examining the decline of classical liberal institutions.

**Misallocation of Resources** One of the central weaknesses in Charles Jones' analysis is its failure to account for the misallocation of resources that occurs in a system where economic freedom is declining. While Jones emphasizes the importance of R&D spending and the accumulation of human capital as key drivers of economic growth, he overlooks the critical role that institutions play in determining how resources are allocated. In a system where classical liberal ideas — such as economic freedom, limited government, and market-driven decision-making — are in decline, resources tend to be diverted toward less productive uses, such as government programs and politically motivated expenditures, rather than being directed into high-growth, high-return sectors like technology and innovation. This misallocation is a key factor in explaining the paradox of rising ideas and sluggish economic growth.

In a system with declining economic freedom, government intervention in the economy often distorts the allocation of resources, pulling capital away from sectors that could drive sustained economic growth. When a large portion of national resources is diverted toward funding entitlement programs, subsidies, and inefficient government projects, the private sector is left with fewer resources to invest in productive activities such as R&D, infrastructure, and entrepreneurial ventures. Public spending, especially on non-productive areas, often crowds out private-sector investment and innovation, slowing the growth of industries that have the potential to drive long-term prosperity. For example, large-scale entitlement programs — while important for providing safety nets — often absorb significant portions of public funds that could otherwise be invested in cutting-edge technologies or infrastructure that foster economic growth. The funds allocated to these programs may not yield the same high returns on investment that innovation and R&D spending in the private sector can provide.

Moreover, the decline of classical liberal institutions often results in inefficient government regulations and interventions, which further distort resource allocation. Instead of relying on market forces to determine the most promising areas for investment, the government becomes the primary allocator of resources, frequently guided by political considerations or short-term goals. For example, industries such as healthcare and energy may be subject to heavy government intervention that prioritizes political

or ideological objectives over market efficiency. In such a system, firms and entrepreneurs may find it difficult to navigate the regulatory maze, and may be discouraged from pursuing new innovations that could disrupt the status quo or challenge government-backed industries. The result is that resources are often allocated in ways that prevent the most productive sectors from flourishing, leading to stagnation in economic growth.

Jones' focus on the production of ideas — through increased R&D spending and educational attainment — misses the crucial point that these ideas and innovations are only valuable when they can be translated into productive economic activity. In an environment where the institutional framework undermines the efficient allocation of resources, the impact of increased human capital and R&D spending is limited. If these investments are not channeled into sectors that can create the most value, or if government policies discourage private-sector innovation, the result is a mismatch between the production of new ideas and their real-world economic impact. This misallocation of resources helps to explain why, despite dramatic increases in R&D spending and education levels, the U.S. growth rate has stagnated at around 1.8%.

In conclusion, the paradox of rising ideas and sluggish economic growth can be better understood by examining the decline of classical liberal institutions and the resulting misallocation of resources. Jones' model, by focusing primarily on R&D spending and human capital, fails to account for the critical role of institutions in determining how resources are allocated within an economy. As economic freedom declines and government intervention increases, resources are diverted toward less productive uses, which undermines the potential for innovation and growth. To revitalize U.S. economic growth, it is essential to restore the principles of classical liberalism — emphasizing economic freedom, limited government, and efficient resource allocation — so that the fruits of R&D and education can be fully realized in high-growth sectors that drive long-term prosperity.

**Diminishing Returns to R&D** A key aspect that Charles Jones overlooks in his analysis of R&D's role in economic growth is the diminishing returns to R&D in the absence of robust market mechanisms that facilitate the commercialization and widespread adoption of innovations. While increasing investments in R&D can drive the production of new ideas and technologies, the economic impact of these innovations is severely limited if they cannot be effectively commercialized or diffused into the economy. This is especially true in environments where regulatory delays, bureaucratic inefficiencies, and market distortions prevent innovations from reaching their full potential. Without the appropriate institutional support that

emphasizes free-market mechanisms and economic freedom, the returns on R&D diminish, and the expected growth from these investments does not materialize in the form of enhanced productivity or economic dynamism.

One of the clearest examples of this phenomenon can be seen in the healthcare sector, particularly in the approval process for new drugs and biotechnological innovations. The regulatory hurdles that new drugs must overcome — such as approval by the Food and Drug Administration (FDA) — can introduce significant delays in bringing life-saving or productivity-enhancing medical innovations to market. While R&D efforts in biotechnology may produce promising new treatments or therapies, the extended approval processes and compliance requirements reduce the speed at which these innovations can be commercialized. The longer it takes for a breakthrough drug or medical technology to reach consumers, the lower the economic return on the initial investment in R&D. Additionally, these delays can increase the costs associated with development and reduce the competitive advantages that new products might offer, further diminishing their potential impact on the economy.

Similarly, bureaucratic inefficiencies across various industries slow the diffusion of new technologies, limiting their ability to enhance productivity. In sectors such as energy, telecommunications, and even manufacturing, innovations can be delayed or blocked by regulatory barriers, outdated infrastructure, or cumbersome approval processes. Even once a technology is developed, it must often overcome significant bureaucratic red tape before it can be implemented on a large scale. These inefficiencies stifle the rapid adoption of new technologies, delaying their productivity-enhancing effects. When new technologies are not quickly integrated into the economy, they fail to contribute to the improvements in efficiency and output that are essential for sustained economic growth. The lack of robust market mechanisms to support the diffusion of new technologies ultimately weakens the connection between R&D investment and tangible economic progress.

Jones' model assumes that increasing R&D spending will always lead to higher growth, but it does not fully account for the institutional and regulatory barriers that hinder the commercialization and diffusion of innovations. Without the proper market mechanisms in place — such as efficient patent systems, minimal regulatory delays, and supportive infrastructure — the fruits of R&D are often underutilized. As a result, the economy fails to realize the full productivity gains that could result from these innovations. This lack of commercial incentives and bureaucratic inefficiency leads to diminishing returns on R&D over time. The most innovative breakthroughs are often left stagnating in research labs or delayed

in the approval process, preventing them from having a meaningful impact on productivity or long-term economic growth.

In conclusion, the diminishing returns to R&D in the absence of effective market mechanisms is a critical oversight in Jones' analysis. Regulatory delays, bureaucratic inefficiencies, and barriers to market entry significantly reduce the economic impact of technological innovations and limit their potential to drive productivity. Without institutions that support the commercialization and rapid adoption of new ideas, R&D investments lose their potency, and economic growth becomes slower and less dynamic. To unlock the full potential of R&D, it is essential to foster an environment where market forces are allowed to function efficiently — where innovation can be commercialized quickly, technologies can diffuse widely, and the economic returns on new ideas can be fully realized. This is a necessary step in addressing the paradox of rising ideas and sluggish growth.

**The Erosion of Entrepreneurial Spirit** One of the most profound consequences of the decline of classical liberalism in the U.S. is the erosion of the entrepreneurial spirit, which has been a key driver of innovation and economic dynamism throughout history. Classical liberalism fosters a culture of entrepreneurship by emphasizing individual freedom, the right to pursue one's interests, and the incentives provided by open markets. In a system that values economic freedom, entrepreneurs are empowered to take risks, develop new ideas, and introduce disruptive innovations that drive productivity and growth. However, as the influence of classical liberal principles has waned, there has been a gradual shift toward a culture that increasingly relies on government intervention, which has dampened the dynamism needed to capitalize on scientific advancements and translate them into widespread economic benefits.

Under classical liberalism, the market functions as a dynamic mechanism for allocating resources, rewarding entrepreneurs who innovate and solve problems in ways that benefit society. The idea of economic freedom ensures that individuals have the autonomy to start new ventures, compete, and reap the rewards of their innovations. Entrepreneurs thrive in such an environment because they can freely respond to consumer demand, adapt to new opportunities, and bring their ideas to market without excessive government interference. This process of creative destruction — where old, inefficient methods are replaced by new, more efficient innovations — has been central to the long-term economic growth of nations that embrace classical liberal values.

However, as government intervention has increased, the incentives for entrepreneurship have become less attractive. In a system where govern-

ment programs, regulations, and protections play an increasingly large role in the economy, the entrepreneurial spirit begins to wane. The reliance on government support, whether through subsidies, tax breaks, or regulatory exemptions, reduces the need for businesses to innovate or compete in the marketplace. When firms and individuals become accustomed to relying on government intervention, they have fewer incentives to take the kinds of risks that drive economic advancement. Instead of seeking to develop new products or improve existing ones, businesses may focus more on navigating the regulatory landscape or lobbying for favorable treatment. This shift in focus undermines the essential dynamism that entrepreneurship provides, making the economy less agile and less responsive to new opportunities.

Moreover, the decline of entrepreneurial culture has been exacerbated by an increasing sense of entitlement to government support. As government spending has expanded, particularly in the form of entitlement programs, more individuals and firms may view government intervention as the primary means of addressing economic challenges rather than seeking innovative solutions. This cultural shift towards dependency on government rather than self-reliance dampens the motivations for entrepreneurs to innovate or invest in the future. As more industries are regulated or supported by the government, entrepreneurs may perceive fewer opportunities to compete or disrupt existing industries, particularly in sectors like healthcare, energy, and education, where government intervention is particularly strong.

The erosion of entrepreneurial spirit has significant consequences for the economy's ability to capitalize on scientific advancements. Even though the U.S. continues to lead in scientific research and technological innovation, much of this potential is not being fully realized due to the lack of a vibrant entrepreneurial ecosystem to commercialize these breakthroughs. Scientific advancements, such as new medical treatments or cutting-edge technologies, often require entrepreneurs to bring them to market, develop new business models, and scale them effectively. When the entrepreneurial culture weakens, these innovations face barriers to commercialization, limiting their impact on productivity and growth. The entrepreneurial energy necessary to transform scientific ideas into practical applications fades as individuals and firms increasingly rely on government intervention to secure their economic well-being.

In conclusion, the decline of classical liberalism has led to the erosion of the entrepreneurial spirit, which is crucial for translating scientific advancements into economic growth. Classical liberalism fosters a culture of entrepreneurship by prioritizing individual freedom and market incentives,



creating an environment in which innovation and risk-taking are encouraged. However, as government intervention has expanded, the incentives for entrepreneurship have been diminished, leading to a more stagnant, less dynamic economy. To reignite the entrepreneurial spirit and fully capitalize on scientific advancements, it is essential to restore the principles of classical liberalism — emphasizing economic freedom, competition, and minimal government interference — so that the energy and creativity of entrepreneurs can once again drive the economy forward.

*Contrasting Jones' Framework with Institutional Theories.*

Jones' focus on R&D and human capital aligns with endogenous growth theory, but his omission of institutions contrasts sharply with other influential economic thinkers who emphasize the role of institutions.

**Douglass North on Institutions** Douglass North's influential work on the role of institutions in shaping economic performance offers a crucial perspective that contrasts sharply with Charles Jones' focus on R&D and human capital as the primary drivers of growth. North famously argued that institutions — the “rules of the game” — are fundamental to determining the trajectory of economic performance. Institutions, particularly those that protect property rights, ensure economic freedom, and uphold the rule of law, create the framework within which economic activities, including innovation and education, can flourish. North's framework underscores the critical point that without the right institutional environment, even substantial investments in R&D and human capital will fail to translate into meaningful economic growth.

North's emphasis on institutions highlights the essential role of property rights as a foundational element for sustained economic development. In a system where property rights are well-defined and vigorously protected, individuals and businesses are incentivized to invest, innovate, and engage in productive economic activities. The ability to secure ownership of assets — whether physical capital, intellectual property, or entrepreneurial ventures — creates the assurance that the benefits of innovation and hard work will be reaped by those who contribute to economic progress. In contrast, when property rights are weak or poorly enforced, as in many developing or less free-market economies, individuals and firms are less likely to take the risks associated with innovation, stalling potential growth. North's argument directly challenges Jones' focus on R&D as a driver of growth without considering the institutional framework that underpins the effectiveness of such investments.

Economic freedom and the rule of law are also critical components of North's institutional framework. Economic freedom, which includes the ability to freely engage in commerce, enter markets, and compete without excessive government interference, creates an environment where individuals and businesses can thrive. North argued that in societies with high levels of economic freedom, individuals have the ability to make decisions based on market signals, leading to more efficient resource allocation and fostering innovation. The rule of law, which ensures that contracts are enforced, disputes are resolved fairly, and property is protected, provides the stability necessary for individuals and businesses to make long-term investments. In the absence of these institutional features, economic activity becomes unpredictable, and the incentives for innovation are diminished.

Jones' model, which places the emphasis on increasing R&D spending and expanding human capital, fails to account for the fact that these factors alone are insufficient to drive sustained growth without a supportive institutional environment. While Jones focuses on the quantity of ideas generated through R&D and education, North's framework emphasizes the quality of the institutional environment in which these ideas are commercialized and translated into real economic outcomes. Without classical liberal institutions — those that protect property rights, uphold economic freedom, and enforce the rule of law — R&D and education may yield limited or no economic return. North's insights suggest that even the most well-funded R&D efforts or the highest levels of human capital may be ineffective if the institutional framework does not allow these investments to flourish in a productive and competitive market environment.

In sum, Douglass North's institutional theories provide a much-needed counterpoint to Jones' focus on R&D and human capital. While Jones' model assumes that increasing investments in these areas will automatically lead to growth, North's framework argues that the institutions that shape how economic activity is conducted play a far more significant role. Without the strong property rights, economic freedom, and rule of law emphasized by North, investments in R&D and education may be stunted, and the potential for sustained growth will remain unrealized. To foster long-term economic growth, it is essential not only to invest in human capital and R&D but also to create and protect the institutions that allow these investments to thrive and drive innovation forward.

**Acemoglu and Robinson** In *Why Nations Fail*, Daron Acemoglu and James A. Robinson argue that the key to long-term economic growth lies in the existence of inclusive institutions — those that protect property rights, enforce contracts, and incentivize innovation. Their work provides

an essential counterpoint to Charles Jones' framework, which focuses primarily on R&D and human capital accumulation. While Jones emphasizes the importance of increasing knowledge and education as growth drivers, he overlooks the critical role of institutions in shaping the environment in which these resources can be effectively utilized. Acemoglu and Robinson's analysis makes it clear that without inclusive institutions, even robust investments in R&D and human capital will not lead to sustained economic growth, a point Jones neglects in his conclusions.

Acemoglu and Robinson differentiate between inclusive and extractive institutions. Inclusive institutions, as they define them, are those that provide a level playing field for individuals and businesses, ensuring that everyone has the opportunity to participate in economic activities. These institutions protect property rights, guarantee fair access to markets, and allow individuals to innovate and compete. When property rights are secure, entrepreneurs are more likely to invest their time and resources into innovation, knowing that they will reap the rewards of their efforts. In contrast, extractive institutions concentrate power and wealth in the hands of a few, limiting opportunities for the broader population. These institutions hinder innovation, as the economic and political elites often resist changes that might challenge their position of privilege, including reforms that would encourage competition or the protection of intellectual property.

Jones' omission of this critical distinction weakens his analysis. While his model highlights R&D and education as key factors driving economic growth, it assumes that these investments will always lead to growth without considering how inclusive institutions are necessary for them to have a transformative effect. For example, in environments where property rights are weak or unenforced, or where market access is restricted by corruption or monopolies, the returns on R&D are limited. Entrepreneurs may be discouraged from pursuing innovations because they cannot secure the exclusive rights to their discoveries or trust that their investments will yield financial rewards. In such an environment, even significant investments in human capital or R&D are unlikely to lead to substantial economic growth.

Acemoglu and Robinson emphasize that inclusive institutions create the incentives necessary for innovation and investment by individuals and firms. These institutions promote creative destruction, where old, inefficient methods and technologies are replaced by new, more efficient ones. This process is central to the growth dynamic in market economies, as it drives improvements in productivity and fosters technological advancement. However, if the institutions in place are extractive — whether due to monopolistic control, bureaucratic corruption, or lack of legal protections for entrepreneurs

— this process is stifled. In such systems, the benefits of human capital and R&D investments are not fully realized because the conditions for innovation are not conducive to widespread competition or creative disruption.

Jones' framework assumes that more R&D and human capital will lead to growth, but this perspective overlooks the institutional foundations necessary for these investments to bear fruit. By failing to integrate the role of institutions, particularly the need for inclusivity and protection of property rights, Jones' analysis misses a critical piece of the puzzle. Acemoglu and Robinson's work underscores the idea that inclusive institutions are not merely a beneficial addition to an economy but are essential for translating investments in R&D and human capital into real, long-term economic growth.

In conclusion, Acemoglu and Robinson's work on inclusive institutions provides a much-needed complement to Jones' focus on R&D and education. Their analysis reveals that the type of institutions a society has — whether inclusive or extractive — plays a central role in determining whether investments in innovation and human capital lead to sustained economic growth. Without the protections afforded by inclusive institutions, such as secure property rights and incentives for competition, R&D spending and educational advancements are less likely to result in meaningful progress. By omitting this perspective, Jones' conclusions about the causes of economic growth are weakened, as they fail to account for the institutional environment that is critical to fostering innovation and capitalizing on the full potential of R&D.

**Hayek and Economic Freedom** Friedrich Hayek's work on economic freedom and the spontaneous order of markets offers a profound critique of the assumption that increasing R&D spending and human capital accumulation can automatically lead to long-term economic growth. Hayek, a staunch advocate of classical liberalism, warned that central planning and excessive government intervention undermine the natural processes of market competition and innovation, leading to inefficiencies and stifling the productive impact of ideas. His ideas about economic freedom emphasize that individuals, acting on their own knowledge and in pursuit of their own interests, create a dynamic and decentralized economic system that fosters innovation and growth. In contrast, Jones' model, which focuses on the production of ideas through R&D and education, does not account for how the erosion of economic freedom can constrain the productive potential of these ideas.

According to Hayek, markets operate most efficiently when individuals are free to make their own economic decisions, responding to price signals

and pursuing opportunities based on their unique knowledge and expertise. This process of spontaneous order, which arises without central direction or government planning, enables the economy to allocate resources in a way that maximizes productivity and drives innovation. Entrepreneurs, when free from unnecessary government interference, can experiment with new ideas, respond to changing consumer demands, and bring innovations to market. The decentralized nature of market decision-making ensures that information flows efficiently throughout the economy, leading to the development of new technologies, products, and services.

However, Hayek also cautioned that excessive government intervention, such as central planning or overregulation, distorts the price signals that guide market participants and interferes with the natural process of discovery and innovation. When the government takes on a larger role in directing economic activity — whether through regulatory burdens, price controls, or centralized control over key industries — it prevents markets from functioning efficiently. The government's interference disrupts the incentives for entrepreneurs to innovate, as it reduces the rewards for risk-taking and resource allocation decisions that would otherwise be made by market participants. In such an environment, the economy becomes less dynamic, innovation slows, and the benefits of new ideas are less likely to materialize in the form of widespread economic progress.

Jones' model, which emphasizes the importance of R&D and education, overlooks the critical role of economic freedom in translating ideas into productive economic outcomes. By assuming that R&D spending and human capital accumulation are sufficient for growth, Jones fails to account for how the erosion of economic freedom — through government intervention and regulation — can diminish the impact of these investments. Even with substantial advancements in R&D and education, if the market environment is stifled by excessive government control, these innovations may not be able to reach their full potential. The government's role in directing resources or controlling industries often leads to inefficiencies and slows the commercialization of new technologies, as entrepreneurs are less incentivized to invest or innovate in an environment that is heavily regulated or distorted by political agendas.

For example, in industries such as healthcare, energy, and telecommunications, government regulations can introduce significant delays and inefficiencies in the adoption of new technologies. Regulatory barriers, like excessive red tape or approval processes, often limit the ability of entrepreneurs and firms to bring innovations to market quickly, reducing the economic impact of scientific discoveries. Similarly, in sectors where the govern-

ment heavily subsidizes or controls key industries, market competition is restricted, preventing the most efficient solutions from emerging. This bureaucratic interference reduces the dynamism of the economy, limiting the potential for new ideas to be harnessed in ways that foster economic growth.

In conclusion, Hayek's theory of economic freedom highlights a critical gap in Jones' analysis. While Jones emphasizes the role of R&D and human capital in driving growth, he fails to address how the erosion of economic freedom and the rise of government intervention can constrain the productive impact of ideas. Hayek's insights show that without the spontaneous order provided by free markets, the full potential of innovation is stifled, and the incentives for entrepreneurs to engage in risk-taking and creative problem-solving are diminished. To unlock the true power of R&D and education, it is essential to restore and protect the institutions of economic freedom, where markets are allowed to function freely and efficiently. Only in such an environment can the productive impact of new ideas be fully realized, driving sustained economic growth and progress.

*The extension of Liberal Ideas Determines Long-Run Growth.*

The key insight missing from Charles Jones' framework is that the extension of liberal ideas — not just the volume of R&D or education — determines long-run economic growth. While Jones emphasizes the importance of increasing human capital and investing in R&D, he overlooks the critical role that classical liberal principles, such as economic freedom, property rights, and limited government, play in creating the environment necessary for these factors to produce meaningful growth. Liberal ideas are not merely a backdrop to economic activity but are the fundamental conditions that enable innovation, efficient resource allocation, and the dynamic use of human capital. Without a strong foundation of economic freedom and supportive institutions, the potential of R&D and education to drive growth is significantly constrained.

Empirical evidence supports the claim that the extension of economic freedom is a key determinant of long-term growth. The Economic Freedom Index, which measures factors such as the protection of property rights, the efficiency of the legal system, the degree of government intervention in markets, and the openness to international trade, provides a useful tool for assessing the relationship between economic freedom and growth. Countries that score higher on the Economic Freedom Index tend to experience faster economic growth, more efficient utilization of human capital, and greater returns on R&D investments. This is because economic freedom creates an environment where individuals are free to pursue entrepreneurial

ventures, compete in open markets, and innovate without being bogged down by excessive regulation or government intervention. In such environments, the benefits of education and R&D investments are maximized, as markets efficiently allocate resources toward the most productive and innovative uses. Countries with less economic freedom, on the other hand, often struggle with stagnation, as government intervention and regulatory burdens create inefficiencies that hinder the full potential of human capital and innovation.

In the case of the United States, the decline of classical liberal ideas has been a key factor in the stagnation of its growth, despite significant increases in investments in science, technology, and education. Over the past several decades, the U.S. has witnessed an increase in government intervention, higher taxes, and more regulatory burdens — trends that stand in contrast to the economic principles that once fueled its rise as an economic powerhouse. Higher taxes, particularly on businesses and high-income earners, discourage entrepreneurship and investment by reducing the rewards associated with innovation and hard work. At the same time, the expansion of entitlement programs and welfare policies has created a culture of dependency on government support rather than encouraging individuals to rely on their own entrepreneurial spirit and innovation. These policies have, in many cases, stifled the dynamism that is essential for growth, limiting the incentives for risk-taking and investment in new technologies and business ventures.

In addition, the increasing regulatory environment in the U.S. has created barriers to competition and innovation. In sectors like healthcare, energy, and technology, government regulations have slowed the adoption of new ideas and technologies by introducing inefficiencies and delays in the approval and commercialization processes. These barriers, which disproportionately affect smaller firms and startups, prevent the full utilization of human capital and the realization of potential economic gains from innovation. In a system where government intervention is pervasive, the incentives for entrepreneurs to innovate and bring new products to market are reduced, as the market is often distorted by bureaucratic processes, lobbying interests, and political considerations.

In conclusion, the extension of liberal ideas — especially economic freedom — plays a central role in determining long-run economic growth, a factor that is overlooked in Jones' framework. While increasing R&D spending and education can certainly contribute to growth, they are most effective in an environment where classical liberal principles are upheld. Empirical evidence, such as that reflected in the Economic Freedom Index, shows that

countries with higher levels of economic freedom enjoy faster growth, better utilization of human capital, and more efficient R&D outcomes. The stagnation of U.S. growth despite rising investments in science and technology can be traced back to the decline of classical liberal ideas, including the erosion of economic freedom, the expansion of government intervention, and the rise of excessive regulation. To reignite the U.S. economy and maximize the potential of human capital and innovation, it is essential to restore the principles of economic freedom, property rights, and limited government that foster an environment in which entrepreneurship and innovation can thrive.

*Summary.*

Charles Jones' 2002 AER paper offers valuable insights into the role of R&D and human capital in economic growth, but it fails to account for the critical role of institutions. By ignoring the decline of classical liberal ideas in the U.S., Jones overlooks the structural barriers that have limited the effectiveness of rising ideas and education. The paradox of slow U.S. growth despite significant technological advancements is best explained by the erosion of economic freedom, regulatory overreach, and the misallocation of resources — all consequences of the decline in classical liberal principles.

To fully understand long-term growth dynamics, it is essential to incorporate the role of institutions into the analysis. As history demonstrates, the extension of liberal ideas — not just R&D or education — determines whether a nation can sustain innovation, productivity, and prosperity over time.

## **5.2. Key Components of the Framework**

The economic environment for this new model consists of a set of production functions, a set of resource constraints, and preferences.

### *5.2.1. Ideas as a Central Driver of Growth*

In line with Charles Jones' models, ideas are considered a non-competitive and partially excludable good, capable of driving incremental returns to scale in production. This means that once an idea is created, it can be shared and utilized by multiple agents without diminishing its value, making it a key driver of long-term economic growth. Jones argues that it is the non-competitive nature of ideas that allows them to spread widely, delivering cumulative benefits to the economy. The fact that ideas can be used simultaneously by many different agents without being depleted enables



them to deliver incremental returns to scale, which is essential for the sustained expansion of the economy. As ideas are generated and shared, they reinforce each other, boosting productivity and economic growth across all sectors.

McCloskey, however, takes this argument further, asserting that the true power of ideas lies not only in their scientific or technological applications but also in their ability to gain cultural and ideological acceptance, allowing them to thrive. For McCloskey, the non-competitive nature of ideas also applies to cultural values such as liberty, dignity, and other principles, which, once embraced, fuel individual innovation and risk-taking, driving economic growth. For example, the bourgeois values of the 17th and 18th centuries — such as personal responsibility, respect for innovation, and a belief in social progress — played a crucial role in reshaping the Western economic landscape. The cultural shift that viewed business and entrepreneurial activity as honorable enabled innovators like James Watt and Richard Arkwright to pursue their inventions without facing social discrimination, directly contributing to the success of the Industrial Revolution. Similarly, the idea of individual liberty provided the ideological foundation for figures like Benjamin Franklin, empowering them to innovate and drive social and economic progress.

McCloskey argues that sustained economic growth results from the intersection of technological ideas and cultural change. She expands the concept of “ideas” by emphasizing that in addition to technological innovations, the cultural and ideological frameworks that support and encourage these innovations are just as important. Without these cultural concepts that empower people to act, pure technological innovation would have limited impact on economic growth. Therefore, while Jones highlights the role of knowledge accumulation and the non-competitive nature of ideas as drivers of growth, McCloskey believes that cultural transformation is the true driver of Great Enrichment. She argues that it was the shift toward valuing individual liberty, dignity, and equality that created an environment in which technological advances could flourish, leading to the rapid economic growth witnessed over the past two centuries.

Therefore, the production-implication-realization function of new liberal ideas, or simply called, the production function of new liberal ideas, is given by:

$$\dot{A}_t = vH_{A_t}^\lambda A_t^\phi, \quad (1)$$

where  $A_0 > 0$ ,  $v > 0$ ,  $\lambda > 0$  and  $\phi < 1$ . This differential equation best exemplifies the production, implementation, and realization of liberal ideas.

Here new liberal ideas  $\dot{A}_t$  are implemented and realized through a Cobb-Douglas function that combines human capital dedicated to idea implementation  $H_{A_t}$  and the existing extension of liberal ideas  $A_t$ . This framework reflects McCloskey's argument that the proliferation and refinement of ideas, particularly those centered around liberty, dignity, and innovation, were key drivers of the Great Enrichment and modern economic growth. The parameter  $\lambda$  captures the elasticity of new idea implication and realization with respect to the number of implementer and discoverer  $H_{A_t}$ , which indicates how the expansion of human resources in intellectual and creative activities contributes to the generation of new ideas. A value of  $\lambda = 1$  suggests that doubling the number of implementer and discoverer leads to a doubling in the implication and realization of new ideas, highlighting the critical role that human capital plays in fostering innovation. The parameter  $\phi$  measures the influence of the current extension of liberal ideas  $A_t$  on the implication and realization of additional ideas. As McCloskey emphasizes, ideas don't exist in isolation; they build on each other. The larger the extension of existing ideas, the more easily new ones can be created. This idea supports her argument that the cultural and intellectual environment shaped by bourgeois values — like dignity and liberty — nurtures ongoing innovation and progress. This model illustrates how the accumulation of liberal ideas over time, shaped by both current circulating ideas and the intellectual efforts of society, contributes to the generation of new ideas. McCloskey's focus on cultural and rhetorical shifts that drive economic growth is reflected in this model, which shows how human capital, combined with the existing intellectual framework, drives the continuous implication and realization of transformative ideas.

*The extension of Liberal Ideas.*

The phrase “the extension of liberal ideas” is in the same way as “the extension of the division of labor.” This phrasing is clear and widely understood, as it conveys how far-reaching, developed, or influential liberal ideas are, much like the division of labor. To clarify and expand on the expression “the extension of liberal ideas,” it's important to consider how this phrase functions as a broad indicator of how far-reaching, influential, or pervasive these ideas are in shaping societies and economies. The phrase functions similarly to expressions like “the extension of the division of labor,” capturing both the development and spread of a concept over time. We need to explore the different expressions to capture various facets of the reach and impact of liberal ideas.

**Scope and Scale of Liberal Ideas** This expression is particularly effective when you want to convey the broadness (scope) and the intensity or magnitude (scale) of liberal ideas. It highlights how these ideas span across different domains, such as political, economic, or cultural institutions, and the depth to which they have been implemented. For example, “The scope and scale of liberal ideas have significantly influenced economic policy worldwide” suggests that these ideas are not just widespread but also fundamental in shaping policy decisions across the globe.

**Dimension of Liberal Ideas** The phrase “dimension” draws attention to the multiple facets or layers of liberal ideas. It emphasizes that liberalism is not a monolithic concept but a complex and multi-faceted system with varied implications across different sectors. This could include economic freedom, individual rights, or political principles. An example might be, “The dimension of liberal ideas extends from individual rights to free-market principles,” where it is clear that liberal ideas have both a political and economic range.

**Reach of Liberal Ideas** “Reach” focuses on the geographic or ideological spread of liberal ideas, emphasizing how far these ideas penetrate into different societies, regions, or intellectual discourses. The use of “reach” often highlights the historical or global spread of liberalism. For example, “The reach of liberal ideas spans across continents and centuries” shows how these ideas have transcended borders and time periods, having a significant and enduring influence.

**Breadth of Liberal Ideas** When we talk about the “breadth” of liberal ideas, we are emphasizing the variety of domains or areas they cover. Liberal ideas don’t only influence a single area, but rather touch many parts of society, such as law, education, or government. An example might be, “The breadth of liberal ideas encompasses individual freedom, property rights, and limited government,” where it is clear that liberalism influences a wide array of societal principles and practices.

**Influence of Liberal Ideas** Lastly, the “influence” of liberal ideas focuses specifically on the effect these ideas have had on shaping policies, institutions, and societal norms. This expression highlights the direct impact of liberal values on economic growth, political systems, or cultural shifts. An example could be, “The influence of liberal ideas can be seen in modern democracies and market economies,” illustrating how these ideas have shaped the development of contemporary political and economic systems.

In summary, if you are emphasizing the geographical, historical, or ideological spread of liberal ideas, phrases like “reach” or “scope and scale”

are most effective. For focusing on various aspects of liberalism, such as political, economic, or social factors, “dimension” or “breadth” would be ideal. If your emphasis is on the impact and effectiveness of liberal ideas in shaping policies or institutions, then “influence” works best.

*Core Principles and Extended Contents of Liberal Ideas.*

Liberal ideas encompass a broad and evolving set of principles that focus on individual freedoms, equality, and human dignity within the framework of a just and democratic society. Below is a detailed exploration of the core contents of liberal ideas:

- Liberty

**Freedom from Tyranny** At the heart of liberalism is the belief in the importance of individual freedom, particularly freedom from oppressive forms of government or arbitrary authority. The liberal idea of liberty advocates for protection against authoritarianism, where individuals have the right to live their lives without fear of unjust rule or governmental overreach. This principle also calls for limitations on the power of the state, ensuring that rulers cannot infringe on personal freedoms without just cause. The emphasis on “freedom from tyranny” resonates with the values of democracy, where power is derived from the people and subject to checks and balances.

**Personal Freedom** Liberal ideas strongly advocate for the protection of personal freedom in all aspects of life. This includes the freedom of thought, speech, religion, and association — rights that are seen as intrinsic to the dignity of the individual. Personal freedom in a liberal society means that individuals are free to express their beliefs and opinions, worship according to their conscience, and associate with others in the pursuit of common interests. These freedoms provide the foundation for the open exchange of ideas and the ongoing development of society, encouraging diversity, creativity, and individual growth. Liberalism recognizes the importance of these freedoms in protecting the autonomy and individuality of each person.

**Economic Freedom** Economic freedom is another cornerstone of liberal ideas, emphasizing the importance of free markets, private property, and the right to pursue economic opportunities without undue interference. Liberals argue that individuals should have the right to own and control property, enter into contracts, and freely engage in economic activities. This freedom is crucial not only for individual prosperity but also for the overall well-being of society. Free markets, where supply and

demand determine prices and resource allocation, are seen as the most effective mechanism for promoting innovation, economic growth, and wealth creation. Economic freedom enables individuals to pursue their ambitions and contribute to the prosperity of society, ensuring that wealth is not concentrated in the hands of a few but is distributed through the opportunities created by a competitive market system.

- Equality

Liberal ideas advocate for equality as one of the fundamental principles of a just society. Equality, in the liberal sense, ensures that all individuals, regardless of their differences, have access to the same rights, opportunities, and protections. The extension of equal treatment and protection under the law fosters fairness, accountability, and inclusivity in both political and social spheres.

**Equal Rights** At the core of liberal ideas is the belief that all individuals are entitled to equal treatment under the law, irrespective of their race, gender, religion, or socioeconomic status. Equal rights guarantee that individuals are not discriminated against based on characteristics such as ethnicity or identity. In a liberal society, legal systems must be structured to ensure that everyone is treated fairly and justly, and that no one is unjustly privileged or oppressed. Equal rights are enshrined in legal frameworks, which are designed to protect individuals from discriminatory practices and promote justice for all members of society. This principle also seeks to eliminate historical injustices and inequalities that may have been perpetuated by societal norms or legal systems in the past.

**Political Equality** Political equality emphasizes that every citizen, regardless of background or status, has an equal vote and an equal say in the democratic governance of their society. This means that all individuals should have the right to participate in free and fair elections, shaping the policies and leadership that guide their lives. Political equality is critical to the health of a democracy, ensuring that every citizen's voice is heard and valued in political decision-making. It affirms that the legitimacy of a government is rooted in the consent of the governed, and that this consent must be granted on equal terms for all individuals. Political equality also supports transparency, accountability, and representation, which are key components of a functioning democracy.

**Equality of Opportunity** While liberalism acknowledges that outcomes in society may vary due to personal choices, talents, and circumstances, it asserts that all individuals should have equal access to the opportunities that allow them to succeed. These opportunities include access

to education, healthcare, and employment, which are essential for individuals to lead fulfilling lives and contribute to society. By ensuring that these basic opportunities are available to all, liberalism aims to mitigate systemic barriers that prevent certain groups from reaching their full potential. Equality of opportunity is crucial to fostering a meritocratic society where people are rewarded based on their abilities and efforts, not on inherited privilege or arbitrary social factors.

- Individualism

Individualism is a cornerstone of liberal ideas, emphasizing the autonomy and moral responsibility of each person. Liberalism values the rights of individuals to shape their own lives, make independent decisions, and determine their own ethical direction. Individualism underpins much of liberal thought, ensuring that people are free from unnecessary external control, whether from government, society, or other individuals.

**Autonomy** Autonomy refers to the right of individuals to govern themselves and make decisions regarding their lives without undue interference from outside forces. In a liberal society, individuals are seen as sovereign beings, free to pursue their personal goals, desires, and aspirations. Autonomy extends to personal choices in areas such as career, relationships, and lifestyle, where individuals should not be coerced by societal norms or governmental regulations unless these choices harm others. The liberal belief in autonomy underscores the importance of freedom of expression, freedom of movement, and the right to pursue happiness, as each individual is best suited to decide what is right for them.

**Moral Agency** Liberalism holds that individuals possess the capacity for moral agency, meaning that each person has the ability to determine their own moral and ethical path. People are responsible for their actions and decisions, and they have the right to shape their own values and beliefs. This principle encourages individuals to take responsibility for their lives and choices, while also respecting the rights of others to do the same. Moral agency in a liberal context also suggests that individuals should be free from coercion in moral matters, allowing for diversity of thought and action as long as it does not infringe on the rights of others.

- Dignity

The concept of dignity is central to liberal ideas, affirming that all individuals possess inherent worth and should be treated with respect and honor. Liberalism views human dignity as an essential part of human flourishing,

influencing the way people interact with one another and how societies structure their values and institutions.

**Inherent Worth** Liberalism asserts that every individual possesses intrinsic value, simply by virtue of being human. This inherent worth is independent of external factors such as wealth, social status, or achievement. It recognizes that every person has a unique contribution to make to society and should be treated with dignity and respect. A society grounded in dignity acknowledges the humanity of all individuals, promoting policies and cultural norms that uphold the value of each person. The protection of dignity is reflected in the rights and protections afforded to individuals, ensuring that no one is degraded or dehumanized.

**Human Rights** Liberalism strongly upholds the protection of human rights as a universal principle, recognizing that all individuals deserve certain basic rights regardless of where they live or their personal circumstances. These rights include the right to life, liberty, and security, as well as the right to freedom of thought, expression, and assembly. Human rights are foundational to liberal thought, and they provide the legal and moral framework for protecting individuals from abuse, exploitation, and discrimination. Upholding human rights is not only a legal obligation but also a moral imperative for creating a just and equitable society.

- Tolerance

Tolerance is a key value within liberal thought, emphasizing the importance of respecting diversity and fostering peaceful coexistence in a pluralistic society. Tolerance encourages individuals to accept and engage with differences, promoting harmony even in the face of disagreement or differing values.

**Cultural and Religious Pluralism** A liberal society values and protects the coexistence of diverse beliefs, practices, and cultural traditions. Cultural and religious pluralism reflects the understanding that individuals are shaped by different backgrounds, experiences, and ideologies. Tolerance allows for the peaceful coexistence of these various groups, ensuring that individuals are free to practice their religion, express their cultural identity, and live according to their values without fear of discrimination or persecution. By fostering pluralism, liberalism creates space for innovation, creativity, and the exchange of ideas, contributing to a dynamic and evolving society.

**Respect for Differences** In a tolerant society, respect for differences is fundamental to maintaining social cohesion and preventing conflict. Even when opinions, lifestyles, or values differ, mutual respect and non-violence

are emphasized as guiding principles. Liberalism asserts that people should be free to hold differing opinions and beliefs without fear of oppression or violence, as long as those beliefs do not harm others. This respect for differences is a cornerstone of liberal democracy, where individuals engage in civil discourse and work together to resolve differences through peaceful means.

- Rule of Law

The rule of law is a fundamental principle of liberalism, ensuring that laws are applied equally and fairly to all individuals, regardless of their status or power. It protects individuals from arbitrary rule and ensures that the government operates within a framework of laws designed to safeguard the rights and freedoms of its citizens.

**Equality Before the Law** A core component of the rule of law is the principle that laws should apply equally to all individuals, regardless of their wealth, social status, or political influence. This principle ensures that no one is above the law, and that all individuals, from the most powerful to the most marginalized, are subject to the same legal standards. Equality before the law is essential for ensuring justice and fairness in society, preventing corruption, and holding individuals and institutions accountable for their actions.

**Constitutionalism** Constitutionalism emphasizes that government power must be constrained by a constitution to prevent abuse. A constitution serves as the supreme law of the land, outlining the rights and responsibilities of citizens and the limits of governmental authority. By establishing a framework for governance, constitutionalism ensures that governments operate within clearly defined boundaries, protecting individual freedoms and preventing the concentration of power. Constitutionalism is a safeguard against tyranny, ensuring that the government remains accountable to the people it serves and respects the fundamental rights of all individuals.

While the core principles of liberalism — such as liberty, equality, and individual rights — form the foundation of liberal thought, liberalism extends to various areas of governance, economics, and social organization. These extended principles shape the structure of society and ensure that the ideals of freedom and justice are realized in practice. Below is an expanded exploration of the extended contents of liberal ideas:

- Democracy and Governance

Liberalism places great emphasis on democratic principles, ensuring that government power is derived from the will of the people. It also stresses the



importance of accountability, transparency, and mechanisms that prevent the concentration of power.

**Consent of the Governed** At the core of liberal democracy is the principle that governments derive their legitimacy from the consent of the governed. This idea asserts that political authority is only valid if it reflects the will and interests of the people it governs. Consent is expressed through democratic participation — primarily through free and fair elections — where citizens have the right to choose their representatives and influence the decisions that affect their lives. This principle ensures that governments are responsive to the needs of their citizens and that political power is not wielded arbitrarily or without accountability.

**Accountability** In a liberal society, leaders and institutions must be accountable to the public. Accountability is achieved through transparent processes, where governmental actions and decisions are subject to public scrutiny. Mechanisms such as regular elections, the freedom of the press, and independent oversight bodies ensure that those in power cannot act with impunity. Accountability fosters trust in democratic systems and ensures that elected officials are responsive to the needs and desires of their constituents. It is also crucial for ensuring that government institutions remain effective and aligned with the public interest.

**Separation of Powers** The separation of powers is a foundational concept in liberal governance, establishing checks and balances between the executive, legislative, and judicial branches of government. This separation ensures that no one branch of government can become too powerful or abuse its authority. By distributing power across multiple branches, each with its own functions and responsibilities, the separation of powers safeguards individual liberty and prevents the rise of tyranny. It also provides a system of oversight and correction, where each branch can monitor and limit the actions of the others, thereby preserving the balance of power and upholding democratic principles.

- Free Markets and Capitalism

Liberalism advocates for the establishment of free markets and capitalist economies, where voluntary exchange, competition, and the protection of property rights lead to prosperity and individual freedom.

**Voluntary Exchange** A fundamental principle of liberal economics is that economic transactions should be voluntary, meaning that both parties enter into agreements freely and without coercion. Voluntary exchange ensures that individuals and businesses can pursue their interests in ways that are mutually beneficial. It encourages the efficient allocation of resources,

where goods and services are exchanged according to market demand. This idea is central to liberal capitalism, where the freedom to negotiate and contract is viewed as essential for fostering economic growth and personal autonomy.

**Competition** In a liberal economic system, competition is viewed as a driving force for innovation, efficiency, and improved products and services. Free markets allow individuals and businesses to compete based on merit, leading to better quality and lower prices for consumers. Competition encourages innovation by incentivizing companies to develop new technologies, improve their offerings, and find more efficient ways to operate. It also acts as a mechanism for rewarding hard work and creativity while ensuring that resources are allocated to their most productive uses. By fostering a competitive environment, liberalism aims to maximize societal wealth and individual opportunity.

**Protection of Property** Liberal ideas strongly emphasize the protection of private property rights as a cornerstone of economic activity. Property rights ensure that individuals have control over their own resources — whether physical assets or intellectual property — and the ability to use, transfer, or exchange these assets freely. Secure property rights incentivize investment, as individuals are more likely to invest in and improve resources if they know that the fruits of their labor and investment will be protected. Property rights also foster personal autonomy, as they allow individuals to make decisions about how to manage their assets and pursue their goals without interference.

- Social Contract

The social contract theory within liberalism outlines the mutual obligations between citizens and the state. This framework seeks to establish a just and fair system of governance that respects individual rights while ensuring societal order.

**Mutual Obligations** Liberalism operates under the notion of mutual obligations between citizens and the state. Citizens agree to follow laws and contribute to the common good, while the state commits to protecting their rights and ensuring their freedoms. This reciprocal relationship is designed to foster trust and cooperation, as both the government and the governed understand their roles and responsibilities. In return for the protection of life, liberty, and property, citizens are expected to abide by laws and contribute to the functioning of society, whether through civic participation, taxes, or other means.

**Limited Government** Liberalism advocates for a limited government that exists solely to serve the people and protect their rights. A limited government is constrained by law and must avoid overreach into areas of personal autonomy and individual freedom. This principle seeks to prevent the abuse of power by ensuring that government authority is restricted to the protection of public order, justice, and individual rights. By limiting the role of the state, liberalism fosters an environment where individuals are free to pursue their own goals and live according to their values, without unnecessary interference.

- Education

Liberal ideas recognize the transformative power of education in shaping individuals and societies. Education is seen as essential for empowering individuals and promoting equality of opportunity, which are fundamental aspects of a just society.

**Universal Access** Liberalism advocates for universal access to education, recognizing that education is key to personal empowerment and the realization of equality of opportunity. In a liberal society, all individuals, regardless of their socioeconomic background, should have the opportunity to receive an education that equips them with the skills and knowledge necessary to participate fully in society. Universal access to education promotes social mobility and ensures that everyone has a fair chance to succeed based on their abilities and efforts, rather than their background or circumstances.

**Critical Thinking** A liberal education emphasizes the development of critical thinking and reasoning skills, empowering individuals to make informed decisions and challenge established norms. Liberal ideas stress the importance of education not only as a means of acquiring knowledge but also as a vehicle for fostering independent thought, creativity, and personal growth. Education should encourage individuals to question assumptions, analyze complex issues, and seek truth through rational inquiry. The ability to think critically is essential for participating in a democratic society, where citizens must engage with diverse ideas and contribute to public discourse.

- Progress and Rationalism

Liberalism is grounded in a belief in progress and the capacity of human societies to improve over time. Rationalism, the reliance on reason and empirical evidence, is central to liberal thought, ensuring that decisions are made based on objective analysis rather than tradition or superstition.

**Faith in Progress** Liberalism is driven by a belief in the potential for human societies to improve through innovation, reform, and the application of reason. This faith in progress is rooted in the idea that human beings, given the right conditions, can continuously improve their living standards, social structures, and political systems. Liberal thinkers argue that history is a record of human advancement, with each generation building on the achievements of the previous one. By fostering individual freedom, creativity, and knowledge, liberal societies can continue to evolve and address the challenges of the future.

**Reason Over Tradition** Liberalism values reason over tradition, advocating for decisions that are based on rational thought, empirical evidence, and scientific inquiry. While tradition and customs are important in shaping cultures, liberalism asserts that decisions — especially those affecting governance, policy, and social norms — should be grounded in reason and evidence, rather than unquestioned adherence to past practices. This rational approach encourages reform and innovation, ensuring that societies remain adaptable and responsive to new ideas and discoveries.

- Secularism

Secularism is a key principle in liberal thought, promoting the separation of religious and governmental spheres and ensuring freedom of belief for all individuals.

**Separation of Church and State** Liberalism advocates for the separation of church and state, ensuring that religious institutions do not control or influence government decisions, and that government does not impose religious practices on its citizens. This principle ensures that individuals are free to practice any religion — or none at all — without fear of persecution or coercion. The separation of church and state upholds the integrity of both religious institutions and government, preventing the blending of political and religious power that could lead to the oppression of minority groups or dissenting beliefs.

**Freedom of Religion** Liberalism upholds the freedom of religion as a fundamental human right. Individuals have the right to practice, change, or abandon their religion as they see fit, without interference from the state or society. This freedom of religion is essential for protecting individual autonomy and dignity, ensuring that people can live according to their beliefs and values in a way that is consistent with their personal conscience.

- Justice and Fairness

Liberalism strongly emphasizes the principles of justice and fairness, ensuring that legal systems and societal structures promote equal treatment and opportunities for all individuals.

**Fair Legal Processes** Liberalism demands that justice systems be impartial, transparent, and accessible to all individuals, ensuring that legal decisions are made fairly and without bias. Fair legal processes protect individuals from arbitrary punishment or discrimination, and they allow for the peaceful resolution of disputes. The principle of fairness in legal processes is vital to upholding the rule of law and ensuring that everyone, regardless of status or wealth, has access to justice.

**Redistributive Justice** In some liberal frameworks, addressing economic inequality through social programs or redistributive policies is considered necessary to achieve fairness. Redistributive justice seeks to reduce disparities in wealth and income by redistributing resources to ensure that individuals have access to basic needs and opportunities. This principle is grounded in the idea that social and economic inequalities should not hinder individuals' ability to participate in society or achieve their potential, and that addressing inequality contributes to the overall well-being of society.

As society has evolved, liberal ideas have expanded to address new challenges and realities, incorporating modern concerns while maintaining a focus on individual rights, equality, and freedom. Contemporary extensions of liberalism reflect the changing landscape of global issues, from environmental sustainability to digital freedoms and gender equality.

- Environmental Sustainability

Modern liberalism recognizes that individual freedom and societal progress must not come at the expense of the environment. Environmental sustainability has become an essential component of contemporary liberal thought, as the challenges of climate change, resource depletion, and environmental degradation require a thoughtful balance between economic growth and ecological preservation.

**Individual Freedom and Environmental Responsibility** Liberalism traditionally emphasizes individual freedom and autonomy, but this must be framed within an awareness of the environment's role in supporting human life. Contemporary liberalism advocates for policies that ensure individual freedoms do not infringe upon the rights of others, particularly when environmental harm leads to collective consequences such as pollution, loss of biodiversity, or climate-related disasters. It supports the

idea that individuals, corporations, and governments should have responsibilities to the planet, where sustainability becomes integral to achieving long-term prosperity and freedom for future generations.

**Balancing Economic Growth with Ecological Preservation** In the modern context, liberalism incorporates a call for sustainable economic growth. Rather than opposing economic development, contemporary liberal thought supports strategies that promote green technologies, renewable energy, and environmentally friendly industries. The goal is to foster a balance between economic development and the preservation of natural resources, ensuring that economic progress does not compromise the ecological systems upon which human societies depend. Policies advocating for the transition to clean energy, carbon taxation, and responsible consumption align with liberal ideals of freedom, prosperity, and justice, as they seek to preserve a livable planet for all individuals.

- Global Human Rights

Liberalism has expanded to include a strong commitment to global human rights, driven by the belief that universal principles of dignity, equality, and freedom apply not only within individual nations but also across international borders. The global spread of liberal ideas has led to the development of international norms and treaties designed to protect the fundamental rights of people everywhere.

**Advocacy for International Human Rights** Liberal thought has long championed human rights as a core value, but this commitment has increasingly taken on a global scope. International human rights frameworks, such as the Universal Declaration of Human Rights, reflect liberalism's core belief that every individual is entitled to basic freedoms and protections, regardless of their nationality or the political regime under which they live. From advocating for the right to life, liberty, and security, to the protection of cultural and economic rights, modern liberalism supports the establishment of international systems that work to uphold these rights and ensure that all people, irrespective of their background or location, are treated with respect and dignity.

- Gender Equality and LGBTQ+ Rights

Liberalism has increasingly championed the rights of women and LGBTQ+ individuals, emphasizing equality and freedom from discrimination. Gender equality and LGBTQ+ rights are now seen as central to liberal thought, reflecting a broader commitment to achieving social justice for all individuals, regardless of their gender identity or sexual orientation.

**Women's Rights and Gender Equality** Liberalism has played a crucial role in advancing the cause of women's rights, from the early suffragette movements to the modern struggles for gender equality in the workplace, education, and political participation. Today, liberal thought advocates for policies that promote equal pay, reproductive rights, and protection from gender-based violence. This commitment extends to recognizing and dismantling structural inequalities that hinder women's access to opportunities and justice, ensuring that women are fully included in all aspects of public and private life.

**LGBTQ+ Rights** Liberalism has also become a strong advocate for LGBTQ+ rights, viewing the right to live authentically as a fundamental aspect of individual freedom. From the legalization of same-sex marriage to the protection of LGBTQ+ individuals from discrimination in employment and housing, liberalism supports policies that guarantee the full participation of LGBTQ+ individuals in society. By promoting equality under the law, liberal ideas ensure that LGBTQ+ people can live free from prejudice, violence, or discrimination, and have the same opportunities to thrive as anyone else. The advocacy for LGBTQ+ rights is a reflection of liberalism's commitment to ensuring that all individuals can exercise their autonomy and dignity.

- Technology and Digital Freedom

In the digital age, liberalism emphasizes the importance of protecting privacy, ensuring access to information, and safeguarding freedom of expression online. With the rise of digital technologies, the scope of liberal thought has expanded to address the new challenges posed by the digital revolution.

**Protection of Privacy and Personal Data** Modern liberalism advocates for the protection of individual privacy in the face of increasing digital surveillance, data collection, and online tracking. Privacy is viewed as an essential element of individual autonomy, and liberal thought supports laws and regulations that safeguard personal data from misuse by governments, corporations, or other entities. This protection is seen as vital for preserving individual freedoms in an age where the line between public and private life is increasingly blurred by digital technologies.

**Access to Information and Freedom of Expression** Liberal ideas support the free flow of information and ideas, and this extends to the digital realm. In the online world, the right to access information, communicate freely, and express opinions is central to liberalism's commitment to democracy and individual autonomy. Modern liberalism emphasizes

the importance of protecting freedom of expression online, advocating for policies that prevent censorship, promote free speech, and support open internet access. As digital platforms increasingly shape public discourse, liberalism argues for the protection of digital spaces as venues for political participation, debate, and the exchange of ideas.

- Economic Redistribution and Welfare State

Modern liberalism sometimes supports state intervention to address economic inequality while still preserving individual freedoms. While maintaining a commitment to free markets and private property, liberal thought acknowledges that inequality can hinder social mobility and undermine the principles of justice and opportunity.

**State Intervention and Economic Redistribution** Liberalism's belief in fairness and equality often leads to support for policies that seek to reduce economic disparities through redistribution. This can include progressive taxation, social security programs, universal healthcare, and other social safety nets designed to ensure that basic needs such as education, healthcare, and housing are accessible to all. The goal is not to undermine the market but to ensure that individuals are able to live with dignity and have a fair chance to succeed, regardless of their background. Modern liberalism recognizes that a just society requires a balance between economic freedom and economic justice, where state intervention helps provide a level playing field for all citizens.

**Welfare State** The welfare state is seen as a key tool for achieving equality of opportunity, as it helps to ensure that individuals are not held back by factors beyond their control, such as poverty or illness. In a liberal society, the state has a responsibility to protect individuals from economic hardship and to provide a basic standard of living that enables people to participate fully in society. The welfare state reflects liberal values of fairness, opportunity, and social justice, recognizing that the well-being of individuals is interdependent with the well-being of society as a whole.

Liberalism consistently seeks to balance individual freedoms with collective well-being. While the ideology prioritizes personal autonomy, it also recognizes the necessity of certain collective structures — such as governments and social institutions — to provide security, infrastructure, and a framework for resolving disputes. This balancing act is at the heart of debates within liberalism, as different strands of the ideology weigh the trade-offs between freedom and regulation differently. Liberalism is not static; it evolves with society. From its roots in Enlightenment philosophy to its modern emphasis on global human rights and environmental sustain-



ability, liberal ideas remain central to debates about how best to organize society to achieve freedom, fairness, and prosperity for all.

It's important to note that the term "ideas" in this context doesn't just refer to technological innovations, but also includes cultural changes like liberty, equality, and dignity, which are essential for fostering creativity. These ideas form the foundation for social progress and contribute to the sustainability of societies by creating an environment where individuals are free to innovate and take risks. The model acknowledges that without these cultural values, relying solely on technological progress would not produce the kind of long-term economic growth seen during the period of Great Enrichment.

By broadening the definition of ideas to encompass cultural and ideological shifts, we can gain a better understanding of how ideas drive economic growth. McCloskey argues that the "Great Enrichment" was not simply about accumulating capital or applying technical knowledge, but about a revolutionary shift in the perception of the bourgeois class — the merchants, innovators, and entrepreneurs who were once despised. McCloskey believes that what truly transformed societies was the recognition and celebration of the dignity of ordinary people — those involved in commerce and innovation. Before this shift, those in commerce were often viewed with suspicion or disdain, but over time, new ideas emerged that celebrated their contributions. This ideological change, particularly in Western societies, empowered entrepreneurs, created a more inclusive economic system, and unlocked innovation on an unprecedented scale.

As McCloskey argues, the shift in how society viewed the "respectability" of these individuals — those creating wealth through trade and invention — was crucial to the economic explosion that shaped the modern world. This transformation, recognizing the dignity of the bourgeoisie, was a key driver of the unprecedented economic growth known as the "Great Enrichment."

McCloskey also highlights how the social rhetoric surrounding these values — the way society viewed entrepreneurs, businesspeople, and innovators — shifted significantly during the Great Enrichment. This change in language and cultural attitudes legitimized economic activities that were previously seen as inferior or immoral. The rise of liberty, dignity, and equality fostered an environment conducive to experimentation and risk-taking, further propelling technological progress. This broader understanding of the concept of "mind" illustrates the interconnectedness of cultural values and economic innovation, showing how shifts in societal attitudes not only drive transformative economic growth but also contribute to human well-being and personal fulfillment.

While most of the traditional models, like those of Jones (2005), Romer (1990) or Lucas (2009), for instance, emphasize the role of the implementer and discoverer and the scientist in producing pivotal innovations, our framework departs from the former in the emphasis it places on the actual application of liberal ideas by ordinary people. The insight from McCloskey is that for many of these pivotal liberal ideas, invention is relatively independent of large endowments of human capital; the crucial factor is rather in the broad pervasiveness of the realization and practice of such ideas. For example, McCloskey describes how the cultural change in 18th-century England turned entrepreneurs such as Josiah Wedgwood, an ordinary potter, into people who could revolutionize industrial ceramics by systematizing his improvements in production and marketing. Wedgwood succeeded less because of technological invention than through applying ordinary, practical ideas — quality control, branding, efficient ways to manage labor — applications of ideas that ordinary people were empowered to undertake themselves.

Most notably, that is a necessity for articulating the mechanism through which societies might achieve what McCloskey calls “the capital of liberal ideas.” In stark contrast to that ivory tower, building and working out liberal notions of advanced technologies, a diffusion of such ideas at the social level requires not only active but also voluntary participation from people. With this insight in mind, McCloskey provides many examples well — such as for instance that 17th-century Dutch merchants applied in practice these very liberal understandings of property rights, or principles of free trade, and built an impressive worldwide trading web. These merchants were not great inventors, but rather implementers of the new commercial culture that extolled market exchange and economic freedom, thus accumulating wealth and furthering innovation across Europe and beyond.

Equally, McCloskey emphasizes the cultural acceptance of the bourgeois values that allow ordinary people to be innovative and contribute to economic growth. She points, for instance, to the Lancashire textile workers who, in the early days of the industrial revolution, took a liking to and then were incrementally improving such new technologies as the spinning jenny; it is not so much the invention that was more important than the banal, iterative improvement of a newly adopted technology by a myriad of workers that did multiply the economic impact. This is indicative of how the melding of liberal ideals such as dignity in labor and the freedom to innovate turned technological potential into societal advancement.

In that sense, the emphasis on the implementation and realization of liberal ideas is more likely to bring about long-term economic and social

development. McCloskey explains how countries like the Netherlands and Britain shifted from hierarchical, feudal societies to embracing individual freedom and market opportunities. This cultural shift allowed ordinary people, rather than just elites, to actively engage in entrepreneurial and economic activities that would continuously innovate and grow. By embedding liberal values into everyday life, these societies accumulated the “capital” of ideas that enabled long-term progress. By emphasizing the latter mechanism, our model stands closer to the historical fact that McCloskey reports: the transformation of the societies was not a result of the accumulation of knowledge about technology but of endowing human beings with the power of acting and implementing liberal notions. This approach underlines a basic pathway of development — one driven by the interactions of people in an open-ended process over time — whereby liberal ideas bear fruit with respect not only to material success but also to deeper social development.

### 5.2.2. *Accumulation of Liberal-Idea Capital*

Similar to Jones’ emphasis on the role of human capital and liberal idea accumulation in economic growth, this framework posits the framework of the accumulation of liberal-idea capital  $K_t$  over time.

$$\dot{K}_t = Y_t - C_t - \delta K_t, \quad (2)$$

where  $K_0 > 0$  and  $\delta > 0$ . In this framework,  $Y_t$  represents total economic output, driven by the application and use of liberal ideas, including dignity, liberty, and equality, which, as Deirdre McCloskey emphasizes, are the true drivers of Great Enrichment.  $C_t$  represents the consumption of resources, which can be interpreted as the direct benefits that society receives from the use of liberal ideas. However, some of the liberal ideological capital depreciates over time, and the  $\delta K_t$  in the formula reflects the fact that some ideas lose value because they become obsolete or are no longer relevant. This model emphasizes that not all libertarian ideas retain their value indefinitely. As new ideas emerge, some of the old ideas may no longer be effective in driving economic growth, and therefore new liberal ideas need to be generated and refined on an ongoing basis to ensure continued economic growth. Also, the capital of liberal ideas here has a price  $p$ , which is usually different from the price for output  $Y$  and consumption  $C$ . For simplicity of our model, we assume the price for  $K$  to be equal to one, which is the same for output and consumption.

The depreciation, erosion, and degradation of the capital of liberal ideas — liberty, equality, dignity, and individualism — have occurred incrementally over time, influenced by social, political, economic, and cultural developments since the 15th century. McCloskey places particular emphasis on the dynamic nature of ideas, highlighting the importance of a society's ability to adapt, innovate, and continuously renew its liberal ideological capital. The depreciation rate  $\delta$  captures the idea that while concepts such as liberty and dignity can significantly drive economic growth, they must be constantly refreshed and revitalized to maintain their enduring relevance and impact. This equation not only illustrates how liberal ideological capital is replenished through new economic output but also how it naturally undergoes devaluation over time. A society's ability to sustain economic growth relies on its capacity to generate new liberal ideas while addressing the devaluation of old ones. This aligns with McCloskey's argument that cultural and rhetorical shifts, rather than institutions or capital, are the true drivers of economic prosperity. Below is a detailed examination of this phenomenon across historical periods, supported by examples.

*Early Modern Period (15th–17th Century): Initial Challenges to Emerging Liberal Ideas.*

The period from the 15th to the 17th century was marked by profound cultural, religious, and political shifts that set the stage for the development of liberal ideas. These shifts, however, did not emerge without significant opposition and challenges, which at times resulted in the depreciation, erosion, and degradation of liberal ideals.

**The Renaissance (14th–17th Century) and the Reformation (16th Century)** The Renaissance and the Reformation were central in advancing individualism, liberty, and dignity. Thinkers like Erasmus, Machiavelli, and Martin Luther directly challenged the prevailing authoritarian structures that dominated Europe. The Renaissance, with its renewed focus on humanism, emphasized the potential for human flourishing through education, critical thinking, and personal achievement. It marked the emergence of an intellectual tradition that celebrated the autonomy of the individual and the dignity of human life, in stark contrast to the medieval conception of a divinely ordered hierarchy.

The Reformation, spearheaded by figures such as Martin Luther and John Calvin, further destabilized the religious monopoly of the Catholic Church and empowered individual consciences. Luther's ideas, notably his doctrine of salvation by faith alone, undermined the Church's role as the intermediary between the individual and God, giving individuals the

autonomy to interpret sacred texts for themselves. This contributed to a broader shift toward individual liberty and personal responsibility in both religious and, eventually, political spheres.

While these movements were undeniably important in advancing liberal ideas, they were also fraught with contradictions. The intellectual ferment of the Renaissance and Reformation often existed alongside a religious and political climate that was not always welcoming to ideas of liberty and equality. The intellectual legacy of these movements was still heavily entangled with the idea of divine authority, and their impact on social structures was far from uniform.

**Religious Wars** The European Wars of Religion (16th–17th century) represented one of the darkest chapters in the history of the early modern period, and they significantly undermined early liberal ideals. Conflicts such as the Thirty Years' War (1618–1648) were rooted in the struggle for religious and political control, but they also revealed the fragility of the notion of religious tolerance. These wars were not merely battles over territory, but over the right to dictate religious and political beliefs, resulting in widespread violence, forced conversions, and massacres.

Religious intolerance and sectarian violence were not just byproducts of these conflicts — they were essential to their course. The ideological battle over the true interpretation of Christianity often involved brutal repression, leading to the erosion of the principles of individual dignity and liberty. This was in direct contrast to the emergent liberal ideas that were advocating for the sanctity of individual autonomy and religious freedom. As McCloskey might argue, this period represented a contradiction in the development of liberal ideas — while the Renaissance and Reformation laid the groundwork for individual liberty, the religious wars demonstrated the difficulty of extending these principles in practice.

**Colonialism** The age of exploration from the 15th to the 17th centuries marked the expansion of European empires across the globe. While European powers such as Spain, Portugal, Britain, and France established colonial empires that contributed to the wealth and technological advancement of Europe, these same empires were responsible for some of the most egregious violations of human dignity and liberty in history.

Colonialism, particularly the transatlantic slave trade, represented a profound contradiction in the application of liberal ideas. The exploitation of indigenous peoples and Africans as a labor force for the economic benefit of European powers was a systematic denial of the very principles of liberty and individualism that were being championed by Enlightenment thinkers. The forced labor and brutal treatment of enslaved peoples stood in stark

contrast to the ideals of freedom and equality espoused by thinkers like Erasmus and Luther.

In addition to the transatlantic slave trade, the colonization of the Americas and other regions involved the displacement, subjugation, and genocide of indigenous populations. Despite these practices, colonial powers justified their actions on grounds of religious and racial superiority, often framing the colonization process as a “civilizing mission.” This justification provided a veneer of legitimacy to the economic exploitation and political domination of colonized peoples, further eroding the liberal ideals of liberty and dignity.

**Spanish Colonization and the Valladolid Controversy** The Spanish colonization of the Americas provides one of the clearest examples of the tension between liberal ideas and imperial actions. The Valladolid Controversy (1550–51), a debate between the Dominican friar Bartolomé de las Casas and the philosopher Juan Ginés de Sepúlveda, focused on the rights of indigenous peoples in the Americas. De las Casas argued for the dignity and rights of the indigenous populations, asserting that they were human beings deserving of protection from Spanish exploitation. Sepúlveda, on the other hand, justified the enslavement of indigenous peoples based on their supposed “natural inferiority.”

Although the Valladolid debate highlighted some recognition of the need for humane treatment of indigenous peoples, it did not lead to substantial change in Spanish colonial policy. The Spanish crown continued to sanction policies that allowed for the exploitation and brutalization of indigenous populations, further undercutting the liberal ideas of dignity and equality.

This contradiction between the ideals of liberalism and the reality of colonialism would persist for centuries and was a source of tension in the development of liberal thought. McCloskey might argue that these imperial actions represented a “depreciation” of liberal ideas, as they demonstrated the difficulty of applying these principles beyond the small, homogeneous societies where they had initially taken root.

*Enlightenment Era (18th Century): Growth and Contradictions.*

The Enlightenment era of the 18th century marked a period of tremendous intellectual growth, with philosophers and thinkers challenging old systems of power and authority, particularly those based on religion and monarchies. The ideas that flourished during this period laid the intellectual groundwork for modern liberal democracy, yet they also revealed deep contradictions when applied to various social practices.

**Enlightenment Thinkers and Liberal Ideals** Enlightenment thinkers such as John Locke, Jean-Jacques Rousseau, and Montesquieu were critical in advancing the principles of liberty, equality, and individualism. Locke's concept of natural rights laid the foundation for the belief that individuals possess inherent rights to life, liberty, and property. Rousseau's idea of the "social contract" posited that legitimate political authority is based on the collective will of the people, promoting both freedom and equality. Montesquieu's analysis of the separation of powers in governance highlighted the importance of checks and balances, encouraging political liberty.

These thinkers shared a vision of a society where individuals were free to pursue their interests, protected by a legal framework that guaranteed their rights and liberties. This period also saw the emergence of ideas surrounding the rule of law, individual autonomy, and democratic governance, all of which would profoundly shape the development of modern liberal societies.

**Slavery: A Contradiction in Enlightenment Ideals** Despite the Enlightenment's commitment to liberty and equality, the period was also marked by the persistence of slavery, particularly in European colonies and the Americas. Enlightenment thinkers, including Thomas Jefferson, who espoused the virtues of liberty and the natural rights of man, were themselves slaveholders, highlighting the stark contradiction between their intellectual ideals and their personal practices.

While philosophers like Locke argued for natural rights, the reality of slavery persisted as a central part of the economy in the Americas, particularly in the cultivation of cash crops like sugar and tobacco. The hypocrisy of advocating for freedom while benefiting from the subjugation of enslaved people is a significant contradiction in the Enlightenment's legacy. This issue not only raised moral concerns but also highlighted the limitations of Enlightenment thought in addressing issues of racial inequality and the denial of human dignity to colonized and enslaved peoples.

**Exclusion of Women and Minorities** The liberal ideals championed during the Enlightenment era were largely exclusive. Early liberal frameworks, including key documents like the U.S. Constitution and the French Declaration of the Rights of Man and of the Citizen (1789), were founded on the principles of liberty and equality but notably excluded women, non-property owners, and enslaved people from the rights and privileges they espoused. These exclusions illustrate the limitations of Enlightenment thought in extending its principles to all members of society.

Women, for instance, were largely excluded from the political sphere, with figures like Mary Wollstonecraft challenging these exclusions through works like *A Vindication of the Rights of Woman* (1792). Even though

the Enlightenment era's emphasis on rationality and equality provided the intellectual foundation for women's rights, the movement toward gender equality was slow and incomplete during this period. Similarly, while Enlightenment thinkers criticized monarchies and aristocracies, they did not extend these critiques to racial and gender hierarchies, which remained entrenched in society.

**Economic Inequality** The early capitalist systems that emerged during the Enlightenment period often exacerbated economic disparities, challenging the principle of equality. The rise of capitalist economies and the focus on individual entrepreneurship led to significant wealth accumulation for some, while vast segments of the population continued to live in poverty.

Despite the Enlightenment's commitment to individual rights, the capitalist economies that began to take shape often led to stark economic inequality. The wealth generated by these systems did not trickle down evenly, and the gap between the rich and the poor widened in many societies. In particular, the exploitation of labor, especially through slavery and colonialism, contributed to the creation of vast economic inequalities. This disparity undermined the Enlightenment's ideal of a society based on equal rights and opportunities for all individuals.

**French Revolution: Rhetoric vs. Reality** The French Revolution (1789) is often hailed as a turning point in the pursuit of liberty and equality. The revolution's rhetoric of liberty, fraternity, and equality advanced these ideals in a dramatic and public way, yet the revolution was marked by significant contradictions in practice. While it abolished the monarchy and sought to establish a more egalitarian society, the period following the revolution was also marked by violent political repression, notably during the Reign of Terror (1793–1794), where tens of thousands of perceived enemies of the revolution were executed.

After the fall of the revolutionary government, France would also experience authoritarian rule under Napoleon Bonaparte, who declared himself Emperor, consolidating power in direct contradiction to the republican ideals espoused earlier. Thus, while the French Revolution rhetorically advanced the cause of equality and liberty, the reality of its outcomes was far more complex and inconsistent, with many of the revolution's gains being undermined by violence, instability, and the rise of authoritarianism.

*Industrial Revolution (19th Century): Economic Growth and Social Stratification.*

The Industrial Revolution, which began in the late 18th century and continued throughout the 19th century, fundamentally transformed both



economies and societies. The rise of new industries, technological innovations, and the expansion of capitalist economies greatly increased individual wealth and freedoms in certain sectors of society. However, this period also exacerbated inequalities, social stratification, and exploitation in many others, revealing significant tensions between the ideals of liberalism and the realities of industrial capitalism.

The Industrial Revolution marked the beginning of unprecedented economic growth, particularly in Western Europe and the United States. The mechanization of production, the expansion of global trade networks, and the advent of new technologies such as steam power and the spinning jenny drastically increased productivity and the production of goods. These developments led to the growth of industries, urbanization, and the creation of a new middle class, comprised largely of entrepreneurs, industrialists, and skilled workers.

In theory, the expansion of industrial capitalism should have allowed for greater individual freedom and mobility, as new economic opportunities emerged. The rise of factories and new industries offered individuals the chance to earn wages, participate in the market economy, and accumulate wealth, even if these opportunities were often limited to certain social groups. As a result, some individuals were able to achieve social mobility and economic independence, contributing to the spread of bourgeois values like liberty and entrepreneurship.

Despite the economic growth and the promise of greater wealth and freedom, the Industrial Revolution also revealed significant contradictions in the application of liberal ideas. The rapid expansion of capitalism brought with it serious social and moral challenges, particularly in the areas of labor exploitation, colonial expansion, and state repression. These challenges not only undermined the dignity and equality of many individuals but also highlighted the limitations of liberalism in addressing the harsh realities of industrial society.

**Exploitation of Labor** The rise of industrial capitalism was accompanied by the widespread exploitation of workers. Factory owners, seeking to maximize profits, imposed harsh working conditions on their labor force, particularly in rapidly expanding urban centers. Workers, including women and children, were often subjected to long hours, low wages, and dangerous conditions in factories, mines, and other industrial settings. Child labor was particularly pervasive, as children were employed in hazardous jobs due to their small size and low wages. These practices violated the liberal ideals of individual dignity and equality, as workers were treated as mere commodities to be exploited for economic gain.

The exploitation of labor was further compounded by the lack of adequate labor laws and protections for workers. While the rise of industrial capitalism led to increased production and wealth in some sectors, it simultaneously deepened social inequality and exacerbated the plight of the working class. The harsh working conditions in factories, along with the widespread use of child labor, stood in stark contrast to the liberal ideals of personal freedom and human dignity.

**Colonial Expansion** During the 19th century, European powers intensified their colonial expansion, establishing and maintaining vast empires in Africa, Asia, and the Americas. Colonialism, particularly through the exploitation of natural resources and indigenous labor, was justified through pseudo-scientific racism and ideologies of cultural superiority. These justifications for imperial domination were grounded in the belief that European civilization was superior to that of the colonized peoples, and that it was the “civilizing mission” of the colonizers to impose their values and systems upon indigenous populations.

In many ways, colonialism represented a direct contradiction to the liberal ideas of equality and liberty. While Europe and its colonies enjoyed the benefits of industrial growth, colonized peoples were subjected to exploitation, violence, and cultural assimilation. Colonial systems often denied indigenous populations basic rights and freedoms, reducing them to a subjugated status. This exploitation was particularly evident in the case of forced labor, resource extraction, and the violent suppression of resistance movements.

The oppressive practices of colonialism, alongside the racial ideologies that justified them, demonstrated the ways in which liberal values could be distorted to justify the subjugation of entire populations. The tension between the liberal ideals of equality and the realities of imperialism remains one of the most glaring contradictions of the Industrial Revolution.

**State Repression** In the 19th century, revolutions and uprisings across Europe, such as the Revolutions of 1848, highlighted the growing demand for political and social reforms, including greater representation, universal suffrage, and workers’ rights. These movements sought to expand the reach of liberal ideals, pushing for greater individual freedoms and the redistribution of power.

However, these uprisings were often met with brutal repression by state authorities. In many cases, governments used force to quash dissent and preserve the status quo, curbing the freedoms of individuals and groups advocating for reform. The repressive actions of state authorities during this period demonstrated the limits of liberalism in practice, particularly

when the ruling elites felt threatened by the demands of the working class and political reformers.

While the rhetoric of liberalism advocated for individual rights and the protection of freedoms, the reality was that these ideals were often only extended to certain segments of society, with the state playing a key role in suppressing movements that sought to challenge existing power structures.

**British Empire: A Case of Contradiction** A key example of the tension between liberalism and exploitation during the Industrial Revolution is the British Empire. While Britain was advancing liberal democracy at home, with the expansion of political rights, the abolition of the slave trade, and the development of free-market capitalism, it simultaneously governed colonies like India through an autocratic and exploitative system.

In India, Britain imposed colonial rule through a mix of economic exploitation and political repression, using the colony's resources to fuel Britain's industrial growth. The British-controlled economy in India was designed to serve the needs of the imperial power, with little regard for the welfare of the indigenous population. The economic systems set up in India, such as the export of raw materials and the introduction of taxes on land and agriculture, were deeply exploitative, leaving the population impoverished and subject to colonial authority.

While Britain was championing liberal reforms at home, it simultaneously upheld a system of imperial domination abroad that denied colonial subjects basic rights and freedoms. This contradiction between the rhetoric of liberty and the reality of imperialism highlights the limits of liberal ideas when they were applied in a global context, particularly in the face of economic and political interests that were sustained through exploitation.

*Totalitarianism and Global Conflicts (20th Century).*

The 20th century was marked by two world wars, the rise of totalitarian regimes, and the Cold War, all of which tested the resilience of liberal ideas. While liberal ideals of individual liberty, equality, and human dignity were central to many democratic societies, these values faced intense challenges during this turbulent period. Ideologies like fascism and communism, colonial exploitation, and the rise of surveillance states presented significant threats to the principles of liberalism, often leading to the erosion or outright denial of fundamental freedoms.

**Fascism and Communism: Ideological Attacks on Individual Liberty and Dignity** One of the most profound challenges to liberalism in the 20th century was the rise of totalitarian ideologies, particularly fascism and communism. These systems of governance directly attacked the

core tenets of liberalism, namely individual liberty, dignity, and equality, replacing them with state control and collective identity.

Fascism, epitomized by Nazi Germany under Adolf Hitler, rejected liberal democratic values in favor of authoritarian rule, nationalism, and militarism. The Nazi regime not only denied individual rights but actively promoted the subjugation, exclusion, and extermination of entire groups of people based on race, religion, and political beliefs. Under the guise of racial purity and national greatness, the Nazis sought to suppress any form of dissent or diversity, violently enforcing conformity to the state's ideologies. The Holocaust became the ultimate expression of this totalitarian impulse, where millions of Jews, along with other minorities, political dissidents, and disabled individuals, were systematically murdered, effectively annihilating their dignity and equality.

Communism, as practiced under Stalin in the Soviet Union, similarly rejected liberal individualism in favor of state control over nearly every aspect of life. Under Stalinism, political freedoms were stripped away, and a cult of personality around the leader was established. The state imposed strict censorship, persecution of political opponents, and widespread surveillance, all in the name of creating a classless society. In practice, however, this system denied individual autonomy and concentrated power in the hands of the state. The Great Purge of the 1930s, where millions were executed or sent to labor camps, illustrates how communist totalitarianism, while claiming to promote equality, resulted in widespread oppression and the denial of individual rights.

Both fascism and communism posed severe challenges to the principles of liberal democracy, where individual freedom, rights, and dignity were fundamental. These regimes replaced personal autonomy with collective control, subordinating individual desires and freedoms to the will of the state.

**Colonial Exploitation: A Continuation of Imperial Denial of Equality and Self-Determination** While the 20th century saw the rise of anti-colonial movements around the world, European powers, particularly Britain, France, and Belgium, continued to cling to their colonies well into the century. These powers maintained control over vast territories in Africa, Asia, and the Caribbean, denying millions of people the right to self-determination and equality.

Colonialism during this period was justified under the banner of "civilizing missions," yet the reality of colonial rule was one of exploitation, racial discrimination, and systemic inequality. In Africa, India, and Southeast Asia, the colonizing powers extracted valuable resources and labor

while subjecting indigenous populations to harsh, exploitative conditions. In many cases, colonized peoples were treated as second-class citizens, denied political representation, and subjected to laws that marginalized them from participating fully in the economic or political life of their countries.

Anti-colonial movements, led by figures like Mahatma Gandhi in India and Kwame Nkrumah in Ghana, sought to challenge this system and secure the right of colonized peoples to govern themselves and enjoy equal rights. Yet, despite these movements, many European powers fought to retain their colonies, often resorting to violence and repression to suppress the push for independence. The persistence of colonialism during this time reflected the broader failure of liberal ideas to be fully realized in global governance, as the promise of equality and self-determination was repeatedly denied to colonized populations.

**Surveillance States: The Erosion of Freedoms in the Name of Security** During the Cold War, both capitalist and communist states employed extensive surveillance systems and repressive measures in the name of national security. The ideological conflict between the Soviet Union and the United States led to widespread fear and suspicion, particularly concerning espionage, subversion, and ideological contamination. In both the Eastern and Western blocs, governments responded to these fears by curbing individual freedoms and instituting surveillance states.

In the Soviet Union, the KGB and other secret police agencies maintained strict control over the population, conducting surveillance on citizens, infiltrating political and intellectual groups, and eliminating perceived threats to the regime. This level of state control stifled dissent, independent thought, and personal freedom, and dissenters were often imprisoned, exiled, or executed. The state not only monitored the political activities of its citizens but also controlled aspects of personal life, reinforcing the lack of individual autonomy in a totalitarian state.

In the United States, the McCarthy era saw a different form of repression, as the government aggressively investigated and blacklisted individuals suspected of communist sympathies. This period of fear and suspicion, while not as severe as the Stalinist purges, nevertheless violated civil liberties and contributed to an environment where personal freedom was curtailed in the name of security. The surveillance of suspected communists and the widespread political repression served as a reminder that even in liberal democracies, freedoms could be eroded in times of crisis, and individual rights were often compromised under the pretext of national security.

The pervasive surveillance and repression during the Cold War, in both communist and capitalist states, illustrated the tension between security

and liberty. While liberal democracies ostensibly valued individual freedoms, wartime fears and ideological conflicts led to actions that violated the very principles of personal autonomy, free speech, and political dissent.

**World War II: A Tragic Example of the Denial of Dignity and Equality** The events of World War II serve as one of the most extreme examples of the denial of liberal ideals, particularly in the form of the Holocaust. The systematic extermination of six million Jews by Nazi Germany, along with millions of others deemed “undesirable,” including Romani people, disabled individuals, and political opponents, exemplified the complete negation of human dignity, liberty, and equality. The Holocaust was a direct assault on the value of human life, and the Nazi regime’s ideology promoted a vision of society built on racial purity, exclusion, and dehumanization, all in direct opposition to the liberal values of equality and individual dignity.

In the context of wartime governance, even liberal democracies like Britain and the United States implemented authoritarian measures that curtailed individual freedoms. In the United States, the internment of Japanese-Americans during the war, without due process, serves as a tragic example of how wartime security concerns can lead to the suspension of civil liberties. Despite the rhetoric of democracy and individual rights, these actions revealed the vulnerability of liberal values in times of global conflict.

*Late 20th and Early 21st Century: Neoliberalism and Erosion of Social Equality.*

The late 20th and early 21st centuries marked a period of profound political, economic, and social change, highlighted by the end of the Cold War, the rise of neoliberalism, and the increasing dominance of global capitalism. While the fall of the Soviet Union in 1991 was hailed as the triumph of liberal democracy and capitalism — ushering in an era that Francis Fukuyama famously referred to as the “end of history“ — this period of optimism was short-lived. New challenges to liberal ideas emerged, particularly in the form of neoliberal economic policies, the erosion of privacy, and the rise of populism and illiberal democracy. These developments have often undermined the social equality that is central to liberalism, exposing deep flaws in the liberal order and creating new tensions between economic liberty and social justice.

**Neoliberalism: Prioritizing Economic Liberty Over Social Equality** Neoliberalism emerged as the dominant economic ideology from the 1980s onward, with leaders like Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom advocating for free-market poli-

cies, deregulation, and a reduced role for the state in economic affairs. Neoliberalism championed the idea that economic liberty, through market competition and privatization, would lead to increased prosperity for all. The theory posited that by removing government intervention in markets, businesses would thrive, leading to greater wealth creation that would “trickle down” to all levels of society.

However, in practice, neoliberal policies often prioritized economic liberty over social equality, resulting in significant wealth disparities and growing inequality. The deregulation of financial markets, tax cuts for the wealthy, and the reduction of welfare programs led to a concentration of wealth among the top echelons of society, while many middle- and lower-income populations experienced stagnant wages, job insecurity, and reduced access to social services. Neoliberalism also undermined social cohesion, as communities were increasingly fragmented by economic forces, with many people left behind in the wake of globalization and industrial decline.

The rise of global capitalism exacerbated these inequalities, with multinational corporations growing in power while the state, under neoliberalism, withdrew from social responsibilities. In many countries, the promise of prosperity through free markets remained unfulfilled for the majority, and social mobility became increasingly difficult. These trends challenged the liberal ideals of equality and dignity, as the economic systems that were meant to promote individual freedom often resulted in greater divisions within society.

**Erosion of Privacy: Mass Surveillance in the Digital Age** In the 21st century, the rise of digital technologies and the internet has brought about unprecedented changes in how information is collected, stored, and analyzed. However, these technological advances have also led to the erosion of privacy, which is a key component of individual liberty and dignity. Both governments and corporations have engaged in mass surveillance, collecting vast amounts of data on individuals, often without their consent or awareness.

Governments, citing national security concerns, have implemented extensive surveillance programs. The U.S. government’s revelations about the National Security Agency’s (NSA) surveillance practices, particularly after the leaks by Edward Snowden in 2013, exposed the extension to which governments are monitoring citizens’ communications and online activities. This surveillance culture has led to significant concerns about the infringement of civil liberties, as it becomes increasingly difficult for individuals to maintain privacy in an interconnected world.

Corporations, driven by the pursuit of profit, have also contributed to the erosion of privacy. Social media platforms, online retailers, and tech companies gather vast amounts of personal data to target consumers with advertising and to optimize their business models. The commodification of personal data has raised questions about who controls this information and how it is used. The erosion of privacy in the digital age undermines the concept of individual autonomy, as people's actions, preferences, and identities are increasingly tracked, stored, and potentially exploited.

The loss of privacy is a significant challenge to liberal ideas, as it compromises individuals' ability to live free from surveillance and to control their personal information. This development has prompted debates about the balance between security and liberty, and whether the widespread monitoring of individuals is justified in the name of national security or economic gain.

**Populism and Illiberal Democracy: National Identity vs. Individual Rights** In recent years, populist movements have emerged across the globe, challenging the foundations of liberal democracy. In countries like the United States, Hungary, Poland, and Brazil, populist leaders have tapped into widespread dissatisfaction with the political establishment, promising to restore national sovereignty and traditional values. These movements often frame the struggle in terms of a conflict between national identity and the rights of individuals, suggesting that liberal ideas of universal rights and equality are in conflict with the interests of the nation.

Populist leaders often criticize the liberal establishment for promoting multiculturalism, immigration, and globalism, accusing it of undermining national unity and traditional values. These movements frequently adopt illiberal approaches to governance, challenging the rule of law, attacking the media, and undermining democratic institutions. Populists argue that the liberal order has failed ordinary people, and that the state should prioritize the interests of the nation and its people over the rights of minorities or immigrants.

While populism can draw attention to valid grievances regarding economic inequality and cultural dislocation, it also represents a rejection of key liberal principles, such as individual rights and freedoms. Populist movements often seek to curtail the rights of certain groups, whether based on ethnicity, religion, or political ideology, in favor of a vision of national unity that is defined in exclusionary terms. This illiberal turn represents a direct challenge to the values of equality, dignity, and individualism that are central to liberalism.



**2008 Financial Crisis: The Fragility of Equality Under Neoliberal Capitalism** The 2008 financial crisis provided a stark illustration of the fragility of social equality under neoliberal capitalism. The crisis, triggered by the collapse of the housing bubble and the reckless practices of financial institutions, resulted in widespread economic hardship. While the wealthy and powerful were bailed out through government intervention, millions of ordinary citizens suffered the consequences, losing jobs, homes, and savings. The crisis exposed the inherent contradictions of neoliberalism: while the market was free to operate in the interests of the few, the state intervened to protect the system from its own excesses, leaving ordinary people to bear the brunt of the fallout.

The financial crisis highlighted how the promise of prosperity through free markets had largely failed to deliver for the majority, leading to greater inequality and economic insecurity. It also exposed the weakness of social safety nets under neoliberal policies, as many people found themselves with little support in the face of economic disaster. The crisis fueled widespread anger and distrust in the political and economic systems, leading to calls for reform and greater regulation of financial institutions.

The aftermath of the 2008 financial crisis has contributed to the growing sense of disillusionment with neoliberalism and has helped fuel populist movements that seek to address the perceived failures of capitalism and globalism. The crisis not only demonstrated the fragility of economic equality under neoliberalism but also exposed the deep vulnerabilities of social cohesion when economic systems prioritize wealth accumulation for a few over the welfare of the many.

*Current Trends: Polarization and the Crisis of Liberal Democracy.*

The early 21st century has been marked by significant challenges to liberal values, with increasing political polarization, rising authoritarianism, and urgent environmental crises threatening the foundations of liberal democracy. These challenges expose the vulnerabilities of liberal ideals, particularly when faced with deepening social divisions, threats to individual freedoms, and global injustices that undermine principles of equality, dignity, and mutual respect.

**Political Polarization: Undermining Equality and Mutual Respect** In liberal democracies around the world, political polarization has reached new heights, with deepening ideological divides creating rifts within societies. Partisan divides have begun to undermine the principle of equality, as groups with opposing views become less willing to engage in constructive dialogue and more inclined to see one another as enemies rather

than fellow citizens. This growing polarization fosters an environment of mutual distrust, where citizens are increasingly skeptical of one another and the institutions that are meant to serve them.

Polarization not only erodes the public's ability to engage in democratic processes but also weakens the institutions that uphold liberal democracy. Political parties have increasingly focused on stoking division and emphasizing identity politics rather than finding common ground. As a result, public discourse becomes more combative, less empathetic, and increasingly characterized by "us versus them" rhetoric. The erosion of mutual respect between political opponents poses a significant threat to the democratic process, which relies on the ability to negotiate differences and compromise.

The damage caused by political polarization is also evident in the growing lack of faith in democratic institutions, such as the media, the judiciary, and political parties. Distrust in institutions not only weakens social cohesion but also provides fertile ground for populist and authoritarian movements that promise to "restore order" and protect national unity, often at the expense of individual rights and freedoms.

**Climate Injustice: Disproportionate Impacts on Marginalized Populations** Another significant challenge to liberal values in the 21st century is the growing environmental crisis, particularly climate change. While climate change affects the entire planet, its impacts are disproportionately felt by marginalized populations, including those living in the Global South, indigenous communities, and low-income populations. These groups are often the least responsible for the environmental damage but suffer the most from its effects, including extreme weather events, rising sea levels, food and water scarcity, and displacement due to environmental degradation.

Climate change exacerbates global inequality, undermining the liberal ideals of equality and dignity. Those who are already vulnerable face even greater hardships, and their voices are often ignored in international negotiations or policymaking processes. The unequal distribution of the impacts of climate change is a glaring example of how economic and social disparities intersect with environmental crises, further entrenching global injustice.

The failure of wealthy nations, which have historically contributed the most to global carbon emissions, to take meaningful action on climate change has further deepened global divides. The resistance to climate justice reflects a fundamental challenge to liberal democracy: how to balance individual freedoms with the collective responsibility to address global issues that affect the common good. In this context, climate change repre-

sents not just an environmental problem but a moral and political challenge that tests the commitment to equality, human dignity, and justice.

**Erosion of Trust: Misinformation and Declining Faith in Democratic Institutions** The digital age has brought about an explosion of information, but it has also facilitated the spread of misinformation and disinformation. The rise of social media platforms and the decline of traditional news sources have made it easier for falsehoods and conspiracy theories to spread, creating confusion and distrust. This proliferation of misinformation undermines the foundation of democratic decision-making, as citizens become increasingly unable to discern fact from fiction. The erosion of trust in information sources further deepens the political divide, as people gravitate towards echo chambers that reinforce their existing beliefs, rather than engaging with diverse viewpoints.

This decline in trust extends beyond the media and into the very institutions of democracy. Elections, the judiciary, and law enforcement agencies are increasingly viewed with suspicion, especially when people feel that these institutions are either ineffective or biased. The weakening of trust in democratic institutions poses a direct threat to the survival of liberty and individualism, as faith in the mechanisms that protect individual rights and freedoms diminishes.

As democracy becomes more vulnerable to manipulation and disinformation, the potential for authoritarian figures to exploit these weaknesses increases. Leaders who undermine democratic norms can capitalize on public disillusionment, further eroding the foundations of liberal democracy.

**Authoritarian Drift: The Erosion of Freedoms and Checks on Power** In the past two decades, we have witnessed a troubling trend of authoritarian drift in several countries that were once seen as stable liberal democracies. Leaders in countries such as Turkey, Hungary, and India have gradually eroded democratic freedoms and checks on their power, even while maintaining the formal appearance of democratic systems. These leaders have increasingly concentrated power in the executive, undermined the independence of the judiciary, restricted freedom of the press, and curtailed political opposition.

In Turkey, President Recep Tayyip Erdoğan has cracked down on political opposition, imprisoned journalists, and implemented constitutional changes that consolidate his power. His government has increasingly targeted dissidents and suppressed protests, undermining democratic institutions in favor of an authoritarian regime. Similarly, Hungary's Viktor Orbán has gradually dismantled democratic checks and balances, undermined judicial independence, and targeted civil society organizations that

challenge the government, all while presenting himself as a defender of Hungarian sovereignty and traditional values.

In India, Prime Minister Narendra Modi's government has promoted a vision of national identity rooted in Hindu nationalism, which has led to the marginalization of religious minorities, particularly Muslims. The government has also sought to suppress dissent by curbing press freedoms and restricting political opposition, while framing these actions as necessary to preserve national unity. These developments have raised concerns about the erosion of democratic freedoms and the rise of illiberal democracy, where formal democratic processes are maintained, but core liberal values of equality and individual rights are undermined.

The authoritarian drift in these countries highlights the vulnerability of liberal democracies in the face of populist movements and rising nationalism. While these leaders often maintain democratic façades, their actions reflect a broader trend of undermining democratic norms and concentrating power in ways that erode individual freedoms and the rule of law.

*Sum up.*

The capital of liberal ideas — liberty, equality, dignity, and individualism — has faced persistent erosion due to systemic inequalities, authoritarianism, and structural contradictions. While these ideals have inspired transformative movements, their practical implementation has often been compromised by historical, cultural, and economic forces. Understanding this complex trajectory highlights the importance of protecting and revitalizing liberal values in contemporary societies.

### 5.2.3. *Accumulation of Liberal-Idea and Cultural Transformation*

$$\int_0^{A_t} x_{it} di = K_t. \quad (3)$$

In this framework, Equation (3) reflects the accumulation of liberal ideological capital  $K_t$ , which is the sum of all the  $x_{it}$  varieties of liberal ideology in society in a given time period, up to the  $A_t$  variety. Here,  $x_{it}$  stands for individual liberal ideas such as dignity, liberty, and equality, which are central to the cultural transformation. McCloskey argues that the unprecedented economic growth known as the “Great Enrichment” was not driven by capital accumulation or institutional reforms, but by the social acceptance of these liberal ideas. Liberal idea capital  $K_t$  is the cumulative stock of these ideas that allows society to innovate, take risks, and pursue economic improvement. Diversity, or extension of liberal ideas  $A_t$  indi-

icates the extension to which these ideas have diversified and proliferated in society. As new ideas emerge and become integrated into the cultural consciousness, the stock of liberal ideological capital grows, thereby enhancing the potential for economic growth and innovation. McCloskey argues that it is this cultural and discursive shift - the “bourgeois revaluation” - that enables ordinary people, especially bourgeois ordinary people, to engage in creative and entrepreneurial activities. As the variety of liberal ideas grows, so do the social norms that promote dignity, liberty, and business values, creating a positive feedback loop that further drives innovation and growth. This equation summarizes McCloskey’s view that it is ideas, not material resources or institutions, that are the primary drivers of economic prosperity. The accumulation of liberal-idea capital, as represented by  $K_t$ , is central to understanding how societies that espouse the bourgeois virtues of innovation, individual liberty, and respect for personal dignity have been able to achieve the remarkable economic progress of the modern era.

*The Republic of Entrepreneurs.*

Unlike traditional models of economic growth, such as Schumpeter’s, where innovations are attributed to a small group of elite entrepreneurs, we argue that innovations can emerge from the general public. A key example of this is the Industrial Revolution, where important figures like James Watt and Richard Arkwright, although not from elite backgrounds, came from ordinary families. During this time, the widespread access to practical knowledge and scientific experiments empowered common people to innovate. James Watt, an instrument maker, improved the steam engine through his studies at the University of Glasgow and collaboration with chemist Joseph Black. His innovation was not the work of an isolated genius but the result of collective experimentation, reflecting the widespread availability of knowledge. Similarly, Richard Arkwright, who started as a barber, revolutionized the cotton industry by inventing the water frame powered by water. His work was based on hands-on learning and community-based approaches, which were especially prominent in industrial hubs like Manchester and Birmingham.

The period is often referred to as the “Republic of Entrepreneurs”, because it involved people from diverse backgrounds in the innovation process. Mechanics’ libraries, public lectures, and technical manuals made scientific knowledge more accessible, enabling skilled workers and craftsmen to contribute to industrial progress. Figures like John Wilkinson, who reformed cannon and cylinder drilling, and James Hargreaves, who invented the spinning jenny, exemplified how grassroots innovation transformed industries.

This inclusive environment of innovation showed that anyone, not just a few exceptional individuals, could contribute to technological advancement. This challenges the conventional view that economic growth relies on the work of a select few and emphasizes the importance of broad societal participation.

The concept of the “Republic of Entrepreneurs” represents a profound shift in how we view economic growth, innovation, and entrepreneurship. In this vision, entrepreneurship is not a rare, elite activity, but a widespread phenomenon that emerges naturally when a society respects the rights, dignity, and freedom of individuals. The term “Republic of Entrepreneurs” captures the spirit of a society where entrepreneurship thrives in a decentralized, inclusive, and dynamic environment. This idea is based on the works of economists like Ludwig von Mises, Friedrich Hayek, Israel Kirzner, and others, who argue that when individuals have freedom, property rights, and access to market signals, they can engage in entrepreneurial activities. In such a society, entrepreneurship isn’t confined to large corporations or a select few innovative individuals but is open to everyone, regardless of their social or economic background. This framework closely aligns with McCloskey’s argument that the economic success of societies, particularly during the Industrial Revolution, was not due to material factors alone but was driven by the cultural embrace of bourgeois virtues, such as respect for individual dignity, freedom, and innovation.

The entrepreneurship discussed here aligns closely with Edmund Phelps’s concept of “mass entrepreneurship,” which suggests that everyone has the potential to innovate. Economic progress and technological innovation do not solely arise from an elite group but from widespread creativity and initiative. Phelps emphasizes the importance of grassroots innovation, arguing that creativity and entrepreneurial ability should be accessible to society as a whole. He asserts that economic dynamism comes from unlocking the creative potential of ordinary people, not just elites. The democratization of innovation fosters decentralized solutions, where workers, small business owners, and citizens contribute to new products, methods, and services, driving economic growth. Phelps’s focus on inclusivity and the belief that everyone can innovate creates a more dynamic society where all people participate in the economic process. Below is a detailed examination of the key features of the Republic of Entrepreneurs, supported by examples.

**Decentralized Innovation** In the Republic of Entrepreneurs, innovation emerges organically from the actions of individuals across society, rather than being orchestrated by a central authority. This decentralized process is based on the idea that knowledge is dispersed among many peo-

ple, not concentrated in the hands of a few. Entrepreneurs act on their localized, personal knowledge — whether about specific consumer needs, technological capabilities, or resource availability — and use this knowledge to create value. The power of decentralized innovation lies in its ability to harness the diverse, specific knowledge of individuals who are closest to the problems they are trying to solve. No single central planner can possess all the necessary information to make optimal decisions for the entire economy. Instead, when individuals are free to innovate based on their knowledge and experience, it leads to a much broader and richer spectrum of ideas and solutions. In early industrial Britain, inventors and innovators like Richard Arkwright and James Hargreaves were able to take advantage of newly emerging scientific and technological knowledge in textiles to create the water frame and the spinning jenny. These were not top-down innovations but emerged from the bottom-up, driven by local craftsmanship and a keen understanding of market needs.

**Opportunity for All** In the traditional view, entrepreneurship is often thought of as the domain of a select few, typically the highly educated, wealthy, or those with access to elite networks. In contrast, the Republic of Entrepreneurs suggests that entrepreneurship is not restricted to any particular class, profession, or level of education. Instead, anyone has the potential to be an entrepreneur, provided they have the freedom to act and respond to market signals. This feature challenges the notion that economic progress is driven only by large, centralized corporations or elite innovators. The idea is that entrepreneurship is inclusive — ordinary people, regardless of their social class or education level, can become entrepreneurs and contribute to economic progress. In modern economies, individuals who start small businesses or side projects are creating jobs and wealth by responding to consumer needs, often without requiring large amounts of capital. For instance, someone starting a food delivery service or a freelance graphic design business can tap into entrepreneurial opportunities and thrive based on their skills and local knowledge.

**Spontaneous Order** Spontaneous order is a key concept in the Republic of Entrepreneurs, and it refers to the natural and self-organizing way that economic activities and innovations unfold in a free market. Entrepreneurs don't need to be guided by a central authority; instead, through their independent actions, they respond to market signals (like consumer demand, prices, or resource availability) and contribute to a broader, coordinated economic system. Spontaneous order leads to efficient coordination across society, even though no single person is in charge of the overall system. This is driven by individuals acting in their self-interest — entrepreneurs seek-

ing to meet market demand and maximize their own success. The result is a dynamic and adaptive economy where supply and demand balance naturally over time, without the need for government intervention or central planning. Consider the rise of ride-sharing apps like Uber or Lyft. These platforms emerged out of a mix of technological advances and the need for more flexible, on-demand transportation. Entrepreneurs capitalized on existing resources (e.g., cars) and used market signals (e.g., consumer demand for better transportation options) to create a new market without central direction. The way the ride-sharing industry scaled and evolved is a result of spontaneous order — it was driven by entrepreneurs responding to local conditions and consumer preferences.

**Freedom to Act** In the Republic of Entrepreneurs, individuals have the freedom to act on their entrepreneurial ideas without unnecessary barriers. This freedom can be in the form of legal protections (such as property rights), a lack of excessive regulation, and the ability to make independent decisions without state interference. Freedom is a foundational element for entrepreneurship because it allows individuals to experiment, take risks, and innovate without fearing undue punishment or restriction. When people are free to act in response to market conditions, they are more likely to explore new ideas, take calculated risks, and contribute to economic growth. Without the freedom to act, entrepreneurship becomes stifled and innovation slows down. In the technology sector, freedom has played a significant role in encouraging rapid innovation. Companies like Google, Apple, and Amazon grew quickly because the legal and economic frameworks allowed entrepreneurs to experiment with new ideas, develop disruptive technologies, and grow rapidly without excessive interference from the government. The same is true for small businesses, which often thrive in environments where there are fewer regulatory burdens.

**Competition and Market Signals** Entrepreneurs are motivated by the need to compete in the marketplace. This competition isn't only about price; it also involves finding better, more efficient ways to meet consumer needs or improving processes. In a republic of entrepreneurs, market signals (such as prices, consumer preferences, and profits) act as guides that entrepreneurs follow to make decisions about where to allocate resources and which opportunities to pursue. Competition drives innovation and improvement. When multiple entrepreneurs are working in the same space, they push each other to innovate, improve efficiency, and offer better products and services. The profit and loss mechanism is the primary way of signaling which businesses are succeeding and which are failing. The market rewards those who are most in tune with consumer demands and the evol-



ing economy. Consider the smartphone industry. Initially dominated by companies like Nokia, new competitors (like Apple and Samsung) emerged, driving innovation in the form of new features, design improvements, and better performance. This competition pushed existing companies to evolve and led to continuous improvements in technology. In a republic of entrepreneurs, this kind of market-driven competition creates a feedback loop where businesses have to stay sharp and adaptive to survive and thrive.

Combining these ideas with McCloskey's analysis, it becomes evident that a cultural shift toward liberty, dignity, and equality is at the core of mass entrepreneurship. McCloskey's focus on empowering ordinary individuals aligns with the view that "everyone can be an innovator," which is central to the idea of Great Enrichment. Mass entrepreneurship is in full harmony with Phelps's notion that grassroots innovation is the key to a vibrant economy. Phelps argues that creativity should be open to all, not just a few, fostering widespread experimentation and risk-taking.

This view is reinforced by McCloskey, who highlights how bourgeois virtues like prudence, responsibility, and innovation have reshaped society's view of economic activity. These virtues helped break down social hierarchies and expand opportunities. By fostering an environment that values individual dignity and the freedom to innovate, society can unlock the creative potential of the entire population, rather than relying on a privileged few. This inclusive approach to innovation not only promotes economic growth but also lays the foundation for a richer, more fulfilling human experience, embodying the ideals of McCloskey and Phelps in creating a vibrant, engaged economy.

The other resource constraints for the economy are given by:

$$H_{At} + H_{Yt} = H_t, \quad (4)$$

$$H_t = h_t L_t, \quad (5)$$

$$h_t = e^{\psi \ell_{ht}}, \quad (6)$$

$$L_t = (1 - \ell_{ht}) N_t, \quad (7)$$

$$N_t = N_0 e^{nt}, \quad (8)$$

where  $\psi > 1$ ,  $N_0 > 0$  and  $n > 0$ . Equations (4) to (8) say that the amount of human capital used in the production of goods and liberal ideas equals the total amount of human capital available in the economy, which is equal to human capital per person  $h$  times the total labor force  $L$ . We simplify the model by assuming there are no dynamics associated with human capital accumulation, and define the labor force to be the population multiplied

by the amount of time that people are not accumulating human capital, whose exogenous growth rate is  $n$ .

#### 5.2.4. *Feedback Loop between Liberal Ideas and Economic Growth*

The relationship between liberal ideas and economic growth creates a self-sustaining feedback loop that drives and supports ongoing economic development. McCloskey points out that the liberal values of liberty, dignity, and equality aren't simply static conditions meant to encourage growth; they are active forces that evolve alongside the economy. As society begins to appreciate the dignity of individuals, especially those involved in business and innovation, it sets the stage for a cycle of growth that perpetuates itself. The acknowledgment of individual rights and expanded economic freedom encourages more people to become entrepreneurs, which in turn fosters further innovation and economic progress.

As the economy grew, the advantages of liberal values became increasingly clear, leading to their broad acceptance and institutionalization. For example, in the 18th and 19th centuries, rising literacy rates and the development of educational institutions enabled more people to acquire the skills necessary to drive innovation and contribute to economic advancement. This growth in human capital not only sparked technological progress but also strengthened cultural values centered on self-improvement and individual empowerment. Early innovators like James Watt and Richard Arkwright proved the value of empowering individuals to freely pursue their ideas, inspiring subsequent generations of innovators.

Simultaneously, as economic prosperity grew, so did the commitment to liberal institutions that safeguarded individual rights, property, and the liberty to innovate. The wealth generated by the Industrial Revolution, for instance, created political pressure for reform, pushing for the expansion of individual rights and the reduction of economic barriers. This process created a virtuous cycle: economic growth generated a need for more inclusive institutions, which in turn provided stability and freedom for continued innovation and growth. McCloskey's argument underscores how the spread of liberal ideas and economic growth are deeply interconnected, with each reinforcing the other in a continuous, progressive cycle.

Ultimately, McCloskey argues that the Great Enrichment wasn't just the result of technological progress or the accumulation of knowledge. It stemmed from a cultural transformation that recognized the significance of individual liberty and dignity. This transformation created an environment where people could innovate, take risks, and contribute to economic growth.

The feedback loop between liberal ideology and economic prosperity has thus become a core driver of sustained development, with cultural values and economic incentives working together to propel the remarkable growth of the past two centuries.

### 5.3. Formalizing the Framework

To further formalize the framework, we combine McCloskey's emphasis on cultural and ideological transformations with Jones's focus on technological ideas. This creates a more comprehensive understanding of how ideas drive economic growth, particularly those cultural shifts that enable the effective use of technological advances. The framework thus captures the essence of the Great Enrichment, seeing it as the result of cultural and ideological transformations that foster environments of liberty, dignity, and innovation. While scientific and technological ideas play a critical role in increasing productivity, their ability to thrive and generate long-term growth depends heavily on the cultural and institutional context in which they are applied.

McCloskey argues that technological advances alone are insufficient; they need the right cultural backdrop to succeed. Technological progress cannot lead to sustained growth unless it occurs in a society that values liberty, honors the dignity of entrepreneurs, and guarantees economic freedom. As such, the framework formalizes the importance of technological knowledge, but also underscores the pivotal role of culture and ideology in its diffusion and application. By prioritizing cultural transformation, this framework identifies the true driver of economic growth: a cultural and ideological environment that encourages individual innovation and risk-taking. This dual perspective offers a richer explanation for the rapid economic growth seen during periods of Great Enrichment, highlighting the vital role of cultural shifts in enabling technological progress.

Ultimately, this framework argues that cultural transformation is the primary driver of economic growth. While the accumulation of knowledge is crucial for improving productivity, the success of these ideas depends on a supportive cultural and institutional environment. The generation of new ideas interacts with the cultural acceptance of entrepreneurial activity, creating a fertile ground for sustained growth. This suggests that the power of ideas lies not only in their creativity, but also in their acceptance and implementation. Thus, Great Enrichment can be understood as the result of a cultural transformation that has allowed technological advances to take root and spread, with cultural values serving as the true catalyst behind this remarkable economic growth.

Therefore, the production function for the final output good is shown as:

$$Y_t = \left[ \left( \int_0^{A_t} x_{it}^\theta di \right)^{\frac{1}{\theta}} \right]^\alpha H_{Y_t}^{1-\alpha}, \quad (9)$$

where  $0 < \alpha < 1$ ,  $0 < \theta < 1$ . Final output  $Y$  is produced using human capital  $H_Y$ , and a collection of individual liberal ideas  $x_i$ , such as individual liberty, dignity, equality, and the celebration of innovation.  $A_t$  is the extension of liberal ideas at time  $t$ , represents the measure of these intermediate goods that are available at that time. These individual liberal ideas enter the production function through a CES aggregator function, and the elasticity of substitution between intermediate goods is  $1/(1 - \theta) > 1$ .

#### 5.4. Implications for the Great Enrichment

This framework has profound implications for understanding “Great Enrichment”. McCloskey’s analysis emphasizes that it was not just technological advances that drove this unprecedented economic growth, but a profound cultural shift that fundamentally altered society’s values about individuals and their contributions. The adoption of bourgeois values—such as individual liberty, dignity of labor, and liberty to innovate—created an environment in which economic activity was not just tolerated, but celebrated. This cultural reappraisal of economic and entrepreneurial activity breaks down the social barriers that have long shackled growth and enables more people to participate in economic activity and contribute to its expansion.

This shift in cultural attitudes has had a ripple effect on economic development. As more and more people are empowered to innovate and take risks, the overall creativity and productivity of society is boosted. The cultural acceptance of business and entrepreneurial activity as legitimate and noble endeavors has spawned a flood of new ideas and business creations that have fueled sustained economic growth. More importantly, these cultural shifts have also fostered institution-building that protects individual rights and property, providing the stability necessary for sustained economic progress. The interaction between cultural transformation and institution-building ensures that the fruits of growth are not only widespread but also enduring.

Moreover, an emphasis on cultural values helps to explain why Great Enrichment has not occurred simultaneously in other parts of the world. Societies that lacked the foundations of a culture of liberty, dignity and equality failed to achieve similar sustained growth, even with similar tech-

nology. This highlights the critical role of culture in determining the success or failure of economic development. Technological advances alone are not enough; they must be integrated into a cultural environment that values and encourages the use of those technologies. This insight is critical to understanding the conditions required for economic growth, emphasizing the importance of fostering a cultural environment that can support innovation and entrepreneurship.

Going forward, the model must be designed to fully capture the dual importance of technological advances and the cultural environment that supports their development. Models should incorporate not only the economic incentives that drive innovation, but also the cultural and ideological values that can empower individuals to pursue creative liberty. In this way, models will provide a more complete understanding that illuminates the dynamics that drive economic growth, particularly in the context of Great Enrichment, where culture and technology work together to effect social change.

Finally, preferences in this economy take the form:

$$U_t = \int_t^\infty N_s u(c_s, k_s) e^{-\rho(s-t)} ds, \quad (10)$$

$$c_t \equiv \frac{C_t}{N_t}, \quad (11)$$

$$u(c, k) = \log c + \chi \log k, \quad (12)$$

where  $\rho > n$  and  $\chi > 0$ . In contrast to Charles Jones' model, which centers economic growth on ideas and technological progress as primary factors for increasing productivity, we introduces a significant innovation by incorporating liberal-idea capital per capita, denoted as  $k_t$ , directly into the utility function. This innovation reflects a crucial shift in focus, highlighting how cultural and ideological components, such as liberal ideas, contribute directly to human well-being, beyond just enhancing productivity. By adding  $k_t$  to the utility function, the model captures the intrinsic value of liberal ideas, aligning with McCloskey's argument that the cultural transformation favoring bourgeois dignity, liberty, and equality was not just instrumental for economic growth but also fundamentally improved people's quality of life. Liberal-idea capital represents the intellectual, cultural, and societal shifts that grant individuals greater agency and dignity, which, in turn, are essential for enhancing utility.

This modeling approach is highly compatible with McCloskey's analysis of Great Enrichment, which identifies bourgeois virtues and cultural val-

ues of individual dignity and liberty as the central drivers of an economic boom unprecedented since the 18th century. McCloskey argues that the economic transformation stemmed not just from technological progress or capital accumulation, but was driven by a profound cultural change that elevated the social status of the bourgeoisie—that is, those groups engaged in business, innovation, and entrepreneurial activity. This cultural shift enabled ordinary people to participate more actively in economic life, which ultimately drove sustained economic growth.

McCloskey emphasized that respect for bourgeois values such as prudence, innovation, and responsibility played a key role in helping to create and sustain economic vitality in an environment that respected the individual's liberty to pursue economic opportunity, in contrast to the disdain that had often characterized business activity in the past. She noted that an important aspect of Great Enrichment lies in a shift in rhetoric - from skepticism of businesspeople and innovators to a celebration of them as important contributors to society. This shift in perception allows individuals to take economic risks, drive innovation and pursue prosperity without fear of social ostracism or ridicule.

By viewing liberal-idea capital as a form of utility-enhancing capital, the framework reflects McCloskey's people-centered view of economic progress, emphasizing that cultural values are as important as material conditions. McCloskey repeatedly emphasizes that empowering individuals with dignity and liberty, especially in the context of business and innovation, is key to unlocking human potential and enabling people to contribute positively to economic development. Incorporating  $k_t$  into the utility function suggests that the spread of the idea of liberty not only drives economic growth through innovation and entrepreneurship, but also directly enhances individual well-being by creating an environment that enables individuals to fully develop, pursue their interests, and realize their self-worth. This theoretical framework recognizes that economic progress is not merely a matter of accumulating wealth, but of improving people's quality of life by providing space for liberty, dignity and creativity.

In order to pin down all of the quantities in the model, we need to determine the amount of time spent gaining human capital  $\ell_h$ , the amount of consumption  $c$ , the amount of human capital allocated to implement and discover  $H_A$ , and the split of the raw capital of liberal ideas into the various varieties  $\{x_i\}$ .

## 6. ALLOCATING RESOURCES WITH A RULE OF THUMB

Following the constant saving rate assumption in Solow (1956), we define a rule-of-thumb allocation as:

$$\ell_{ht} = \bar{\ell}_h \in (0, 1), \quad (13)$$

$$1 - \frac{C_t}{Y_t} = \bar{s}_K \in (0, 1), \quad (14)$$

$$\frac{H_{At}}{H_t} = \bar{s}_A \in (0, 1), \quad (15)$$

$$x_{it} = \bar{x}_t \equiv \frac{K_t}{A_t} \quad \text{for all } i \in [0, A_t]. \quad (16)$$

Let  $y \equiv Y/N$  denote final output per capita,  $k \equiv K/N$  represent capital of liberal ideas per person, and  $g_x$  denote the exponential growth rate of some variable  $x$  along a balanced growth path. With this allocation chosen, one can now in principle solve the model for all of the endogenous variables at each point in time.

First, because of the symmetric use of intermediate goods in Equation (16), the production function for final output in Equation (9) can be written as:

$$\begin{aligned} Y_t &= \left[ \left( \int_0^{A_t} x_{it}^\theta di \right)^{\frac{1}{\theta}} \right]^\alpha H_{Y_t}^{1-\alpha} \\ &= \left[ \left( \int_0^{A_t} \bar{x}_t^\theta di \right)^{\frac{1}{\theta}} \right]^\alpha H_{Y_t}^{1-\alpha} \\ &= \left[ \bar{x}_t \left( \int_0^{A_t} di \right)^{\frac{1}{\theta}} \right]^\alpha H_{Y_t}^{1-\alpha} \\ &= \bar{x}_t^\alpha A_t^{\frac{\alpha}{\theta}} H_{Y_t}^{1-\alpha} \\ &= K_t^\alpha A_t^{\frac{\alpha}{\theta} - \alpha} H_{Y_t}^{1-\alpha} \\ &= A_t^\sigma K_t^\alpha H_{Y_t}^{1-\alpha}, \end{aligned} \quad (17)$$

where

$$\sigma \equiv \alpha \left( \frac{1}{\theta} - 1 \right). \quad (18)$$

Second, in order to obtain the balanced growth path, from Equation (17) we have:

$$\begin{aligned}
Y_t &= A_t^\sigma K_t^\alpha H_{Y_t}^{1-\alpha} \\
&= A_t^\sigma K_t^\alpha [(1 - \bar{s}_A)H_t]^{1-\alpha} \\
&= A_t^\sigma K_t^\alpha [(1 - \bar{s}_A)h_t L_t]^{1-\alpha} \\
&= A_t^\sigma K_t^\alpha [(1 - \bar{s}_A)h_t(1 - \bar{\ell}_h)N_t]^{1-\alpha}.
\end{aligned} \tag{19}$$

Divided by  $N_t$ , we have:

$$\begin{aligned}
y_t = \frac{Y_t}{N_t} &= A_t^\sigma \left( \frac{K_t}{N_t} \right)^\alpha [(1 - \bar{s}_A)h_t(1 - \bar{\ell}_h)]^{1-\alpha} \\
&= A_t^\sigma k_t^\alpha [(1 - \bar{s}_A)h_t(1 - \bar{\ell}_h)]^{1-\alpha},
\end{aligned} \tag{20}$$

where  $\dot{k}_t$  has the relationship that

$$\begin{aligned}
\dot{k}_t &= \left( \frac{\dot{K}_t}{N_t} \right) = \frac{\dot{K}_t N_t - \dot{N}_t K_t}{(N_t)^2} \\
&= \frac{\dot{K}_t}{N_t} - \frac{\dot{N}_t}{N_t} \frac{K_t}{N_t} \\
&= \frac{Y_t - C_t - \delta K_t}{N_t} - nk_t \\
&= \frac{\bar{s}_K Y_t - \delta K_t}{N_t} - nk_t \\
&= \bar{s}_K y_t - (n + \delta)k_t.
\end{aligned} \tag{21}$$

From the definition of  $g_x$ , we can see that  $k_t$  grow at constant exponential rate along the balanced growth path, i.e.,

$$\dot{k}_t = g_k k_t. \tag{22}$$

Therefore, we have

$$\bar{s}_K y_t^* = (n + g_k + \delta)k_t^*. \tag{23}$$

Substituting into Equation (20), we have that output per capita  $y$  depends on the total extension of liberal ideas, as in

$$y_t^* = (A_t^*)^{\sigma/(1-\alpha)} \left( \frac{\bar{s}_K}{n + g_k + \delta} \right)^{\alpha/(1-\alpha)} h^* (1 - \bar{s}_A)(1 - \bar{\ell}_h). \tag{24}$$



The capital of liberal ideas has played a transformative role in driving economic growth, particularly during what McCloskey calls the “Great Enrichment” - a period that began in the 18th century and continues today. The capital of liberal ideas allows ordinary people, especially members of the bourgeoisie, to pursue business opportunities, invent new technologies, and participate freely in trade without fear of repression by the aristocracy or government.

This shift marked a radical change from the social hierarchies that had constrained economic activity in the past. In past centuries, economic roles were typically determined by birth and social class, and such fixed roles limited the sources of innovation to the ruling class alone, inhibiting the entrepreneurial spirit of ordinary people. But as ideas of liberty and dignity spread, individuals began to be seen as independent, autonomous individuals capable of contributing to the economy, and no longer as vassals of a rigid social order. McCloskey emphasizes that this shift in outlook brought about what she calls a “reevaluation of bourgeois virtues,” such as thrift, hard work, and innovation, which were once despised by aristocratic societies and became increasingly respected.

McCloskey criticizes the new institutionalism’s emphasis on the role of institutions, arguing that the main driver of economic growth is not institutions such as property rights or constitutions, but rather the wider social acceptance of liberal ideas, especially those that advocate the dignity of the common man and economic liberty. Institutional change, she argues, occurs incrementally with the spread of libertarian ideas, not the other way around. Indeed, institutional change usually lags behind the arrival of economic growth, which is really driven by a shift in cultural and linguistic values about business and innovation.

McCloskey further emphasizes that “ideas, not capital or institutions” make the world rich, an argument that is critical to our understanding of how new ideas of liberty and dignity drive economic growth. The spread of these ideas to northwestern Europe and the United States created a fertile ground for innovation. Entrepreneurs, inventors, and common people were encouraged to experiment, take risks, and pursue new business opportunities, knowing that their personal liberty and economic contributions would be respected and rewarded. This cultural shift toward respecting the dignity of all people—regardless of their social class—brought about explosive advances in technology and business.

The impact of these ideas was seen not only in the technological advances of the time, but also in broader social changes. The spread of Enlightenment ideas, the rise of democratic political institutions, and the

popularization of new means of communication, such as the printing press, deepened respect for liberty and dignity, especially among the emerging middle class. These changes not only promoted a more inclusive economic environment, but also provided fertile ground for the liberal development of ideas, which in turn facilitated the rapid accumulation of knowledge and technological breakthroughs. As a result, as described in Equation (24), the extension of ideas increased dramatically as more people were given the opportunity to participate in the exchange of ideas.

Ultimately, the new idea of liberty and dignity not only liberates individuals to engage in economic activity, but also changes society's attitudes toward innovation, risk, and entrepreneurship. By honoring the liberty and contributions of each individual, these libertarian ideas fueled Great Enrichment, driving sustained economic growth through the generation of new ideas, technologies, and business models.

From the production-implication-realization function for new liberal ideas (Equation 1), along the balanced growth path, we also have:

$$\frac{\dot{A}_t}{A_t} = \frac{vH_{At}^\lambda}{A_t^{1-\phi}} = g_A. \quad (25)$$

Therefore,

$$(A_t^*)^{1-\phi} = \frac{v}{g_A} (H_{At}^*)^\lambda, \quad (26)$$

i.e., the extension of liberal ideas is increasing in the effort of spreading liberty, dignity, equality, and individualism in the society, adjusted for their human capital,

$$A_t^* = \left( \frac{v}{g_A} \right)^{1/(1-\phi)} (H_{At}^*)^{\lambda/(1-\phi)}. \quad (27)$$

played a key role in shaping the trajectory of economic growth by generating and disseminating transformative ideas, and their contributions were made possible by the widespread social acceptance of new liberal values. McCloskey emphasized that it was the reassessment of the bourgeoisie and the general population, and the recognition of their dignity and liberty, that led to the dramatic growth of innovation. Unlike previous eras, when innovation was limited to a small elite, the liberal values of the eighteenth and nineteenth centuries provided new opportunities for broader segments of society to contribute ideas and inventions. McCloskey argues that it was ideas, not capital or institutions, that drove the economic boom, and that

these ideas were generated by a new group of implementer, discoverer and entrepreneurs who were finally free to experiment and innovate.

McCloskey emphasizes that prior to this ideological shift, most societies were structured around strict hierarchies that stifled creativity. In contrast, the spread of liberal ideas, especially those that valued individual liberty and human dignity, freed implementers and discoverers from these restrictions. As a result, individuals who might have been relegated to lower social or economic roles under the traditional system were now encouraged to engage in intellectual and economic pursuits. The influx of new implementers and discoverers dramatically expanded the extension of ideas and promoted technological progress and innovation, thereby contributing to the “Great Enrichment”. By recognizing the dignity of all human beings, society gave more people the liberty to participate in the creation of knowledge and the exploration of new ideas.

McCloskey criticizes Douglas North’s emphasis on institutions as the main driver of economic growth. Instead, she argues that it is society’s acceptance of liberal ideas that allows intellectual and economic creativity to flourish. These new ideas about liberty and dignity not only empowered a few, but created an environment in which more implementers and discoverers could thrive. McCloskey argues that the institutional changes emphasized by North were the result of these new ideas, not the cause of economic growth. By freeing individuals from the constraints of hierarchy, society saw an unprecedented expansion of intellectual capital.

McCloskey also emphasized that a reassessment of bourgeois virtues, such as hard work, innovation, and entrepreneurship, played a key role in fostering this environment. She explains that this cultural change, which valued practical creativity over aristocratic privilege, enabled countless implementers and discoverers, such as Benjamin Franklin and Adam Smith, to come up with new ideas that revolutionized industry and the economy. This shift to a pro-bourgeois discourse and the recognition of dignity in ordinary work stimulated innovation not only in business but also in science, technology, and the arts.

Liberal values that empowered new implementers and discoverers also created a virtuous circle: as more and more people were encouraged to engage in implement and intellectual inquiry, the extension of ideas increased, leading to further economic growth. This is consistent with the insights of Equation (27), which emphasizes that the more implementers and discoverers an economy has, especially those with human capital, the more ideas are generated. The proliferation of ideas leads to higher productivity and sustained economic growth. McCloskey supports this idea by showing how

an ideological shift that values liberty and dignity leads to a society where more people can contribute their talents and creativity for the betterment of all.

In short, an ideological shift that values liberty and dignity makes possible the emergence of new implementers and discoverers. As McCloskey argues, this cultural reappraisal allowed individuals to participate extensively in the marketplace of ideas, fostering a period of rapid innovation and economic growth. Driven by a newfound respect for bourgeois virtues and personal dignity, the proliferation of these implementers and discoverers created a self-sustaining cycle of knowledge creation that fueled the “Great Enrichment.”

The system and capital followed these ideas, but the main force behind this era of prosperity was the emancipation of ordinary people, who could think, create and innovate.

Combining Equations (24) and (27), output per capita along the balanced growth path is an increasing function of implement, which in turn is proportional to the labor force,

$$y_t^* \propto (H_{At}^*)^\gamma = (h\bar{s}_A L_t)^\gamma, \quad (28)$$

where

$$\gamma \equiv \frac{\sigma}{1-\alpha} \frac{\lambda}{1-\phi}. \quad (29)$$

Finally, taking logs and derivatives of these relationships, one gets the growth rates along the balanced growth path,

$$g_y = g_k = \frac{\sigma}{1-\alpha} g_A = \gamma g_{H_A} = g \equiv \frac{\sigma}{1-\alpha} \frac{\lambda}{1-\phi} n. \quad (30)$$

The new ideas of liberty and dignity have had a transformative impact on economic growth, particularly by fostering an environment where individuals are empowered to innovate and pursue entrepreneurial activities. The cultural shift towards valuing personal liberty and the dignity of individuals allowed for the emergence of a new class of innovators, entrepreneurs, implementers and discoverers who were previously constrained by rigid social hierarchies and traditional power structures. In societies that embraced these liberal ideas, individuals were no longer viewed merely as subjects of aristocratic or governmental control, instead, they were seen as capable and valuable contributors to society’s progress. This cultural reorientation

encouraged the liberal exchange of ideas and the protection of property rights, which are essential for fostering creativity and economic development. People were motivated to engage in productive activities, knowing that their innovations and labor would be respected and rewarded.

## 7. THE OPTIMAL ALLOCATION OF RESOURCES

Next we will consider is the optimal allocation in order to solve for the allocation of resources that maximizes welfare. In solving for the optimal allocation of resources, first we setup the current-value Hamiltonian:

$$\mathcal{H}_t = u(c_t, k_t) + \mu_{1t} [y_t - c_t - (n + \delta)k_t] + \mu_{2t} v s_{At}^\lambda h_t^\lambda (1 - \ell_h)^\lambda N_t^\lambda A_t^\phi, \quad (31)$$

where

$$y_t = A_t^\sigma k_t^\alpha \left[ (1 - s_{At}) h_t (1 - \ell_h) \right]^{1-\alpha}. \quad (32)$$

The optimality conditions with respect to control variables  $c$  and  $s_A$  are given as:

$$\frac{\partial \mathcal{H}}{\partial c_t} = u_c(c_t, k_t) - \mu_{1t} = 0, \quad (33)$$

$$\frac{\partial \mathcal{H}}{\partial s_{At}} = \mu_{1t} \left[ -(1 - \alpha) \frac{y_t}{1 - s_{At}} \right] + \mu_{2t} \lambda \frac{\dot{A}_t}{s_{At}} = 0, \quad (34)$$

The Euler equations are:

$$\frac{\partial \mathcal{H}}{\partial k_t} = \bar{\rho} \mu_{1t} - \dot{\mu}_{1t} = u_k(c_t, k_t) + \mu_{1t} \left[ \frac{\partial y_t}{\partial k_t} - (n + \delta) \right], \quad (35)$$

$$\frac{\partial \mathcal{H}}{\partial A_t} = \bar{\rho} \mu_{2t} - \dot{\mu}_{2t} = \mu_{1t} \sigma \frac{y_t}{A_t} + \mu_{2t} \phi \frac{\dot{A}_t}{A_t}. \quad (36)$$

where  $\bar{\rho} = \rho - n$  is the effective rate of time preference.

First, from Equation (33), we have

$$\mu_{1t} = u_c(c_t, k_t) = c_t^{-1}. \quad (37)$$

Differentiating with respect to time  $t$  yields:

$$\dot{\mu}_{1t} = u''(c_t) \cdot \dot{c}_t = -c_t^{-2} \cdot \dot{c}_t. \quad (38)$$

Combining with Equations (35) and (38), we have

$$\bar{\rho}c_t^{-1} + c_t^{-2} \cdot \dot{c}_t = \frac{\chi}{k_t} + c_t^{-1} \left[ \frac{\partial y_t}{\partial k_t} - (n + \delta) \right]. \quad (39)$$

Rearranging Equation (39), we can see that the optimal allocation of consumption satisfies

$$\frac{\dot{c}_t}{c_t} = \frac{\chi}{k_t} c_t + \frac{\partial y_t}{\partial k_t} - \delta - \rho. \quad (40)$$

Second, rearranging Equation (34), we have

$$\mu_{1t}(1 - \alpha) \frac{y_t}{1 - s_{At}} = \mu_{2t} \lambda \frac{\dot{A}_t}{s_{At}}. \quad (41)$$

Therefore, we can solve for the optimal allocation of labor to implement:

$$\frac{s_{At}^{\text{op}}}{1 - s_{At}^{\text{op}}} = \frac{\mu_{2t}}{\mu_{1t}} \cdot \frac{\lambda \dot{A}_t}{(1 - \alpha)y_t}. \quad (42)$$

where the “op” superscript denotes the optimal allocation, and  $\mu_{2t}/\mu_{1t}$  is essentially the relative price of a new idea in units of output per person. Furthermore, we can define

$$z_t = \frac{\mu_{2t}}{\mu_{1t}},$$

then

$$\begin{aligned} \dot{z}_t &= \frac{\dot{\mu}_{2t}\mu_{1t} - \dot{\mu}_{1t}\mu_{2t}}{(\mu_{1t})^2} \\ &= \frac{\dot{\mu}_{2t}}{\mu_{1t}} - \frac{\dot{\mu}_{1t}}{\mu_{1t}} z_t. \end{aligned} \quad (43)$$

From Equations (35) and (36), we have

$$\dot{\mu}_{2t} = \mu_{2t} \left[ \rho - n - \frac{\mu_{1t}}{\mu_{2t}} \sigma \frac{y_t}{A_t} - \phi \frac{\dot{A}_t}{A_t} \right] \quad (44)$$

and

$$\dot{\mu}_{1t} = \mu_{1t} \left[ \rho - n + (n + \delta) - \frac{\partial y_t}{\partial k_t} \right] - u_k(c_t, k_t) = \mu_{1t} \left[ \rho + \delta - \frac{\partial y_t}{\partial k_t} \right] - \frac{\chi}{k_t}. \quad (45)$$

Therefore,

$$\begin{aligned}\dot{z}_t &= \left[ \rho - n - \frac{\mu_{1t}}{\mu_{2t}} \sigma \frac{y_t}{A_t} - \phi \frac{\dot{A}_t}{A_t} \right] \frac{\mu_{2t}}{\mu_{1t}} - \left[ \rho + \delta - \frac{\partial y_t}{\partial k_t} - \frac{\chi}{k_t \mu_{1t}} \right] z_t \\ &= \left[ -n - \delta - \phi \frac{\dot{A}_t}{A_t} + \frac{\partial y_t}{\partial k_t} - \frac{\chi}{k_t} c_t \right] z_t - \sigma \frac{y_t}{A_t}.\end{aligned}\quad (46)$$

Along a balanced growth path, we know that  $\dot{z}_t = 0$ . Rearranging Equation (46), we have

$$z_t = \frac{\sigma \frac{y_t}{A_t}}{-n - \delta - \phi \frac{\dot{A}_t}{A_t} + \frac{\partial y_t}{\partial k_t} - \frac{\chi}{k_t} c_t}, \quad (47)$$

where

$$\frac{\dot{A}_t}{A_t} = g_A \quad (48)$$

and

$$\frac{\partial y_t}{\partial k_t} - \delta = \rho + g_c - \frac{\chi}{k_t} c_t \quad (49)$$

from Equation (40). Substitute back into Equation (47):

$$z_t = \frac{\sigma \frac{y_t}{A_t}}{\rho + g_c - 2 \frac{\chi}{k_t} c_t - n - \phi g_A}. \quad (50)$$

Using the fact that  $g_Y = g_y + n$ , we can rewrite Equation (42) as:

$$\begin{aligned}\frac{s_{At}^{\text{op}}}{1 - s_{At}^{\text{op}}} &= z_t \cdot \frac{\lambda \dot{A}_t}{(1 - \alpha) y_t} \\ &= \frac{\sigma \frac{y_t}{A_t}}{\rho + g_c - 2 \frac{\chi}{k_t} c_t - (g_Y - g_y) - \phi g_A} \cdot \frac{\lambda \dot{A}_t}{(1 - \alpha) Y_t}.\end{aligned}$$

where  $\rho + g_c$  functions as the effective interest rate for discounting future output to the present.

Third, along a balanced growth path, we have

$$g_c = g_y = g, \quad (51)$$

$$\frac{\partial y_t}{\partial k_t} = \alpha \frac{y_t}{k_t}, \quad (52)$$

and

$$s_K y_t = (n + g_k + \delta)k_t \quad (53)$$

from Equation (23). Substitute back into Equation (40), we have

$$g = \frac{\chi}{k_t} + \left( \alpha \frac{g + n + \delta}{s_K} - \delta - \rho \right). \quad (54)$$

Therefore, the optimal saving rate in this economy along a balanced growth path  $s_K^{\text{op}}$  can be solved as

$$s_K^{\text{op}} = \frac{\alpha(n + g + \delta)}{\rho + \delta + g - \frac{\chi}{k_t^{\text{op}}}}. \quad (55)$$

where  $g$  is the underlying growth rate of the economy, given in Equation (30).

### 7.1. Backing to the optimal allocation with $u(\tilde{c}, \tilde{k}, \tilde{A})$

Denote by  $g_A$  the rate of growth of the extension of liberal ideas in a balanced equilibrium and assume that  $\phi = 1$ . In order to proceed with following analysis of the set of steady states, from Equation (30), we now normalize the variables as follows:

$$\tilde{A} = A \cdot \exp(-g_A t), \quad (56)$$

$$\tilde{c} = c \cdot \exp(-gt), \quad (57)$$

$$\tilde{k} = k \cdot \exp(-gt), \quad (58)$$

$$\begin{aligned} \tilde{y} &= y \cdot \exp(-gt) = A^\sigma k^\alpha \left[ (1 - s_A)h(1 - \ell_h) \right]^{1-\alpha} \cdot \exp(-gt) \\ &= (\tilde{A})^\sigma (\tilde{k})^\alpha \left[ (1 - s_A)h(1 - \ell_h) \right]^{1-\alpha}. \end{aligned} \quad (59)$$

Therefore, the current-value Hamiltonian is:

$$\mathcal{H} = u(\tilde{c}, \tilde{k}, \tilde{A}) + \mu_1 \left[ \tilde{y} - \tilde{c} - (n + \delta)\tilde{k} \right] + \mu_2 \left[ v(s_A h(1 - \ell_h)N)^\lambda - \frac{\sigma}{1 - \alpha} \right] \tilde{A}, \quad (60)$$

where

$$\tilde{y} = (\tilde{A})^\sigma (\tilde{k})^\alpha \left[ (1 - s_A)h(1 - \ell_h) \right]^{1-\alpha}. \quad (61)$$



The optimality conditions with respect to control variable  $c$  is given as:

$$\frac{\partial \mathcal{H}}{\partial \tilde{c}} = u_c(\tilde{c}, \tilde{k}, \tilde{A}) - \mu_1 = 0, \quad (62)$$

$$\frac{\partial \mathcal{H}}{\partial s_A} = -\mu_1(1-\alpha)\frac{\tilde{y}}{1-s_A} + \mu_2\lambda v(s_A h(1-\ell_h)N)^{\lambda-1} \tilde{A} \cdot h(1-\ell_h)N = 0. \quad (63)$$

The Euler equations are:

$$\frac{\partial \mathcal{H}}{\partial \tilde{k}} = \bar{\rho}\mu_1 - \dot{\mu}_1 = u_k(\tilde{c}, \tilde{k}, \tilde{A}) + \mu_1 \left[ \alpha \frac{\tilde{y}}{\tilde{k}} - (n+\delta) \right], \quad (64)$$

$$\frac{\partial \mathcal{H}}{\partial \tilde{A}} = \bar{\rho}\mu_2 - \dot{\mu}_2 = u_A(\tilde{c}, \tilde{k}, \tilde{A}) + \mu_1 \sigma \frac{\tilde{y}}{\tilde{A}} + \mu_2 \left[ v(s_A h(1-\ell_h)N)^\lambda - \frac{\sigma}{1-\alpha} \right]. \quad (65)$$

and the state equations are:

$$\frac{d\tilde{k}}{dt} = (\tilde{A})^\sigma (\tilde{k})^\alpha \left[ (1-s_A)h(1-\ell_h) \right]^{1-\alpha} - \tilde{c} - (n+\delta)\tilde{k}, \quad (66)$$

$$\frac{d\tilde{A}}{dt} = \left[ v(s_A h(1-\ell_h)N)^\lambda - \frac{\sigma}{1-\alpha} \right] \tilde{A}. \quad (67)$$

Therefore,

$$\mu_1 = u_c(\tilde{c}, \tilde{k}) = (\tilde{c})^{-1}, \quad (68)$$

$$\begin{aligned} \mu_2 &= \left[ \lambda v(s_A h(1-\ell_h)N)^{\lambda-1} \tilde{A} \cdot h(1-\ell_h)N \right]^{-1} \mu_1(1-\alpha) \frac{\tilde{y}}{1-s_A} \\ &= \left[ \frac{\lambda v(h(1-\ell_h)N)^\lambda}{1-\alpha} \right]^{-1} (\tilde{A})^{-1} s_A^{1-\lambda} \mu_1 \frac{\tilde{y}}{1-s_A}. \end{aligned} \quad (69)$$

Differentiating with respect to time  $t$  yields:

$$\dot{\mu}_1 = -(\tilde{c})^{-2} \cdot \dot{\tilde{c}}. \quad (70)$$

$$\begin{aligned} \dot{\mu}_2 \cdot \frac{\lambda v(h(1-\ell_h)N)^\lambda}{1-\alpha} &= \frac{s_A^{1-\lambda} \mu_1}{1-s_A} \cdot \frac{(\sigma-1)\tilde{y}}{(\tilde{A})^2} \cdot \dot{\tilde{A}} \\ &\quad + (\tilde{A})^{-1} \mu_1 \left[ (1-\lambda) s_A^{-\lambda} \frac{\tilde{y}}{1-s_A} + \alpha s_A^{1-\lambda} \frac{\tilde{y}}{(1-s_A)^2} \right] \dot{s}_A \\ &\quad - (\tilde{A})^{-1} s_A^{1-\lambda} \frac{\tilde{y}}{1-s_A} (\tilde{c})^{-2} \cdot \dot{\tilde{c}} \\ &\quad + \frac{s_A^{1-\lambda} \mu_1}{\tilde{A}(1-s_A)} \cdot \alpha \frac{\tilde{y}}{\tilde{k}} \cdot \dot{\tilde{k}}. \end{aligned} \quad (71)$$

Substituting out the costate variables  $\mu_1$  and  $\mu_2$  in the Euler equations leads to:

$$\bar{\rho}(\tilde{c})^{-1} + (\tilde{c})^{-2} \cdot \dot{\tilde{c}} = \frac{\chi k}{\tilde{k}} + (\tilde{c})^{-1} \left[ \alpha \frac{\tilde{y}}{\tilde{k}} - (n + \delta) \right], \quad (72)$$

$$\begin{aligned} & \frac{s_A^{1-\lambda}(\tilde{c})^{-1}\tilde{y}}{\tilde{A}(1-s_A)} \left[ \bar{\rho} - v(s_A h(1-\ell_h)N)^\lambda + \frac{\sigma}{1-\alpha} \right] \\ & - \left( \frac{\sigma\tilde{y}}{\tilde{A}\tilde{c}} - \frac{\chi_A}{\tilde{A}} \right) \left[ \frac{\lambda v(h(1-\ell_h)N)^\lambda}{1-\alpha} \right] \\ & = \frac{s_A^{1-\lambda}\mu_1}{1-s_A} \cdot \frac{(\sigma-1)\tilde{y}}{(\tilde{A})^2} \cdot \dot{\tilde{A}} + (\tilde{A})^{-1}\mu_1 \left[ (1-\lambda)s_A^{-\lambda} \frac{\tilde{y}}{1-s_A} + \alpha s_A^{1-\lambda} \frac{\tilde{y}}{(1-s_A)^2} \right] \dot{s}_A \\ & - (\tilde{A})^{-1}s_A^{1-\lambda} \frac{\tilde{y}}{1-s_A} (\tilde{c})^{-2} \cdot \dot{\tilde{c}} + \frac{s_A^{1-\lambda}\mu_1}{\tilde{A}(1-s_A)} \cdot \alpha \frac{\tilde{y}}{\tilde{k}} \cdot \dot{\tilde{k}}. \end{aligned} \quad (73)$$

Rearranging:

$$\frac{\dot{\tilde{c}}}{\tilde{c}} = \frac{\chi k}{\tilde{k}} \tilde{c} + \left[ \alpha \frac{\tilde{y}}{\tilde{k}} - \delta - \rho \right], \quad (74)$$

$$\begin{aligned} & \left[ \bar{\rho} - v(s_A h(1-\ell_h)N)^\lambda + \frac{\sigma}{1-\alpha} \right] \\ & - \left( \frac{\sigma - \chi_A \tilde{c}}{\tilde{y}} \right) \left[ \frac{\lambda v(h(1-\ell_h)N)^\lambda}{1-\alpha} \right] (1-s_A)s_A^{\lambda-1} \\ & = (\sigma-1) \cdot \frac{\dot{\tilde{A}}}{\tilde{A}} + \left[ (1-\lambda)s_A^{-1} + \frac{\alpha}{1-s_A} \right] \dot{s}_A - \frac{\dot{\tilde{c}}}{\tilde{c}} + \alpha \frac{\dot{\tilde{k}}}{\tilde{k}}. \end{aligned} \quad (75)$$

Thus, the equilibrium dynamic system can be summarized as (74), (75) and

$$\begin{aligned} \dot{\tilde{k}} &= \tilde{y} - \tilde{c} - (n + \delta)\tilde{k}, \\ \dot{\tilde{A}} &= \left[ v(s_A h(1-\ell_h)N)^\lambda - \frac{\sigma}{1-\alpha} \right] \tilde{A}. \end{aligned}$$

In the steady state,  $\dot{c} = \dot{k} = \dot{A} = \dot{s}_A = 0$ , namely:

$$0 = \frac{\chi_k}{\tilde{k}^*} \tilde{c}^* + \left[ \alpha \frac{\tilde{y}^*}{\tilde{k}^*} - \delta - \rho \right], \quad (76)$$

$$0 = (s_A^*)^{1-\lambda} \left[ \bar{\rho} - v (s_A^* h (1 - \ell_h) N)^\lambda + \frac{\sigma}{1-\alpha} \right] - \left( \frac{\sigma - \chi_A \tilde{c}^*}{\tilde{y}^*} \right) \left[ \frac{\lambda v (h (1 - \ell_h) N)^\lambda}{1-\alpha} \right] (1 - s_A^*), \quad (77)$$

$$0 = \tilde{y}^* - \tilde{c}^* - (n + \delta) \tilde{k}^*, \quad (78)$$

$$0 = v (s_A^* h (1 - \ell_h) N)^\lambda - \frac{\sigma}{1-\alpha}, \quad (79)$$

$$\tilde{y}^* = (\tilde{A}^*)^\sigma (\tilde{k}^*)^\alpha \left[ (1 - s_A^*) h (1 - \ell_h) \right]^{1-\alpha}. \quad (80)$$

Now, we solve  $\{s_A^*, \tilde{c}^*, \tilde{k}^*, \tilde{A}^*, \tilde{y}^*\}$ , as a function of parameters  $\{\rho, \alpha, \lambda, v, h, \ell_h, N, n, \delta, \sigma, \chi_k, \chi_A\}$ , respectively.

## 7.2. Solving for the long-run steady state

First of all, we aim to reduce the equation system into a single equation for  $c^*$ . Equation (79) implies:

$$s_A^* = \left( \frac{\sigma}{1-\alpha} v \right)^{1/\lambda} (h(1 - \ell_h) N)^{-1}. \quad (81)$$

Rearranging Equations (76) to (78):

$$\chi_k \tilde{c}^* + \alpha \tilde{y}^* = (\delta + \rho) \tilde{k}^*, \quad (82)$$

$$\bar{\rho} s_A^* - \left( \frac{\sigma - \chi_A \tilde{c}^*}{\tilde{y}^*} \right) \left[ \frac{\lambda}{1-\alpha} \cdot \frac{\sigma}{1-\alpha} \right] (1 - s_A^*) = 0, \quad (83)$$

$$\tilde{y}^* = \tilde{c}^* + (n + \delta) \tilde{k}^*. \quad (84)$$

Equation (83) yields:

$$\bar{\rho} s_A^* = \left( \frac{\sigma - \chi_A \tilde{c}^*}{\tilde{y}^*} \right) \left[ \frac{\lambda}{1-\alpha} \cdot \frac{\sigma}{1-\alpha} \right] (1 - s_A^*), \quad (85)$$

that is,

$$\tilde{y}^* = (\sigma - \chi_A \tilde{c}^*) \frac{\lambda \sigma (1 - s_A^*)}{(1-\alpha)^2 \bar{\rho} s_A^*}. \quad (86)$$

Plugging into Equation (84), we have

$$\tilde{k}^* = (n + \delta)^{-1} \left[ \frac{\lambda\sigma^2(1 - s_A^*)}{(1 - \alpha)^2\bar{\rho}s_A^*} - \frac{\lambda\sigma(1 - s_A^*)\chi_A + (1 - \alpha)^2\bar{\rho}s_A^*}{(1 - \alpha)^2\bar{\rho}s_A^*} \tilde{c}^* \right]. \quad (87)$$

Substituting Equations (86) and (87) into (82) results in:

$$\begin{aligned} & \chi_k \tilde{c}^* + \frac{\alpha\lambda\sigma^2(1 - s_A^*)}{(1 - \alpha)^2\bar{\rho}s_A^*} - \frac{\alpha\lambda\sigma(1 - s_A^*)\chi_A}{(1 - \alpha)^2\bar{\rho}s_A^*} \tilde{c}^* \\ & = (n + \delta)^{-1} \left[ \frac{\lambda\sigma^2(1 - s_A^*)}{(1 - \alpha)^2\bar{\rho}s_A^*} - \frac{\lambda\sigma(1 - s_A^*)\chi_A + (1 - \alpha)^2\bar{\rho}s_A^*}{(1 - \alpha)^2\bar{\rho}s_A^*} \tilde{c}^* \right], \end{aligned} \quad (88)$$

that is,

$$\begin{aligned} & (1 - \alpha)^2\bar{\rho}s_A^*\chi_k\tilde{c}^* - \alpha\lambda\sigma(1 - s_A^*)\chi_A\tilde{c}^* + \alpha\lambda\sigma^2(1 - s_A^*) \\ & = (n + \delta)^{-1} [\lambda\sigma^2(1 - s_A^*) - (\lambda\sigma(1 - s_A^*)\chi_A + (1 - \alpha)^2\bar{\rho}s_A^*) \tilde{c}^*]. \end{aligned} \quad (89)$$

After further manipulation, we have:

$$\begin{aligned} \mathcal{F}(\tilde{c}^*) & = [(1 - \alpha)^2\bar{\rho}s_A^*(\chi_k - 1) + (1 - \alpha)\lambda\sigma(1 - s_A^*)\chi_A] \tilde{c}^* \\ & + \alpha\lambda\sigma^2(1 - s_A^*) - \frac{\lambda\sigma^2(1 - s_A^*)}{n + \delta} = 0. \end{aligned}$$

Given the parameter values in Table 1, the steady state can be solved as follows:

$$\tilde{c}^* = 0.7857, \tilde{k}^* = 3.0867, s_A^* = 0.6889, \tilde{A}^* = 2.2856, \tilde{y}^* = 1.4031. \quad (90)$$

### 7.3. Dynamic implications

#### 7.3.1. A stylized fact

The sustained 2% economic growth rate in the United Kingdom and the United States over nearly three centuries, from 1750 to the present, is a remarkable historical phenomenon. This long-term growth trajectory reflects the deep entanglement of liberal ideas with the broader mechanisms of economic development, innovation, and institutional change. McCloskey's work provides crucial insights into understanding this trend, particularly her emphasis on the role of liberal ideas, such as individual liberty, equality, and dignity, in fostering an environment conducive to sustained economic growth. These principles, along with the supportive cultural they engendered, played a key role in creating the conditions for both countries to achieve steady growth over such an extended period.

TABLE 1.

Parameter values for the model

| Parameter | Description   | Value |
|-----------|---|-------|
| $\rho$    | Discount rate   | 0.3   |
| $\alpha$  | The elasticity of output with respect to liberal-idea capital   | 0.6   |
| $\lambda$ | The elasticity of new idea implication and realization with respect to the number of implementers and discoverers | 0.8   |
| $v$       | Rate of the progress of the extension of liberal ideas  | 1.5   |
| $h$       | Human capital per person  | 0.8   |
| $\ell_h$  | The amount of time spent accumulating human capital   | 0.5   |
| $N$       | Initial population  | 10    |
| $n$       | Exogenous growth rate of the population   | 0.1   |
| $\delta$  | Depreciation rate of liberal ideological capital  | 0.1   |
| $\sigma$  | The elasticity of output with respect to the extension of liberal ideas   | 0.6   |
| $\chi_k$  | Weight on the liberal-idea capital in the utility function  | 0.5   |
| $\chi_A$  | Weight on the the extension of liberal-idea capital in the utility function                                       | 0.5   |

McCloskey argues that the key to the “Great Enrichment” of the modern world lies not merely in the accumulation of capital or technological advancements, but in the cultural and intellectual transformations that celebrated bourgeois virtues. From 1750 onward, both the UK and the US embraced the economic potential of free-market capitalism, which, underpinned by liberal principles, encouraged entrepreneurial innovation and risk-taking. Over time, these societies shifted from feudal and aristocratic systems to ones that celebrated the worth and dignity of ordinary people. This cultural shift, what McCloskey refers to as the “Bourgeois Reevaluation,” made it increasingly acceptable to innovate and engage in commerce without the stigma of wealth creation being associated with moral corruption. In this environment, a steady pace of technological and institutional innovation could flourish, laying the foundation for the sustained growth observed in the UK and US.

As McCloskey emphasizes, economic growth of this magnitude was not the result of just physical capital accumulation or technological innovation alone, but the accumulation of liberal-idea capital — the intellectual, social, and cultural assets that promoted values of freedom, dignity, and equality. The shift in attitudes toward the bourgeoisie, where innovation and economic risk-taking were no longer viewed with disdain, created an environment in which entrepreneurs were encouraged to take risks, create new industries, and push the boundaries of existing technologies. Over time, this cultural shift ensured that the economic environment in both

countries was conducive to technological change and capital investment, sustaining growth over the long term.

In the model presented here, we demonstrate that the sustained 2% economic growth in the UK and the US over three centuries cannot be explained solely by capital accumulation or labor expansion, as these factors face diminishing returns under traditional growth models. Instead, the extension of liberal ideas  $A$  — capturing institutional and cultural shifts toward economic freedom, property rights, and limited government — plays a central role in driving long-term growth. In Equation (80),  $y \propto A^\sigma k^\alpha$ , where  $\sigma + \alpha = 1.2 > 1$ , the elasticities of  $A$  and liberal-idea capital  $k$  emphasize their symbiotic role in productivity. Unlike physical capital,  $A$  grows endogenously through societal adoption of liberal principles, enabling innovations to diffuse without the constraints of diminishing returns. This aligns with McCloskey’s argument that liberal ideas create an institutional “protective belt” that fosters risk-taking and entrepreneurship, translating R&D and human capital ( $H_{At}$ ) into sustained growth.

The human effort channeled into realizing liberal ideas ( $H_{At}$ ) further amplifies this dynamic. In the model,  $H_{At}$  reflects time dedicated to innovation and education, which is more productive under a liberal institutional framework. For instance, the parameter  $\lambda$  measures how effectively generates new ideas, a process dependent on economic freedom and individual dignity. In the UK and US, McCloskey highlights that the cultural shift toward “bourgeois dignity” elevated entrepreneurship, allowing  $H_{At}$  to persistently recombine ideas and sustain growth despite shocks. By contrast, Jones’ framework understates this institutional multiplier effect, treating  $H_{At}$  as a neutral input rather than one shaped by societal values.

Finally, the time extension of liberal ideas ensures growth persistence. The parameter  $v$ , representing the progressive expansion of  $A$ , captures how liberal institutions accumulate and reinforce themselves over centuries. For instance, the UK’s gradual adoption of patent rights and the US’s constitutional safeguards for property rights created a “reservoir” of  $k$ , with low depreciation ( $\delta$ ) due to institutional resilience. This contrasts with models that attribute growth solely to R&D or education, which falter without supportive institutions. McCloskey’s emphasis on liberal ideas as non-material “software” explains why the UK and US maintained 2% growth: even as capital and labor inputs fluctuated,  $A$  and  $k$  provided a durable foundation for innovation and adaptation.

In our model, a combination of parameters can potentially explain the 2% growth rate over extended periods. From Equation (30), it can be easily calculated that the growth rate  $g$  will remain at least 2% if  $\phi > 0$ .

The findings support the idea that the persistence of growth is not just a matter of material factors but also cultural and intellectual shifts that are encoded into economic systems. This suggests that when liberal ideals are embedded, as they were in the UK and US, they create a dynamic environment that fosters continuous improvement, even amidst external shocks or global instability.

This long-term growth pattern also reflects the resilience of liberal ideas — a feature that McCloskey attributes to the protective role of safeguard individual rights, enforce contracts, and allow for the free flow of ideas and commerce. The durability of these institutions in both the UK and the US, particularly after the Industrial Revolution, enabled these countries to weather economic fluctuations and continue to maintain a steady growth trajectory. Moreover, the accumulation of human capital — the increase in education and knowledge, which McCloskey argues is rooted in the respect for individual dignity and the freedom to pursue intellectual endeavors — also played a significant role in sustaining this growth.

In conclusion, the 2% economic growth rate in the UK and the US over nearly three centuries can be understood through the lens of McCloskey's ideas about the role of liberalism in fostering sustained economic development. This growth was not just driven by material factors but also by the cultural transformation that made entrepreneurship, innovation, and technological progress increasingly valued and encouraged. Our findings suggest that a combination of liberal-idea capital and dynamic economic parameters could have contributed to this long-standing growth, reflecting the broader impact of liberal ideas on modern economic development.

### *7.3.2. The implications of the growth rate of the population exposed to liberal ideas*

The implications of the growth rate of the population exposed to liberal ideas ( $n$ ) can be analyzed from historical, sociopolitical, and economic perspectives. The spread of liberal ideas — such as individual freedom, dignity, equality, democracy, free markets, secularism, and rule of law — has historically been tied to urbanization, technological advancements, education, trade, and political structures. To understand the dynamics of  $n$ , we should explore the following.

#### *Historical Patterns of Population Growth and Exposure to Liberal Ideas.*

Historically, the expansion of liberal ideas has not been uniform but has accelerated during specific periods of political and economic transformation. The rate of growth ( $n$ ) of populations exposed to liberalism has

varied based on socioeconomic structures, urbanization, and access to information.

### **The Enlightenment and Early Liberalism (17th–19th Century)**

The Enlightenment, spanning the 17th to the 19th centuries, marked a pivotal moment in the development of liberal thought, particularly in Western Europe. The early seeds of liberalism were sown in intellectual circles, most notably in France, Britain, and the Netherlands. The growing urbanization of these regions played a crucial role in fostering the exchange of ideas, as cities like London, Amsterdam, and Paris became vibrant hubs of intellectual and cultural activity. Urbanization facilitated the rise of literacy rates, the spread of books and pamphlets, and the establishment of academic institutions that provided fertile ground for the development of liberal ideas. As commerce and trade flourished, so too did the networks of communication that connected urban centers across Europe, enabling the swift dissemination of Enlightenment ideals.

Despite the relatively small size of the intellectual elite in this period, the populations exposed to liberalism grew at an accelerating rate, especially as urban centers attracted more people seeking economic opportunity and social mobility. The Enlightenment itself was not just an intellectual movement but also a social phenomenon that drew many individuals into its orbit. Among these ideas were the notions of individual freedom, dignity, equality, democracy, free markets, secularism, and the rule of law — concepts that challenged traditional power structures and hierarchical systems. This intellectual revolution had profound implications for both political and social structures, particularly as it laid the groundwork for political revolutions like the American Revolution (1776) and the French Revolution (1789), which were driven by a growing population that had internalized Enlightenment values.

The impact of these revolutions cannot be overstated; they were more than mere political upheavals — they were the expression of a rapidly growing, ideologically awakened population that sought to reshape the world according to the principles of liberty and progress. This period, though still limited in scope, witnessed a surge in the number of individuals who embraced liberalism, setting the stage for the broader spread of these ideas in the centuries to follow. The intellectual and urban circles of the time acted as the catalysts for the exponential growth of populations exposed to liberal thought, leading to a significant transformation of both political systems and societal structures. During this phase, the population with exposure to liberal ideas was small but growing exponentially in intellectual and urban circles.



**Industrialization and the Expansion of Liberalism (19th–Early 20th Century)** The 19th century marked a period of profound transformation with the advent of industrialization, which further accelerated the spread of liberal ideas across the globe. As millions of people migrated from rural areas to rapidly growing urban centers, they found themselves exposed to new economic opportunities and social environments that were in alignment with liberal ideals. Industrialization led to the growth of large cities, creating a dense concentration of people who were increasingly interconnected through trade, commerce, and communication. This rapid urbanization fostered the spread of liberal political and economic thought, as the new urban working class and middle class began to demand greater political representation and economic freedom. These populations, now more literate and politically active, were increasingly receptive to the idea of liberal democracy and free markets.

A key development during this period was the rise of newspapers, printing presses, and other forms of mass media, which facilitated the dissemination of ideas to a much broader audience. The mass production of printed material, from political pamphlets to newspapers, allowed liberal thought to penetrate the daily lives of ordinary citizens. Public education systems, notably Prussia's compulsory education reforms in the 19th century, played a crucial role in expanding the reach of liberal ideas by promoting literacy and critical thinking. Education became an important vehicle for the spread of ideas about individual rights, democratic governance, and economic liberty. As more people gained access to education and participated in the growing public discourse, the diffusion of liberal ideas was further amplified.

In the United States, Western Europe, and Japan, industrialization was accompanied by the expansion of liberal democracy and the embrace of free-market principles. These regions saw the development of democratic institutions, legal reforms, and economic policies that promoted individual rights, the rule of law, and free trade. In the U.S., the expansion of liberal democracy was exemplified by the extension of voting rights and the rise of a more inclusive political system, while Western Europe and Japan experienced significant political reforms that broadened the scope of democratic participation. However, this expansion of liberalism was not universal. In many parts of the world, particularly in Tsarist Russia and Qing China, liberal ideals were resisted by authoritarian and monarchical regimes that sought to maintain traditional power structures. The tension between liberal ideas and these entrenched political systems marked a period of political conflict and ideological struggle. Despite these challenges, the rise

of industrialization and urbanization acted as powerful catalysts for the growth of liberalism, leading to profound shifts in political and economic systems worldwide. Here,  $n$  increased significantly due to urbanization, literacy, and industrial capitalism, though resistance from authoritarian states slowed its spread in certain regions.

**Post-WWII Liberal Expansion (1945–1990s): The Golden Age of Liberalism** The period following World War II, from 1945 to the 1990s, is often regarded as the “Golden Age of Liberalism,” marked by an unprecedented expansion of liberal democracy and capitalist economic systems around the globe. This era saw the rapid spread of liberal ideals, driven in part by the influence of the United States, which emerged as a global superpower following the war. U.S. influence was not only military and political but also economic, as evidenced by initiatives like the Marshall Plan. This plan provided economic aid to war-torn Europe, promoting reconstruction and recovery in a way that aligned with liberal economic principles, such as market-oriented policies and the promotion of individual freedoms. In tandem with these efforts, the establishment of liberal international institutions — such as the International Monetary Fund (IMF), World Bank, United Nations (UN), and North Atlantic Treaty Organization (NATO) — furthered the global spread of liberal norms, providing a framework for international cooperation and the promotion of peace, democracy, and free-market capitalism.

Economic prosperity in the post-war period played a key role in accelerating the adoption of liberal ideas. The economic boom in Western Europe, the United States, and Japan brought about higher standards of living, improved social mobility, and the development of a burgeoning middle class. These changes helped solidify the connection between economic prosperity and liberal democratic values. At the same time, the decolonization movement of the 1950s to the 1970s further contributed to the spread of liberal ideas, as newly independent nations sought to adopt democratic systems of governance and market-based economies. In many cases, this led to an increased adoption of liberal principles in political institutions and societal structures, even as these nations struggled to establish stable democracies amidst the challenges of post-colonial development.

However, the Cold War cast a long shadow over this period, creating a fierce ideological competition between liberalism and communism. The U.S.-led liberal bloc and the Soviet Union’s communist regime engaged in a global struggle for influence, with both sides trying to expand their respective ideologies. Despite the ideological divide, liberalism continued to spread globally through both economic and cultural means. Economic

globalization, driven by the spread of free-market capitalism and technological advances, created new channels for the dissemination of liberal ideas. The rise of international trade, the growth of multinational corporations, and advances in communication technologies all facilitated the spread of liberal democratic values, reaching new populations around the world.

The fall of the Soviet Union in 1991 marked a watershed moment in the history of liberalism. This event signaled the collapse of communism as a global force and the triumph of liberal democracy in much of Eastern Europe and beyond. In the wake of the Soviet Union's dissolution, many former communist states, such as those in Eastern Europe, embraced liberal democratic reforms and market economies. Even China, while maintaining its authoritarian political structure, began to implement partial economic liberalization, opening up to market forces and global trade. This period of transition marked the peak of the growth rate ( $n$ ) of populations exposed to liberal ideas, as liberal democracy became the dominant global paradigm. The combination of economic globalization, the spread of education, and the rapid advancement of technology created an environment in which liberalism flourished on a scale never seen before, reshaping the political and economic landscape of the late 20th century. During this period,  $n$  reached its peak growth rate, as liberal ideas spread through economic globalization, education, and technological advances.

#### **The 21st Century: Liberalism Under Challenge? (2000s–Present)**

The 21st century has witnessed both significant opportunities and serious challenges for the further spread of liberal ideas. In theory, the rapid growth of digital media and the internet should have acted as powerful accelerators for the dissemination of liberal thought. The internet's ability to instantly connect individuals across the globe, share information, and foster open debates seemed tailor-made for the promotion of liberal values such as freedom of expression, democratic participation, and the spread of secular, egalitarian ideas. Digital platforms offered new ways to engage with political and social issues, and the global flow of information enabled a more interconnected world in which liberal values could thrive.

However, the actual impact of digital media has been more complex and, in many ways, counterproductive to the spread of liberalism. The rise of authoritarian nationalism in many parts of the world has led to a backlash against liberal ideals. Leaders in countries such as Russia, Hungary, Turkey, and Brazil have increasingly embraced populist, nationalist rhetoric, often positioning themselves in opposition to liberal values such as democracy, free markets, and the rule of law. These leaders have used digital media to mobilize support, often by leveraging social media to ma-

nipulate public opinion, spread misinformation, and consolidate political power. At the same time, authoritarian regimes have actively worked to curtail the freedoms that are essential to liberal democracies, such as freedom of the press and freedom of speech, through digital censorship and state-controlled narratives.

Furthermore, the very same digital platforms that could serve as vehicles for the spread of liberal ideas have also contributed to political polarization and social fragmentation. The internet, instead of fostering open-minded discussions, has often become a space where individuals retreat into ideological echo chambers, only consuming information that confirms their existing beliefs. This has made it increasingly difficult to have productive, cross-ideological debates, and has heightened tensions between political factions. In many democracies, such polarization has hindered the advancement of liberal policies, as parties and individuals become more entrenched in their positions, less willing to compromise, and increasingly skeptical of liberal ideals.

Today, the growth rate ( $n$ ) of populations exposed to liberal ideas is highly uneven. In certain regions, such as parts of Latin America, sub-Saharan Africa, and East Asia, there has been a growing embrace of liberal values, particularly in the areas of economic freedom, democratic reforms, and human rights. These areas have seen significant strides toward political liberalization, as nations adopt market-based economic policies and democratic governance, often with the support of international institutions and local civil society movements. In these regions, the exposure to liberal ideas has been positively influenced by globalization, rising literacy rates, and the increasing access to information via the internet and digital media.

However, in authoritarian strongholds, the momentum for liberalism has slowed or even reversed. In countries like China, Russia, and Iran, where authoritarian leaders have consolidated power, liberal ideas are increasingly viewed as a threat to political stability and national sovereignty. These regimes have used state control over digital platforms and media to reinforce their power and suppress dissent, while actively promoting nationalist ideologies that run counter to liberal values. In such contexts, the spread of liberal ideas faces significant resistance, with the growth rate of populations exposed to these ideas either stagnating or declining.

Thus, while the 21st century presents immense potential for the spread of liberalism through technology and globalization, it also faces formidable challenges from authoritarian nationalism, digital censorship, and political polarization. As a result, the trajectory of liberal ideas is far from certain, and the growth rate ( $n$ ) of populations exposed to liberalism varies signifi-

cantly across different regions, influenced by political, economic, and social factors.

*Mechanisms That Drive the Growth Rate ( $n$ ) of Liberal Populations.*

The spread of liberalism does not happen passively — it is driven by economic, technological, and institutional factors that determine how fast new populations adopt liberal ideas.

**Urbanization and Economic Growth as Catalysts of Liberal Thought** Urbanization and economic growth have long been central catalysts in the spread of liberal ideas, and their influence on the growth rate ( $n$ ) of liberal populations is undeniable. Historically, urban populations have been more exposed to liberal thought than rural areas, and this exposure has played a crucial role in driving the adoption of liberal ideas. Cities are hubs of economic activity, intellectual exchange, and cultural diversity, which naturally foster environments where new ideas — particularly liberal ones — can take root and flourish. Urbanization facilitates the development of markets, trade, and commerce, which in turn create opportunities for individuals to pursue personal freedom, wealth creation, and social mobility — key tenets of liberal thought. Moreover, urban centers tend to be places of higher literacy and educational attainment, where people are exposed to diverse perspectives and intellectual debates, further accelerating the spread of liberal ideas.

The correlation between economic prosperity and the spread of liberalism is also significant. Wealthier societies with robust, diversified economies and a strong middle class are more likely to embrace liberal principles. The economic prosperity that accompanies industrialization and market-oriented growth tends to create conditions where individuals value personal freedom, the protection of property rights, and the rule of law. In such societies, the middle class, which typically benefits most from economic growth, becomes a key agent in the adoption and propagation of liberal ideals. The middle class often demands greater political participation, access to education, and economic opportunities, all of which align with liberal ideas such as democracy, individual rights, and free markets. These demands for political and economic reform in turn promote the spread of liberalism throughout society.

In contrast, agrarian or extractive economies — those heavily dependent on agriculture or natural resources — tend to be less conducive to the spread of liberal ideas. In these economies, where wealth is often concentrated in the hands of a few landowners or elites, there is less social mobility, less access to education, and fewer opportunities for the general

population to engage with liberal principles. Political systems in these economies are often more hierarchical, and the concentration of wealth and power in the hands of a small elite makes it more difficult for liberal ideas to gain traction.

Overall, higher levels of urbanization and economic prosperity generally correlate with a higher growth rate ( $n$ ) of populations exposed to liberal ideas. As people move to cities and experience the benefits of economic growth, they become more open to liberal economic and political reforms. However, the pace at which these ideas spread can still be shaped by other factors, such as political systems and cultural traditions, which may either encourage or resist liberal thought. Nonetheless, urbanization and economic growth remain key drivers in the ongoing expansion of liberal populations worldwide.

**The Role of Education and Literacy** The role of education and literacy in the spread of liberal ideas cannot be overstated, as they are fundamental drivers in shaping individuals' understanding of liberal concepts such as individual rights, democracy, and free markets. Historically, formal education systems have been instrumental in exposing populations to these core principles of liberal thought. Education systems — whether through public schooling, higher education, or informal learning — serve as key channels for the transmission of knowledge about liberal ideas, social norms, and political theories. By providing individuals with the tools to think critically, engage with ideas, and understand the broader political and economic landscape, education has played a central role in shaping more informed, liberal-minded populations.

In the 19th and 20th centuries, the rise of mass literacy had a profound impact on the spread of liberalism. As literacy rates increased, especially in the wake of industrialization and urbanization, more people gained access to written materials that introduced them to liberal ideas. Books, newspapers, pamphlets, and political writings became essential vehicles for the dissemination of liberal thought. This period of mass literacy empowered ordinary people to engage in political and social discourse, enabling them to critically evaluate political systems, economic structures, and their own rights within society. The expansion of literacy also led to the establishment of public education systems in many parts of the world, which, in turn, helped to cultivate a generation of individuals who were not only literate but also politically conscious and capable of participating in democratic processes.

One of the key elements of formal education is its role in promoting the values of democracy, free markets, and individual rights. Education exposes

students to the principles of liberal democracy, the rule of law, and market economies, allowing them to internalize these concepts and apply them in their own lives. In democratic societies, education systems emphasize the importance of participation in the political process, the protection of civil liberties, and the necessity of a functioning market economy to ensure prosperity and social mobility. These values, which are central to liberalism, are passed down through generations, creating a societal foundation that supports the continued growth of liberal populations.

In the 21st century, digital media has created both opportunities and challenges for the spread of liberal ideas. On one hand, digital media platforms — such as the internet, social media, and online educational resources — offer unprecedented opportunities for the global spread of information and liberal thought. They provide people with access to vast amounts of information about politics, economics, and social issues, allowing individuals to engage with liberal ideas and perspectives from around the world. Social media has also facilitated the formation of global networks of like-minded individuals, enabling the rapid exchange of ideas and the mobilization of people in support of liberal causes.

However, digital media also presents significant challenges to the spread of liberalism. The proliferation of misinformation, political polarization, and the rise of authoritarian regimes that seek to control and manipulate digital platforms have created an environment where the spread of liberal ideas is not always guaranteed. In some cases, digital media can reinforce existing biases and ideologies, as people tend to seek out information that aligns with their preexisting beliefs, creating ideological echo chambers that hinder open dialogue and the exchange of diverse viewpoints. Furthermore, the rise of digital censorship and surveillance by authoritarian governments has limited the ability of individuals in these countries to access information that supports liberal ideas, slowing the growth rate ( $n$ ) of liberal-exposed populations in certain regions.

Despite these challenges, higher literacy and education continue to accelerate the growth rate of liberal-exposed populations. The spread of digital media, if harnessed effectively, can serve as a powerful tool for expanding access to education and fostering greater political engagement. As more people become educated and literate — whether through traditional schooling or digital resources — they are better equipped to understand and embrace liberal ideas, thereby contributing to the continued growth of liberalism across the globe. Ultimately, education and literacy remain indispensable mechanisms in driving the expansion of liberal thought, as

they empower individuals to think critically, participate in democratic processes, and advocate for the principles of freedom, equality, and justice.

**Technological Communication and Digital Networks** Technological communication and digital networks have been key factors in the spread of liberal ideas throughout history, as they provide efficient and widespread means of disseminating information. Each major technological advancement — whether the printing press, radio, or the internet — has played a pivotal role in accelerating the growth rate ( $n$ ) of populations exposed to liberalism, offering new channels for the exchange of ideas, the democratization of knowledge, and the formation of global networks of like-minded individuals.

The printing press, invented in the 15th century, was a revolutionary technological advancement that dramatically changed the spread of knowledge. By making printed materials more affordable and widely available, the printing press enabled ideas to reach a much larger audience than ever before. It facilitated the rapid dissemination of books, pamphlets, and newspapers that contained liberal ideas about individual rights, the rule of law, and democratic governance. In the 16th century, thinkers such as Martin Luther, John Locke, and others were able to communicate their ideas more effectively to a broader population, sparking political and intellectual movements that challenged traditional power structures and contributed to the development of liberal thought.

The 20th century introduced the radio, which further expanded the reach of information. The radio allowed for the mass broadcast of news, political speeches, and cultural programming, reaching people in remote areas and providing a platform for public discourse on a much larger scale. Radio broadcasts played an important role in the spread of liberal ideals during key historical moments, such as the promotion of democracy and human rights during World War II and the subsequent rise of liberal democratic movements across the globe. The radio helped create a more informed and connected populace, reinforcing the appeal of liberal values in the face of authoritarian regimes and traditional hierarchies.

In the 21st century, the internet has revolutionized communication in ways previously unimaginable. It has created an interconnected global network that facilitates the rapid exchange of ideas and the free flow of information. The internet has given rise to new forms of political and social engagement, enabling individuals to access diverse perspectives, mobilize for causes, and participate in democratic processes in ways that were not possible before. Online platforms such as social media, blogs, and websites provide spaces for discussing and promoting liberal ideals, ranging from hu-



man rights and democracy to free markets and individual freedoms. The internet has made it easier than ever for people to learn about and embrace liberal thought, allowing the growth rate ( $n$ ) of liberal-exposed populations to increase dramatically, particularly in countries where access to information is not heavily restricted.

However, as with all technological advancements, the internet has also been co-opted by authoritarian regimes in ways that hinder the spread of liberal ideas. Authoritarian governments have learned to use digital technology to monitor, censor, and control the flow of information. The use of internet censorship, surveillance, and propaganda by regimes in countries such as China, Russia, and Iran has slowed the growth rate ( $n$ ) of liberal populations within these regions. In these contexts, the internet becomes a tool for reinforcing state control rather than promoting open debate and the free exchange of ideas. The rise of “information warfare” — including the spread of disinformation, fake news, and the manipulation of public opinion through social media — has also led to a more fragmented and polarized global information environment, complicating the ability of liberal ideas to spread unimpeded.

In countries where censorship is less effective, however, digital technology continues to accelerate the spread of liberal ideas. The internet has played a key role in facilitating the Arab Spring and other movements advocating for democracy, human rights, and freedom of expression. In these cases, digital networks allow activists to organize, communicate, and mobilize in ways that challenge authoritarian systems and promote liberal values. Social media platforms like Twitter, Facebook, and YouTube have become crucial tools for organizing protests, sharing information, and advocating for political change.

In sum, technological communication and digital networks have been powerful drivers in the spread of liberalism, with each new communication technology — whether the printing press, radio, or internet — expanding the reach of liberal ideas and helping to shape the political and social landscape. However, the impact of these technologies is not uniform. While they can accelerate the growth rate ( $n$ ) of liberal-exposed populations where there is freedom of information, they can also slow it in regions where authoritarian regimes are able to effectively censor and control digital content. The challenge for liberalism in the 21st century will be to ensure that technological advancements continue to serve as tools for the spread of free ideas rather than as instruments of authoritarian control.

*Barriers to the Growth of Liberal Populations.*

Despite its expansion, liberalism faces significant resistance, limiting the growth rate ( $n$ ) of exposed populations.

**Authoritarian Regimes and State-Controlled Media** Despite the remarkable spread of liberal ideas throughout much of the world, authoritarian regimes continue to present significant barriers to the growth of liberal populations. In countries such as Russia, Iran, and Saudi Arabia, authoritarian governments actively suppress liberal ideas through a combination of censorship, propaganda, and political repression. These regimes seek to maintain control over the political, social, and economic spheres by limiting the free flow of information, stifling political dissent, and ensuring that only state-approved narratives are heard. As a result, the growth rate ( $n$ ) of populations exposed to liberal thought remains artificially low, even in the face of economic modernization and technological advancements.

Censorship is one of the primary tools used by authoritarian regimes to limit exposure to liberal ideas. In these countries, governments often impose strict controls over media outlets, both traditional and digital, to prevent the spread of information that challenges the regime's narrative or promotes democratic principles. For instance, in Russia, state-controlled media outlets dominate the landscape, ensuring that news and political commentary are filtered through a lens that supports the government's agenda. Independent media outlets and journalists face severe repression, including imprisonment, harassment, and even violence. In Iran, the government has instituted tight restrictions on internet usage, blocking access to websites and social media platforms that are seen as promoting Western values or dissenting views. Similarly, in Saudi Arabia, the state exerts heavy control over television, print media, and online content, censoring any material that could inspire political opposition or challenge the monarchy's authority.

Propaganda is another tool that authoritarian regimes use to suppress liberal ideas. By controlling the narrative through state-sponsored media, these governments promote ideologies that justify their rule and undermine the principles of liberal democracy. In Russia, for example, the government has employed state-run media outlets to spread nationalist, anti-Western messages, portraying liberal democracies as corrupt and failing systems. In Iran, the regime uses state-run television and online channels to promote Islamic conservatism and depict Western liberalism as morally degenerate. These propagandistic efforts create an alternative narrative that competes with liberal ideas and distorts the public's understanding of democracy, human rights, and free markets. The goal is to maintain public loyalty to

the regime and prevent the spread of liberal thought, which is often viewed as a threat to the established order.

Political repression is perhaps the most direct form of resistance to liberalism employed by authoritarian regimes. In countries like Russia, Iran, and Saudi Arabia, political opposition is ruthlessly crushed. Dissidents, opposition leaders, and activists who advocate for liberal democratic reforms often face imprisonment, torture, or even execution. In some cases, these regimes employ surveillance and intimidation tactics to monitor and silence potential critics, using technology to track the movements and communications of opposition figures. The suppression of political opposition stifles the democratic process, preventing liberal ideas from gaining traction in society. In such environments, the growth rate ( $n$ ) of populations exposed to liberalism remains stunted, as individuals are not free to openly express or explore alternative political ideas without fear of retribution.

Despite economic modernization in these countries — such as the rise of new technologies, urbanization, and increased wealth — authoritarian resistance ensures that liberalism faces significant hurdles. Even as economies modernize and create new middle classes that might otherwise be more inclined to embrace liberal ideas, the state works to prevent these populations from adopting political systems that challenge authoritarian rule. The state's control over media, political discourse, and public space keeps liberal ideas from gaining a foothold, and the growth rate ( $n$ ) of liberal-exposed populations is limited, despite economic progress.

In conclusion, authoritarian regimes and state-controlled media represent some of the most significant barriers to the growth of liberal populations. By suppressing liberal ideas through censorship, propaganda, and political repression, these regimes limit the ability of individuals to engage with democratic principles and market-oriented reforms. The result is a slow growth rate ( $n$ ) for liberal ideas, even in countries undergoing economic modernization. Until these regimes are confronted with stronger pressures for political reform, the spread of liberalism in these regions will remain stifled, and the growth of liberal-exposed populations will continue to be artificially constrained.

**Religious and Cultural Resistance to Liberal Values** Religious and cultural resistance to liberal values represents another significant barrier to the growth of liberal populations, particularly in societies where religious fundamentalism and traditionalist cultural norms hold considerable sway over political and social life. In many parts of the world, movements based on religious ideologies — whether Christian nationalism, Islamic theocracy, or Hindu nationalism — pose a direct challenge to secular liberalism, which

emphasizes individual rights, democracy, and the rule of law. These forms of religious and cultural traditionalism often view liberal ideas, especially those related to secular governance, gender equality, and personal freedoms, as threats to their established social order and religious identity.

Religious fundamentalism, in its various forms, actively opposes the secular, pluralistic nature of liberalism. In many instances, religious leaders and political groups advocate for governance systems rooted in religious doctrine, rejecting the liberal notion of separating religion from politics. For example, in countries where Islamic theocracy dominates — such as Iran — the state imposes strict interpretations of Islamic law (sharia) that curtail personal freedoms, particularly those of women and religious minorities. In such societies, liberal ideas advocating for gender equality, religious freedom, and the protection of individual rights are viewed as incompatible with religious orthodoxy and are often met with strong resistance. In Iran, the government enforces strict dress codes for women, suppresses political opposition, and limits free expression, all in the name of maintaining Islamic principles that are seen as antithetical to liberal ideals.

Similarly, in parts of Africa, religious fundamentalism often intersects with cultural traditionalism to resist liberal reforms. In many African countries, deeply entrenched social structures and conservative religious beliefs play a significant role in shaping political and social attitudes. For instance, in some regions of Africa, religious groups oppose liberal values related to gender equality, LGBT rights, and the freedom of expression. These cultural and religious forces exert a powerful influence on public opinion, particularly in rural and more conservative areas, where adherence to traditional values is stronger. In these contexts, liberal ideas about democracy, human rights, and social justice face significant challenges, as they are often perceived as foreign or as threats to the established social fabric.

Hindu nationalism in India represents another example of religious resistance to liberalism. In recent years, the rise of Hindu nationalist movements has led to an increasing push for a political system that prioritizes Hindu cultural values, often at the expense of religious minorities such as Muslims and Christians. Hindu nationalist leaders seek to promote a vision of India as a “Hindu nation,” which contrasts with the secular democratic values enshrined in India’s constitution. This growing religious and cultural conservatism poses a challenge to liberal ideals of pluralism, religious tolerance, and equal rights for all citizens, as it often involves the marginalization of non-Hindu religious groups and the promotion of social norms that conflict with liberal values.

In societies where religious and cultural resistance to liberalism is strong, the growth rate ( $n$ ) of populations exposed to liberal ideas is often slow or even reversed. In Iran, Afghanistan, and other theocratic or religiously conservative regions, liberal ideas struggle to gain ground against the entrenched power structures that uphold traditional religious and social norms. In such societies, secular liberalism is often portrayed as a threat to the moral fabric of society, and those who advocate for liberal reforms face persecution, imprisonment, or even violence. The result is that liberal populations remain small and marginalized, with little opportunity for significant growth.

Religious traditionalism, particularly when combined with conservative social structures, can create an environment in which liberal ideas are not only slow to spread but actively suppressed. In such contexts, individuals who challenge the dominant religious or cultural narrative often face significant social and political risks. For example, activists advocating for women's rights, LGBTQ+ rights, or freedom of speech in deeply religious societies may encounter hostility, ostracism, and legal penalties. The cultural resistance to liberalism, rooted in long-standing religious beliefs and practices, makes it difficult for liberal ideas to take root and flourish, even as other parts of the world embrace them.

In conclusion, religious and cultural resistance to liberal values remains a formidable barrier to the growth of liberal populations in many parts of the world. Religious fundamentalism — whether in the form of Christian nationalism, Islamic theocracy, or Hindu nationalism — opposes the secular and pluralistic nature of liberalism, viewing it as incompatible with their belief systems. In countries such as Iran, Afghanistan, and parts of Africa, liberal ideas struggle to gain traction in the face of entrenched theocratic governance and conservative social structures. As a result, the growth rate ( $n$ ) of liberal populations in these societies is often limited or even reversed, as religious traditionalism slows or prevents the spread of liberal thought.

**Economic Inequality and Populism** Economic inequality and populism represent significant barriers to the growth of liberal populations, as rising economic disparities can undermine the broad support needed for liberal democratic ideals. Historically, economic crises and growing inequality have contributed to the erosion of confidence in classical liberalism — particularly in free-market capitalism — and have prompted many populations to turn toward alternative political ideologies, such as populist nationalism or socialism. These shifts in political sentiment are often a response to the perceived failures of liberalism in addressing economic inequality and ensuring broad-based prosperity.

Economic crises, such as the 2008 financial crisis, serve as stark reminders of the vulnerabilities within liberal market economies. During the 2008 crisis, widespread financial instability led to job losses, home foreclosures, and a deep recession that disproportionately affected the working and middle classes. In the wake of the crisis, many individuals, particularly those who suffered the most, began to lose faith in the free market's ability to deliver prosperity and protect their economic interests. As a result, there was a surge in populist movements that criticized the very principles of liberalism, such as free markets, globalization, and minimal government intervention in the economy. In both the United States and Europe, the financial crisis catalyzed the rise of protectionist and nationalist movements, which blamed the globalized economic system for the hardships faced by ordinary citizens. Populist leaders, such as Donald Trump in the U.S. and Marine Le Pen in France, capitalized on this discontent by offering simple, often misleading solutions — such as “America First” policies or anti-immigration rhetoric — that resonated with voters who felt left behind by liberal economic policies.

This turn toward populist nationalism and socialism can be seen as a reaction to the perceived failures of classical liberalism to address rising inequality and provide economic opportunities for all. While liberal democracies have generally been successful in promoting individual rights, democracy, and the rule of law, they have often struggled to address the problem of economic inequality. The concentration of wealth and power in the hands of a few individuals or corporations has led to significant disparities in income, access to education, and healthcare. In many cases, the benefits of economic growth have been unevenly distributed, leaving large segments of the population feeling disenfranchised and alienated from the political and economic system. This growing sense of inequality can create fertile ground for populist movements that seek to challenge the status quo and offer alternative solutions.

In wealthy democracies, high levels of economic inequality can have a particularly damaging effect on support for liberalism. While these societies may be prosperous in aggregate, the uneven distribution of wealth can create divisions that undermine social cohesion and trust in democratic institutions. In such contexts, liberal ideas related to free markets and individual freedom can appear out of touch with the needs of ordinary people, especially when the benefits of economic growth seem to accrue primarily to the rich. This disconnect can lead to a growing populist backlash against liberalism, as people begin to question whether the system is truly serving their interests.

For example, in the United States, the growing wealth gap between the top 1% and the rest of the population has become a significant point of contention. The post-2008 era saw rising income inequality, stagnant wages for many workers, and an increasing concentration of economic power in the hands of a few large corporations. These trends have fueled distrust in the free-market system, with many individuals feeling that the system is rigged to benefit the wealthy at the expense of ordinary people. As a result, populist movements that advocate for protectionist trade policies, higher taxes on the rich, and increased government intervention in the economy have gained traction, particularly among those who feel left behind by the global economy.

Similarly, in Europe, the aftermath of the 2008 financial crisis contributed to the rise of populist political parties that challenge the liberal order. In countries such as Italy, Hungary, and Poland, economic inequality and high unemployment have fueled support for nationalist parties that reject liberal values such as open borders, free markets, and international cooperation. These movements often promote nativist, anti-immigrant policies and seek to limit the influence of international institutions, reflecting a broader dissatisfaction with the liberal economic order.

In conclusion, economic inequality and populism are significant barriers to the growth of liberal populations, even in wealthy democracies. Economic crises, rising inequality, and the perception that the liberal economic system has failed to deliver broad-based prosperity have led many populations to turn away from classical liberalism in favor of populist nationalism or socialism. High levels of inequality can erode trust in free markets and liberal democratic institutions, creating fertile ground for populist movements that challenge the principles of liberalism. As a result, addressing economic inequality and ensuring that the benefits of economic growth are more evenly distributed are crucial for maintaining the growth of liberal populations and preventing a retreat from liberal ideals.

*Summary: The Future of  $n$  in Liberal Expansion.*

The growth rate of populations exposed to liberalism ( $n$ ) is a dynamic and non-linear process that fluctuates based on a complex interplay of economic, technological, political, and cultural factors. As we look to the future of liberal expansion, we can identify both accelerators and barriers to this growth. While urbanization, economic growth, and digital access generally facilitate the spread of liberal ideas, censorship, religious fundamentalism, and political populism stand in opposition, slowing or even reversing this progress. The battle over the future of liberalism — whether

it continues to spread globally or enters a period of stagnation and decline — will be one of the defining features of the 21st century.

**Urbanization, Economic Growth, and Digital Access Accelerate  $n$**  Historically, urbanization and economic growth have been key drivers of the spread of liberal ideas. As populations move to urban centers, they gain exposure to new ideas, technologies, and opportunities for social mobility. Cities act as incubators of liberal thought by fostering environments where individual rights, democratic participation, and free markets are more readily embraced. Similarly, economic growth — especially in societies with growing middle classes — creates conditions where liberal ideas about personal freedom, equality, and economic opportunity are more likely to flourish. Furthermore, in the 21st century, digital access has emerged as a powerful force for spreading liberal values. The internet, social media, and digital platforms offer unprecedented opportunities for individuals to access information, engage in political discourse, and connect with global movements advocating for liberalism. Where there is greater access to information and education, the growth rate of populations exposed to liberal ideas tends to accelerate, creating a virtuous cycle of increased awareness and political engagement.

**Censorship, Religious Fundamentalism, and Political Populism Slow or Reverse  $n$**  While urbanization and economic growth generally support the spread of liberalism, there are significant barriers that hinder its expansion. Authoritarian regimes, for example, use censorship and state-controlled media to suppress the free flow of information and limit exposure to liberal ideas. Countries with authoritarian governments — such as Russia and Iran — actively restrict access to independent media, social networks, and educational resources that might challenge the established order. Similarly, religious fundamentalism can be a powerful force that resists the secular principles of liberalism. In societies where religious doctrines play a dominant role in shaping political and social life, liberal ideas about democracy, individual rights, and gender equality are often viewed as incompatible with traditional beliefs. Furthermore, the rise of political populism, particularly in the wake of economic crises and rising inequality, can undermine support for liberalism. Populist movements that focus on nationalism, protectionism, and anti-elitism often position themselves in direct opposition to liberal democratic values, framing them as elitist or out of touch with the needs of ordinary people. In this context, populist leaders exploit economic grievances and cultural anxieties to rally support for policies that resist liberal reforms, leading to a reversal or slowing of the growth rate ( $n$ ) in certain regions.



**The Battle Over  $n$  Will Define the 21st Century** The future of liberalism — whether it continues to expand or faces stagnation and decline — will depend on the outcome of the struggle between progressive economic forces and conservative political resistance. The 21st century is marked by an ongoing tension between the forces of globalization, technological progress, and economic liberalization on the one hand, and the rise of authoritarianism, religious fundamentalism, and political populism on the other. The outcome of this struggle will determine whether liberal ideas continue to spread globally or whether they retreat in the face of growing opposition. The growth rate ( $n$ ) of populations exposed to liberalism will be shaped by the ability of societies to navigate these competing forces. If economic growth, access to education, and the free flow of information continue to expand, liberalism may see further progress. However, if authoritarian regimes continue to clamp down on dissent and populist movements gain further traction, liberalism may face setbacks, leading to a period of stagnation or decline.

The expansion of liberal ideas is not inevitable — it is an ongoing struggle between progressive economic forces and conservative political resistance. The key to increasing the growth rate ( $n$ ) of liberal populations lies in ensuring that economic prosperity, education, and access to information continue to expand globally. Economic growth must be inclusive, ensuring that the benefits of prosperity are broadly shared and that individuals have the opportunity to engage in political and social life. Education systems must foster critical thinking, political engagement, and the values of democracy and human rights. And most importantly, the free flow of information must be protected and expanded, both online and offline, to ensure that people have access to the diverse perspectives and ideas that can lead to greater support for liberalism. While the future of liberalism is uncertain, the actions taken today will determine whether it continues to thrive or faces a period of decline. The struggle for  $n$  — the growth rate of liberal populations — will be one of the most critical issues of our time.

## 8. CONCLUSIONS

We have sought to provide a theoretical framework that bridges the historical and cultural analysis of liberal ideas with formal models of economic growth. By synthesizing insights from Deirdre McCloskey's historical exploration of the "Great Enrichment", we have highlighted the critical role of bourgeois dignity and liberty in fostering sustained progress and prosperity. Liberal ideas, particularly those rooted in liberty, dignity, equality, and in-

dividualism, are not only foundational for economic development but also act as catalysts for transformative social change. These ideas create environments conducive to innovation, entrepreneurship, and collaboration, ultimately driving economic growth and human flourishing.

The evolution and endurance of liberal ideas, as we explored, demonstrate their adaptability and resilience over centuries. While their emergence was often met with resistance, liberal principles have persisted because they empower individuals, encourage creativity, and provide the institutional framework necessary for progress. The historical trajectory of these ideas highlights their ability to challenge entrenched hierarchies and foster an inclusive and dynamic society.

A key contribution of us is the exploration of how these ideas interact with resource allocation and economic dynamics. By developing a theoretical model that incorporates the balanced growth path and optimal resource allocation, we have shown how liberal principles align with the mechanics of economic growth. The model underscores the importance of balancing individual freedoms with collective prosperity, illustrating how liberal ideals drive not just moral and social progress, but also measurable economic outcomes.

However, the conclusions drawn here also point to the fragility of these achievements. The endurance of liberal ideas depends on their continuous defense against forces that seek to undermine liberty, equality, and individual dignity. Historical examples remind us that liberal institutions and values are vulnerable to authoritarianism, economic inequality, and cultural stagnation. Ensuring their survival requires sustained efforts to promote education, open dialogue, and inclusive governance.

In conclusion, the transformative power of liberal ideas lies in their capacity to elevate human potential while fostering equitable and sustained economic growth. As the modern world grapples with unprecedented challenges, the principles of liberty, dignity, equality, and individualism offer not only a moral compass but also practical solutions for building resilient and prosperous societies. We underscore the enduring relevance of these ideas and their critical role in shaping the trajectory of human progress.

## APPENDIX

Deirdre McCloskey has written extensively on the role of ideas, culture, and bourgeois values in driving economic growth and social transformation. Her major works on these topics are particularly focused on what she calls

the “bourgeois era” and the “Great Enrichment.” The following are some of her most important books that delve into these themes:

1. “The Bourgeois Virtues: Ethics for an Age of Commerce” (2006) Overview: This is the first book in McCloskey’s trilogy on the bourgeois era. In this work, she argues that the virtues traditionally associated with the bourgeoisie — such as prudence, temperance, justice, and courage — are not merely economic or material in nature but are deeply ethical and moral. McCloskey challenges the negative stereotypes often associated with bourgeois values and instead presents them as crucial to the development of a prosperous and ethical society. She explores how these virtues have been essential in promoting economic growth and social well-being.

2. “Bourgeois Dignity: Why Economics Can’t Explain the Modern World” (2010) Overview: The second book in the trilogy focuses on the role of ideas and rhetoric in driving the Great Enrichment. McCloskey argues that traditional economic explanations, which focus on capital accumulation or institutional development, cannot fully account for the unprecedented economic growth that began in the 18th century. Instead, she posits that the key to understanding this transformation lies in the rise of bourgeois dignity and liberty — the social and cultural shift that celebrated innovation, enterprise, and the dignity of ordinary people. This book delves into how changes in societal attitudes toward the bourgeoisie were instrumental in fostering an environment conducive to innovation and economic expansion.

3. “Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World” (2016) Overview: The third and final book in the trilogy, “Bourgeois Equality,” expands on McCloskey’s thesis that the Great Enrichment was driven primarily by ideas rather than capital or institutions. She argues that the cultural and rhetorical changes that elevated the status of the bourgeoisie and celebrated their contributions to society were the main drivers of economic growth. McCloskey traces the development of these ideas from the Enlightenment through the Industrial Revolution and into the modern era, showing how they led to the unprecedented levels of wealth and prosperity seen in the Western world.

4. “The Rhetoric of Economics” (1985; 2nd ed. 1998) Overview: Although not part of the bourgeois trilogy, this earlier work by McCloskey explores the importance of rhetoric and narrative in economics. McCloskey challenges the notion that economics is purely a scientific discipline, arguing that economists use rhetorical strategies to persuade others of their viewpoints. This book lays the groundwork for her later work on the role of ideas and rhetoric in economic history.

5. “The Cult of Statistical Significance: How the Standard Error Costs Us Jobs, Justice, and Lives” (2008) Co-authored with Stephen Ziliak, *Overview*: In this book, McCloskey and Ziliak critique the over-reliance on statistical significance in economic and social sciences. While this book is more technical and focused on the methodology, it is related to her broader critique of how ideas and rhetoric shape economic thought and policy, which is central to her arguments in the bourgeois trilogy.

6. “If You’re So Smart: The Narrative of Economic Expertise” (1990) *Overview*: This book examines the role of narrative and storytelling in the field of economics, arguing that economic theories are often conveyed through persuasive narratives rather than purely objective analysis. It is another important work that complements her focus on rhetoric and ideas in her later books.

These books collectively form the foundation of McCloskey’s argument that the cultural and rhetorical elevation of bourgeois values — such as dignity, liberty, and equality — were crucial to the economic and social transformations of the modern world. Her trilogy on the bourgeois era, in particular, is essential reading for understanding how she connects the development of these values with the Great Enrichment.

In addition to her earlier works, Deirdre McCloskey has continued to explore and expand upon the themes of liberalism, economic growth, and the role of ideas and rhetoric in shaping society through several more recent books. These works further develop her arguments about the importance of liberal values, the limitations of traditional economic theories, and the need for a more humanistic approach to understanding economics.

1. “Why Liberalism Works: How True Liberal Values Produce a Freer, More Equal, Prosperous World for All” (2019) *Overview*: In *Why Liberalism Works*, McCloskey defends classical liberalism against the critiques it has faced in recent decades. She argues that true liberal values — such as individual liberty, equality before the law, and the protection of property rights — have been the driving forces behind the unprecedented prosperity and social progress of the modern world. McCloskey counters both left-wing and right-wing criticisms of liberalism, emphasizing that liberalism, properly understood, leads to not only economic growth but also greater equality and social justice. She traces the historical success of liberal ideas, showing how they have produced wealth and freedom for billions of people across the globe. This book is a strong reaffirmation of the ideas she has discussed in her earlier works, particularly the role of bourgeois values in creating the conditions for the Great Enrichment.

2. “Leave Me Alone and I’ll Make You Rich: How the Bourgeois Deal Enriched the World” (2020) Co-authored with Art Carden, Overview: This book builds on McCloskey’s trilogy by further exploring the “bourgeois deal” — the idea that if people are left free to innovate and pursue their own economic interests, they will create wealth and improve society as a whole. The book argues that the economic freedom and dignity granted to ordinary people, starting around the 18th century, unleashed a wave of creativity and innovation that led to the Great Enrichment. McCloskey and Carden emphasize that the prosperity of the modern world is not the result of exploitation or government intervention but of the simple agreement to “leave people alone” to innovate and trade freely. The book is a clear and accessible summary of McCloskey’s broader arguments about the importance of bourgeois values and the liberal order in driving economic growth.

3. “Bettering Humanomics: A New, and Old, Approach to Economic Science” (2021) Overview: *Bettering Humanomics* expands on McCloskey’s critique of traditional economic methodologies and introduces her concept of “humanomics,” which integrates insights from the humanities — particularly history, philosophy, and rhetoric — into economic science. McCloskey argues that mainstream economics has become overly focused on mathematical models and statistical methods, neglecting the human elements of economics, such as ethics, culture, and narrative. In this book, she advocates for a return to a more holistic understanding of economics that recognizes the importance of human behavior, social norms, and ethical considerations. By incorporating these elements, McCloskey believes that economics can better explain real-world phenomena and contribute to the betterment of society.

4. “Beyond Positivism, Behaviorism, and Neoinstitutionalism in Economics” (2022) Overview: This book is a continuation of McCloskey’s critique of the dominant paradigms in economics, specifically positivism, behaviorism, and neoinstitutionalism. McCloskey argues that these approaches have limited the scope of economic inquiry by focusing too narrowly on quantitative methods and mechanistic models of human behavior. She contends that economics needs to move beyond these frameworks to incorporate a richer understanding of human agency, ethics, and the cultural context in which economic decisions are made. McCloskey’s call for a more pluralistic and humanistic economics echoes the themes of her earlier works, emphasizing the need for economists to pay more attention to ideas, rhetoric, and the moral dimensions of economic life.

These more recent works by McCloskey continue to explore and defend the liberal values that she sees as central to the prosperity and freedom achieved in the modern world. *Why Liberalism Works* provides a strong defense of classical liberalism, arguing that its values have produced the conditions for widespread prosperity and social progress. *Leave Me Alone and I'll Make You Rich* further elaborates on the “bourgeois deal” that McCloskey believes was essential for the Great Enrichment, highlighting the importance of economic freedom and individual dignity. In *Bettering Humanomics*, McCloskey advocates for a more humanistic approach to economics, integrating insights from the humanities to create a richer, more nuanced understanding of economic behavior. Finally, *Beyond Positivism, Behaviorism, and Neoinstitutionalism in Economics* challenges the limitations of current economic paradigms and calls for a broader, more inclusive approach that recognizes the importance of ideas, ethics, and cultural context.

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