

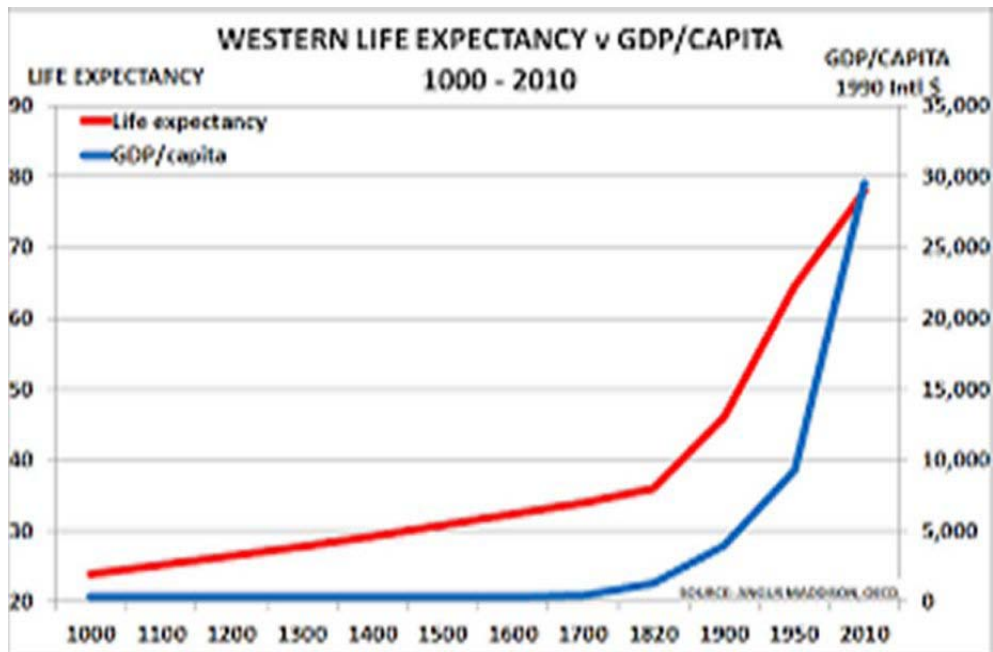
The Greatest Story Never Told

Daniel Caffrey 2018

The Greatest Story Never Told

200 years ago the most significant event in human history emerged. For 80,000 years all but a tiny minority of humans lived in poverty, famine and disease. The great emergence began in Scotland and England around 1820.

This is what happened.



From 1 AD to 1820 GDP per head rose from \$400 per capita to \$600. After 1820 average world GDP rose to \$30,000.

For 80,000 years life expectancy was around 25 years. In the 200 years after 1820 life expectancy has gone from 25 years to 75 years. Billions of years were added to people's lives.

It has been called "capitalism," the "free market", the "private sector." Those are part of it. The word "capitalism" does not describe the whole. It was a name applied by Marx and not in a nice way. He gave it a bad name. It lingers to this day.

It is what it does. It produces. Everything. It is the **Productive Economy**. The emergence of the Productive Economy was the most momentous event in human history.

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From 1820 the United Kingdom provided the essential elements needed for a Productive Economy Economic freedom, the rule of law, the right to own property, a social respect for business.

The Productive Economy made the Industrial Revolution possible. Without a cradle of enterprises steam power would have to produced toys for kings, maharajahs and the aristocracy. From 1820 ordinary people with ordinary abilities and average talent could set up the fundamental building blocks of the Productive Economy, enterprises.

And they did. Where there was economic freedom, the rule of law and an ethos of respect for business people started setting up ventures, enterprises. There was one requirement. They had to satisfy the needs and wants of their customers. Personally they might have the ambition to get wealthy and prosper. But unless they satisfied their customers it wouldn't happen.

The first outcome of a growing number of enterprises was the dispersal of tacit knowledge and pragmatic wisdom. Individuals could join with others to pool their savings, to lend their skills, hard work, ingenuity and courage to provide new goods and services. And everyone would prosper in the process.

This came to be seen by their fellow members of society as not just enriching them but through employment, wages and savings, benefiting everyone. That was a big change in outlook from before. The emergence of the Productive Economy was momentous. It created the modern world of affluence and plenty that we see around us today.

It was based on Economic Freedom.

Individuals and enterprises had the freedom to seek investment and keep what they earned.

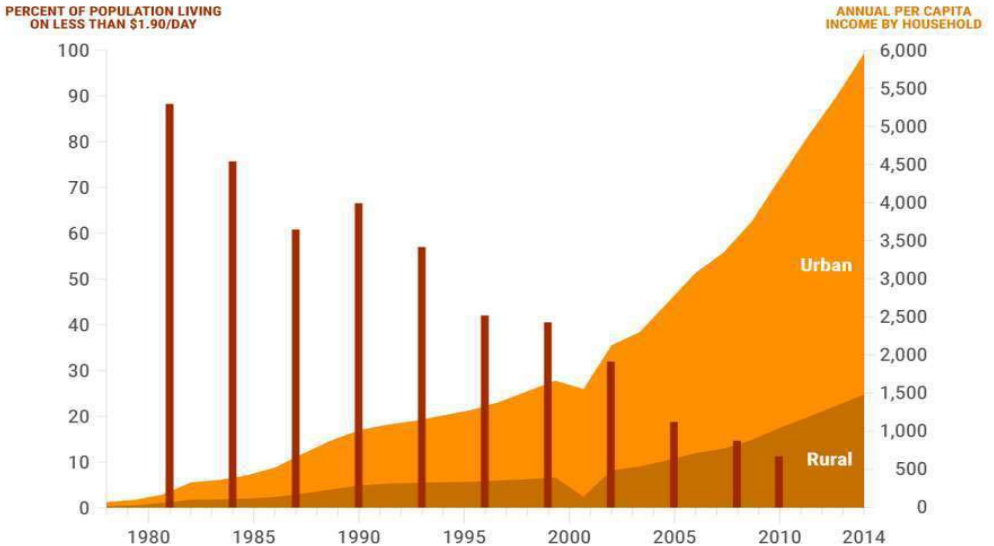
They had security of person and property. And for the first time in history they could seek secure personal material independence. People were able to keep the result of their labour and see that labour and investment could contribute to an increase in material comfort for themselves and their descendents.

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The development of the seed bed for the Productive Economy in the United Kingdom took 800 years. (See Appendix page 24)

But a Productive Economy can emerge in any place and time where the conditions are right. A Productive Economy emerged spontaneously in China in the 1980's and dramatically uplifted 400 million people out of poverty. Seemingly impossible in a country with a deep seated hostility to “capitalism” and commerce.

INCOME AND POVERTY IN CHINA



Note: Daily income is 2011 PPP. Yearly income is per capita disposable income of urban households and per capita net income of rural households; current USD.
Sources: World Bank, China Statistical Yearbook 2015 (compiled by the National Bureau of Statistics of China) and GPF calculations

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Kate Xiao Chou considers the emergence was “spontaneous, un-organised, leaderless and non-ideological.” People got access to property. They were granted permission to found enterprises. They made themselves prosperous. They took the opportunity of economic freedom to spontaneously, leaderlessly and without any grand theory bring about the greatest single uplifting to prosperity in the history of humanity.

All they needed was the ingredients of the Productive Economy. Freedom to make, Freedom to own property, freedom to benefit from the fruits of their labours.

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The state did not cause the emergence. It allowed it. The people individually and in the voluntary institutions they freely formed brought it about. It is an astonishing achievement by the Chinese people.

The prosperity brought a cascade of income to the Chinese State. Which used it to build a modern infrastructure for the Chinese people and their Productive Economy.

The Productive Economy has evolved in the last 200 years. Today everything you see in the modern world, everything you own, your house, furniture, car, the food you eat, the job you go to is produced in a web of relationships, of cooperation, of hard work and enterprise in the Productive Economy.

The origin of all taxes of whatever kind is the Productive Economy. Everything you receive from the state is paid for by tax originating in the Productive Economy.

All the advances in prosperity, technology, piped water, sewage systems, electricity, aviation, automobiles, computers spring from the efforts of those who work and invest in the Productive Economy.

A stupendous cascade of taxes from the Productive Economy enables the State, to provide the public amenities, roads, sewers, courts, police, public hospitals, public education, social welfare and many other government services, the underpinnings of civilised society, that we take for granted in the modern age.

How does it work?

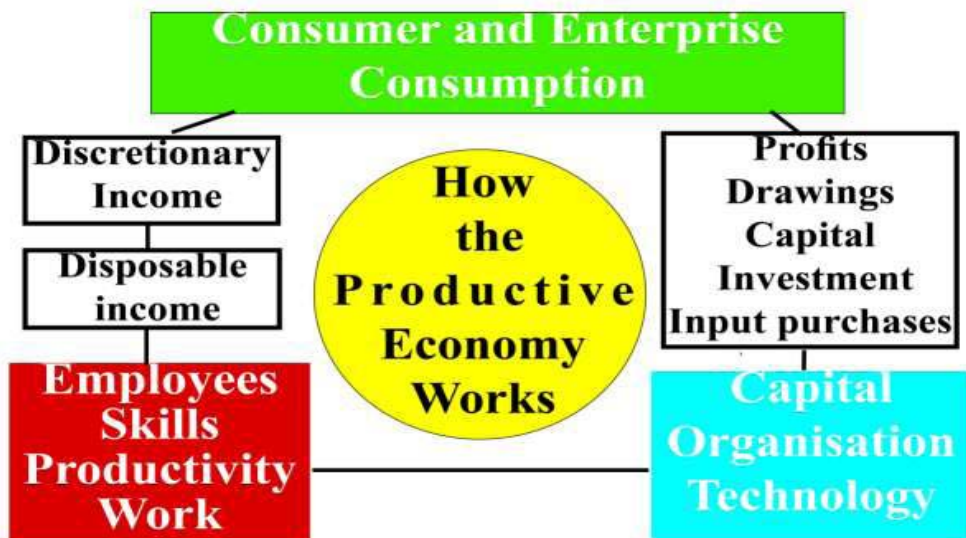
Over 200 years the Productive Economy has evolved into the most complex creation of humanity.

At it's base is the enterprise. An enterprise can range from a one person motor repair shop to a corporation with hundreds and thousands of employees providing thousands of services and goods to millions of customers across the world.

All enterprises have the same structure, owners, employees and customers. The relationship between the components of the enterprise is built on trust, collaboration and satisfaction.

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This is what the relationship looks like.



The Employees, workers and managers.

Workers in the enterprise are paid for their effort and time in wages and salaries. This is their Disposable and Discretionary income. Disposable is that sufficient to meet the bills each week. Discretionary income is the amount over and above that giving them the option of saving or buying items that will improve their circumstances. Discretionary income feeds the future. In a prosperous society with high productivity every employee enjoys discretionary income.

The Owners, Employers and Investors.

Risking failure they use their savings, bank loans from the capital generated by other businesses and the savings of workers to build productive enterprises. They provide the capital, the technology the training and organisation to add value and thereby provide goods and services to their customers.

The Customers

The customers are everyone in society. They include businesses buying from other businesses. All customers get their income from the Productive Economy.

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All spending in the Productive Economy originates from the Productive Economy.

You can prove this in the negative. Take a state where the Productive Economy has been destroyed. Venezuela for instance. When the taxes cease to flow from the Productive Economy there is no money to pay civil servants. State services falter and breakdown. When the property of businesses is seized by the state production crumbles. When prices are directed by the state production ceases.

The Productive Economy Provides everything.

The Productive Economy generates all customer spending either directly or indirectly and generates all taxes whether paid from the Productive Economy or from those outside it.

It is a wheel of prosperity. Without customers having disposable and discretionary income from the Productive Economy it would not exist.

Without capital generated from the Productive Economy it would not exist. Without employees to add value and effort it could not produce goods and services.

It does not discriminate. If customers have the money they get served. It does not block talent. Unlike the State system it is voluntary. It opens opportunity to all who can produce goods and services which the customers find worth purchasing. It does not close the door to the future. The Productive Economy welcomes it.

It is adaptive, enterprising, expansive and engaging. It is a self organising entity which manages uncertainty producing stability in chaos. Failure teaches lessons, success affirm them. It has a myriad of iterative feedback loops.

At it's base it is simple. A net of relationships between capital, labour and customers.

The mechanisms of the Productive Economy resemble the oriental game of Go. In Go there are just two colours and a small number of simple rules. Yet the numbers of possible moves in a game of Go are more than the stars in the universe.

In a world connected by trade these millions of enterprises interface trading goods and services around the globe.

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This inter-relationship of enterprises across the globe, locally everywhere there is a Productive Economy are simply enterprises corroboratively and competitively producing everything.



Farms, corporations, single person businesses deliver a cascade of employment, wages and salaries, savings, taxes providing the prosperity and sustenance for all of the economy and society.

So you would think that this thing that created a world of prosperity for billions would be lauded and feted.

Actually the opposite happened.

In the early days of the Productive Economy a conflict broke out on who was to share it's fruits.

A theory was formed. A story was told. The story went like this.

This "Capitalism" was a process of exploitation.

The theory was that in an enterprise there was a separation between the interests of the "capitalists", owners, investors and the workers. The twain could never meet.

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It was a fixed pie, the theory went. If they owners took any share it was because they were taking the share belonging to the workers.

The workers alone added value. Therefore the workers must overturn the system to wrest their rightful share from the owners.



The story was simple and appealing. It was painted in heroic terms, the struggle of the working class for the fruits of their labours.

Millions believed it. They raised revolution and took control of the state to create communism and socialism. The theory said that the state would own everything and share the fruits of production among everyone.

What followed was the greatest tragedy in the history of the world. Over 100 million people were murdered by the state. The state that was to share everything produced death and shared misery. Millions were consigned to the Gulags.

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The wealth of nations was squandered following the theory that there was a fixed pie and the state would ensure fair shares.

The theory of “scientific socialism was a stupendous failure. When communism fell the contrast between the two systems at the fall of communism was astounding. The Soviet Union with 170 million people and 70 years of gargantuan effort had a GDP the same size as the Netherlands a small country with 12 million people.

They destroyed the Productive Economy by removing the ingredients which made it possible. Economic freedom, respect for business, property rights and the rule of law. All the theory produced was dictatorship.

The stories/theories of socialism and communism were proved by experience to be failures. The theory was totally wrong. The story wasn't true. The pie wasn't fixed. It could and did grow prodigiously.

Because in contrast the Productive Economies of the Free World prospered. They built prosperous countries. By the 1970's a low to average waged employee could buy a house a car and support a family on one income.

Owners invested in technology and brought down the price of goods. The workers got more wages. The Productive Economy grew a bigger pie. Productivity increased and more goods and services were produced using less labour, less raw materials, less capital less time.

The standards of living rose. The question of who got what share was irrelevant as long as the portions grew and delivered discretionary income.

The academic theorists of Marxism never considered the role of the customers. As it transpired the customers were also the workers the owners and other business.

The last bastions of socialism, Cuba, Venezuela and North Korea are an example of its total failure

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Because reality revealed that there is no divide between the workers and owners in an enterprise. They share common goals. If the enterprise prospers all prosper. If the enterprise fails they all fail.

Customers

The Enterprise

Investors

Owners

Managers

Employees

Workers

We live in an economic entity whose story has been told by its enemies. And their description of the economic reality which delivers all our goods, services, public goods is a distorted spectre of their fabrication. And thus its reality could not be understood even though it was all about us. The story was false but there was no other. Because its story was so seldom told

Stories drive human action. They frame patterns of meaning to explain the chaotic world about us. They explain the past. How the present came to be. Stories shape possible futures and create human reality. Stories and narratives define the political options.

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It is a hard story to tell.

You can see the workings of the Productive Economy everywhere but never hear the story. It's too ordinary and mundane to march in the streets for. It just is. Unlike post modern progressive democratic socialism it was not founded on a theory. It was a story told in deeds not words. It worked. It was immensely complex. A plethora of economic models and theories tried to explain it and all failed.

Where ever the Productive Economy was in place billions and billions of people were lifted out of poverty. It was the only thing that could lift people out of poverty. But the story remained untold. Those who were in the Productive Economy were too busy making a living to tell it. Why isn't it told What are the consequences of not telling it.

It wound up being defined by its enemies.

Since few told it's story it became defined by those who hated it. They called it "capitalism." "Capitalism" was exploitative. It benefited the "rich." It caused poverty. The world was full of oppressed people, victims of capitalist oppression. Socialism communism and Trade Unionism had left a name and an impression with stories of its dreadfulness stretching back through time that lingered in the public mind-set. They had conjured up a spectre which had never been refuted.

Environmental scares

The environmental scares of the 1970's framed another story that. "Capitalist" pesticides, acid rain, GMO organisms and air pollution were destroying humanity. We were going to be killed by pesticides, poisoned by pollution, and maimed by genetic engineering. "Capitalist" "Trans-national", "neocolonialist", "big corporate" greed were pillaging the earths resources. It was "unsustainable."

Paid propaganda drove the stories to top of mind everywhere. The scares never happened. Life expectancy rose everywhere. The hospitals were not filled with then poisoned. Resources are abundant.

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But a new scare is on the march, Global Warming. The spending needed to reduce the temperature of the earth in 2100 by about point three of one degree centigrade is about \$100 trillion. This burden is to be borne by workers owners and customers in Productive Economies

The people who told these stories were intelligent people. But as Nassim Taleb remarks. Intelligent people can have some really stupid ideas.

There are new scares on the horizon.

The robots are coming. Computers will be smarter than humans. It's an opportunity. It will cause mass unemployment.. We will all be ruined.

Unless the state provides a Universal Basic Income and sequesters citizens away from the Productive Economy we will face mass unemployment. Scary stories about the future usually work because the future is unknown. And the unknown is always to be feared.

Media

The Media seldom told the story of the Productive Economy let alone explained how it worked. It's invisible in the mass entertainment industry. What stories it does tell are tinged with the picture of greed and exploitation. Moreover with the ascendancy of the post modern version of truth and identity politics the media abandoned the opportunities for collective reasoning in favour of conflict and a circus of partisan political infotainment. Advocacy journalism turned from reporting reality and substituted a drumbeat of hysteria on the evils of "capitalism" real and imagined. The business pages were filled with it's doings but not the why and wherefore.

The growth of the state.

The welfare state changed after the 1970's and states in the developed world took on mighty undertakings. Solving poverty, saving the planet, creating equality and social justice. Since the Productive Economy had no story to tell it's role was merely to work hard, invest more and produce the taxes to pay for the re-engineering of society.

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Whether it survived was a matter of indifference. It's ability as the sole mechanism for lifting out of poverty was ignored.

Politics

In politics perception is more important than reality. If the voters perceive an idea to be true it does not matter that it is not. The politicians must deal with the perception. The advocates for redistributing the earnings of the Productive Economy to their client voters captured the public's sense of compassion. They had a good story to tell. Helping the victims of oppression and capitalism. Whether they knew that taking billions from the Productive Economy to squander on state efforts to cure social ills, was harming it's ability to cure poverty was not known. The power they got from the exercise over the lives of millions of people was reward enough.

There were defenders

Enterprises in the Productive Economy formed groups. Chambers of Commerce, business associations and lobby groups. But while they could try to protect themselves from the onslaughts of a growing state they could not conduct field politics. Because they had customers to serve. Taking a political stance and telling a story in the market place of political ideas could offend customers.

Thinks tanks defending economic freedom arose but they were powerless against a mighty academia with no knowledge of and little sympathy with the mundane people who worked and toiled in the Productive Economy.

So the workers, owners and investors soldiered on unthanked. Filling the supermarkets with shelves with goods, standing in the retail stores, piloting ships across the world, filling the skies with affordable air journeys. They were building prosperity for them and their fellow citizens. They made real the proposition that prosperity is not a gift of the state but come only from the efforts of workers, owners, investors and managers in the Productive Economy.

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The most precious thing they had was a livelihood. A job, a business, a share in the Productive Economy. The Productive Economy belonged to the people. There could be no more honourable thing than being part of the Productive Economy.

It has been misnamed, maligned, stunted and pillaged but the Productive Economy is mankind's greatest achievement. It can easily be destroyed by ignorance, mistaken ideologies, corruption, despotism, extractions from the state that are wasted on impossible social objectives, foolishness, the depredations of the financial sector and misguided grand theories of economics and social "improvement".

But it is a story seldom told and the cost of not telling it's story could be the destruction of it.

If it is destroyed as it has been in some countries where for a while it once flourished our descendents could look back to a golden era when there was prosperity and hope.

It is long past time to tell it.

Like it is.

Quotes

“Two centuries ago, food was the biggest part in a family’s budget. It was hard for a poor family to get enough to eat. If there was a shortage, there could be a famine, resulting in thousands of deaths.

Even in the 1920s, people on average spent a third of their income on food.

Now they spend only a tenth. Look at any chart of the price of the basic foodstuffs, such as wheat, barley and milk, and you will see almost continuous and deep falls.

What has caused this massive benefit to the poor?

A series of government regulations?

A good-looking politician with an easy smile and a “vision”?

No. Capitalism.

No single individual did it.

Thousands, or millions, did it.

They were not directed by any central agency.

They just operated in a capitalist system.

They invented farm machinery that replaced many men and therefore made food much cheaper.

Farmers deployed these machines.

Others created ships that could carry grain cheaply, quickly from faraway lands where food was grown more cheaply.

Others still distributed the food in ever more cost-efficient ways, by rail and by road on newly created and deployed trains and lorries.

They did this, each of them living his own separate life in his own undirected way.

They transformed the situation. The poor were given food in abundance.

They were given it at a price they could easily afford.

Shortages, hunger and famine became history.

That is what capitalism did. “

James Bartholomew ‘The Welfare State We’re In’,
Politicos

Quotes

In the last quarter century, more than 1.25 billion people escaped extreme poverty - that equates to over 138,000 people (i.e., 38,000 more than the Parisian crowd that greeted Father Wresinski in 1987) being lifted out of poverty every day. If it takes you five minutes to read this article, another 480 people will have escaped the shackles of extreme of poverty by the time you finish. Progress is awesome. In 1820, only 60 million people didn't live in extreme poverty. In 2015, 6.6 billion did not.

Alexander Hammond

The Worlds Poorest People Are Getting Richer Faster than Anyone Else Human Progress.org October 27, 2017

“In 1820, 85% of the world’s population lived on today’s equivalent of less than a dollar per day. By 1950, this proportion had fallen to 50%. Today it is down to 20%. World poverty has fallen more in the last fifty years than it did in the previous five hundred.(11) This dramatic reduction in human misery and despair owes nothing to aging rockstars demanding that we ‘make poverty history.’

It is due to the spread of global capitalism.“

Peter Saunders

“We have known since the time of Adam Smith that capitalism harnesses self-interest to generate outcomes that benefit others.

This is obvious in the relationship between producers and consumers, for profits generally flow to those who anticipate what other people want and then deliver it at the least cost. But it also holds in the relationship between employers and employees.

One of Karl Marx’s most mischievous legacies was to suggest that this relationship is inherently antagonistic: that for employers to make profit, they must drive wages down. In reality, workers in the advanced capitalist countries thrive when their companies increase profits. The pursuit of profit thus results in higher living standards for workers, as well as cheaper and more plentiful goods and services for consumers.

The way this has enhanced people’s capacity to lead a good life can be seen in the spectacular reduction in levels of global poverty, brought about by the spread of capitalism on a world scale. “

Peter Saunders

Quotes

“Capitalism is not nearly as sexy. Instead of glorifying conquest or pomp or deifying a leader, its chosen virtues are mundane and boring - thrift, self-reliance, cautious investment, politely serving customers, obeying the law and paying your debts. What’s worse, there is no divine right or grand moral justification for capitalism: it accepts that self-interest is at the bottom of most human action and figures out how to use this impulse for the good of everyone.”

Denis Dutton: Why capitalism’s a staggering success
17.10.2003 Comment

“The problem for those of us who believe that capitalism offers the best chance we have for leading meaningful and worthwhile lives is that in this debate, the devil has always had the best tunes to play.

Capitalism lacks romantic appeal. It does not set the pulse racing in the way that opposing ideologies like socialism, fascism, or environmentalism can.

It does not stir the blood, for it identifies no dragons to slay. It offers no grand vision for the future, for in an open market system the future is shaped not by the imposition of utopian blueprints, but by billions of individuals pursuing their own preferences.

Capitalism can justifiably boast that it is excellent at delivering the goods, but this fails to impress in countries like Australia that have come to take affluence for granted.”

Peter Saunders

“The great virtue of a free market is that it enables people who hate each other, or who are from vastly different religious or ethnic backgrounds, to cooperate economically. Government intervention can’t do that. Politics exacerbates and magnifies differences.”

Milton Friedman

“Commerce, Levantine Souks (though not large scale markets and corporations, are activities that bring out the best in people making most of them forgiving, honest, loving trusting and open minded.”

Nassim Taleb

Quotes

“By contrast, free market capitalism is the opposite of a system built on certainty. No one knows what will be invented or discovered next otherwise it already would have been invented or discovered or how consumer appetites will change in the future. In freemarket capitalism, uncertainty is a feature, not a bug. “

Brian S. Wesbury Robert Stein Strider Elless
First Trust Monday Outlook June 27 2016

“Economic power is exercised by means of a positive. By offering men a reward an incentive a payment a value. Political power is exercised by means of a negative, By the threat of punishment injury, imprisonment destruction. The businessman’s tool is values the bureaucrats is fear “

Ayn Rand

“Self interest, the self interest of David Hume’s insight “is at the core of the human engine.”

Only the productive economy gives full flower to the development of that self interest to a self supporting independent human being. Humans need independence. Social progress is the social progress of a multitude of individuals .

The truth is that there is no social progress without individual progress.”

Noel Pearson

“The Soviet Union collapsed in part because its labour was close to the world’s least productive. Remove all artificial supports and fake statistics and - poof - it turned out that the economy of Russia was hardly any bigger than the Netherlands’.”

Denis Dutton: Why capitalism’s a staggering success Comment
7.10.2003

“Socialism is not an economic theory, it s a theory of redistribution. Only free exchange can coordinate entrepreneurs and their resources in a way that creates actual goods and services that satisfies consumer wants. Socialists take no part in wealth creation, they mainly show up after the event and claim title.”

Yonathan Amselem Mises Wire

Quotes

“There are many ways of securing a livelihood, but historically they may be said to divide into two grand strategies—“making” and “taking”. “Making” involves the creation of wealth for personal use or exchange, “taking”, its acquisition through force or threat. Exchange among “makers”, the trading of one good for another, benefits all concerned and, when systemic, spurs economic growth. “Takers” extract via a predatory relationship in which good is gained by delivering or threatening ill, deterring creativity and stifling growth.

“Taking” has traditionally been the dominant strategy, literally the royal (and aristocratic) road to riches, status and power. A “world-safe-for-making” (the underlying meaning of bourgeois constitutionalism), reversed this ancient precedence, limiting the scope, and taming the abuse of state power through a variety of normative and institutional practices. Spared the state’s exactions and arbitrary intrusions, commerce, manufacture and banking burgeoned, becoming the life strategies of choice—a great but immensely salutary anomaly in human affairs.

The “world-safe-for-making” was, in part, the result of happy historical accidents like the Dutch Republic’s triumph over Spain, England’s Glorious Revolution and, after that, America’s. But it also reflected more deeply seated features of the European environment, particularly a fragmented geography, which dispersed dynastic power sufficiently to allow, in some places at least, “makers” to successfully fight for the right to pursue their enterprises, keep their profits, and govern themselves.”

“Fostering productivity, as well as bounties like scientific discovery, civic peace, security of property and religious tolerance, a “world-safe-for-making” delivered the good life not only to the masters but to mankind’s hitherto miserable masses—a wondrous alteration in the human condition achieved not by striving for utopia but by sheltering the thoroughly mundane.”

Stephen H. Balch Cognoscendancy Tyranny of the Talkers
Quadrant May 10th 2016

The Seed Bed for the emergence of the Productive Economy

The Productive Economy needed a seed bed to germinate. That seed bed was economic freedom. From the first days of humanity until the 17th century there was no freedom. Ancient humans were subject to the tyranny of tribalism. Through subsequent history there was no individual freedom. There was little concept of self. The teachings of Abelard, personal portrait painting and the availability of mirrors in the 15th century allowed people to see a self. Individual freedom of thought and action was incomprehensible before the seedbed was ready. It took 1600 years to prepare.

470 - 800 AD. The preservation of Knowledge.

After the fall of the Roman Empire the knowledge of Greek and Roman literature and philosophy era was preserved in four places.

In the House of Knowledge founded by Harun El Rashid in Bagdad, in the libraries of the Emirate of Andalusia, among the Nestorian religion in Persia and in the monasteries of Ireland. In the Byzantine Empire the knowledge of the ancient Greeks and Romans was abjured as heresy. By the Edict of Thessalonika Theodosius closed the doors of Greek and Roman knowledge. It was pagan. All necessary knowledge had been revealed with the advent of Christ.

For 500 hundred years beginning around 500 AD Greek and Roman texts were translated in Irish monasteries. They spread the precious store of manuscripts over the next centuries through monasteries founded in what was to become eventually the Carolingian Empire of Charlemagne. They preserved literacy in Europe. The translation houses of Toledo opened an avenue for Greek and Roman thinking known in the Emirate of Andalusia to allow Aristotle and Plato to eventually fall into the hands of Aquinas. The rule of Benedict set a standard of behaviour in Southern Europe preserving orthodoxy in the Dark Ages.

1166 Henry II

Henry's reformation of the English courts gave a foundation to the English system of Justice. He created the General Eyre. He sent Royal Judges around England with authority to hear all civil and criminal cases. He increased the use of Juries and their brief was extended to deciding guilt. A jury of one's peers would decide facts and guilt not the hue and cry of a mob or the dictates of the King.

The Seed Bed for the emergence of the Productive Economy

Justice would have a structure, a certainty of process and a core of practice. It would not be left to the determination of the local lord of the manor.

1215 Magna Carta

Under pressure from a French invasion and a revolt by his Barons King John acknowledged that the common people had rights of usage in the forests and to game. Common people had preserved a customary right and transformed it into a property right unassailable even by the King.

The King agreed in writing not to press action in law against any Englishman without bringing charges followed by a fair trial. Accused had the right to face their accuser in court and compensation for confiscated property. Magna Carta sparked an idea that there were limits to the power of the King and that Englishmen had underlying rights existing from time immemorial with which the King could not tamper.

About that time the English common law began to develop. The law was to be decided by Judges. And further more they were not making the law but building on the decisions of fellow judges and thereby revealing the nascent law of the English. The began to form through incremental accretion the beginnings of security in their property and law and enforcement distinct from the majestic power of the King.

Magna Carta and the common law distinguished England from all other places where the power of the sovereign was unrestrained.

1217 Henry III Charter of the Forests.

At the end of the reign of King John about a third of England was royal forest. The money exacted from the peasants for “forest” offences were a major source of the King’s income Henry III drastically reduced the area of the King’s forest and banned capital punishment for forest offences like poaching deer and allowed those with land within the forest to erect buildings and create new arable land.

The Seed Bed for the emergence of the Productive Economy

1400 - 1600 The Renaissance

The Renaissance awoke Europe to a wider vision of human possibility. Rediscovering the accomplishments of the past led Europeans to consider there might be ways of thinking different from the religiously directed pathways they presently trod.

1533 The Reformation

The Reformation did not allow freedom of religion within states but it did allow some states to practice a different variation. Argument arose about the relationship people had with the Deity. The walls of scholastic certainty started to crumble.

1535 The Dissolution of the Monasteries

Some disasters aided the progress of the great achievement. The destruction of the monasteries by Henry the VIII removed a precious resource for the preservation of knowledge, the manufacture of goods and assistance to the poor and sick. But in the vacuum new ideas had space to flourish. Some of the property and wealth of the church was taken and passed into the wider economy.

1580 The School of Salamanca

The first glimpse of freedom of thought arose in the School of Salamanca in the ideas of Francisco de Vitoria, Domingo De Soto and their colleagues. The Salamancan School advanced the concept of a natural law originating in nature itself. They then reasoned that since humanity was part of nature and all humans share the same nature it therefore followed that they had rights which sprung from being part of nature. Further neither King nor church could extinguish these natural rights. Individuals had a right to life, the right to own property, the right to freedom of thought. The right to human dignity. These rights were situated in nature. They rested on a bedrock outside the state and the church. This is the beginning of the modern world.

1620 The Rise of Science

Science had faced difficulty in the religious absolutist states existing at the time. They were the norm up until the Reformation. The Christian church had closed the door to outside ideas from the fall of the Empire.

The Seed Bed for the emergence of the Productive Economy

It had been possible to advance mathematics. It was an abstract practice and posed no obvious threat to the sovereign.

Science had begun in the Islamic world but its progress had been stopped by the reforms of Al-Ghazali in the 11th century.

In Elizabethan England the contention of religions for the dominance of the state fractured the control of religion on ideas.

A crack in the armour of religious certainty appeared and the possibility of free scientific enquiry broke through.

It was framed by Sir Francis Bacon, Lord High Chancellor. Bacon said that if you wanted to establish a better view of reality you had to examine reality itself, not ideas or nostrums handed down in books. You had to experiment, examine the actual thing in front of you.

With the practical experiments of Galileo, Newton, Hooke and Boyle and the observations of Copernicus the world was given a means of verifying and understanding reality.

The core reasoning of this new “scientific” method was that truth was not fixed and permanent. It was not handed down through a gospel. It was conditional as ‘truth’ until experiment proved it. A truth that fitted the facts not the assumptions in an idea. The distinction between ‘truth’ as revealed in religion and ‘truth’ from examination of objective empirical reality had been made.

1620 The fall of the Guilds

In Jacobean times the guilds lost their power. People could choose what trades they would pursue. Trades could expand or contract free from the burdens of monopoly.

1628 The Petition of Right

The clash of ideas and the onset of freedom gathered pace in the cataclysm of the English Civil War. It started with the Petition of Right. Charles the First needed money to take part in the 30 years war. He declared martial law in parts of the country and started a row with parliament to secure the money he needed for the war.

His answer to the failure of Parliament to grant funds for the war was to raise loans which he enforced by imprisonment if the lender did not agree. It was taxation by royal fiat.

The Seed Bed for the emergence of the Productive Economy

Refusal to “loan” the King money meant imprisoned without trial. Parliament resisted the idea that the sovereign could set aside the law of England in such an arbitrary fashion.

Charles has crossed a line by unlawfully taking power over the persons of Englishmen , their property and their money.

Unable to get the King’s assent to an act of parliament they set out their assertion of the prerogatives of parliament in the Petition of Right. The Lords joined the Commons in assenting to the Petition.

The King agreed to it. He needed the money. The Judiciary treated the petition as having the standing of an Act of Parliament. It was a signal event. It revived the claims in Magna Carta. The four statements of the petition were that imprisonment was illegal except under law, habeas corpus should be available to all, defendants could not be remanded in custody without a specific charge.

Taxation must have the agreement of Parliamentary a convention that had it’s origins in Edward III’s compliance in 1297 when he needed money to fund the 100 years war.

By the use of a parliamentary petition the freedom of the English was preserved. It did not curb Charles’s royal ambition to put himself above parliament. That issue was finally settled by the civil war.

The Civil War brought into the light people such as Milton. Milton said that the truth of things could only be established in fair debate. All sides of the argument had to be put. No argument for or against should be prohibited. Therefore in order to establish truth speech must be free.

The severing of the head of Charles the First put paid to the claim of the divine right of English Kings and ended the idea of absolute monarchy. The contest of two ideas of sovereignty quickened the fermentation of radical ideas of freedom.

When the war was over an elected Parliament had finally and forever wrested the power to tax from the King.

During the Civil War the Levellers published the “Agreement of the People.” They called for popular sovereignty. The people would be sovereign not a King. They demanded religious tolerance. They wanted every individual equal before the law.

The Seed Bed for the emergence of the Productive Economy

They wanted more people to have the vote and have a say in who governed the state.

More radically they thought there should be freedom of opportunity and freedom of the person. To be free to think and act as their conscience led them. Over the next 30 years the term “nonconformist” came into usage. A country had come into being where dissent from the established church was tolerated.

1648 The Treaty of Westphalia

The Treaty of Westphalia in 1648 set up the reality of the world today. People would live in nation states. After the Treaty of Westphalia in so far as we are free we are free in the laws, rules and assemblages defined by the territorial boundaries and prescriptions of the nation/state we live in.

1650 The “First Freedom” in the Dutch Republic

In an accident of history the Dutch Republic was unable to elect a ruler of the Netherlands. Central authority was in abeyance. The “First Freedom” as the Dutch call it was a brief period of freedom from the power of the sovereign.

The Dutch took advantage of their freedom to establish commerce, stock markets and to enlarge the role of banks. Trading houses were incorporated spreading the risk among their stockholders leading to increased investment and the development of foreign trade. The Dutch East Indies company was formed. For the first time in history the “First Freedom” allowed not a just growth in trade, there had always been trade, but commerce and investment.

European bankers found the merchants of Amsterdam paid their debts more readily than the crowned heads of Europe. Merchants increased wealth and repaid their debts. The monarchs spent it on war and defaulted.

1688 The “Glorious Revolution”

In the Glorious Revolution another monarch with overweening ideas about the divine rights of Kings was deposed. Tolerance of religion was established. The King was subject to the rule of Parliament. Englishmen had rights in property and their person that the King could not transgress. The King was subject to the constitution.

The Seed Bed for the emergence of the Productive Economy

1750 The English and Scottish Enlightenment

By 1750 this onrush of thinking had a name. The English and Scottish enlightenment. Thinkers such as Locke, Hume, Hobbes, Adam Smith and Tom Paine framed ideas of freedom. These were radical. Government must gain consent from the governed. If it did not it was illegitimate and the people were justified in rising in rebellion against it. Government was to derive its powers from the consent of the people not God.

Individuals had the right to their own conscience. Freedom to form ideas and standards of morality. They has security in their property against the state. These freedoms had to be protected by the state.

1776 The American Revolution

The American revolution founded a republic where the people were sovereign. It enshrined in a constitution that individuals had an inalienable right to own property.

The American revolutionaries mixed their own ideas of freedom with the liberalism of England. They could own and advance their material circumstances without hindrance. Liberty was enshrined as a core value of the American republic. America became prosperous because its people were free to form enterprises.

Further Reading
Books

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Andy Kessler	How We got Here
Benjamin Friedman	The Moral Consequences of Economic Growth.
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Edmund Fawcett	Liberalism - The Life of an Idea
Edmund Wilson	The Social Conquest of the Earth
Enrico Coen	Cells To Civilisation
Frank Trentham	The Empire of Things
Henry Hazlitt	Economic in One Lesson
Henry Marchuk	The Rise and Fall of Socialism
Ian Mortimer	Centuries of Change
James Grier Miller	Living Systems
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Ludwig Von Mises	Theory and History
Mark Pennington	Classic Liberalism and the Failure of Public Policy
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Peter Baudin	A Socialism of Empire
Peter L Bernstein	Against the Gods
Thomas Cahill	How the Irish Saved Civilisation
Tom Bethell	The Noblest Triumph: Property and Prosperity Through the Ages
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Further Reading

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*The Productive Economy is a non-ergodic,
non-stochastic, heteroscedastic, non-linear,
evolving, adaptive, self organising, complex,
entity.*

*This is the reason
why no economic theory explains it
and no state can command it.*

Daniel McCaffrey

The End