The Third Leap

Western Life Expectancy vs. GDP/Capita, 1000 - 2010

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The
Third Leap
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For 80,000 years all but a tiny minority of humanity lived in poverty under the constant threat of famine and disease.

About 200 years ago a momentous effusion of prosperity in human history began, the Third Leap.

Until 1820 any increase in mankind’s prosperity was minimal. Indeed, in the 80,000 years since the First Leap, GDP per head had struggled up to about $600. The economic experience of the vast swathe of humanity had been a long miserable flat lining continuation of poverty. No matter who ruled or where they ruled, life expectancy was about 25 years.

In the 200 years since 1820 life expectancy has risen from 25 years to 75 years. Billions of years have been added to people’s lives. Since 1820 average world GDP has risen from $600 per capita to $30,000 today.

The Third Leap has been a miraculous generator of wealth and wellbeing for billions of people. It is the most wondrous event in the history of the world.

The Third Leap emerged in England and Scotland about 1820.

So why did this happen? How did it happen? What is it? How does it work? Is it still working? Is it under threat today?

First let’s look at the leaps that came in the 80,000 years before.
The First leap

Was the development of consciousness about 70,000 years ago. It is the leap that made us human. Within 30,000 years it allowed a small weak animal to overpower all other creatures on earth. How did this puny creature do that?

Yuval Noah Hariri says the difference between humans and other animals is that humans can cooperate collectively in large numbers. Well so can ants. So, what is the difference. Well the difference is speech, collective memory and culture. As he said you can rearrange culture within decades. As far as we know the behaviour of ants has not changed in aeons. It is hard wired into their instinctual behaviour.

Humans have culture. Culture changes, evolves. As Hariri notes flexible cooperation was the key. And this he states is only possible by our ability to think figuratively. To create stories and believe in them and frame our behaviours around them. To know what our fellow human thinks and place the story in a mutually beneficial framework. 80,000 years ago, after a million years of stasis, the Human species took a great leap into the future. It spoke.

The Second leap.

The next leap came with the invention of writing. It is all very well cooperating if the cooperation has to be guided by the human voice. The other humans have to be present to receive their instructions from a herald or a messenger. Yes, you can scheme all night around a campfire but how do you get people in the next village in on the plan. Writing was precisely the marvellous tool needed for large scale human cooperation at a distance. It allowed large collectives to come into being, empires in fact.

Information could be recorded and transmitted at a distance among people who were strangers to each other. It provided a cooperative tool to record information precisely, in detail. The spoken word couldn’t provide this.

Records could be kept of commercial transactions, taxes could be levied and wisdom could be passed down through the generations. Connectivity between humans had changed and the size and cooperation among large populations became possible.

“Over the last 20,000 years mankind moved from hunting mammoths with stone-tipped spears to exploring the solar system with spaceships not thanks to the evolution of more dexterous hands or bigger brains. Instead the crucial factor in our conquest of the world was our ability to connect many humans to one another.”

Yuval Noah Hariri “Homo Deus” P 153
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And so it was until 1820. Never mind the growth of civilisations and the reach of empires the overall level of human prosperity was dismal. The upper echelons might possess wealth but 90 percent of the population everywhere wallowed in poverty.

Until about 1820. And then something happened. A change began and a path to increased prosperity for ordinary people opened up. The citizens of England and Scotland were the first to venture down the road to prosperity and the creation of personal wealth. They unleashed a new method of flexible collective human cooperation among strangers at a distance. A new way for humans to cooperate flexibly at a distance in very large numbers, the Third Leap.

And uniquely because of the peculiar development of England and Scotland they and only they, out of all the people in the world were able to do it. Because they alone, of all the nations and peoples on the planet, possessed the culture, the social basis, the sense of individual personal economic freedom, the legal and constitutional framework to make it happen. Over the next hundred years they developed the Free Market. And it spread all over the world.

What was it?

The Free Market was a new methodology of flexible cooperation among a world of strangers. It didn’t arrive all at once. There was no big bang. No government plan. No transformational change in legislation. It slowly and incrementally evolved and emerged among the people of England and Scotland.

And as its beginnings were simple so were its workings. A net of relationships between enterprises, capital, labour and customers. Like most complexities that humans design from the bottom up it survives and adapts to the messy chaotic circumstances that humans bring to bear. It was like the common law. It resembled 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.

The mechanisms of the Free Market allowed people who did not know each other to offer to a wider world the fruits of their labours and ingenuity. They could add value to labour and raw material and manufacture new products and services. Enterprises large and small began to form networks of cooperation and trust across vast distances, between all members of society irrespective of their rank and station. Commerce and the free market created the dynamic expansion of wealth of the English not slavery or empire.
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The new free enterprise form of cooperation was an adaptable evolutionary means of cooperation, an algorithm for the creation of prosperity. It was hewn in reality, based in a practical down to earth tacit knowledge. It interacted with the world as it actually was not as a set of ideas as to what it should be.

The Free Market was embedded in a constitutional monarchy where Parliament held control. It was secure in a nation of shopkeepers.

At the end of the Napoleonic wars and the settlement of Vienna and the tax cuts of “Prosperity Robinson “ in the 1820’s the trajectory to longer more prosperous lives began.

The Third Leap, the emergence of the Free Market is the most momentous event in human history.

It rested in the evolving commerce of the Georgian era. The creation of Insurance, the foundation of stockbrokers, banking and the Baltic exchange. Business was being done prior to 1820 but the marriage of commerce and science could not take place until the sinews of a free market was in place.

And that involved not just institutions and modes of government but the social creation of a respect for business and access to capital for anybody regardless of their station. To found an enterprise you needed a good idea, an invention or a service. And you needed customers who desired it and thanks to their earnings in another part of the market could invest or seek employment in an enterprise.

Its successful permanence was demonstrated at the Great Exhibition at the Crystal Palace in 1851. The Exhibition at the Crystal Palace was a paeon to technology but in reality a tribute to the Free Market.

The Third Leap, the Free Market made the Industrial Revolution possible not the other way around.

It is sometimes lazily said that the ascendance to prosperity was just the development of technology. The industrial revolution brought prosperity.

No it didn’t. Without the free market mechanism providing the ability to form enterprises, raise capital, employ workers to provide goods and the means to market them there would have been no industrial revolution. It would not have been possible without the enterprises, commercial entities, proprietorships that brought it into being.

Without the facilities, the culture, the framework for the establishment of businesses and enterprises, the Third Leap, the Free Market, the industrial revolution could not have happened.
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The inventions of the artisans, inventors tinkerers would have produced toys for kings, maharajahs and the aristocracy as happened in China and India.

It took 800 years for the elements needed for a free market economy to evolve out of the England of old.

1. Economic freedom
2. The rule of law.
3. The right to own property
4. A social respect for business.

From 1820 in Scotland and England common people with ordinary abilities and average talent could create the fundamental building blocks of the Free Market, Enterprises and businesses.

And they did. Given economic freedom, the rule of law and an ethos of respect for business people started setting up ventures, enterprises. In a complex world the Free Market delivered rapid feedback and quick solutions to common problems.

Thomas Cook the son of a labourer could begin with small beginnings and through providing what his customers wanted establish a large travel company. There were thousands and thousands of Thomas Cooks.

There was one requirement. They had to satisfy the needs of their customers. Personally they might have the ambition to get wealthy. But unless they satisfied their customers that would not happen.

The Free Market allowed artisans, tradespeople, wealthy experimenters, traders, chancers, inventors and entrepreneurs to cooperate in a new way. The most essential element was that it was their own bottom up creation.

Their endeavours were focussed on life as it was actually lived and the needs and preferences of customers not imagined but proved in everyday reality.

The first result 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 could prosper in the process. There had always been commerce and trade in the world before 1820. But the Dutch invention of the joint stock limited liability company allowed strangers to form businesses and enterprises and individuals to profit from their labour and investment.
The business of doing business became to be seen as not just enriching the people directly involved but through employment, wages, savings and the generation of taxes, benefiting everyone.

It led to a change in outlook. Before 1820 merchants, manufacturers, retailers and business people were considered greedy people, out for private gain. The Third Leap, the emergence of the Free Market, this new manner of cooperation, saw a change in that view. The new method of cooperation paid dividends for everyone. The view of business changed. And thus 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 keep what they earned. They had rights in their property. For the first time in history they could strive for personal, material independence and accumulate personal assets. They had wages.

The development of the seed bed for the Free Market in the United Kingdom took 800 years. It has spread to some parts of the world in the past 200 years. It was crippled in some countries for 70 years. In the last 40 years the momentum has increased. Billions have been lifted out of poverty by the adoption of the Free Market.

The Third leap can emerge in any place and time where the conditions are right. In the 1980s a Third Leap, Free Market emerged spontaneously in China and dramatically uplifted 700 million people out of poverty.

**INCOME AND POVERTY IN CHINA**

![Graph showing income and poverty in China from 1980 to 2014](image)
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Kate Xiao Chou considers the emergence of the Free Market in China 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 increase in prosperity in the history of humanity.

All they needed was the economic freedom to access property, freedom to benefit from the fruits of their labours. The State did not bring it about but it was wise enough to allow it. The people individually and in the enterprises they formed brought it about. It is an astonishing achievement by the Chinese people.

The Third Leap has evolved over 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 comes from the Third Leap, the Free Market, the private sector. The origin of all taxes of whatever kind is the Free Market Economy. Everything you receive from the state is paid for by tax originating in the Free Market. The provision of public goods by the state and local government piped water, sewage systems, electricity, aviation, automobiles, computers originates in the taxes collected from the efforts of those who work and invest in the Free Market.

It is built on relationships and the cooperation between those relationships.
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At its 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.

**The Employees, workers and managers.**

Workers in the enterprise are paid for their effort and time in wages and salaries. This provides them with Disposable and Discretionary income. Disposable income is that which meets the bills each week. Discretionary income is the amount left over.

From their discretionary income people have 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 Free Market. All spending in the Free Market originates from the Free Market.

You can prove this in the negative. Take a state Venezuela for instance where the Free Market has been destroyed. When the taxes cease to flow from the Free Market there is no tax 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 Free Market Productive Economy Provides everything.**

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

It is a wheel of prosperity. Without customers with disposable and discretionary income from the Free Market it would not exist.

Without capital generated from the Free Market it would not exist.
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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.

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

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

This interrelationship of enterprises across the globe, locally everywhere there is a Free Market are simply enterprises corroboratively and competitively producing everything.

And again to emphasise the point. This comes not from the spread of an ideology, a theory, a belief in a particular economic arrangement.

It comes from the adoption of a methodology, a set of practices and behaviour, this new means of human cooperation, the Third Leap, which over 200 years has evolved and adapted into a pragmatic system of cooperation and trust between strangers.

It now encompasses billions of enterprises spread across the globe.
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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.

It is the most complex thing mankind has ever created. It is like the weather. No one can predict what will happen beyond a month. **So you would think that this thing that created a world of prosperity for billions would be valued, praised, lauded and feted.**

The opposite happened. In the early days of the Third Leap a conflict broke out on who was to share its fruits. A theory was formed. A story was told. It went like this.

This “Capitalism” was a process of exploitation. Marx’s theory said that in an enterprise there was a separation between the interests of the “capitalists”, the owners, investors and the workers. The twain could never meet.

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

Marx’s theory of labour held that workers alone added value. Therefore the workers must overturn the system to wrest their rightful share which was being stolen by the owners.

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The story was simple and appealing. It was painted in heroic terms, the struggle of the “working class” for the fruit 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 share the fruits of production among everyone. What followed was the greatest tragedy in human history.
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Over 100 million people were murdered by socialist communist states. The state that was to share everything instead produced poverty, death and shared misery. Millions were consigned to the Gulags.

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 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 Free Market by removing the ingredients which made it possible. They reversed the Third Leap. Economic freedom, respect for business, property rights and the rule of law were cast aside.

The stories/theories of socialism and communism were proved by experience to be failures. The theory of socialism was totally wrong. In the Free Market methodology the pie wasn’t fixed. It could and did grow prodigiously.

Nevertheless Socialists have used the ogre of “capitalism” to malign, defame and scandalise it ever since. What had been set in place was a false dichotomy between the ideology of Marxist socialism and the supposed ideology of “capitalism”.

Because the Free Market is not an ideology. It is a mechanism, a methodology a framework of flexible cooperation among strangers on a mammoth scale.

And while Socialism and Communism destroyed the hard work of their workers the Third Leap free market economies of the Free World prospered. 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 Free Market 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 standard 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. It transpired the customers were also the workers the owners and other business.
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. In an enterprise the interests of everyone involved is to please the customers.

Customers are the real “Bosses”. Those who work in the enterprises, those who manage them those who own the enterprises do not run them just for the sake of running them. They are driven by the needs of the customer and satisfying those needs drives every action they take.

So instead of Marx’s mistaken wrong view of the Free Market being a system of exploitation of the workers, the lower classes, it is the opposite.

Experience has shown that there is no division between the interests of labour and the owners of the enterprise. The real boss is the customer.

So why isn’t the Third Leap celebrated. Why aren’t the benefits of the Free Market shouted from the roof tops?

Stories, memes, beliefs ideologies 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. We live in an economic reality whose story has been told by its enemies. And their description of economic reality is a distorted spectre of their fabrication.
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The remnants of Socialism, the counter capitalism of some elements of the environmental movement have a story athwart the reality about us. But just because the Socialist story of the Free Market is the stuff of ideology, of visions of destruction that never happened does not mean that they do not have an impact.

As the incessant propaganda pours forth it is difficult for those in the Free Market to understand what The Free Market is even though it outcomes are all around us. Because it is complex, chaotic, evolving and very human.

So the story of the Free Market is seldom told

**It is a hard story to tell.**

You can see the workings of the Free Market 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 have all tried to explain the working of the Free Market and all failed.

Wherever it 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 it were too busy making a living to tell it.

Working hard, taking risks, adapting to market circumstances they were far too busy to get out and form a mass movement in its defence. This voluntary cooperation of people spent their time providing goods services taxes and wages to their fellow citizens. **The Free Market wound up being defined by its enemies.**

Since few told its 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 they said was full of oppressed people, victims of capitalist oppression. The opponents of the Free Market told a story of its dreadfulness stretching back through time that lingered in the public mind-set.

**Radical Green Environmental scares**

The environmental scares of the 1970’s framed another story. “Capitalist“ pesticides, acid rain, GMO organisms and air pollution were destroying humanity and the planet.
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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.”

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

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.**

Now 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 Free Market Economies.

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

Unless the state provides a Universal Basic Income and sequesters citizens away from the Free Market 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 real story of the Free Market let alone explained how it worked. Films are tinged with the picture of greed and exploitation. Doom and conflict were more interesting than its mundane reality.

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 its doings but not the whys and wherefores.

**The advent of the Second Welfare State plundered the prosperity generated by the Free Market.**

The nature of the welfare state changed after the 1970’s. States in the developed world took on mighty undertakings. Solving poverty, saving the planet, fixing the climate, creating “equality” and “social justice.”
The Free Market had no one to tell the story of creating prosperity, adding value and generating taxes. It was not driven by an over arching ideology. There was no vision of a glorious future. It lacked the drama of a good story. Its participants seen their role as merely to work hard, invest more and produce the taxes for better public goods and amenities.

To the new politically correct progressive elites that arose in the 1980’s the survival of the Free Market was at best a matter of indifference. Dwelling in academia and working in government and political activism and not dependent on it for their livelihoods, on satisfying the customers, or providing goods and service to their fellow citizens they scorned its achievements. They took the “role” of benefactors of the poor, the “oppressed” the downtrodden. They considered the workers of the Free Market as poor souls who needed not political representation but case workers.

The fact that the Free Market was the only mechanism that could and had lifted people 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. So Francis Bacon’s admonition that we try and see the world the way it actually is can be cast aside. The new progressive elites had a good story to tell. It had all the ingredients of a good plot. A nasty villain, Capitalism. A group of heroes who alone could save you from the villain. They captured the public’s sense of compassion. Helping the victims of oppression and capitalism. They would tax this engine of production, this fount of taxes and redistribute it. They would make people equal.

Whether they knew that taking billions from the Free Market to squander in misguided state efforts to cure social ills would harm the goose that laid the golden eggs was not known. They would not profit personally other than from very good salaries so it was not corruption for personal gain. The power they exercised over the lives of millions of people was reward enough.

**There were defenders**

Enterprises in the Free Market formed 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, telling the story off the Free Market in the market place of political ideas could offend customers.
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Think 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 Free Market.

So the workers, owners and investors soldiered on unthanked filling the supermarkets 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 themselves and their fellow citizens. They made real the proposition that prosperity is not a gift of the state but comes only from the efforts of workers, owners, investors and managers in the Free Market.

The most precious thing the makers of things the hewers of prosperity had was a livelihood. A job, a business, a share in the Free Market. It belonged to the people. There could be no more honourable thing than being part of the Third Leap.

The Free Market has been misnamed, maligned, stunted and pillaged but the Free Market, the third leap in human cooperative evolution is mankind’s greatest achievement. It can easily be destroyed by ignorance, mistaken ideologies, corruption, despotism, extraction of taxes by the state wasted on impossible social objectives, foolishness, the depredations of the financial sector and misguided grand theories of economics and social “improvement”.

It is a story seldom told and the cost of not telling it could be the destruction of it. If it is destroyed as it already has been in some countries 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. To nurture and protect the thing that people themselves created and day in day out go to work in to make their livelihoods. The simple system, the methodology that provides all the goods and services they enjoy.

That delivers to their government the fount of taxes which purchase public good they need to live their lives. To protect it from idealist theoreticians, academics and political opportunists who would destroy it. Because if it is lost. If it is destroyed by its enemies it will be the greatest tragedy in history.

Our descendents will be like the barbarians who in the eighth century marvelled at the buildings of the Romans and wondered which heavenly beings had made them.
The world will return to the way it was before 1820. When a very small percentage of society enjoy wealth and the vast bulk of the population live in abject penury.
There is yet hope. Africa has in many places embraced the Third Leap. They are improving their living standards accordingly.

Asia has embraced the Free Market with enthusiasm. There is a respect for business and enterprise. They believe in hard work. The idea of the Second Welfare State where the state pays able bodied people to be idle is alien to them. They are not enamoured of the powerful state as the dispenser of all that is good in the world.

In contrast Western Europe, Canada, Australia and New Zealand are stifling the Free Market with bureaucracy, increased spending to buy votes through the Second Welfare State and theories of environmental disaster and state funded climate adjustment. In those countries the ideologues who despise the Free Market are on the march again. They preach that state welfare and state spending creates wealth and prosperity. That they, the wise and clever will if given access to the rivers of taxes created by the hard workers of the making productive economy will bring about a paradise of equality, social justice and diversity. Their promises are based on ideas that have failed in the past. The Free Market is not an ideology. It is not based on ideas. It is not an antithesis to socialism. It is a methodology proved and tested in practical outcomes for 200 years. It delivers the goods. It is ordinary mundane with the accumulated tacit wisdom of two centuries.

*Its survival is in the balance. It needs economic freedom, the rule of law, social respect, and safety from the unnecessary depredations of the State.*

*Only if the true story is told will it prevail.*

*Remember this is what it has wrought.*
The
Seed Bed
For the
Third Leap
The Third Leap 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 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 550 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 the Carolingian Empire of Charlemagne. They resurrected literacy in Europe.

The translation houses of Toledo opened an avenue for Greek and Roman thinking known in the Emirate of Andalusia and allowed 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 sending 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. 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. In Magna Carta common people 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. That Englishmen had underlying rights existing from time immemorial with which the King could not tamper.

The English common law began to evolve. 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 property and law 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.

1236 An English Parliament is summoned.

There was another source of power in the Kingdom. The King was still supreme but his power was ameliorated by a parliament.

1258 The Parliament of Simon De Monfort.

Extended the powers of Parliament. De Monfort’s parliament did not last long but its ideas and function gradually became part of the English constitution.
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. It also instilled the idea that humanity was the best focus for humanities interest and not the previous dwelling on life as an ordeal to be suffered before the reward of heaven was entered into. “Oh wondrous and unsurpassable felicity of man, to whom it is granted to have what he chooses, to be what he wants to be.” Pico della Mirandola

1533 The Reformation

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

1535 The Dissolution of the Monasteries

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. The property and wealth of the monasteries was taken and passed out of the control of the abbots 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.

1590 The tools of the Free Market are forged.

In 1581 the Dutch Republic was formed. They determinedly set out to build up the economic strength to defend their republic from the previous owners, the Spanish. In 1602 the Government sponsored the creation of the Dutch East India Company. The Law exempted the investors in the company from liability for the debts of the company.

Chapter 1 Appendix I
The 800 year evolution of the seed bed for the Third Leap
They could lose their investment if the company went broke. But that was all. Their liability was limited. The limited liability company was born. The Dutch in the course of the next decades formed the first stock markets. This was because there was a restriction on the shareholders selling their shares back to company for ten years.

But they could sell them in the newly created stockmarket for whatever a willing buyer was prepared to pay. This market meant that strangers could invest funds in a speculative venture. The funds could be retrieved if needed by selling the shares in the share market. The company would get capital at the beginning to fund the venture’s beginnings.

The Dutch Republic became very prosperous over the next decades. The Dutch West Indian company founded what is now New York.

The Dutch Republic took advantage of their new 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. 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.

1600 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. It had been possible to advance mathematics. It was an abstract practice and posed no obvious threat to the sovereign.

A form of scientific thinking 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 chink 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.
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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 decisions of the Common Law courts of England especially those of Lord Coke 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 support allies in the 30 years war. Parliament refused his request. As demonstration of his power to parliament he declared martial law in parts of the country. He requested Barons, citizens for loans to the King’s exchequer.

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. It was taxation by royal fiat and stealth. Charles had crossed a line by unlawfully taking Royal power over the persons of Englishmen, their property and their money. He was abrogating the power granted to Parliament.

Parliament plainly unable to get the King’s assent to an Act of Parliament setting out the rights of Parliament instead made 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 the rights of Parliament asserted in the petition. 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 of Right 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. And last but not least 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 unusual device of a parliamentary petition the freedom of the inhabitants of England was asserted and for the time being agreed to by the King.
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 to be equal before the law. 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 consolidated the peace of Augsburg and confirmed the reality of the world as it is 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.


This meant that the expansion of the English maritime empire carried with it the seeds of the Scottish English enlightenment. And when the third wave commenced, the free market triumphed, it spread across the angloshpere.

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.
Chapter 1  Appendix I

The 800 year evolution of the seed bed for the Third Leap

The King was subject to the constitution. The Judiciary was independent. Economic freedom was possible.

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 the King.

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. There was an end to the fashionable status of magical thinking. Reason was preferred to the preachings of the occult.

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.

The Free Market Productive Economy spread across the world in the ensuing centuries.

It succeeded everywhere the conditions for its existence prevailed. It entailed a respect for business, Economic freedom, the right to property, and the rule of Law.

By 1820 the conditions were ripe for the emergence of the Third Leap. A new way of acting collectively and cooperating in the creation of prosperity for all. In the next hundred years the customs values and conventions of the Free Market were created and established by the people of England and Scotland.

It was not the imposition of a top down system by the power of the state. It was not the spread of a belief system, an ideology or creed. It was the slow evolutionary unfolding of a set of relationships, practices, customs conventions, a building of trust among individuals and enterprises.

It was the creation of the people themselves and to them it belonged
Chapter 1  Appendix II

Why in England and Scotland?

Deirdre McCloskey

calls it “The Great Enrichment.” She attributes it to the social ethos and ethics which had started in the Dutch Republic and existed only in England and Scotland in 1820. She says that it was the prevailing customs, ethics, ethos and culture which gave social approval to the starting and fostering of business and investment. It had become socially acceptable to start businesses and make profits. People began to see that ownership of property, businesses, wages were to everyone’s benefit.

Stephen Balch

thinks there was a shift between two long-standing groups in society, the “makers” and the “takers.” For all of previous history the takers had tyrannised the people. Barbarians had stolen from farmers and looted cites. Lords had owned the fruits of the soil. There had been no security of person or property. Elites had always stifled creativity and prohibited innovation. The “takers” had always crushed the “makers.” Balch says the changed conditions in the U K freed the makers from the abuses of the takers and “made the world safe for making.” No longer would the makers face the arbitrary intrusions of the King and looting by the aristocracy.

Institutions of their making formed in the coffee houses of London influenced by the Quakers, nonconformists and the puritans would foster the development of commerce, banking and manufacture which would benefit them and everyone else in their society. The great expansion in human welfare had begun.

Niall Ferguson

names it “The Great Divergence.” The United Kingdom diverged from the economic trajectory of all other countries. Freedom of commerce, freedom of the individual, property rights, competition in many fields of endeavour, the scientific revolution, modern medicine, the rise the consumer and the work ethic are the factors which Ferguson ascribes to England and Scotland which were neither present or possible elsewhere.

Daniel Hannan

considers that the rise of the “Anglosphere” of Parliamentary supremacy, the rule of law and property rights was the spur. Add free trade, religious toleration, open inquiry, meritocratic appointments, representative government, control of the Executive by the legislature and individual liberty and according to Hannan this is why the “Great Enrichment” commenced in England.
The Free Market Economy is a non-ergodic, non-stochastic, heteroscedastic, non-linear, evolving, adaptive, self-organising, complex, entity.

It is like the weather.
It cannot be forecast beyond a month.

By its nature
no economic theory
can explain it
and no state
can command it.

Daniel McCaffrey
"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
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 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
“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
“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 Elass
First Trust Monday Outlook June 27 2016

“Economic power is excercised by means of a positive. By offering men a reward an incentive a payment a value.
Political power is excercised 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

“She is 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 is 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
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
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