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Freedom and Growth: The European Miracle?

S. R. Epstein

Here the sweet odor of freedom greets me, that is, of the greatest constitutional limitation. (Goethe in Augsburg, 1790 [Boyle 1992: 651])

Economic history and freedom

There is an assumption, common to layman and professional economic historian, that political freedoms – most notably the 'natural liberties' established by the seventeenth-century civil wars in England – were essential in ensuring Europe's breakthrough to the industrial world: in other words, in accomplishing the 'European miracle', as a distinguished former member of this School has dubbed it (Gellner 1988, echoing Jones 1981). This assumption I shall dispute. I shall suggest that economic historians use the concept of freedom in a loose and misleading way, which hides more than it reveals. And I shall attempt to show that the connection between past political liberties and high rates of growth is unproven, that in some contexts civic liberties may have been the cause of economic decline. I shall conclude by suggesting a different avenue of inquiry for those wishing to understand how political regimes may have affected growth in the past – and are possibly doing so in the present.

Most economic historians subscribe to the economists' normative definition of freedom as the ability of an individual to maximise his or her utility in the absence of 'constraints'; it is a libertarian view that draws comfort from the positive claim, commonly ascribed to Adam Smith, that such a condition provides the most effective means of promoting both individual and general welfare. On closer scrutiny we see that the definition actually combines two distinct concepts of freedom: a broad and negative notion, which bears considerable social and institu-

tional implications, of 'freedom from constraint', and a narrower and positive notion, which refers to the ability to choose in the market. Historians concerned with economic growth tend, perhaps understandably, to be more interested in the former than the latter, more in questions of institutional change than in the nature of, and the conditions for, economic choice.

In this essay I discuss some recent arguments which trace an explicit line of causation from forms of institutionalised freedom to economic growth in the past. The point of departure is the view that growth before the Industrial Revolution was primarily 'Smithian', that is, it was based on increasing division of labour (specialisation) both within and between individual tasks and, more especially, within and between regions (e.g. Persson 1988). Since specialisation is a function of the 'extent of the market', which in turn is defined mainly by the technical and institutional limits to trade,[1] what we might call 'neo-Smithian' historians have paid particular attention to the historical barriers to the efficient allocation of resources and the free flow of goods.

In so far as 'market imperfections' cause unequal access to economic resources, this approach brings the issue of freedom firmly on to centre stage. Given that access to resources is sanctioned and reproduced by social norms and rules (property rights and rights of entitlement) that are defined and are thus potentially contestable in the political, rather than the strictly economic realm, it follows (as the founders of the discipline, Hume, Smith, and Marx, were well aware) that economic growth is influenced to a considerable degree by the institutionalised distribution of political freedom – and hence of power – within societies.

It thus seems that the exercise of economic freedom is inextricably linked to the exercise of power. But, within the negative definition of freedom most often subscribed to by economic historians ('freedom from constraint'), power and freedom stand opposed. For if we take the common definition of economic power as a person's ability to further his or her interests by imposing (or credibly threatening to impose) sanctions on another person where the converse is not true,[2] it follows that freedom is defined as the absence of such sanctions. In this sense, the relationship between the two emerges as a zero-sum game: one can gain only as much freedom as someone else must lose power, and vice versa.

The relation between freedom and power, however, is far more ambivalent. On the one hand, while being free means to have the ability to achieve a desired goal, this ability in turn implies the active exercise of control. On the other, freedom can be defined only in relation to un-freedom; to be free there must be a condition one wishes to escape *from*. In both cases, freedom is based on an asymmetrical relation: freedom was born as a privilege and has remained so ever since (Bauman 1988: 9). Rather than following simply from someone else's *lack* of power, a condition of freedom always implies the agent's *exercise* of power.[3] In other words, the negative definition of freedom as the matter of what we are *at liberty* to do also implies a positive meaning of freedom as the matter of what we are *able* to do.

The negative definition of freedom is partly a consequence of the economist's ingrained suspicion of arguments that appeal to normative concepts like power.[4] On the other hand, most economists also have a strong ideological commitment to the view, apparently bolstered by Adam Smith's attack on *ancien régime* and mercantilist restrictions, that the absence of political coercion is of essence for ensuring economic growth.[5] This ambiguity about the role of power is the source of a curious paradox.

Following the principles of positive economics, hard-nosed historians have exercised considerable ingenuity and vast resources to demonstrate that the most extreme examples of past un-freedom – slavery, serfdom and debt bondage – were economically rational and efficient (Fogel & Engermann 1974, Fenoaltea 1975, Engermann 1992) – thereby implying that societies based on unfree labour would have been *no* better off had everyone been free. The reason we find this conclusion so disturbing is its apparent un-concern with freedom in the *positive* sense of a capacity or power to choose between different courses of action, of which human bondage is the most extreme denial. Our bemusement increases, however, when we are assured from the same quarters that economic backwardness in the past was due largely to 'autocratic', 'absolutist' lords who could exercise 'predatory' rule over their lands – on the converse assumption that the presence of *negative* 'freedom from constraint' would have made everyone *better off* than they actually were. A by no means unique example of this tension can be found in a recent ambitious interpretation of the pre-industrial European economy (North & Thomas 1973). Here we find chapter 3, which depicts

medieval serfdom as a freely established contract between lord and peasant in which protection is exchanged for bonded labour, followed at a suitable distance by chapter 10, which explains early modern Spanish and French economic retardation as the result of oppressive and hence economically inefficient, political structures.

The first kind of argument is clearly a dead end for our purposes; not only does it tell us little about the connection between freedom and economic growth, it actually seems to deny that any such connection exists. Rather more promising is the opposite claim, customary to 'modernisation theory', that the presence or development of political freedoms was necessary for more rapid pre-industrial growth.[6]

The 'European miracle'

In this context, the main line of thought brings under the same roof economic historians (e.g. North & Thomas 1973) and historical sociologists (e.g. Hall 1985, Mann 1989) concerned with explaining the 'rise of the west'. By the 'European miracle' is meant the breakthrough to capitalist industrialism in late eighteenth-century England, followed over the next few decades by the countries of continental Europe. Although the basic concept is hardly watertight – a miracle, by definition, cannot be explained, and the assumption that an industrial breakthrough could have occurred only in Western Europe is questionable (Jones 1988) – explicit speculations about the links between western institutional freedoms and European growth are unusual, and it is therefore worthwhile discussing them at some length.

North and Weingast (1989) have argued that the changes n the structure of political representation that followed the ;lorious Revolution of 1688–89 had remarkable consequences or the eighteenth-century English economy. The story is a familır one. The increasing tax needs of the Stuart sovereigns in the arly seventeenth century could no longer be funded with traditional revenue from crown lands. Sale of these lands did not nake up the shortfall, and the Stuarts were forced to find new ources of income. This set them against parliament, which had ie established right to grant new taxes, typically for 'extrardinary' purposes such as war but also in the form of excise on ade. Faced with parliamentary resistance, James I and especially

Charles I imposed new taxes without the Commons' consent. They also resorted increasingly to forced loans (which were repaid, if ever, with considerable delay), to the sale of monopoly rights and of patents of nobility, to purveyance (the requisitioning of goods at below market prices), and to other more or less hidden forms of taxation. The more the landed and commercial interests represented in parliament demanded conditions and limits to the crown's authority in exchange for financial support, the more the crown was forced by its insolvency to resort to underhand expropriation.

The Stuart monarchy could act in this way because it combined executive, legislative and judicial powers and had a 'comparative advantage in coercion'. Parliament's capacity to enforce institutional checks on royal power was restricted; consequently, the crown could renege more or less unilaterally on prior agreements and modify the existing structure of property rights. The result was to promote a coalition of subjects seeking to preserve personal liberties, rights, and wealth; the Civil War ensued. None the less, the constitutional balance shifted decisively in favour of secure property rights only with the Declaration of Rights of 1689, which enshrined parliamentary sovereignty. Parliament re-established authority over rights of taxation, gained the right to audit government accounts, curtailed royal prerogative powers, and established the independence of the law. These political rights laid the foundations on which economic rights were erected.

North & Weingast measure the subsequent gains in economic freedom through changes in government finances and capital markets. Even though government expenditure and government debt increased hugely after 1688 (by 1720 public debt stood at over fifty times the level in 1688), rates of interest fell and the trap of inflationary finance was avoided; private capital markets also expanded under the wings of government finance, with beneficial effects on the wider economy. Greater financial efficiency was the result of the Glorious Revolution's enforcement of economic freedom in the shape of secure property rights. By making it impossible for the crown to change the rules of economic activity *ad libitum*, parliament also made the government's behaviour more predictable, and lenders were consequently forthcoming.

Yet what the latter argument only suggests is that *secure property rights* are a critical condition for growth. Secure property rights are not a critical measure of freedom, however, not even in the sense of equality before the law subscribed to by North Weingast (Munzer 1990: ch. 7, Ryan 1987: ch. 7). The latter's confusion arises from their conflation of freedom with secure property rights, which derives in turn from the government's precommitment to constitutional rules: 'For economic growth to occur the sovereign or government must not merely establish the relevant set of rights, but make a credible commitment to them' (North & Weingast 1989: 803).

I shall return to this point. For the moment let us note that although an 'autocratic' government (that is, one not subjected to constitutional checks and constraints) will be unable to provide the necessary commitment to existing property rights and will tend more or less deliberately to stifle opportunities for growth, it by no means follows that free (in the sense of Liberal democratic)[7] institutions will produce a superior or indeed efficient degree of commitment. Democratic freedoms are arguably associated neither with secure property rights nor with a credible precommitment to constitutional rules.

European cities and freedom

The conviction that the emergence of political and civil liberties was inextricably linked to economic freedom (North & Weingast 1989: 829)[8] also underlies the long-standing view that Western Europe's successful path of growth owes much to the existence of independent cities (see Smith 1976: III, iii–iv). This proposition comes in two intertwined but separable forms. First, the economic and social changes linked to European 'modernisation', that is, with the transition from a traditionalist, corporatist, religiously minded society, to the increasingly secularised, individualistic and mobile world of capitalism, originated and developed in towns (Langton & Höppe 1983, Hicks 1969). The growing material wealth, new codes of law, religious beliefs and aesthetics, nation states and, ultimately, world domination associated with Western European modernisation can be traced to the peculiar dynamism of its urban society and to the social tensions and innovations that this engendered. Secondly, European sovereigns were forced to meet their fiscal requirements by allying with the towns against the feudal aristocracy in exchange for financial support; in turn, bargaining over taxes led to forms of parliamentary representation and thus, over time, to modern parliamentary democracy.

In the first view, Western European cities derive their unique historical role from being both the main and at times the only forums of exchange and the main and at times the only centres of cultural, economic and institutional innovation. Within this brief, Max Weber is often credited with the opinion that the medieval western city is the source of modern legal and political freedoms (Weber 1978: vol. 2, 1212–372, Käsler 1988: 42–8, 200, Berman 1983: ch.12).[9] But, as Weber pointed out, the origin of those freedoms lay in an act of usurpation of legitimate (feudal) power by groups of burgers who acted collectively to establish their 'free status' – that is, 'subject to a special and autonomous law' (Weber 1978: vol. 2, 1254). The emergence of *free* citizen status, therefore, also defined non-citizens as *unfree*. In other words, urban freedom (similarly to North & Weingast's property rights) was the outcome of a juridically sanctioned privilege which distinguished the town from the 'feudal' or subject countryside. Thus it hardly comes as a surprise that during much of the Middle Ages and the early modern period 'freedom' has the meaning of 'privilege' (Bridbury 1986).

This first line of argument, therefore, depicts town-country relations as a stark contrast between urban 'modernity' and 'freedom' and rural 'conservatism'. Over the last twenty years, however, the evidence for these claims has come under strong and convincing attack. Research on pre-industrial rural industry (or 'proto-industry', as it is often called) shows not only that this sector had an often greater economic impact than had contemporary urban manufactures, but that a critical prerequisite for proto-industrial success was a lack of competing urban 'freedoms': an absence, that is, of those privileges that enabled a town to gain monopoly rents from its hinterland and ban any rural activities that threatened its own industries (Ogilvie 1993). Here, then, the ambivalence inherent in political 'freedom' raises a dilemma for those wishing to link such freedom to economic growth: urban privileges, which had been necessary to establish the towns' autonomy from feudal authority in the first place, later turned into fetters on growth and on the economic freedom of the rural population. The dilemma, in turn, is the result of the

asymmetrical relation between 'freedom' and 'un-freedom' that I discussed at the outset.

A similar tension underlies the second model linking urban economic and political freedom, which centres on relations between cities and the state. This approach, although also owing something to Weberian analyses, emphasises the capacity of pre-industrial European cities to avoid the stifling embrace of the tax-hungry state: the dichotomy in this case being one between urban 'capital' and state 'coercion' (Tilly 1990).

The relation between urban economic growth and political representation in late medieval and early modern Europe is discussed by Blockmans (1989), who postulates an inherent hostility between feudal and royal authority on the one hand and cities on the other. Monarchs 'regularly strived for total control of a territory from their administrative center', whereas cities were concerned with commercial profits and therefore preferred open routes of travel and communication along coasts and rivers to politically enforced borders (Blockmans 1989: 733, 735).

The main impetus to increased political coercion came from rising military competition between European states. The early modern 'military revolution' had to be paid for by vastly increased rates of taxation. Being both wealthier and more easily assessed than the countryside, towns tended to bear the brunt of states' financial requirements. Military expenditure and bureaucratic controls were antithetical, however, to early commercial capitalism; therefore, where fiscal pressure could be exerted more or less unrestrained, commercial and financial metropoles were stifled. This explains why the core cities of the European economy were always fairly independent from overarching monarchies (Blockmans 1989: 752; see also Tilly 1990: 52–3); growth could occur only in towns or regions where state control was weak or non-existent, such as late medieval Barcelona, Prague, Augsburg, Nurnberg, Antwerp, Danzig and Flanders.

Urban commercial 'capital' and state 'coercion' are thus seen as antithetical. Political representation, however, saw monarchs and cities on the same side. The former required an ally to establish full sovereignty over the feudal aristocracy; in exchange for the towns' support, rulers vested them with vast political and economic privileges that transformed the urban elites into rentiers (Blockmans 1989: 752). This occurred in France, in the Crown of Aragon, in the southern Netherlands and in Piedmont.

Towns free of a superior lord and left to their own devices, by contrast, eschewed representative institutions. Instead, either one metropolis established control over its region, as did Florence, Milan or Venice in central and northern Italy, or a loose federation of towns such as the North Sea Hanse emerged in its place. In the first case, the dominant city's elites were rapidly corrupted by their new-found powers, which they deployed to exploit their subject territories (Epstein 1993); in the second case, the federated cities suffered from a lack of organisation and fell prey to more powerful territorial rulers.

Underlying this analysis is a paradox which seems to subvert any causal link between urban political and economic freedom. That is, just as economic freedom appears incapable of sustaining political freedom (in the shape of urban territorial independence), political freedom (in the shape of urban parliamentary representation) seems incapable of sustaining economic freedom. The rationale of this apparently pessimistic conclusion becomes clearer when we examine an example of city-state relations in greater detail.

The early modern Netherlands possessed both the most developed and urbanised European economy of their time and a precociously 'democratic' government, a republican federation of fifty-eight independent cities all having equal voting rights. They therefore seem to provide a good example for the claim that urban political freedom brought about economic success. Not so, argues Marjolene 't Hart (1989). When the Dutch constitutional settlement was developed in the late 1570s, no individual city had as yet established superiority over the others. This lack of clear leadership was compounded by the rule that required the fifty-eight cities' unanimity on all issues of national interest such as war, peace and taxation. Decision-making was thus a particularly complex and fraught process, prey to constantly shifting coalitions and to debilitating bargaining processes. Up to the Peace of Westphalia (1648), the all-out war of independence against the Spanish Empire provided the cities with a common external focus and helped them to paper over their differences. But the end of the conflict made compromise increasingly hard to achieve, and local particularism tended to prevail.

The dispersal of political authority among a large number of competing commercial and industrial centres restricted the late seventeenth-century Dutch state's capacity to make bold and

timely decisions, particularly in matters concerning the country's commercial and political interests in the international arena. The need for unanimity made it harder to 'change and adapt to new international balances of power', which in turn became 'an important cause of Dutch decline in the eighteenth century' ('t Hart 1989: 681). In conclusion, although economic success achieved political freedom (by enabling the Dutch to finance an eighty-year war of independence against the world's most powerful empire), the opposite seems not to have held true: in the longer run, political freedom may have been achieved at the cost of relative economic decline. As with the relations between town and country discussed earlier, we see how the political preconditions of urban economic success were later transformed into institutional fetters to further growth.

Freedom and growth

We appear to have come full circle. Having begun with the hypothesis that political freedom was essential for economic success, we are being led to conclude that the two may be incompatible. The modern version of this argument – popular with Jacobins both right and left – that democratic freedoms pose a threat to growth is based on three claims (Przeworski & Limongi 1993). First, democracies inevitably fall prey to pressure groups, the elected representatives of which pursue the particularistic goals of their constituencies rather than collective or 'national' interests; this tends to favour policies aiming at economic redistribution rather than general growth (Olson 1982, Becker 1983). Secondly, democracies can overturn earlier laws and decisions, so long as a qualified majority decides so and there exist no constitutional constraints on such change (Elster & Slagstad 1988); this causes uncertainty and inhibits strategic planning and investment. Lastly, the tyranny of particularism and the lack of precommitment make it of essence to insulate the state's decision-making processes in order to pursue the most effective policies for economic growth. Democratic inefficiencies mean that authoritarian rule is necessary to ensure long-term growth.

The reader will recall that North & Weingast's analysis of the economic implications of English parliamentary 'freedoms' was criticised along similar lines. I pointed out that the authors confused the normative and political issue of *freedom* from

autocratic government with the positive and economic issue of precommitment to *rules*, and I suggested that their assumption that democratic rule produces a higher degree of precommitment to rules than 'autocracy' was unwarranted. The reasons for this scepticism are now clear: the need for precommitment is undermined by a democracy's ability to renege on past decisions and by its submission to the whims of particular interests.

Before concluding that economic growth and political freedoms are antithetical, however, let us return once more to North & Weingast's argument. On a closer reading, they imply a far greater degree of uncertainty than we might expect. In particular, they suggest that eighteenth century 'absolutist' France may have been growing as fast as 'parliamentary' England, thereby casting doubt on their claim that institutional changes gave England a decisive economic edge over its European rivals, since the French regime was, of course, untouched by parliamentary reform before the Revolution.

The authors try to neutralise this potentially devastating admission ('the comparison of growth rates alone is... insufficient to judge economic parity' [North & Weingast 1989: 830]) by suggesting that England's general *economic* success is demonstrated by its overwhelming *military* success during the eighteenth century, in particular against France: with the advantage of hindsight, we now know that France was living on borrowed time. It is a bold sleight of hand based on an even bolder claim: military success is proof of economic prowess. The claim is not borne out by the facts, however: as early modern Sweden and Brandenburg–Prussia demonstrated to great effect, one could be an outstandingly successful military state even while overseeing an impoverished and underdeveloped society.

This discrepancy between power and resources is easily explained: pre-industrial success on the battlefield depended not on potentially available wealth, but on a state's ability to extract revenue efficiently from whatever its economy could offer (Brewer 1988: 336). Military effectiveness depended on administrative efficiency, not on a country's absolute levels of wealth. It is a simple notation with wide-ranging implications. For it has recently been argued that the most significant effects of the Glorious Revolution of 1688–89 lay precisely in the administrative changes which the event initiated, and which enhanced the English state's capacity to wage war: 'a period more famous for

its praise of liberty' witnessed the creation of the 'fiscal-military state' (Brewer 1990: xi, xvii). Levels of taxation rose as high or higher than in the rest of Europe, and state debt reached unheard of proportions. These changes became possible largely thanks to the reforms discussed by North & Weingast, which made government more public and accountable and enhanced its political legitimacy. The changes also underlay a shift in England's international status, from the relatively marginal position it had held during the Tudor and Stuart periods to its central role on the European and world scenes after 1700. The shift was financed by taxation and sustained by war.

Although the incidence of English taxation resembled that of many other European states, the English system of exaction had a number of distinctive features. First, tax collection was more centralised than in rival states and was based on larger numbers of centrally appointed and professionally trained government officials. Secondly, England's lack of internal jurisdictional and revenue boundaries made it easier to police and repress tax evasion compared to most continental countries, where jurisdictional fragmentation and administrative heterogeneity 'made revenue policing an administrative nightmare' (Brewer 1988: 372). Thirdly, the English tax system applied uniformly throughout the country, again in striking contrast with rivals such as France and the Dutch Republic, where innumerable regional, group and individual privileges and immunities compounded the difficulty described earlier of ensuring fiscal compliance. Finally, the openness of the English tax system to public scrutiny created a degree of public confidence that was lacking in other, more secretive countries, and conversely made it very difficult to voice opposition to taxes once parliament had granted its consent. In sum, despite the English monarchy's constitutional constraints, the English tax system was both more efficient and less subject to evasion or resistance than under nominally more powerful, 'absolutist' continental regimes.

This apparently paradoxical conclusion corresponds to recent re-evaluations of the character of *ancien régime* Europe, in particular of French 'absolutism'. The current view of French 'absolute monarchy' contrasts strikingly with the picture of a despotic and tyrannical regime outlined by North and others (North & Thomas 1973: chs 8, 10, North & Weingast 1989, Macfarlane 1987, Olson 1991). If one had to sum up the regime's failings in a single

word, it would be 'ineffectiveness'. The main constraint on royal authority has already been mentioned: the towering pyramid of inherited and newly established powers and jurisdictions, which gave local and regional societies vast margins of political manoeuvre and independence in their dealings with the crown. Within a society for which legal propriety was sacrosanct, the ruler could not, by law (and there were many different kinds of law with overlapping jurisdictions), encroach upon the privileges and rights – the 'liberties', as they were rightly called – of the provincial elites, town councils, and myriad other corporate bodies which made up the French body politic. Both in abstract theory and in everyday practice, the ruler was supreme political mediator rather than autocrat (Mettam 1990).

This predicament had far-reaching consequences. The vast number of sectional interests endowed with 'liberties' made it necessary to insulate the French royal councils from outside pressure by granting them a high degree of secrecy; this in turn tended to transform law-making and especially economic regulation into a discretionary prerogative of the bureaucracy. Political secrecy and bureaucratic discretionality, which made it easier to lobby for privileges outside the glare of public scrutiny, are the alleged hallmarks of authoritarian 'absolutism'. Yet the state's ability to *implement* its decisions, including grants of privileges and benefices, faced severe and in some ways insuperable constraints. Local and regional representative institutions (*parlements*, estates, urban councils, and so on) could challenge the legitimacy of royal jurisdiction; the country's administrative complexity made uniform enforcement difficult if not impossible to achieve; and implementation was usually in the hands of local bodies, who had every opportunity to stall, delay or even boycott any centrally legislated decision.

In sum, despite the ostensibly greater authority of 'absolute' monarchy, a French ruler was less powerful, less able to put his will to good effect, than his English 'constitutional' counterpart. 'Absolutist' inefficiency was caused not by excessive and unchecked tyranny and by the lack of freedom, but by the opposite: by the surfeit of politically sanctioned 'liberties' and by the difficulty in enforcing universally valid rules which those privileges entailed. By contrast, the English settlement of 1688–89 could work as effectively as it did because it relied on a powerful and centralised representative institution. Although the relative

openness and size of the English assembly made it harder to reach decisions than in more secretive systems such as the French one, decisions taken and laws passed by the English parliament had far greater legitimacy and could be implemented far more consistently and effectively than in continental 'absolutist' states (Levi 1988: ch. 6).

Thus, the main limit to 'absolutism' seems to be one we saw imputed also to democracy: the excessive and debilitating hold of particular interests. Although the paradox should not be pushed too far (whereas Liberal democracy is based on universal *equality* before the law, *ancien régime* 'liberties' were premised on legal *inequality*), it points to an interesting conclusion on the connection between political freedom and economic performance. Although the view that politics 'matters' for economic growth seems intuitively correct, the nature of the political regime does not appear to be the critical explanatory variable: the republican Dutch faced similar problems of implementation to the 'absolutist' French, and any advantages the English might have had seem to have had little to do with civic liberties as we conceive of them today. What we should be reflecting on instead are the institutions that mediate between the structure of political regimes and their economies: the mechanisms whereby political decisions are reached, and the administrative systems and written and tacit rules (including perhaps such intangible forces as 'trust' [Gambetta 1988] and 'civic mindedness' [Putnam 1993]) whereby such decisions are implemented.

Notes

1. Market size is a function also of individual demand and population size within a given territory, which however in pre-industrial societies tend to undergo change more slowly.
2. A related voluntarist definition focuses on an agent's ability to affect the incentives facing another agent so that it is rational for the latter to do something she would not otherwise have chosen to do.
3. This claim differs slightly from, but does not contradict, the more common statement that an agent's freedom involves exercising control over what happens to her.
4. The suspicion is connected with the analytical distinction, established by the neo-classical agenda during the late nineteenth century, between the allocative and the redistributive functions of markets, i.e. between efficiency

and equity – neo-classical economics being concerned only with the former (de Marchi & Morgan, forthcoming: Introduction).
5. This view is based on a misguided projection of nineteenth- and twentieth-century definitions of political freedom as universal suffrage and participatory democracy onto Smith's quite different political categories (see Winch 1978, 83–6).
6. I follow economic historians' usual practice in confining myself to development in the narrow sense of an increase in per capita income. Were one to take a broader view of development that incorporates general measures of well-being such as basic civic and political freedoms, a democracy would virtually by definition be more conducive to development than a non-democratic regime. Such democratic freedoms are not, however, immediately apparent in the pre-industrial societies we are concerned with here, and so the issue can be safely ignored.
7. I follow this middle-of-the-road Liberal definition of democracy so as to avoid the complications that arise if one argues, as another former member of the School Friedrich von Hayek did, that a democracy may be illiberal and a dictator liberal (where liberalism is defined as a system of individual freedom under the rule of law with wide scope for free-market activity) (Arneson 1993, 145–6).
8. The lines of causation implied in the quotation and discussed in this essay run from political freedom to economic development. The opposite argument, that economic growth promotes political freedom, has been restated forcefully by Olson 1991; it is criticised by Huber, Rueschmeyer & Stephens 1993.
9. Weber is actually rather ambiguous on this subject (Weber 1978, Vol. 2, 1323).

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