Equality is a myth. Throughout the history of mankind countless variables have defined this inequality. Ancient man and modern man alike differed individually, whether by personality, physical characteristics, talents, or preferences. Not only do individuals differ, but nations differ as well. They differ culturally, geographically, politically, and economically. This economic difference is the impetus for David Landes’s book, *The Wealth and Poverty of Nations*. The facts are basic—just as some individuals are wealthy and others are not, so some nations have experienced great economic growth while others suffer under deep poverty. Though this observation may be simple, its explanation is much more complicated. Why are some countries rich and other countries poor? What factors enabled some countries to develop and industrialize and prevented others from doing so? And how can the rich countries help the poor countries develop?

Appropriate or not, these questions are the basis for Landes’ book. In stating his purpose, he writes, “In short, wealth is an irresistible magnet; and poverty is a potentially raging contaminant: it cannot be segregated, and our peace and prosperity depend in the long run on the well-being of others. How shall the others do this? How do we help? This book will try to contribute to an answer” (Landes, xx). Landes follows this with a detailed and exhaustive analysis of the history of the modern world, specifically its economic history. He explores countless differences between nations to see which factors fostered economic expansion and development and which did not. He found that some differences, such as the nation’s size, have no relation to development. Others, like geography, seemed to have a limited effect on
development. Still other differences, private property for example, correlated directly with
development. Landes’s goal throughout the book was to weed out the differences that did not
matter so that he would be left with the factors that led to economic growth and development.

One of the great traps when analyzing this type of question is to focus solely on the
economic. While it is essential to explore the economic engines of development – the division of
labor, capital accumulation, and entrepreneurship, it is just as crucial to examine the reasons why
these engines exist. The purpose of this paper is not to prove that these “engines” lead to
economic prosperity – many knowledgeable scholars have advanced this idea over the years –
but it will operate under the assumption that they do. The central question under consideration is
instead what establishes and protects this beneficial economic environment within a given
country. The answer lies in the political and the cultural – two areas that help form the very
foundation of society. These factors are at the very root of why some countries have become rich
and others have remained poor. A country’s economic well-being is directly proportional to how
well it has been able to develop and maintain the correct political institutions and the right social
and cultural characteristics.

The first of these prerequisites to promoting the correct environment for economic
prosperity is having the correct political institutions. Without political institutions that promote
economic growth, development and prosperity cannot flourish. Therefore, it is in the best interest
of countries to develop the correct political institutions if they wish to see economic growth. Yet
a question presents itself: what are the correct political institutions? To answer this question it is
valuable to combine the praxeological and empirical perspective – combining a deductive
approach with an examination of historical examples.

Historically, the political environment of a nation largely determines its level of
prosperity. Landes compares Europe to the other parts of the world. Why had Europe, by about
1500, begun to take the lead toward global dominance (29)? Near the beginning of his book, Landes cites a foundational reason for this phenomenon—the reason that Europe was the first to break the barriers stagnating economic growth was because it was the first to begin adopting, to some extent, the Greek democratic ideals of popular sovereignty. This differed significantly from the almost universal ideals of oriental despotism, where the ruler could do as he pleased with the lives and things of his subjects (Landes, 31). This departure from oriental despotism is so important to the analysis of the history of economic prosperity because it formed the basis for a political environment that would come to be based on private property.

For a political system to be favorable to economic growth, the protection of property rights is fundamental. Landes writes,

“We recognize that such contingency of ownership [as in oriental despotism] stifles enterprise and stunts development; for why should anyone invest capital or labor in the creation or acquisition of wealth that he may not be allowed to keep? In the words of Edmund Burke, ‘a law against property is a law against industry.’” (32)

Therefore, private property is crucial. For a political environment to be favorable to economic development, it must be built on this foundation. However it cannot stop here. Just because the foundation is solid does not mean that the house will be sturdy.

If private property is favorable because it allows individuals to decide for themselves how to put their property to the most productive use, it follows that the more freedom individuals have to control their property, the more incentive and ability they have to productively allocate and use their property. Nations that have freer markets and the less government interference, therefore, will give citizens more of this economic freedom and will become more prosperous. In describing the reason for the “European Miracle” Ralph Raico writes, “The key to western development is to be found in the fact that, while Europe constituted a single civilization — Latin Christendom — it was at the same time radically decentralized” (Raico, “European
Miracle"). Less government involvement, more voluntary exchange, and greater incentive to increase the value of one’s property lead to innovation, which builds up over time bringing increased industrialization and increased prosperity. And since the European political system at the time favored free enterprise and had less centralized power, at least compared to anywhere else, rulers were limited in their ability to prevent or discourage this innovation (Landes, 59).

On the contrary, nations without these institutions, where private property did not exist and where enterprise was heavily regulated or simply controlled, did not see economic prosperity. China, for example, was heavily despotic, devoid of free enterprise. Landes states, “Even when the state did not take, it oversaw, regulated, and repressed” (35). And China’s economy responded in kind—it was completely stagnant. While Europe was exploring and engaging in trade with different lands, the Chinese passed up the chance to be the colonial power in the South Pacific because the government heavily regulated, and for awhile even outlawed, the building of oceangoing ships (Landes, 96). Landes discusses how the Chinese, once they were abroad, showed a spirit of enterprise leaving their rivals, including the Europeans, far behind. However they were completely crippled by government interference and corruption back home (Landes, 141). This is an example of a nation possessing the cultural characteristics necessary for success but not the correct political environment. And without both working together the economic institutions necessary for prosperity did not develop.

Latin America mirrors this trend. While its resource reserves were greater than most other areas of the world, unstable government in the form of anarchic warlordism ruined Latin America’s vast potential, leading to the poverty and economic backwardness that many Latin American nations still battle (Landes, 313). The Middle East has followed down the same path, as Landes points out, “The Middle East has much going for it, in particular, huge oil revenues, but its political, social, and cultural institutions do not ensure security of enterprise or promote
autonomous technological development” (Landes, 491). This is true when one looks at the Middle East today only to find wealthy governments and extremely underdeveloped economies. These two regions show that simply having a geographical/resource advantage is of little value without the correct political and cultural foundation.

Europe was not perfect either, nor did it suddenly free itself from despotism and become a free market paradise. Landes admits this, but also explains why Europe still managed to end up towering head and shoulders above the rest of the world.

“Despotisms abounded in Europe too, but they were mitigated by law, by territorial partition, and within states, by the division of power between the center (the crown) and local seigneurial (sic) authority. Fragmentation gave rise to competition, and competition favored good care of subjects. Treat them badly, and they might go elsewhere.” (Landes, 36)

Even small political reforms, such as limited forms of federalism and the freedom to move from one nation to another, often have huge impacts on the economy. Also, competition does not just have value between businesses, but also between nations.

Even within Europe, however, there has not been equality. As the first country to experience the Industrial Revolution, Great Britain had a huge head start on the other nations of Europe, not to mention the world. The chief reason for this was that if Europe was defined by a general commitment to private property and in most areas somewhat free enterprise, Great Britain took these same ideals to a higher level. Whereas in continental European states mineral resources often belonged to the crown, in England they belonged to the owner of the land. This encouraged more enterprise. Whereas in continental European states roads and canals were the work of the government, in England they were typically the work of private businesses. Not surprisingly, transportation improvements were much more widespread and effective in Britain because they were responsive to consumer need rather than for prestige or military concerns (Landes, 214-15).
If Europe surpassed the rest of the world economically because it demonstrated some favorable political institutions, Great Britain surpassed the rest of Europe because it demonstrated these institutions to a greater degree. So it is clearly true that political institutions are extremely important contributors or detractors to economic expansion and development, but they are not solely responsible. While the incorrect political institutions will prevent economic growth, the correct political institutions will not automatically create economic growth—there is another prerequisite that must also be present.

The second necessary condition for an environment favorable to economic prosperity is cultural and societal characteristics that encourage enterprise and innovation. Concerning this prerequisite Landes writes, “If we learn anything from the history of economic development, it is that culture makes all the difference” (516). This is not a new idea, in his review of David Throsby’s book *Economics and Culture* Shawn Ritenour writes, “He [Throsby] correctly reminds the reader of the importance of culture in the sense of beliefs and customs for economic development” (Ritenour, 105). While Ritenour and Throsby disagree on many key points, the fact that culture is an essential aspect behind economic prosperity is not one of them. Upon deeper analysis there are numerous cultural factors that have an impact on economic growth, either contributing to or preventing development and hence leading to the wealth or poverty of the nation. Four main factors that will be explored include political culture, religion, knowledge and innovation, and personal characteristics.

As previously discussed, political institutions are extremely important for building a favorable environment for economic growth. However, political institutions are built themselves on the foundation of culture. Once again, if the foundation is bad, the structure will be bad. If the political cultural of a nation opposes the ideal behind private property, free markets, and self reliance, then the political institutions that will be built upon that political culture will also
oppose these ideals – the result being economic decline or stagnation. In exploring Europe’s cultural history, Landes discovered that early European culture developed from Germanic tribal law and customs. These laws reflected the fact that in a nomadic, warrior community, nothing was more important to a man than his modest possessions. Stealing a man’s possessions was therefore severely punished (Landes, 33). This led to a support for the institution of private property, and it is not surprising that Europe was the first to really establish a system where private property was granted to individuals and protected by law.

Another factor that played an important role throughout history over which nations prospered and which did not were religious beliefs. The Bible, for example, teaches the importance of property rights. In I Samuel 12:3, Samuel says to the people of Israel,

“Here I stand. Testify against me in the presence of the Lord and his anointed. Whose ox have I taken? Whose donkey have I taken? Whom have I cheated? Whom have I oppressed? From whose hand have I accepted a bribe to make my shut my eyes? If I have done any of these, I will make it right.”

Even the Ten Commandments in Exodus 20 reveal that stealing – the taking of another’s property – is contrary to God’s nature. This concept worked its way into the culture as Christian teaching was disseminated (Landes, 34). Therefore it is not a coincidence that Europe, where Judeo-Christian values took root the strongest, was the region that prospered.

Not all religions bolster this beneficial economic environment however. Landes argues that Islam, for example, because it devalues women, undermines the drive to achievement of boys and men. He writes, “One cannot rear young people in such wise that half of them think themselves superior by biology, without dulling ambition and devaluing accomplishment” (412-13). When a brother can beat his sister in public in front of his unprotesting mother with no consequences, the situation is not just bad for the girls, but also for the boys (Landes, 413).
Even within Christianity, Protestantism especially encouraged enterprise and economic growth in Europe. By “defining and sanctioning an ethic of everyday behavior that conduced to business success” the spreading of Protestantism helped to promote the rise of modern capitalism in Europe (Landes, 174-75). Why Protestantism more so than Catholicism? Landes responds, “The Protestant Reformation, however, changed the rules. It gave a big boost to literacy, spawned dissents and heresies, and promoted the skepticism and refusal of authority that is at the heart of the scientific endeavor. The Catholic countries, instead of meeting the challenge, responded by closure and censure” (179).

In addition, both Martin Luther and John Calvin emphasized that God gives a vocation to everyone. Gary Scott Smith quotes Calvin as writing, “There can be no employment so mean and sordid as not to appear truly respectable, and be deemed highly important in the sight of God” (Smith, 236). These Reformation leaders held the view that the Bible gives humans a Cultural Mandate to have dominion over the earth. Therefore, a person’s vocation was the primary way that he served God (Smith, 236). With this attitude, it is not surprising that Protestants would develop personal characteristics like hard work and ingenuity that would help them not only to serve God to the best of their ability in their vocation, but also to promote economic growth and development. This is one reason that countries like England and Germany forged ahead economically while countries like Spain saw little innovation and growth.

Too often people fail to consider a nation’s religious background when analyzing economic expansion and development because to do so would be insensitive and “ethnocentric.” But to ignore this important factor would be to disregard both sound praxeological deduction and the empirical evidence. While religion itself is certainly not the sole cause of economic prosperity or backwardness, it also cannot be discounted. For example, compare the economic development of historically Christian nations and historically Muslim nations. While this doesn’t
prove the point, it does provide additional evidence. The important thing to realize is that religious beliefs still make up part of a nation’s culture, which in turn helps to forge the type of economic environment a nation has.

In addition to political culture and religion, knowledge and innovation, leading to more and better technology, are also important. It is important not to place an over-emphasis on this cultural characteristic. Some economists have advocated that technology, stemming from knowledge, is the chief engine of economic expansion and development. It is true that openness to new knowledge and hence its accumulation are part of the cultural characteristics of a nation that can impact its economic environment. But, while knowledge is important, knowledge alone, without a favorable political and social environment to expand the engines of development, is worthless.

Historically, as Landes points out, nations that are open to foreign ideas and technologies tend to industrialize and develop faster. While a few countries in Europe, like Spain, attacked new ideas as a challenge to the Church’s authority, for the most part Europe accepted new ideas and knowledge due to practical usefulness and competition between rulers (Landes, 201). Japan, China, and the Middle East also illustrate well the effects of accumulating knowledge. At the end of its period of isolation, Japan came to realize that there was much to gain from Western knowledge (Landes, 366). By adopting this foreign knowledge and technology, Japan was able to manufacture foreign equipment themselves rather than importing it. The result was that Japan became the first non-Western country to industrialize (Landes, 381).

Contrast this with China and the Middle East. As a proud nation that considered itself the Middle Kingdom, China refused to believe that anyone else had any knowledge, technology, or goods that it could use. As a result, through much of its history, China has taken a very isolationist approach to foreign affairs. Though once a very advanced empire, the world was
passing it by (Landes, 98). In a similar situation, the Muslim countries of the Middle East, by refusing to allow the printing press, effectively cut themselves off from the mainstream of knowledge (Landes, 401-2). This continued attitude by most Muslim leaders today has contributed to the fact that not one Islamic country in the Middle East has experienced true industrialization.

The final sub-category under culture, at the most basic foundational level yet, is personal characteristics. Though knowledge is necessary for technology, and technology is needed for industrialization, and industrialization needed for prosperity, nations do not just possess knowledge like they do natural resources. Even more fundamental cultural characteristics must be in place before knowledge can be accumulated. In Great Britain’s case, Landes suggest that the personal characteristics of “work, ingenuity, imagination, and enterprise” (215) were already present. Later in his book, Landes adds “thrift, honesty, patience, [and] tenacity” (523) to the list of favorable personal qualities. Besides positive characteristics, there are personal traits that, especially when held by the whole society, make economic development very difficult. For example, Murray Rothbard writes about societies where envy is so rampant and institutionalized that anyone who rises upward is treated with contempt and bitterness. When this is the overwhelming attitude, not only do few people rise out of their current condition, but innovations are unlikely, agricultural methods remain primitive, and the whole society is left in poverty (Rothbard, “Freedom, Inequality, Primitivism, and the Division of Labor”).

It is also interesting to note, when further considering each lower foundation, that some of these personal characteristics are encouraged and made possible by the correct political institutions. For example, without private property, there is little incentive to have, or at least to demonstrate and develop, thrift, ingenuity, or imagination. In addition, other cultural factors, like
religion, also come into play again. Why be honest and patient, for example, if all that matters is the material and getting ahead individually?

It can be concluded therefore, that all of these factors, whether political or cultural, are interconnected. Cultural factors that promote growth depend on other cultural factors to be effective. Sound political institutions must be built on equally sound cultural trends. Yet, many cultural trends would not exist without the incentive that comes from operating in a favorable political environment. The result is an endless cycle of cultural and political factors that lead to economic expansion and development. Nations operating in this cycle have become wealthy, while those that have broken the cycle or never started the cycle have remained poor. The explanation of where and how this cycle of beneficial political and social characteristics began is another interesting topic that could be studied. It is enough however to understand that it works in order to explain why some countries are rich and some are poor, and to hypothesize that one way to help poor countries become rich is to encourage them to develop these characteristics.

It is also important to remember that a favorable political or cultural trait does not in itself cause prosperity. For example, people who are more thrifty do not get larger paychecks by virtue of their thriftiness, nor are all Christians more wealthy than Hindus. Instead, these factors promote prosperity because they create a favorable environment for the engines of development to reach their greatest potential. In a society with a favorable cultural and political environment, the division of labor is able to expand, capital is able to be accumulated, and entrepreneurship can flourish. In light of this, Landes argues correctly that the political and cultural form the foundation for the economic.

In a perfect world, there would not be poverty. All countries would possess the correct political institutions (though political institutions would not be needed since no one would transgress anyone else's property or rights). Everyone would demonstrate beneficial character
traits like thrift, low time preference, and diligence. But because of the Fall, this is of course an impossibility. As Jesus said in John 12:8, “You will always have the poor among you...” Despite this realization, we should all take Landes’s analysis to heart and do all that we can to promote a political and cultural environment that will enable the engines of development to operate to their full potential to bring economic prosperity and a higher standard of living to more and more people.
Works Cited


