

Rome, 18th century England and present world: improving economic results

After the Second Punic War (218 BC to 201 BC), Rome replaced Carthage as the most important power in Western Mediterranean. Given that Macedonia and its Greek followers were also allied to the defeated party, Eastern Mediterranean was also delivered to Rome after a brief resistance. What is noticeable is that all these events occurred 150 years before Pompey, Caesar and later Augustus came into the scene and this Roman power remained basically unchallenged from inside or outside until 235 AC with the end of the Severan dynasty.

An incredible achievement, based on a military state with a keen insistence on its communications network and the precious trade it enabled within its borders. But its economic impact in terms of standards of living was relatively poor, compared to developments almost 2.000 years later. World population by then was close to 200 million, and its geographical distribution pretty similar to the present one.

It was in the 18th century when the other historically profound change was to start, out of an ambitious Britannia, the same island Caesar could not dominate. Even with a small population close to 8 million when world inhabitants amounted to 750 million, it managed an industrial revolution that was to impact the whole mankind and gradually turn into the present dynamic globalization process. Its military victory over Napoleon at Waterloo could well be compared in terms of generation of effective power to that of Rome over Carthage at the plains of Zama, with the huge difference that this time a technological and tradable improvement came along with it.

Maybe this capitalist England could be viewed as a naval military power with a manifest entrepreneurial and liberal culture that kept its sea navigation lanes open for its development. But if one misses the less attractive technological advancements, one risks losing its most important element. England exported an industrial revolution and while she endured a shorter time pre-eminency compared to Rome, its real legacy lies in its competitive environment that allowed the development and adoption of technological changes born out of its system, a process only retarded by communism and fascism.

Moreover, in 1776 thirteen American colonies declared their independence from perfidious Albion, perhaps accelerating its own economic revolution. A majority of 2,5 million colonials looked for its own destiny, under the same freedoms it was bred. After the Civil War, it would be a country now to be reckoned with. Two world wars and a cold war sealed its worldwide pre-eminence during 20th century. What defined this new American nation? Free trade, military power and a representative democracy are clearly behind this success story. A genuine offspring to the English pioneering change was born, at a time when new technologies were available to most.

The consequences of this Anglo-American revolution being adopted almost everywhere are quite evident. In terms of economic welfare, the 20th century witnessed the biggest increases in standards of living ever. Life expectations almost doubled to 75 years within this period from a 35 to 40 year figure, slightly over that existing in times of Christ; the rate at which people is finally coming out of poverty has not been seen in human history, particularly when China and India are considered, even if at later dates.

Rome would not believe these material improvements to 6,5 billion people; Cicero would be preaching his Catiline orations against Islamic terrorism.

A second and decentralized industrial revolution is now obviously taking place, notwithstanding the negative economic role central governments have been doing all along. It is usually forgotten that during the 20th century one of the consequences of the Great Depression was that it wrongly promoted and validated the economic role of bigger governments –out of misjudgement of its monetary causes -, which grew from figures smaller than 10% of GDP to absurdities near 50% of GDP, while at the same time regulations multiplied everywhere, as if the law of comparative advantages applied to all the other sectors but mysteriously not to this Leviathan. Pressure groups have obviously made central governments their private bounty, with costs that affect everyone, in terms of lost economic growth. Furthermore, there are no real incentives from within it to decrease its role. Have you wondered, for example, why politicians discuss minimum wages, or the rates over public utilities, or if the central bank has to intervene into the capital markets, as if technical matters were of left or right politically defined solutions? Most probably, not even Rome had this economic control over its citizens.

This is where the next revolution must come into play: the decrease of the economic role of this cumbersome entity and its refocusing on the poor ones using the most efficient – i.e., competitive - policies. It does not make sense that everything else has changed during these last decades, but not this intimidating creature. At least some steps have been taken, like the transfer of responsibility over monetary policy to independent central banks. Why not replicate this model to all economic issues known today under central governments supervision? How about having independent educational, housing, social security and health boards? How about the most important competition board which would prevent and punish any policy or corporate behaviour deviating from efficiency conditions?

These newly created independent boards would replace present economic ministries and be checked by the political system, but they would not be defined by transitory majorities that cannot control the insatiable appetite of pressure groups. Distributive resources would be devoted to social purposes and determined under the political system, but these independent boards would seek by their own the best efficient way to make these resources available to the less fortunate.

The above would not be a full proof system, but it would certainly be a good deterring one. A sure bet is that at least 25% - if not 50% - of present budgets would be deemed unnecessary, implying lower taxes, and big incentives to the creation of wealth would be reinstalled.

An independent board revolution in the making ?

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