

# How Do We Thrive?

## An Introduction

Since the board game *Settlers of Catan* was first released in 1995 it has sold more than 25 million copies. It works like this. Play starts after tiles of different land types – mountains producing iron ore, pastures sustaining sheep, and so on – are laid out – and numbers between 2 and 12 are randomly assigned to each tile. Every player picks a spot on the board to establish his or her first village. When the dice is rolled, a player receives a resource that matches the number on the dice if his or her village is located next to that resource. So, if the pasture next to my village has 9 on it, and the two dice thrown add up to 9, I receive one sheep. Those resources I then use to buy roads and villages and cities – and so expand my empire. If my resources are not quite appropriate, I can also trade them for other resources with other players or with the ‘bank’. The first person to reach a specified empire size wins. But here is the key takeaway: by the time the game ends, everyone has a flourishing network of towns and cities, some just more so than others.

The game of *Monopoly* offers a very different challenge. You are a landlord, acquiring titles to property and charging rent to those who are forced (by the dice) to visit your property. The game starts with every player having an equal amount of cash. It ends with one player owning everything.

The world can be divided into two types of people. The first group believes the world is like a game of *Monopoly*: only the strongest, smartest or most fortunate survive. For this group, life is a zero-sum game; for you to win, I need to lose. If you have a world

view like this, then you will inevitably also believe that wealth is acquired through the acquisition of something owned by someone else, whether it is their property (as in the game), their land or their forgone wages. The second group, by contrast, believes that the world is more like a game of *Catan*. They hold the belief that you can prosper while I prosper too. In fact, those in this group might even believe, as do the best *Catan* players, that you *have* to prosper for me to prosper, that our fates are irrevocably joined together.

Unfortunately, *Monopoly* is the board game most associated with wealth and prosperity. It is unfortunate, because the real world is nothing like a game of *Monopoly*. Let me give one example, very close to my home. I teach at Stellenbosch University, in a university town about an hour's drive from Cape Town. The population of Stellenbosch increased by a factor of eight between 1911 and 2016 – from almost 22,000 people to more than 170,000 in little more than a century. Back in 1911, according to the census, there were only ten people who owned cars in the entire town. Today that number is at least 62,000 – we don't know exactly how many cars that is, as the census only counts one car per family. The point is that the number of car owners has gone up from 1 in 2,000 inhabitants to 1 in 3. If Stellenbosch was a game of *Monopoly*, then only one person would have ended up with all ten initial cars – and the game would be over. But because it is more like *Catan*, because our prosperity depends on that of our neighbours, there is far more wealth to go round. Instead of just one family monopolising everything, thousands of Stellenbosch families now own cars.

We find it hard to believe that the modern world is less like *Monopoly* and more like *Catan*. One reason is that we are constantly bombarded by negative economic news – of tech billionaires and their ballooning fortunes; of company closures and job losses; of debt and deceit and destitution. Our world view is also informed by our experience. Behavioural scientists have identified that we have a 'negativity bias', that negative things have a greater impact on our psychological state than positive things, even if the two are of equal proportion.<sup>1</sup> It is therefore very human to focus disproportionately on the negative and ignore the positive.

A third reason we find it hard to believe that the world is not a zero-sum game is that our education curricula have shortcomings. History courses focus almost exclusively on political and social

history. Economics courses focus on formal models and technical tools. Economic history courses have almost disappeared from university programmes. The shift towards postmodernism, as we will see in Chapter 1, has not helped. Topics that deserve our attention, such as slavery and colonialism, have been appropriated by fields of study where empirical fact has been displaced by subjectivity, relativism and a general suspicion of evidence and reason. Power and ideology, instead, are touted as the only tools to understand the past. While there is ample reason to doubt the ‘objectivity’ of colonial sources of evidence, that is no reason to throw the baby out with the bathwater. The only way we can uncover what happened, and why, is to construct a theory, collect source material – sometimes using innovative new (statistical) methods – and test whether the hypothesis holds up against the evidence. This book is based on research that uses such an empirical approach. Alternative approaches, I would argue, can only result in reinforcing the researcher’s own beliefs and biases. History, then, becomes the study of our own fantasies.

Having self-reinforcing fantasies rather than solid evidence of how the world works has consequences. If we believe that everyone is competing in a zero-sum game, that I can only become successful if I overpower and subdue you, then that will make us dislike rich people, the implication being that they could only be where they are because they took advantage of others. But if we believe that success requires cooperation and interaction, that we can only be successful because we depend on and trust others, then we will come to appreciate that wealth creates more wealth. You don’t have to worship at the feet of Bill Gates, Jeff Bezos or Elon Musk to appreciate their companies’ contributions to the profound improvement in our standards of living. Recognising that wealth requires a shared dependence also allows us to identify where wealth is unsustainably, unethically or illegally obtained. A government official misappropriating taxpayers’ money or a business manager cooking the company books breaks down our trust and cooperation, weakening our economic freedom; whereas an entrepreneur who builds a thriving business increases it.

The good news is that economic history suggests that it is the builders rather than the burglars who ultimately win out. The empirical evidence is unequivocal. Over the last two centuries, our

economic freedom – the ability of every human to work, produce, consume and invest in the way they please – has increased exponentially. True, the process has not been uniform. In some places, such as South Africa and many other parts of Africa, economic freedom for most was suppressed until quite recently. Where economic freedom was, on the other hand, allowed to flourish, it has created immense prosperity. The economic historian Deirdre McCloskey calls it ‘the great enrichment’.<sup>2</sup> The average human is today at least eighteen times richer than in the year 1800.<sup>3</sup> To put that another way (and here I borrow from McCloskey): the average person in 1800 could only possess one pair of shoes – probably of shoddy quality. That person’s great-great-great-grandchild today can own eighteen pairs of shoes, one for every occasion.

This prosperity allows us to buy not only shoes but also health and happiness. Today, we live much longer and healthier lives than previously. To give just one example: 43 per cent of babies in 1800 died before they were five years old. Today that number is 4.3 per cent, a tenfold decrease. Although we do not have measures of ‘happiness’ dating back to 1800, we do know that general happiness, measured by surveys, has increased over the last half-century. What is more, people in countries with a higher GDP per capita are also generally ‘happier’ than people in low-income countries.<sup>4</sup>

How and why this incredible increase in human prosperity happened – and why it has been slow to take off in some places – is the topic of this book. We begin in the distant past – 100,000 years ago, to be precise – and, in thirty-five chapters, cover all of human history. This can never be a comprehensive global economic history, of course. It is, rather, a personal and somewhat eclectic selection of the economic history topics that, I believe, are most informative about our long walk to economic freedom.

The book is unashamedly written from a South African and African perspective. Africa usually receives little treatment in global economic history courses – and when it does, it is usually as an afterthought or, worse, as an example of where ‘things fell apart’. There are valid reasons for why Africa is pushed in this way to the periphery. Africa is indeed the continent with the lowest levels of income. Whereas the average global citizen is eighteen times more affluent than their great-great-great-grandparents, the average

African is only six times more affluent. We live better lives than our ancestors, but it is clear that there is still much room for improvement. Another reason for the neglect of Africa in economic history books is that, in contrast to the rest of the world, the economic history of Africa is generally poorly understood. This book, informed by an exciting new research agenda in the field of African economic history (as Chapter 1 explains), hopes to enlighten.

By the very end of the book we turn from the past to the future. It is very possible that the world will become a much more prosperous place over the next decade. But it is also possible that growth will stagnate, and average living standards will decline. There is no guaranteed outcome. This is especially true for Africa, the continent I call home. The difference between the optimistic and pessimistic scenarios will depend on whether we can secure the economic freedoms many Africans still do not have. And that will depend on the policies we implement, the politicians we elect into office and, ultimately, the stories of prosperity and wealth creation we tell ourselves and our children.

Join me on this epic journey through our history – and the story of our long walk to economic freedom.