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*Institutions and Economic Performance*

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## **Institutions and Economic Performance**

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*Institutions and Economic Performance*. Edited by Elhanan Helpman (Cambridge, Mass., Harvard University Press, 2008) 624 pp. \$55.00

This is an intelligent and important book. Economists have discovered that institutions (a.k.a. histories) are important determinants of economic growth. The chapters in this volume provide a clear view of the current research about this interconnection. That the authors are mainly economists, joined by a few political scientists, means that the essays will often be tough sledding for most interdisciplinary historians. The first half of the book, entitled “History,” is the most accessible, and interdisciplinary historians should read it.

What are institutions? Despite many efforts to define them, they—like art—remain elusive. The chapters concentrate on constitutions and political structures, but they extend to administrative and personal interactions on one hand and to wars on the other. This wide compass is attractive and intriguing; it also indicates a lack of coherence in this snapshot of a new approach in its current formative stage.

Three of the chapters in the “History” section retell familiar stories of European history. Avner Greif notes that political decisions have no force unless they are carried out. He proposes a simple theory of administration, defined broadly as any group that implements a ruler’s decisions. The bargaining between rulers and administrators is affected by the ability of each to do without the other: “The power of financial administration, for example, declines if the ruler gains an independent source of income” (23). Greif illustrates his model with examples chosen largely from medieval Europe.

Joel Mokyr argues in a well-written essay that informal institutions that structured personal relations were as important in early British industrialization as more formal institutions. Gentlemanly behavior and the scientific method encouraged innovation and economic progress. Mauricio Drelichman and Joachim Voth provide an antidote to the tale of European progress: Spain failed to build on the riches that it extracted from South America. Applying Greif’s insight, they argue that the American silver provided Spanish rulers with a way to circumvent the existing parliament and destroy the institutional framework for economic growth. They provide a fresh exposition of this familiar cautionary tale.

The last two essays in the “History” section discuss the flip side of the Spanish conquest—Latin America. They both take their cue from a seminal essay by Engerman and Sokoloff arguing that income inequality caused by the technology of tropical crops, as opposed to Spanish or Catholic cultural influence, retarded economic progress in Latin America.<sup>1</sup> Nathan Nunn compares the fortunes of different South American

1 Stanley L. Engerman and Kenneth L. Sokoloff, “Factor Endowments, Institutions, and Differential Paths of Growth among New World Economies: A View from Economic Historians of the United States,” in Stephen Haber (ed.), *How Latin America Fell Behind: Essays on the Economic History of Brazil and Mexico, 1800–1914* (Stanford, 1997), 260–304.

countries and concludes that slavery rather than inequality was the villain. Daron Acemoglu, Maria Angelica Bautista, Pablo Querubin, and James Robinson explore the interaction between political and economic inequality in Colombia, arguing that the Engerman and Sokoloff story needs important qualifications. Both essays use regression techniques to discriminate between alternative hypotheses and to advance our understanding of Latin American history.

The second half of the book is divided between “Theory” and “Contemporary Evidence.” Both sections contain essays replete with mathematical models and statistical regressions. They echo questions raised in the historical essays. The theory of civil wars by James D. Fearon shows how the decline of central Spanish authority might have worked out. The analysis of party politics by Gene Grossman and Helpman uses the same reasoning as the analysis of medieval administrators, and the discussion of informal institutions in Kenya is close to the description of informal institutions in industrializing Britain. Four other essays explore aspects of democracies, asking how parliamentary systems work and whether democracies promote economic growth. An essay by Timothy Besley and Masayuki Kudamatsu notes that autocratic governments have the same kinds of disparate effects on economic growth as democratic governments seem to have.

This book will repay the effort that it takes to read the essays; the quality is uniformly high. The concentration on the first half of the book in this review is intended to encourage interdisciplinary colleagues to benefit from the explorations of economists and political scientists as reported in their historical essays. More quantitative interdisciplinary historians will benefit from reading the whole collection.

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*Terra Incognita: Mapping the Antipodes before 1600.* By Alfred Hiatt (Chicago, University of Chicago Press, 2008) 298 pp. \$60.00

Many historians of cartography bristle when their colleagues in the humanities interpret maps as tropes that represent arcane realities. Thus, when a professor of English introduces one element in ancient world maps, the antipodes, “as a space outside of history, faith, and politics” (8), he might find his audience extremely skeptical. Nevertheless, Hiatt proves his claims by mastering an enormous variety of sources ranging from classical texts, commentaries, diagrams, maps, and a scholarly literature that ranges from classics through philosophy to the history of early maps. Indeed, his new book may represent the revival of the history of an idea that evolved as it was applied to a changing array of political contexts.

That evolution is charted in seven chapters spanning two millennia. The ancient Greeks realized that although they could theorize about the