

BOOK REVIEWS

The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor

David S. Landes

New York: Norton, 1998, 650 pp.

David Landes is the doyen of the “technologist” school of economic historians. His brilliant *Unbound Prometheus* still remains the best book to understand the technological and scientific mainsprings of the Industrial Revolution. While that book was more concerned with why the technological revolution occurred in Britain and not in other parts of Europe, his new book, concerned again with explaining the European Miracle, is more global.

The Wealth and Poverty of Nations is filled with much detail and innumerable memorable anecdotes. My favorite is the one he relates about the aftermath of Chernobyl. A farmer is selling “apples under a big sign, APPLES FROM CHERNOBYL. ‘You must be mad,’ says a passerby. ‘No one wants to buy apples from Chernobyl.’ ‘Sure they do,’ says the vendor. ‘Some people buy them for their mother-in-law, others for their wife.’ (And maybe others for their husband)” (p. 498).

There is a wealth of learning lightly displayed in the book, though I did find his discussion of many Third World countries a trifle superficial. He is also not impressed much by economics. There are some alarming passages showing a lack of understanding of the modern theory of trade and development, and also of the economics of developing countries.

At the end of the book, moreover, I was left feeling that Landes had still not provided a convincing answer to the question he set himself to answer as summarized by the subtitle of the book. He is too subtle a historian to give a purely uncausal explanation of the rise of the West—even though, given the amount of space devoted to it, his heart is clearly in the purely “technological” explanations. He summarizes the accepted differences between the West and the Rest, which led to the former’s dominance. Among the more important are the European states system that limited predation by the state and led to growing security of property rights, and the inquisitive Greek spirit that led to the routinization of science and cumulative technological advance. But, as the example of

India shows, with its decentralized states system under an overarching cultural unity similar to the world of Western Christendom, the first of those aspects could not have been decisive either. There were, thus, greater similarities between the great Eurasian civilizations, say, at the end of the Roman Empire. So this raises the essential questions (which Landes never even asks): Why and when did the West diverge radically from its cousins?

I should at this stage express an interest, as I dealt with those questions in my Ohlin lectures (Lal 1998), and (fortunately!) came to very different conclusions from Landes. His rather unsatisfactory answer to the first question is that cultural differences account for the divergence. But nowhere does he undertake any serious discussion of what he understands by “culture” and what those differences were and how they arose.

There are two reasons it seems to me for these lacunae. Like many historians of the modern world he tends to diminish the contribution of the Middle Ages. But as numerous medieval historians have noted, the crucial breakthrough for the West came in the High Middle Ages. Second, and crucially, as is also true of most economists, Landes is a materialist and does not consider the influence of what I term “cosmological beliefs”—how, in Plato’s words, “one should live”—as contrasted with material beliefs which determine different ways of making a living. He is thus led to put the cart before the horse. Rightly convinced about the importance of cultural differences, he swallows Max Weber’s thesis about the Protestant ethic wholesale. His purported rebuttal of the severe criticism the Weber thesis has met is very weak and flounders on the most elementary fact that should concern a historian: dates. For instance, as John Hicks (1969: 78–79) noted, an essential element in the rise of capitalism was “the appearance of banking, as a regular activity. This began to happen long before the Reformation; in so far as the ‘Protestant Ethic’ had anything to do with it, it was practice that made the Ethic, not the other way round.”

However, Weber’s intuition that the rise of the West was due to a divergence in its cosmological beliefs from the other Eurasian civilizations is, I believe, correct. He just got his dates wrong! This divergence in cosmological beliefs, I argued in my Ohlin lectures, was the result of two historically contingent events—the twin Papal revolutions of Pope Gregory the Great concerning the family in the 6th century and of Pope Gregory VII concerning the law in the 11th century. This is not the place to flesh out that story. What I would like to emphasize, though, is that one cannot explain the rise of the West by ignoring the history of ideas. That is the big hole in this book, and Landes is left with yet another “black box”—culture—as the reason for the millennial dominance of the West.

These critical remarks should not, however, deter readers from reading what is an immensely readable, witty, and learned account of the differing technological histories of the world. Readers, however, are unlikely to

find a convincing answer to the question of why wealth and poverty differ among nations, nor to the even more vital question of why some of the poor are becoming rich and what the others have to do to follow.

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The Cultural Foundations of Economic Development: Urban Female Entrepreneurship in Ghana

Emily Chamlee-Wright

London and New York: Routledge, 1997, 204 pp.

According to one United Nations report, 70 percent of the world's poor people are women. Thus, an important way to improve the life of the poor would be to empower women. *The Cultural Foundations of Economic Development: Urban Female Entrepreneurship in Ghana* describes the contributions and limitations of women in the development of markets.

The book radiates when the author writes about the market women of Ghana. She writes about them enough to make this a terrific book, well worth the time of any student of economic development. But it suffers a bit from the tension between the author's desire to make specific points about Ghana and her desire to make abstract points about theory, and even more abstract points about methodology.

The first chapter of the book deals with theories of economic development and points out the contributions of the Austrian school. Austrian theories of entrepreneurship "focus our attention squarely on the source of economic development—individual entrepreneurs in the market context—which is missed in mainstream economic thought" (p. 2). By bringing culture into the analysis, the Austrian school helps us to understand how "knowledge generated, transmitted, and used in the market process extends to all social processes, including cultural evolution and the ways in which culture establishes the foundations for economic development" (p. 2).

Chamlee-Wright frames her argument as part of a discussion about methodology backed with evidence from Ghana, rather than as a controversial discussion over Ghana's experience that has some interesting wider implications. She provides many details of the failure of Ghana's development policies under Nkrumah but does not discuss at length how those

policies in fact undermined the indigenous economic culture's potential for development. For a reader more interested in development experience and ideas than in academic economic matters, this weakens the book. But given Chamlee-Wright's career choice to explore the academic jungle, she is probably wise to devote some time to manufacturing these intellectual fly swatters.

But readers interested in learning about Ghana will rejoice once the flies have been swatted and the author settles down to the task of digging up the treasures she has found. In fact, the impatient reader may profit by reading the chapters roughly in reverse order, beginning with the market participant profiles in Chapter 5. There we find concrete and compelling news of the strengths and weaknesses of Ghana's informal market economy. Questions raised in those stories are clarified in Chapter 4, where various indigenous credit institutions are explained; in Chapter 3, which examines indigenous methods of conflict resolution; and in Chapter 1, which contains historical summaries.

Chamlee-Wright makes much of the new institutionalist ideas about the importance of reliable property rights and enforceable contracts. In her view, the formal sector has squeezed the informal sector out by taxing, confiscating, banning, and regulating it. In China, under the communists, a similar conflict has existed between formal rules and informal ways, but in that case informal institutions have triumphed and have forced the formal institutions to conform to them and acknowledge their influence (see Zhou 1996).

The book is feminist in perhaps the best sense, because the author treats women's stories as important, worthwhile and, most of all, in a compelling fashion. She does not dwell on the hardship these women face; rather, she makes that hardship meaningful by showing its importance. That hardship is the hardship of the nation of Ghana, and until the self-destructive policies of the Ghanaian government lose their force, the hardship shall continue. Ghana's opportunity lies in removing the obstacles that stand before the market women and allowing them to save themselves and their country.

By focusing on the role of women in the marketplace, Chamlee-Wright emphasizes the importance of the informal sector in economic development. The informal sector is in fact the only sector of the economy available for most African women. As they are in many other developing nations, women in Ghana are standing at the frontline for market creation while fighting against formal constraints (state interventions and regulations). Since it is difficult to gather statistics about the informal sector, women's role in market creation and in economic development is often invisible (see Waring 1990). Although feminist scholars have alerted people to the invisibility of working women, they tend to ignore women's contributions to the market creation. Chamlee-Wright's book fills this gap, thus making women's work visible. She argues that "In the West African context, market trading has long been considered women's work,

and this role only became more entrenched in the colonial period. . . . Today, anywhere from 70 to 83 percent of market trading in the southern urban areas is conducted by women” (p. 16).

There is still plenty of ground to cover, but students of economic development and women studies will gain enough to hope for more to come by reading this book.

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Private Truths, Public Lies: The Social Consequences of Preference Falsification

Timur Kuran

Harvard University Press, 1995, 423 pp.

Libertarians have a pretty consistent prescription for public policy, and they claim that that prescription would do much good. The question they need to answer is: Why don't others see the light? Some would say that there is no light to see; the prescription isn't so great. Another response is to say that general enlightenment is obstructed by a variety of social forces, including the process of public opinion.

Pathologies of public opinion—be they the inert persistence of despised regimes or wild swings in public opinion—are elegantly explained in terms of preference falsification in Timur Kuran's book (recently released in a paperback edition). Kuran distinguishes between an individual's private preference on an issue and the individual's public preference—that is, the position the individual publicly displays. Individuals often display positions or attitudes that they do not really favor. Or they may remain mute, refraining from displaying positions on issues they really feel strongly about. Either way, the individual is said to falsify his preference.

An individual's daily milieu may sustain beliefs and attitudes quite at variance with his private preferences. To get along he must go along. In settings where one is expected to take a position on public issues or ideas—settings such as government agencies or academia—preference falsification is common. These settings breed hypocrisy, apparatchism, and cynicism. The power of Kuran's ideas derives from the properties of self-reinforcing systems. Just as a canoe has two equilibrium positions, upright and tipped over, the public-opinion process has multiple equilibria.

Suppose people reflect on an issue such as affirmative action. There are many reasons an individual might feign support for it or, at least,

conceal opposition. When you expect all your colleagues to support affirmative action, you have the incentive to support it (or not oppose it). When you expect all your colleagues to oppose affirmative action, you oppose it. Both states of opinion can prevail and sustain themselves. Kuran's theory shows how individuals form their preferences by taking into account the sources of their opinions as well as the opinions others have of them. When everyone expects everyone else to reconcile himself to the fact that the giant social canoe is tipped over, no one makes an individual effort to right the canoe.

Kuran's ideas do not point to a singular prediction of how public opinion evolves. Rather, the ideas are used to explain a variety of observed events, including events quite opposite in character. Kuran provides a framework within which very different specific events may be suitably explained.

For example, the public acquiescence to a "feel-good" policy like affirmative action can be explained as follows. A few self-righteous activists promote the policy. Although most people oppose it, the individual incentive may be to go along with it—to avoid having to explain why one really is not a racist. Public preferences show strong support for the policy, even though most people oppose it. Over time, however, the state of private preferences is drawn out, delicately at first by a few brave souls (Shelby Steele comes to mind). Once a new awareness develops and reaches a new tipping point, the previous hazards of telling the truth fall away. One may finally speak out against affirmative action.

The most convincing element of Kuran's thinking is how it fits the rapid change in public opinion we sometimes observe. Once you have turned the canoe far enough, it rapidly rights itself. Once the expectations that had policed public preferences get stripped away, a policy like affirmative action falls like a house of cards. Kuran applies his theory convincingly to political revolutions throughout the world, as well as to affirmative action. His key insight is that a rapid change in public opinion does not represent a rapid change in opinion; it merely reflects a rapid change in the public display. (Remember how the soldiers reacted when Dorothy melted the Wicked Witch?)

Besides offering theoretical power, the book makes for graceful reading and deep thinking about social processes. Kuran writes earnestly, interested in advancing the social good, not some narrow academic craft. His discussion indicates an abiding concern with achieving a society that appreciates outspoken dialogue, tolerates nonconformity and eccentric deviance, and respects the sanctity and subtlety of individual opinion. Anybody seeking to explain why bad policies succeed and persist ought to read the book.

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