

religious elite. The author's contention is that this led, in the case of the Abbasids, to an imbalance between centre and periphery, as well as between differentiation and integration of the elites. Again, this is not entirely convincing. As it stands, the argument relies to some degree on a deficit hypothesis: that the absence of a certain set of practices (in this case the Carolingian) is by itself assumed to be problematic.

The third main chapter considers the central theological discussions of the period. In Western Christianity, the main one concerned the *filioque* clause in the creed – that the Holy Spirit proceeds from the Son as well as the Father. In the Islamic lands, it was the question of the createdness of the Qur'an. This highlights the difference between the religious policies of Charlemagne and al-Ma'mūn. After the caliphate had to withdraw from its attempt to impose its authority in the religious field, the dogma of the createdness of the Qur'an had to be dropped as well. This led ultimately to the loss of any independent caliphal authority in the fields of law and belief. Charlemagne, in contrast, was able to promote his addition of the *filioque* by combining normative tradition and consensual adaptation, and he wisely did not try to impose this on a wider Christianity.

In his final chapter, Drews reflects upon the cultural and religious parameters that underlay the strategies of legitimization in the two cases. This is rather risky terrain. Many authors have conducted similar discussions, with the assumption of quasi-genetic differences that articulated themselves inevitably in different practices and approaches, and the conclusions of many of these discussions were as predictable as they were useless. The present author, in contrast, conducts his discussion expertly. He strikes a convincing balance between broad lines of development (such as, for instance, the different understandings of traditions from Antiquity) and concrete historical processes.

At some points, it is clear that Drews' main background is not in Middle Eastern history. However, a certain imbalance is inevitable in such a broad project and the isolated inaccuracies do not undermine the main argument. For most of the book, he convincingly integrates the existing scholarship into his argument. In addition, he refers to a wide range of primary sources that go beyond the usual narrative texts, including numismatic evidence. A minor quibble is that the strong reliance on the works of Thomas Nagel and their underlying assumptions of inherent 'otherness' is somewhat discomfiting, and

may have encouraged rather debatable comments on modern Islamic societies in the final part of the book.

In sum, Drews' aim is ambitious, but he is ultimately successful and he is to be congratulated for having written the standard work on this topic. The comparison provides unique insights and is fascinating for anyone working with comparative approaches, but even scholars who focus on either of the two spheres will profit from the discussion. Most importantly, this is a splendid example of cross-cultural comparison that is of relevance for similar projects, irrespective of the concrete contexts.

### **Institutions and the path to the modern economy: lessons from medieval trade**

*By Avner Greif. Cambridge: Cambridge University Press, 2006. Pp. xix + 503. Hardback £53.00, ISBN: 978-0-521-48044-2 paperback £20.99, ISBN: 978-0-521-67134-7.*

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To write a book review three years after its appearance, I will have to forego the usual opening line stating that the book is highly anticipated or long awaited. I also have the option of keeping the customary recap of the main contents of the book to a minimum because this book has been much discussed, even in China, where I saw its Chinese version early this year.

So let me turn immediately to the major themes and implications. This is undoubtedly an important book but not necessarily an easy one, largely because of its extremely ambitious scope. It aims to tackle four major issues simultaneously. As laid out in the concluding chapter (Chapter 12), the book reflects on the methodological issues of the nature of institutions and the analytical and empirical methods with which to study them. It also tackles the substantive issues of the medieval origin and institutional foundation for the rise of the West, and the policy implications drawn from this perspective for the contemporary developing world (p. 379). These multiple but interconnected themes lead the

author to cover an extraordinarily diverse terrain of economic history, sociology, law, politics, and game theory. Greif makes additional efforts to convince readers of the usefulness of this multidisciplinary approach and provides technical appendices on game theory for non-economist audiences. While one does sometimes get the feeling that some good ideas may have been repeated more than was necessary, overall I found my patience in combing through the book well rewarded.

The first task of the book is theoretical: to unravel the black box called institutions. Greif wants to transcend existing approaches that treat institutions as mere rules, often set in a fashion exogenous to the agents and actors involved. Instead, he seeks to endogenize the process of institutional change by positing a complex and dynamic framework in which individuals interact with each other and with the external environment. These interactions give form to a cognitive and cultural belief system that simultaneously constrains individual agents exogenously. So not only does history matter for understanding existing institutions, but existing institutions also matter for their evolutionary trajectory and future course of action. In this regard, game theory is particularly useful in bringing some theoretical structure to this particularly knotty and unwieldy subject by taking account of the actions, reactions, and counter-reactions of varying agents driven by their own incentives and interests (see Chapters 2, 5, 6, and 11).

Turning to the historical context, what are the specific institutional elements that arose and evolved in western Europe that Greif identifies as accounting for the so-called rise of the West? His historical case studies centring on medieval western Europe lead him to single out the uniquely Western institution of 'corporation', characterized by self-governed, interest-based, and intentionally established organization, which had produced legitimate rules and altered self-enforcing beliefs before the emergence of the modern state. These non-kinship-based 'corporations' permeated traditional organizations such as merchant guilds, monastic orders, military orders of knighthood, universities, communes, and city-states. More importantly, this corporate tradition in the medieval era evolved into long-lasting institutions embedded in the rise of bodies for political representation throughout Europe in the modern era (pp. 388–90). As these corporations had the ability to constrain the state from abusing its power and directing its policy, it allowed a process of bottom-up, organic institutional formation (p. 395). This

can be more vividly illustrated in comparison with the Muslim Mediterranean world, where the process of rule-making was not participatory, policies were shaped to a large degree by the priorities and interests of a central bureaucracy (in the Ottoman Empire), and the structure of the private economic sector was not dictated by its needs but by those of the state (p. 397). Thus, the unique evolutionary trajectory of Western institutions cannot be understood, Greif argues, as a result of 'spontaneous order', but as the product of intentional and coordinated efforts by many individual agents or organizations, often with coercive abilities (p. 389). I am quite convinced by the importance of these insights, which had been touched upon in scattered form elsewhere but are too often forgotten.

A corollary to Greif's emphasis on these 'corporate' characteristics is his invocation of 'individualism' as another Western cultural tradition that accounted for the rise of the West. In Chapters 3 and 9, Greif examines in detail the case of Maghribi traders, a group of Jewish traders converted to Islam, who implemented an informal, group-based, multilateral punishment mechanism to enforce long-distance trade agreements during the medieval and early modern era. In Chapter 9, he compares the Maghribi traders with Italian merchants based in the city-state of Genoa, who gradually moved towards a formal, court-based, and state-backed system of contract enforcement. He explains this divergent institutional trajectory as a consequence of different cultural belief systems, with the Maghribis' institution as 'collectivist' and the Genoese institutions as 'individualist'. He further remarks that 'it is intriguing to note that the Maghribis' institutions resemble those of contemporary underdeveloped countries, whereas the Genoese institutions resemble the developed West' (p. 301).

The notion of 'individualism' goes back a long way, and is often loaded with ideological and political baggage. I am less convinced by Greif's slide back into this older tradition. Isn't 'corporatism' itself collectivist? It may be true that it organizes collective action (often with coercion) largely on the basis of non-kinship relationships and with some form of representation of individual interests. I also do not disagree that there are significant distinctions between the western European institutions and those of the Muslim world as often invoked in the book. Indeed, I agree that the 'corporate' type of institution may lend itself more easily to a formal and contractual structure that bears greater potential for impersonal exchange and economies of scale, as

well as greater freedom for individual entry and exit. But this does not seem to me to make it somehow 'more individualistic' than societies that organize collective action along kinship or tribal lines.

Furthermore, the distinction between kinship and non-kinship is probably far subtler and more blurry than we might think. Indeed, as Greif repeatedly states, the Genoese political structure was fragmented along clan lines – presumably blood or kinship ties remained important (Chapter 8). In a follow-up study to Greif's work on the communal responsibility system (Chapter 10), Boerner and Ritschl (2009) show that the collective responsibility system for contract enforcement in medieval western Europe also came in the form of joint liabilities within the extended family, where blood ties were the predominant characteristics.<sup>1</sup> Only later did it evolve into the prototype of a modern firm, as the result of the changing legal and political environment. Similarly, blood ties and kinship in the non-Western world are not necessarily as restrictive as one would assume. Historically, in southern China, lineage association formed the basis of commercial and social organization but the ties with blood and kinship grew increasingly loose or even fictitious over time.<sup>2</sup> Indeed, the traditional Chinese (and Japanese) character for nation-state (*Guojia*) literally means 'family-state'; but this concept of state directly derived from the notion of 'family' encompassed a huge empire ruled by an impersonal bureaucracy and formed the basis of modern state-building in the nineteenth and twentieth centuries, under the impact of Western imperialism. Modern economic growth came about through a transformation of these concepts that were fairly 'collectivist' in origin.

Again, these minor quibbles should not distract us from recognizing the status of this book as a landmark contribution, but rather enrich and expand

historical insights drawn from the experiences of medieval western Europe.

### On the wings of time: Rome, the Incas, Spain, and Peru

By Sabine MacCormack. Princeton, NJ: Princeton University Press, 2007. Pp. xix + 320. 50 illustrations. Hardback £34.95/US\$50.00, ISBN 978-0-691-12674-6; paperback £16.95/US\$24.95, ISBN 978-0-691-14905-7.

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It is well known that the Renaissance profoundly influenced Spanish society and culture on the eve of its encounter with the New World, some aspects of which, such as the planning of towns, have received some scholarly attention. However, there has been no systematic study of the way in which Roman history and Roman and classical writings informed interpretations of the course of history in the Americas. Based on a series of lectures at the Istituto di Studi Umanistici in Florence in 2003, this book of essays explores Rome's influence on Spain's encounter with Peru as reflected in the writings of chroniclers of the Andean region in the sixteenth and seventeenth centuries.

The book is divided into seven chapters and an epilogue. After a brief overview, each of the chapters takes up a separate theme: writing and origins; conquest; cities and the law; nature; language; and what defined Peru. The opening chapter notes the persistence of Rome in daily life in sixteenth-century Spain and in the ruins that littered the landscape. This classical heritage received renewed interest during the Renaissance, when Spanish scholars turned back to the original classical texts. Such familiarity with Roman history and personages inevitably influenced the interpretation scholars of conquest. Hence, commentators such as Pedro Cieza de León, Agustín de Zarate, and Gonzalo Fernández de Oviedo all likened the conflict between conquistadors in Peru to the Roman civil wars, while Pedro Sarmiento de Gamboa saw the Spanish empire in the Andes as a successor to that of Rome in bringing good governance to the region. MacCormack notes that no chroniclers compared the Inca empire

- 1 L. Boerner and A. Ritschl, 'The economic history of sovereignty: communal responsibility, the extended family, and the firm', *Journal of Institutional and Theoretical Economics*, 165, 1, 2009, pp. 99–112.
- 2 Debin Ma, 'Law and commerce in traditional China: an institutional perspective on the "Great Divergence"', *Keizai-Shirin*, 73, 4, 2006, pp. 69–96, and available at [http://personal.lse.ac.uk/mad1/ma\\_pdf\\_files/keizai%20shirin%20%20MA1.pdf](http://personal.lse.ac.uk/mad1/ma_pdf_files/keizai%20shirin%20%20MA1.pdf) (consulted 10 December 2009).