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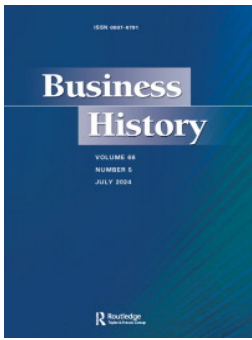
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## The Wealth of a Nation: Institutional Foundations of English Capitalism

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**The Wealth of a Nation: Institutional Foundations of English Capitalism**, by Geoffrey M. Hodgson. Princeton University Press, Princeton, New Jersey, 2023, x + 283 pp., £17.50 (hardback), ISBN 9780691247014

In *The Wealth of a Nation*, Hodgson looks to shed light on a classic historical debate: what were the causes of England's sudden and dramatic economic development and why did they not happen elsewhere at a similar time? While various historians have attempted to answer these questions, Hodgson convincingly argues that focusing on the institutions that developed in England between 1300 and 1820 can help us to understand the changes that drove England's economic development. It should be noted that for much of this volume Hodgson is discussing England specifically rather than Britain or the United Kingdom. Although Hodgson's reasoning for this is understandable – England was the largest single state in the United Kingdom and its institutions were forced onto Wales and Ireland whereas Scotland retained its own legal and financial institutions – his data post-1707 is taken from Britain as a whole. As part of his argument, Hodgson also calls for a more specific definition of 'capital' – that it should refer to money and finance only and not things such as capital goods – that would help historians to better understand the economic changes in England and the historical development of capitalism.

The book is comprised of seven chapters which are split into three sections. The first section looks at alternative approaches to understanding England's economic development. The first chapter focuses on Karl Marx's ideas while the second looks at theories that focus on technology, religion, liberal ideas, and culture. Throughout these chapters, Hodgson argues that while these theories do identify changes that have happened and can shed light on them, it is only through studying the institutional changes at the time that we can understand the causes of change.

In the second section, Hodgson lays out an institutional explanation for England's economic development from approximately 1300 to 1820. In the three chapters that make up this section, Hodgson draws on secondary sources to document the institutional changes affecting land ownership and its alienability, the creation of credit markets due to the financial necessities of war, and the role of the resulting financial institutions in funding the industrial revolution. This section is also where Hodgson builds his argument that it is typically exogenous pressures, leading to endogenous ones, which created the need for institutions to change and adapt, with said changes thereby being the cause of England's economic development.

The third and final section presents the reader with a Darwinian framework for understanding institutional change and a comparative narrative of Japan's economic development from the sixteenth century through to its post-war occupation. The final chapter also concludes with some thoughts on likely future exogenous shocks that will require institutional adaptation – namely pandemics and climate change – and how history can act as a guide to show which types of institutions are most effective in adapting to these pressures.

As mentioned above, this book is based entirely on secondary sources and does not provide new empirical material on the periods studied. However, as the intent of the volume is to offer an alternative explanation for what is already understood to have happened, the reliance of secondary sources is not a problem, and the book is both well referenced throughout and covers a wide range of authors and subjects.

There are certain areas of the book that do not receive the level of discussion I would have liked to see. In particular, Hodgson's discussions on the work of Deirdre McCloskey and his refutation of her argument for the importance of liberal ideas could be better explored. While I agree with Hodgson's contention that liberal ideas require adequate institutions to thrive, it also stands to reason that liberal ideas may cause the creation of the institutions they require to spread further. While Hodgson does address this problem by arguing that most human thought begins with instincts and habits first, with reason and decision following later and acting to justify the earlier actions, such an explanation is only satisfying for incremental institutional changes studied at the macro level. For more revolutionary changes, such as the creation of the Bank of England and the national debt, the explanation does not hold, particularly as Hodgson asserts that these were the result of financial ideas imported from the Netherlands following the Glorious Revolution, suggesting that, in the case of England, these were 'ideas first' institutional changes seeing as these ideas were imported.

Regardless of my desire to see certain arguments given more attention, Hodgson's book is a useful resource for business historians. Other than acting as an excellent overview of various debates over the causes of change and as a guide to further reading on these debates; the ideas presented also challenge business historians to consider the wider context of the businesses they study, the institutions that affect how businesses act at the time of study and whether they could have operated differently given the institutional environment. While this book focuses on England, the questions raised about the importance of institutions in how an economy functions are relevant to business being studied in any region of the world. This book will make particularly useful reading for those studying financial organisations as well as academics wishing to better understand how institutions can impact individuals' business choices and access to resources and capital.

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