economy framework toward which his evidence seems to lead. Historians such as William J. Novak and former-Galambos student Brian Balogh have shown the state's central role in shaping corporations, schools, and profound aspects of every other national and local institution. Balogh in particular highlights the invisible aspects of that pervasive governance, which took the form of dishing out power to private organizations (such as the American Medical Association). Galambos acknowledges the cogency of Balogh's and Novak's arguments, but rejects them. Yet, throughout the book, Galambos credits public–private partnerships and other forms of diffused state authority for their roles in bringing about American prosperity and for being productive of the most successful adaptations to social and economic change, as occurred, for instance, during the years after 1945 and again in the 1980s and later. In a similar fashion, architects of American foreign policy achieved their greatest successes in conjunction with NATO and other allies, rather than through unilateral action. Galambos, it appears, is not prepared to bring the American-style state all the way back in. But these are quibbles. For its ethnographic richness and deep insight, *The Creative Society* is comparable for its powerful insights to sociologists Robert S. and Helen Merrell Lynds's *Middletown* studies (1929, 1937), but with the added advantages of the historian's ability to show change over time baked in.

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Economic Evolution and Revolution in Historical Time. *Edited by Paul W. Rhode, Joshua L. Rosenbloom, and David F. Weiman.* Stanford: Stanford University Press, 2011. xx + 461 pp. Figures, tables, references, index. Cloth, $60.00. ISBN: 978-0-804-77185-6.
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Reviewed by John Parman

This collection of essays celebrating the career of historian Gavin Wright was originally presented at a conference sponsored by Stanford University's Institute for Economic Policy Research in 2008. The contributors represent a diverse array of Wright's past students and colleagues. The range of Wright's own invaluable contribution to economic history is reflected in the scope and quality of the essays, both directly in the citations of his seminal works and, indirectly but equally important, in the approaches of his colleagues and former students to shaping questions and pursuing answers.

Wright's work has always reinforced the notion that history is to be taken seriously, that history matters. In his view, neither the actions of economic agents nor the consequences can be fully explained without including their context, in particular that of the institutions constraining those agents. These institutions are complex and are themselves the products of evolutionary forces that create both subtle and substantial differences in the rules of the game across time and space. Careful consideration of history illuminates these differences, as Wright has demonstrated in his work time and again.

The chapters cover a wide range of time periods, subject areas, and methodological approaches, highlighting the ways in which proper consideration of the historical context of economic events leads to more profound economic insights. They span a wide variety of topics, from the scientific advances in seventeenth-century Europe to microfinance in modern India. Methodological approaches range from qualitative studies of institutional developments driven by careful analysis of historical documents, to the gathering of new micro-level data, to abstract models of slavery and war. Consequently, the articles underscore the multifaceted nature of economic history research, which powerfully blends qualitative and quantitative evidence with economic modeling. As Wright notes, "Good research in historical economics may be abstract and theoretical, cliometric, archival, or some combination of these, as appropriate for the question at hand" (p. 2).

The editors have divided the book into three sections, representing three broad themes of Wright's work: regional development, evolutionary economic change, and revolution in labor markets. The articles on regional development echo Wright's own work on the southern economy, reflecting his recognition of the ways in which institutions, resource endowments, and labor markets interact to create distinctly regional economies. Those dealing with revolution in labor markets, while focused on the situation in the twentieth century, show the influence of Wright's work on both slave and free labor. Wright's work seriously addresses economic and social relations as well as the political economy that shaped the use of slave and free labor in the antebellum United States. The sections on labor markets and evolutionary processes show a similar concern for revealing both the complex relations between the evolution and revolution of labor markets and the political and social institutions surrounding those markets.

The section on regional development explores the influence of banking, infrastructure, and agricultural developments on different regions of the American economy. Ta-Chen Wang compares the banking and textile industries in Boston and Philadelphia during the nineteenth century. Touching on the theme of path dependence that recurs throughout the book, Wang identifies the ways in which differences in their financial institutions caused the two regions to adopt their own distinct approaches to industrialization. In New England, a form of insider lending combined with the monitoring mechanism of kinship networks to facilitate the long-term borrowing that financed large-scale textile production. Mid-Atlantic banks, which had a less concentrated form of ownership, offered the manufacturers impersonal, short-term credit, resulting in a textile industry that focused more heavily on smaller-scale, specialized products.

Scott Rednius and David Weiman turn their attention to the functioning of banks in the South, exploring the ways in which the southern banking sector suffered from systematic seasonal liquidity constraints driven by the dominance of cotton in the region's economy. Complementing their chapter is a piece by Susan Wolcott on the credit limitations faced by farmers in the postbellum South. She compares the credit constraints on poor, landless cultivators in the U.S. South with similar issues that plagued poor farmers in colonial India. Wolcott is interested not only in exploring the economic history of the South but also in using that history to produce lessons that are relevant to India's agricultural sector. Although the comparison is interesting, it leads to a disheartening conclusion: the problem of credit constraints that contributed to the stagnation of agricultural productivity in the South, despite major efforts to alleviate credit shortages, was never directly solved. The South emerged from its stretch of low-growth equilibrium as a result of the large external shocks imposed by shifts in labor demand and by New Deal policies.

Wolcott's study of the experiences of the postbellum South and colonial India left her skeptical that innovations in microfinance are the key to economic growth in India's agricultural sector today. Her article highlights the frustration that results from using economic history to inform modern policy. While history can clarify the reasons for the unworkability of certain policies, it may not offer any practical alternatives. While easing credit constraints may seem feasible, replicating the shocks to labor demand and internal migration patterns generated by a depression, major political reforms, and a world war is far trickier.

In a different take on southern development, Alan Olmstead and Paul Rhode add new fuel to the long-standing debates over slavery and agricultural productivity. Armed with new data on bales of cotton produced per worker by region, Olmstead and Rhode argue in their essay that regionally biased technological innovation amplified the effects of western settlement on cotton, increasing output. They note that the role of biological innovation has been largely overlooked by the cliometric mainstream, which has tended to emphasize cross-sectional variation in productivity, particularly the output of farms using slave labor relative to those relying on free labor. But analysis of these cross-sectional data is complicated by the presence of unobserved heterogeneity across farms, and offers no insight into the dynamics of farm productivity over time. With their new time-series data, Olmstead and Rhode convincingly show the error of overlooking these dynamics: biological innovations particularly beneficial to western farmers were a major force in the productivity advances of southern cotton farms.

Olmstead and Rhode note that while biological innovation is a subject that has been largely missing in the cliometric literature, it was much discussed by historians of the South and by nineteenth-century observers of southern farms. The focus on quantitative evidence narrowed the vision of mainstream cliometricians when it came to understanding southern agricultural productivity and development. Olmstead and Rhode have moved the debate forward, not only by appealing to more detailed quantitative evidence, but also by showing that the new data are consistent with descriptive evidence of the history of agricultural science. It is a subtle reminder that even debates within economic history occasionally lose sight of the fact that history matters.

The section on evolutionary processes shifts the focus away from the U.S. South to a broader range of regions and time periods. A common theme of the articles in this section is that economies exhibit a certain degree of path dependence, as differences in initial resource endowments and institutions across societies lead to different outcomes. In her review of the state of the literature on natural resources and economic growth, Karen Clay demonstrates that resources can be either a blessing or a curse, depending on the political institutions that are in place when the resources are first developed. Her argument helps to reconcile the apparent conflict between Wright's work, which emphasizes the importance of natural resources to American manufacturing success before World War II, and the more recent literature that focuses on the resource curse in the second half of the twentieth century, the phenomenon of countries with abundant natural resources experiencing poor economic growth relative to countries with more severe resource constraints.

Leonard Carlson describes another example of how initial institutional differences can lead two societies down very different paths of development. He compares the U.S. policy toward American Indians with Australia's policy toward its aborigine population. Carlson argues that a crucial difference between the two indigenous groups arose from the fact that American Indians were living in settled communities and were engaged in agriculture at the time they encountered settlers, whereas the aborigines did not practice any form of land management that the British recognized. As a result, the British did not view the aborigines as having any legitimate claim to the land. This divergence between the approaches by the two countries resulted in stark differences in their policy development: U.S. federal policy encompassed a greater recognition of Indians' property rights and tribal sovereignty than was contained in Australian policy toward the aborigines. Carlson's study points to a problem that arises when there is path dependence in institutional development. Both American and Australian attitudes have evolved into more respect for the natural property rights of native people. In the United States, these rights have been accommodated, albeit imperfectly, with the evolution of a system of reservations and tribal sovereignty. In Australia, this modern view of natural property rights is at odds with the institutions that developed and became entrenched under the assumption that no such rights existed. Modern policies remain constrained by the widespread effects of institutions rooted in policy decisions of the past.

The section on labor markets covers both the conventional forces shaping American labor markets, such as unions and immigration policy, and the more unexpected influences on labor-market outcomes. Joshua Rosenbloom and William Sundstrom provide an insightful perspective on labor-market institutional regimes, stretching from the legal foundations of employment law in colonial times to the deregulation that was ushered in during the 1970s. Robert Fleck, Frank Levy, and Peter Temin explore these issues in more depth for the twentieth century: Fleck studies the New Deal's influence on the southern economy, while Levy and Temin trace the influences of institutional change on income inequality in recent decades.

Richard Sutch and Susan Carter each delve into some of the more unexpected links between institutions and labor markets. Sutch tackles minimum-wage laws, but refocuses the debate about their effects in a novel way, arguing that minimum-wage laws lower the opportunity cost of staying in school for teenagers whose value to an employer is just below the new minimum wage. Sutch demonstrates empirically that the measures lead to greater educational attainments for the cohort that attends high school at the time of a minimum-wage increase. Minimum-wage increases and the resulting reduction in low-paying jobs actually help marginally productive workers in the long run by facilitating, and thus increasing, their educational attainment.

Carter traces an even more surprising chain of events in response to institutional change in her study of the impact of the Chinese Exclusion Act. In a fascinating study of the labor-market outcomes of Chinese

Americans, she reveals the complicated interactions between the immigration restrictions imposed by the Chinese Exclusion Act and the social networks and mutual-aid societies developed by the Chinese community in the United States. The restrictions ultimately spurred the Chinese community to create new institutions that facilitated self-employment in service sectors with low capital requirements, most prominently laundries and restaurants. Carter effectively traces the fascinating, complex chain of institutional changes that led to the geographic dispersion of Chinese immigrants throughout the United States.

It is fitting that the book ends with Carter's chapter. Her study not only underscores the importance of institutions in determining economic outcomes, but also reinforces the notion that institutions evolve in response to changes in demographics, markets, and other institutions. These outcomes can be understood only by taking history seriously, a point driven home by Gavin Wright's research. The contributions to this volume demonstrate that this is a point his colleagues and students have taken to heart as they continue to push the boundaries of economic history.

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