Comparative Historical Political Economy: An Old Research Program in a Modern Age[*]

Peter J. Boettke, Christopher J. Coyne, and Peter T. Leeson[†]

Abstract

The discipline of political economy was born from the intellectual exercise of comparative analysis to understand the "wealth of nations." Understanding the historical patterns in the rise and decline of prosperity remains a central issue in modern political economy. This paper explores "comparative historical political economy," which traces the causal mechanisms that explain differences in wealth and well being. The central argument is that political economy is comparative and historical, and that comparative historical analysis is how the discipline generates useful knowledge.

JEL Codes: B52, P50

Keywords: comparative political economy, institutions

---

[*] An earlier version of this paper were presented at the workshop in philosophy and economics at University of Paris I – Pantheon-Sorbonne (10/16/06), workshop on realism and economics at Cambridge University (10/23/06) and we thank the comments/criticisms of the participants in the seminar. In addition, we would like to thank Paul Lewis and Adam Martin for their comments and criticisms on an earlier draft. We acknowledge the financial support of the Hayek Fellowship at the London School of Economics and the Program in Philosophy, Politics and Economics in the Department of Economics at George Mason University and the Mercatus Center at GMU. The usual caveat applies.

[†] Email: pboettke@gmu.edu; chris.coyne@mail.wvu.edu; pleeson@gmu.edu.

1 Introduction

It could be reasonably argued that the discipline of political economy was born from the intellectual exercise of comparative analysis. Why are some nations rich, while others are poor? This was the question that drove Adam Smith's (1776) *Inquiry into the Nature and Causes of the Wealth of Nations*. Smith provided a technical answer as well as a comparative-institutional one.[1] The technical answer was that the greatest improvements to man's material conditions were due to an increase in productive capabilities; and the cause of increased productivity was the expansion of the division of labor. Specialized production and the expansion of exchange is what drove the improvement in the material conditions of living in the 17th and 18th centuries.

Fundamentally, not much has changed in terms of the answer that Smith gave even when considering 20th- and 21st-century conditions. Today, we might put the idea in a slightly different way: for example, the only way to increase real income is to increase real productivity, and the only way to increase real productivity is through the enhanced capabilities that follow from (a) increase labor skill, (b) increased capital investment, and (c) improvements in organizational (including managerial) capabilities. But the basic point remains the same one that Smith made about the improvements in the productive capacity of mankind being due to specialized production and trade.

---

[1] For a discussion of "contrastive explanation" in the social sciences and political economy see Paul Lewis (forthcoming). The basic problem for causal explanation in political economy is that in the real world there may in fact be many underlying causes in operation that can explain the phenomena under investigation, but "the methodology of contrastive explanation suggests that the task of providing a satisfactory causal explanation can be reduced to manageable proportions by focusing on a subset of the relevant causal factors, in particular those whose influence is indicated by the existence of a difference or contrasts between the history of the phenomena under investigation (termed, the 'focus') and the history of another, similar (but not identical) phenomena (the 'foil'). The result will be an explanation that identifies the causes, not of the focus *per se*, but rather of the difference or contrast between the focus and the foil." (Lewis, 23) Our effort is in the same intellectual spirit as Lewis's and attempts to provide an argument for this style and method of research, to show that many modern developments that are widely recognized exhibit this style of work, and that in fact many of the main contributions throughout the history of the discipline of political economy employed the method of contrastive explanation.

A second question, however, remains underneath the technical one: why is it that some countries are able to realize these gains from specialization and trade, while others are not? Here, Smith provided his comparative-institutional answer to the question of wealth and poverty. The underlying causal mechanism is to be found in the institutional environment that encourages investment in improvements in human capital, the development of physical capital, innovations in the organization of economic activities, and the expansion of opportunities for mutually-beneficial exchange. In the notebooks Smith worked with in writing *The Wealth of Nations* he stated his answer this way: "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes and a tolerable administration of justice." Smith also adds: "All governments which thwart this natural course, which force things into another channel or which endeavor to arrest the progress of society at a particular point, are unnatural, and to support themselves are obliged to be oppressive and tyrannical" (1976, xliii). Thus, a state that provides the institutional prerequisites for investment in human capital, physical capital, and improved methods of organization, but does not intervene in the system of "natural liberty" outside these bounds, will contribute to the growth of its economy. On the other hand, a state that either fails to provide these institutional prerequisites or through its intervention thwarts their operation is destined to create poverty for its citizens.

More recently, Mancur Olson (1996) attempted to unpack all that would be entailed in this Smithean recipe and concluded that societies that are unable to realize the great material improvements that result from specialization and exchange are in that sorry state because they lack the intricate network of institutions that secure individuals' private property rights against both public and private predation. Thus, governments that cannot or do not prevent their citizens from plundering one another, or cannot or do not restrain their own activities to ensure that rulers are not tempted to do the same against private citizens, will not be able to avoid poverty. The problem is that functional institutions of private property protection and governmental constraint are more sophisticated than their simple purpose. Social cooperation under the division of labor requires a more delicate array of institutions than countries in the developing world possess at the moment.[2]

It is an intellectually ironic predicament that the most pressing question at the turn of the 21st century was in fact the same one that drove the social sciences at the turn of the 20th century—why did capitalism and economic development occur in Europe and the U.S., and not in China, Africa, or Latin America? Max Weber asked "why no capitalism in China?" in the first decade of the 20th century, and since the mid-1980s, scholars—from the most technical (Robert Lucas), to the most popular (Jared Diamond)—have been preoccupied with the differences in economic development between countries.

We refer to this conglomeration of recent interest as "comparative historical political economy." The goal of studies that come under this rubric is to trace out in general theoretical terms the causal mechanisms that explain the historical patterns in the rise and decline of wealth we observe. We contend that this is what the discipline of political economy has always strived to achieve in terms of explanation. Episodes during which intellectual resources were diverted in other directions (whether toward the pure theory of general competitive equilibrium, or the preoccupation with refinements of statistical techniques, or the claims of historicism, which defy comparative analysis) represent deviations from the mainline of argument that constitutes continuity in the discipline of political economy.

---

[2] See Ludwig von Mises's *Human Action* (1949, 143-193) for a discussion of social cooperation as the foundation of human society. The theme of the delicate balance of institutions that must be in place for human society to realize the fruits of social cooperation under the division of labor is evident in Mises's work from at least *Socialism* (1922) and arguably as far back as in *The Theory of Money and Credit* (1912) where he stresses both the foundation of private property for monetary exchange, and also the idea that money and monetary exchange ratios are "aids" to the human mind that are indispensable for the coordination of activities associated with advanced material production.

In short, if the point of continuity in the discipline of philosophy is the seeking of truth, and continuity in the discipline of politics is an understanding of the nature and operation of government, then the point of continuity in the discipline of political economy is to gain an understanding of how alternative institutional configurations either promote or hinder social cooperation and generalized prosperity. As Adam Smith's famous title suggests, we are engaged in "an inquiry into the nature and causes of the wealth of nations." This paper argues that political economy is comparative and historical; comparative historical analysis is how the discipline generates useful knowledge.

We proceed as follows. In the next section we trace the origins of political economy and its importance for understanding economic, political and social outcomes. Section 3 contends that the purpose of theory is to do history. Specifically, it is argued that theory provides scholars with "analytical eyeglasses" that can be used to view and analyze the world. Section 4 argues for the importance of comparative analysis. Only by considering the details of comparative institutional contexts to see how these contexts influence the choices of individuals can we hope to answer the central questions of political economy. Section 5 considers the question - how much progress has there been in economics and political economy? Section 6 concludes with the implications of our analysis.

2 Why Political Economy?

Not that long ago the term political economy meant that one was a heterodox economist of the Marxist variety. In the 1960s and 1970s the Union for Radical Political Economics (URPE) was established.[3] URPE was founded with the idea of opposing exploitation (sex, race, class, etc.), established a journal, *Review of Radical Political Economics*, and organized conferences and other activities associated with advancing the mission of the organization.

During the same time that URPE was agitating for social change, an intellectual counter-revolution was taking place in the discipline of economics. Back at the turn of the 20th century, the discipline of political economy was transformed into the discipline of economics. This terminological change was meant to reflect a maturing of the discipline from its humble beginnings as a branch of moral philosophy to its new status as a full-fledged scientific discipline. Critical in this switch was the importation of concepts and techniques from physics into political economy to restructure the discipline into economics.[4] The purging of the remnants of the heritage from moral philosophy would take roughly half a century, and reached its zenith with Paul Samuelson's *Foundations of Economic Analysis* (1947).

---

[3] Exact date of founding is the summer of 1968.

[4] For a history of this intellectual evolution see Mirowski (1991).

Warnings that Samuelson's agenda had gone too far in its quest for flawless precision and the establishment of a technical economics that could serve as a tool for social control were voiced by Kenneth Boulding (1948) in his review of Samuelson's *Foundations* for the *Journal of Political Economy*. Despite the fact that Boulding was himself a recent a recipient of the J. B. Clark Medal for Outstanding Economist under the age of 40, the promise of scientific precision that Samuelson offered was too much, and the fear of ideologically-inspired confusions that supposedly characterized the older political economy meant that warnings, such as Boulding's, were dismissed.

Instead, the goal of an institutionally-antiseptic theory of economics captured the imagination of young, would-be economists *cum* engineers of social control, the generation of economists coming of professional age after the Great Depression and WWII. Abba Lerner, in fact, titled his book *The Economics of Control* (1944).[5] But as Milton Friedman (1947) pointed out in his review of this book, Lerner's approach to the issue focused on the formal analysis of conditions for an optimum while neglecting institutional problems. Lerner's work was economics as if the world existed in an institutional vacuum, and as such was unable to provide a realistic appraisal of the administrative problems of policies he proposed or the social and political ramifications associated with his proposals.

The intellectual counter-revolution to this attempt to purge comparative institutions in the name of formalism began in the 1940s, and if one focuses on the work of Ludwig von Mises and F.A. Hayek, it was actually first launched in the 1920s.[6] Despite this reaction against the substitution of economics for political economy, the term political economy was still reserved for the remnants of Marxism in the social sciences until the 1980s. It was not until this time that the counter-revolution in law and economics, property rights economics, public choice economics, new economic history, and the new economics of organization had developed to such an extent that a modern approach to political economy was once again recognized as a viable research program in a discipline now called economics. It was also not until the 1980s that the search for underlying causal mechanisms explaining differences in the economic performance of countries was once again located in the realm of comparative institutional arrangements.[7]

---

[5] A curious fact about that book is that it is based on his doctoral dissertation work at the LSE under the direction of F. A. Hayek. The book attempts to resolve the dispute between Hayek and Lange over socialism on the one hand, and Hayek and Keynes on the other, on purely technical grounds. The apparatus of modern marginal economics, Lerner believed, could serve as the basic tool of social control in microeconomics, and fiscal policy could serve as the basic tool of social control in maintaining macroeconomic stability.

Political economy seeks to embed the economic and financial activities of a social system within a broader context that gives weight to the political and legal environment, and the social and cultural beliefs of any particular historical context (see Boettke and

---

[6] See Mises (1922) for a discussion of the critical role of private property and the practice of monetary calculation as the foundation of social order. Hayek (1944, 77) actually argued that law and the rules of just conduct "could almost be described as a kind of instrument of production, helping people predict the behavior of those with whom they must collaborate." Law, in this regard, could be described as a fifth factor of production in the eyes of Hayek (and Mises we would argue) --- land, labor, capital, entrepreneurship and the legal/political framework which governs the use of scarce resources and the ability of economic actors to exchange freely and innovate on the use, development of, and exchange of these scarce resources and factors of production. There is, for example, a continuity in Hayek's research program that is often overlooked by commentators on his life-work. The common-thread that runs throughout Hayek's research in is the coordination of individual plans to an extent that produces social order. His early work on monetary and capital theory looked at the puzzle of intertemporal coordination of plans, his work on the price system looked at the coordination of dispersed plans throughout an economy and the web of interconnectedness that emerges among distant traders that is involved, and his work on the legal and political framework examined the institutional background against which coordination among individuals in the "Great Society" becomes possible. For the development of this thesis of the continuity in Hayek's research program throughout his long career see Boettke (1999).

[7] This collection of research programs often goes under the names public choice, rational choice politics, modern political economy, Virginia School of Political Economy, Chicago School of Political Economy, the theory of collective action, positive political economy, Constitutional Political Economy, New Institutional Economics, and more recently political economics. There are subtle (and sometimes profound) differences in these different approaches. But for our purposes what matters is that each of these movements sought to incorporate into the basic model of social interaction the political-legal-social dimension whereas before the dominant intellectual move was to treat these factors as external to the model.

Storr 2002). To put it bluntly, economic behavior, economic organizations, and economic policy never exist within a vacuum, but are always practiced within a broader social context. Vernon Smith (2003) refers to this point by use of the term "ecology." He contrasts "ecological rationality" with "constructivist rationality" in economic and political economy analysis. Ecological rationality respects the context of choice, whereas constructivist rationality attempts to judge choice independent of context.

Knowledge in political economy, James Buchanan argued, is derived by the theorist engaging in a thought experiment that plays on the interaction between the analysis of the effectiveness of means chosen to obtain desired ends (economics), and the philosophical speculation over what ends should be pursued (social philosophy). The ends to be pursued must be instantiated in practice by way of institutional forms, and those institutional forms in turn structure the incentives that human actors face and control the flow and quality of information that human actors process in making their choices. The way that human actors pursue their purposes (i.e., the arranging of means to obtain ends) is a function of the incentives they face and the information they have to work with. As a result, alternative institutional arrangements will steer behavior in alternative directions. In other words, economics constrains social philosophy by highlighting the likely strategies that will be pursued under alternative rule regimes. In the intellectual exercise of tacking back and forth between the instrumental rationality of means/ends analysis and the social-philosophic quest for "good rules of life," theoretical knowledge in political economy emerges and a framework for comparative analysis is forged.

A recent strand of research that has dominated development economics marks an important return in contemporary political economic study to the centrality of the ability to assess the impact of alternative rule regimes. The work of Acemoglu, Johnson, and Robinson (2001, 2002) on the "Colonial Origins of Comparative Development" is perhaps the best of example of such work. These researchers and the many that have followed in their footsteps are fundamentally asking the same question that Smith did in 1776 and posing the question as one of historical, comparative-institutional analysis in precisely the same way. Admittedly, the analysis of the question offered is different; but for our present purpose we want to stress the underlying intuition in this and other works in this style of research in modern political economy.[8]

Acemoglu, Johnson, and Robinson essentially seek to understand the institutional sources of wealth and poverty in the world by examining the varying institutional legacies, for good and for bad, created by European colonists where they settled. In brief, colonial institutional arrangements were strongly effected by the disease environments in different countries the colonists entered. In countries where the disease environment was inhospitable to long-term settlement, colonists set up "extractive institutions" that effectively plundered the indigenous population of its resources. Where the disease environment was more hospitable, colonists stayed around. In these countries, their incentive was to establish institutions of long-term prosperity, namely those for the protection of private property rights. Since institutions change only very slowly, colonized countries that inherited extractive institutions have to a large extent retained them to this day. On the other hand, where property rights institutions were established, they also tend to persist to today. Acemoglu, Johnson, and Robinson's comparative historical institutional analysis allowed them to contribute a great deal of insight to our understanding of the pattern of wealth and poverty we currently observe across countries.

---

[8] The equilibrium solution concept that is typically central in the core game-theoretic models of modern political economics will ultimately be relaxed by us in our appeal for an analytical framework that enables "process tracing". Obviously, the intellectual cause for concern is whether or not the determinant solutions of equilibrium oriented political economics closes off process tracing or not, and if it does whether this automatically means that models so constructed will necessarily serve as poor tools for the sort of comparative historical analysis we are suggesting is the way forward for political economy to make progress in understanding the fundamental societal processes through historical time.

The tools this modern strand of the development literature uses to tackle this question are very different from those employed by the classical political economists. But the resurrection of this "broad view" of political economy rooted in a historical comparative exercise can be linked directly back to Smith. This return to classically-motivated political economy was further instantiated with the awarding of the J.B. Clark Medal to Daron Acemoglu for his work in this area in 2005.

As noted above, the interaction between technical economics and social philosophy produces political economy. James Buchanan utilized the language of pre- and post-constitutional levels of analysis to communicate this basic point. The pre-constitutional level focused on the choice of the rules of the game that could be argued to produce a "good game." The post-constitutional level then focuses on understanding what strategies human actors would pursue to fulfill their plans given the rules agreed to at the pre-constitutional level of decision making. If the rules of the game were desirable at a philosophical level but resulted in strategies that undermined social progress (or social order), then perhaps our philosophic speculation was wrong-headed. The question of what makes for good rules cannot be answered without a hard-headed analysis of the strategies that will be unleashed as the players play the game defined by those rules. We must ask, what are the practical problems associated with playing the game in the fashion defined by a given set of rules, and what opportunities will exist in the rule regime for abuse by the participants? Inefficiency and opportunism are the two counter-weights to unconstrained dreams of changes in the rule regime.

The institutional infrastructure of any society is thus defined as the rules of the game and their enforcement (North 1990, 2005). The rules of the game constitute both the formal rules as well as the informal rules that guide player behavior. Enforcement consists of both informal and formal mechanisms that discipline deviate behavior. Unless these mechanisms are in place, opportunism will overrun the system. As a statement of positive analysis, it is important to emphasize informal mechanisms, including internal norms and external social pressures. This importance arises from the fact that unless the formal mechanisms reinforce existing informal ones, the costs of enforcement will be prohibitive (Boettke, Coyne, and Leeson 2008).

Knowledge emerges in political economy analysis via a careful dichotomization between positive and normative levels of analysis. Political economy so conceived becomes a tool of interpretation and a tool of social criticism, but never a tool of policy advocacy. Policy advocacy must entail the additional incorporation of moral theorizing, and thus entails that the individual doing the advocating explicitly state their moral stance and be willing to defend it against alternatives. But social criticism can be immanent rather than transcendent. In fact, this is one of the best uses to which economics and political economy can be put to.

The science of economics and the art of political economy provide us with negative knowledge to the effect that we can put parameters on people's utopias. But the most important role that economics and political economy play is to provide an interpretative framework for the student of society. The critical insights of these disciplines are: (1) individuals act purposively in striving to achieve their goals; (2) incentives matter; (3) informational feedback is necessary; and (4) social order is made up of interconnected webs of relationships that emerge out of the actions of individuals predominantly in decentralized or "bottom-up" type fashion.

3 Why Historical?

The purpose of theory is to do history. The story of humanity comes to us through historical narratives, but that story must be constructed with particular purposes in mind. The empirical record does not just appear to us in raw form. As the German poet Goethe put it long ago, everything in the realm of fact is already theory. As human beings we think in language, we communicate in language, and language is embedded within theory. However, for economists trained in the statistical approach of positivist economics, this view cannot possibly be true. Facts have to be objective, in this rendering, and thus able to provide the needed adjudication between competing theories (or hypotheses).

This position misses several critical points. First, statistics are not collected as brute facts. They are compiled by way of collection devices, and those collection devices are embedded in theory. Keynesian questions, for example, lead to Keynesian data, and ultimately lead to Keynesian answers. The entire apparatus of statistical economics in the post-WWII period was guided by Keynesian theory.

Second, the naïve positivist position on hypothesis testing is overturned even in the natural sciences by the Duhem-Quine thesis that empirical tests are never unambiguous. When contrary evidence is presented, are we rejecting the focal hypothesis, or the network of subsidiary hypotheses that produced that focal argument that is being examined against the data? In the end, the main point we are making is that empirical social science is not a routine matter, and the epistemological issues associated with theory and history are not as clear cut as the mid-20th century philosophers of economics (for instance, Hutchison to Blaug) suggested or practicing economists (for instance, Friedman and Stigler) believed. Instead, even the most formalistic and positivistic of economics is engaged in acts of interpretative understanding, narrative storytelling, and rhetorical persuasion (McCloskey 1985).

The purpose of theory is to provide scholars with a set of “analytical eyeglasses” that we use to read the empirical world and construct compelling narratives. The narrative form of empirical work has made a comeback in political economy with the work of Robert Bates, Avner Greif, and Barry Weingast, among others, in what has been termed the “analytic narrative” approach to political economy (Bates et al. 1998). The development of the analytic framework helps organize the narratives we construct, and assists us in selecting between competing narratives we could choose to construct. The narrative, on the other hand, helps fill out institutional details required to appropriately contextualize political economic practice, and also aid the analytic “process tracing” that constitutes a completed story (rather than an incomplete one) in political economy.

This “analytic narrative” approach to political economy has received increasing attention in the discipline and is increasingly looked upon as an appropriate avenue to explore historical, comparative-institutional questions that political economic inquiry is necessarily concerned with.[9] One of the best examples of such work, besides that of Greif (1989, 1993, 2006) and his cohort, is that of Djankov et al. (2003) who apply the analytic narrative approach to the evolution of institutional forms over time. Others, such as Boettke (2002), Coyne (2005, 2007) and Leeson (2005a, 2005b, 2006a, 2007a, 2007b, 2007c, 2007d, 2008a, 2008b) employ this framework as well.

Boettke's work examines the problem that historical memory creates in achieving credible commitments required for successful post-Soviet political and economic transformations. Coyne's work utilizes the tools of political economy to explore the causal mechanisms that transform situations of conflict into situations of cooperation around liberal economic, political and social institutions in weak, failed and conflict-torn states. Leeson's work historically investigates the informal institutional arrangements that facilitate cooperation and enable individuals to realize the gains from exchange in the absence of formal institutions for this purpose. In this research, the analytical base provided by economics is used as a tool of historical interpretation to perform comparative institutional analysis that considers anarchy's ability to solve the "problem of predation" relative to government's ability to do so. Leeson's research addresses a range of historical episodes for this purpose, from precolonial Africa (2005a, 2005b, 2007a) to medieval Europe (2006a, 2007b, 2008b) to 18th-century pirates (2007d). In examining these questions, Boettke, Coyne, and Leeson's work is directly connected to the question posed by Smith, as well as to the spontaneous order research program in narrative political economy engaged by Mises and Hayek.

---

[9] However, see Elster's criticisms of the analytic narrative approach. Elster's criticism highlight two major problems. First, the single exit models that are employed in the typical analytic narrative exercise do not address the question of multiple underlying causal mechanisms and the need to engage in process tracing. Second, the analytic framework so developed has a tendency to force fit the narrative into it rather than merely frame the narrative history research. We take Elster's criticisms seriously, though believe that the style of research described by those in the analytic narrative program is a fruitful one in political economy, especially if process tracing, comparative analysis, and empirical triangulation supplement the focus on equilibrium solutions to strategic game constructions.

Importantly, political economic research of the analytic narrative variety is highly empirical without being positivistic. Likewise, it is analytical without being formalistic. Empirical questions are examined, but from a historical perspective that draws on a narrative rendering rather than the positivistic methods of measure and "test." Likewise, the pure logic of choice is used to constrain interpretive possibility and provide a rational framework to historical inquiry, but serves primarily as a tool for engaging in a comparative analysis of alternative institutional arrangements rather than being deployed in a predominantly formal fashion to render the explanation more "scientific."

Economics, Ludwig von Mises (1949: 92) argued, "is not about things and tangible material objects; it is about men, their meanings and actions. Goods, commodities, and wealth and all the other notions of conduct are not elements of nature; they are the elements of human meaning and conduct. He who wants to deal with them must not look at the external word; he must search for them in the meaning of acting men." Only narrative forms of empirical evidence can help us gain access to the underlying meaning structures that are in operation in any given historical context. But our understanding of historical outcomes can only be attained by filtering specific historical events through the lens of general conceptualizations in political economy.

4 Why Comparative?

Whenever we discuss empirical phenomena in the social sciences in general, and political economy in particular, we begin with the question "as compared to what." Whether we are discussing the standard of living of the working class during the Industrial Revolution, or the plight of the underdevelopment today, we must address the issue of relevant comparison. We are compelled to make a positive assessment on comparative terms. The living conditions of the working class in the UK during the Industrial Revolution were of course miserable compared to the working class in post-WWII. But how did they faire compared to a generation or two before the timing of the Industrial Revolution?

In his edited book, *Capitalism and the Historians* (1954), Hayek addresses theses topic and contrasts the comparative historical political economy approach with the politicized approach of Barbara Wooten. At the time Hayek was writing, Wooten was teaching the general economic history course to students at University College London. Wooten emphasized the poor working conditions in factories and the indignity of urban dwelling that characterized the Industrial Revolution. What she did not explore was the problems of poverty, disease, and onerous labor that characterized rural life prior to the Industrial Revolution and produced a miserable and short life for many citizens. One simple measure of the change in life due to the Industrial Revolution is that in the prior period it was a common practice to name the male children after the father over and over because only 1 in 10 would survive to adulthood and be able to carry the name forward for a new generation. This practice ceased after the Industrial Revolution because of enhanced life expectancy due to increased material conditions.

The positive analysis of the empirical record today demands no less of a comparative approach. Are workers in less developed countries made better off or worse off by exposure to world markets and globalization? Can less developed countries afford the level of regulation and the establishment of an extensive social safety net that is similar to that of the advanced economies in the Europe and the U.S.?

Hall and Leeson (2007) tackle this latter question head on through a comparative analysis that examines the "income threshold" that today's highly developed countries had surpassed at the time they found it affordable to introduce more stringent labor market regulations, such as prohibitions on child labor, the minimum wage, mandatory safety requirements and so on. In a similar vein to Hayek's argument regarding the Industrial Revolution, they find that virtually no developing country in Sub-Saharan Africa has achieved a level of wealth sufficient to safely trade off additional income for additional labor regulation.

In a similar vein, Powell and Skarbek (2006) perform this kind of a comparative analysis for examining the issue of sweatshops in the third world. Their analysis finds that sweatshops actually pay higher than average wages in most developing countries, and thus enhance rather than reduce the welfare of those employed by them. But again, this question is only asked, and ultimately only capable of being answered, through a comparative mode of analysis that asks whether sweatshops are "good" or "bad" for the poor in developing questions compared to these workers' relevant alternatives.

Leeson and Trumbull (2006) assess Russia's post-socialist political and economic performance also puts the comparative question at the center of political economy inquiry. The authors argue that previous analyses of Russia's performance have largely failed to do this. Without the appropriate benchmark of comparison, previous analyses have been led to incomplete or inaccurate depictions of Russia in transition. To address this problem, the authors consider Russia's performance compared to the relevant benchmark group—the rest of the post-socialist transitioning world—and find Russia lagging well behind most of these countries.

Boettke and Coyne (2003) and Coyne and Leeson (2004a) focus on a comparative institutional analysis to assess how alternative formal institutional arrangements in the developing world direct entrepreneurial activity towards wealth-enhancing activities, via the system of natural liberty described by Smith, or towards wealth destroying activities, such as the rent-seeking behavior described by Buchanan and Tullock, which result from government going beyond the proper scope ascribed to it by Smith. Leeson (2008c) and Coyne and Leeson's work on the institutional forms of mass media (2004b), in particular, uses a comparative institutional case study approach to try and identify how and why the organization of media impacts citizens' abilities to check the predatory inclinations of political rulers, which in turn impacts economic development.

Leeson's (2007c) work on development in Somalia employs this same comparative institutional approach to confront the widely-held belief that anarchic Somalia is a land of chaos and that Somali's suffered from the collapse of government in 1991. By drawing attention to the fact that the relevant benchmark of analysis here is necessarily comparative—how Somalia is doing today without a government compared to how it did under government before anarchy emerged—he shows that contrary to conventional wisdom, Somali welfare on nearly all available indicators has improved under anarchy.

Working in a similar vein, Coyne (2006a) explores how interventions in weak and failed states by foreign occupiers suffer from a "nirvana fallacy" because it is typically assumed that such interventions generate a preferable state of affairs. In other words, the *potential* outcomes of these interventions are compared to the current real-world situation. In reality, these interventions can destroy the emergence and evolution of indigenous institutions and actually leave weak and failed societies in a worse situation when compared to the pre-occupation situation. Coyne (2005, 2006a, 2006b, 2007) contends that the effectiveness of these efforts is constrained by the existing endowment of informal complimentary institutions which serve as a foundation for formal institutions.

Questions such as this cannot be answered exclusively through cross sectional analysis or time series analysis. Instead, we argue that the more effective way to approach these questions is to engage in comparative case studies (with all the problems associated with them). We need to examine the details of institutional contexts and to see how these contexts influence the choices of individuals by structuring incentives and impacting the flow and quality of information that actors can use in making their choices.[10]

Knowledge in the social sciences is advanced through the intellectual exercise of "sliding" between alternative institutional environments and examining their impact on human actions and the mechanisms of social order, and through using a theoretical framework to sift through the historical record and construct compelling narratives. These detailed narratives illustrate the causal mechanisms articulated in the comparative institutional analysis.

The recent work by Djankov et al. (2003) on the "New Comparative Economics" discussed previously focuses on how alternative environments cope with the threat of predation, whereas Acemoglu and Johnson (2005) use the basic building blocks of economic motivations and political conflicts to examine the impact on social order of alternative political-economic regimes. Besely (2006) engages in a slightly different, but no less comparative, intellectual exercise when he examines how alternative selection mechanisms for political actors can steer us between the naïvely optimistic perspective of the benevolent social planner familiar in the social welfare functions, and the overly pessimistic view of rent-seeking political entrepreneurs in standard public choice analysis. Glaeser and Shleifer (2002) employ a more traditional econometric approach to understanding the impact of legal origins on comparative development across the globe, but provide a comparative historical context that brings both history and institutions to the forefront for examining how alternative political economic arrangements enable or constrain public and private predation.

---

[10] See the discussion of "comparative historical sociology" and the debate over methods of analysis and the role of historical scholarship by Edgar Kiser and Michael Hechter (1991 and 1998).

The emphasis must be on institutions that wisely select those least corruptible by power to take political position and yet also establish an environment within politics that will prevent them from becoming corrupt. This is a formidable project of institutional design, but again it is one that has roots in Hume and Smith, as well as the U.S. Founding Fathers such as James Madison. Lest we forget, it was Thomas Jefferson who warned that without men of virtue and talent good government would not be possible, and even with such men unconstrained government can corrupt.

We have actually argued that comparative political economy must be focused on *robust* political institutions that effectively cope with our ignorance and guard against our opportunism, and yet cultivate an economic environment that allows individuals to pursue their plans freely, to bet on their entrepreneurial ideas, and to find the financing to bring those economic ideas to life in the marketplace (Boettke, Coyne, Leeson and Sautet 2005). One can imagine environments that would attempt to ward off predation, but do so in a way that would also curtail innovation. Similarly, one can imagine a world that attempts to encourage innovation, but in which predation by private and public actors will serve to steer all innovation in the direction of seeking ways to "out predate" their fellow citizens. Upon examination, through the lens of economics and political economy, we would conclude that life in either regime will not exhibit material progress or the expansion of freedom. In fact, we may very well conclude that in both worlds life would be nasty, brutish and short.

For our purposes, the critical point is that we think about these issues in comparative terms, not in isolated terms. The economic way of thinking—whether we are looking at the choices of the individual on the margin, the entrepreneur considering alternative projects, the plant manager weighing options in production technology, or the constitutional political economist examining the rules of the game—must begin the question "as compared to what" if it hopes to be grounded in the practical matter of effective action.

Equally important to asking the "as compared to what" question is ensuring that the right things are compared so as to make the comparison a fruitful one than can generate new insight (Boettke 1993). In theoretical political economics, a "fair" comparison may be conducted by putting two competing theories head-to-head to identify which performs better conceptually in terms of consistency and logical rigor. Such a debate took place, for instance, in the 1920s and 1930s as part of the "socialist calculation debate" between Hayek and Mises on the one side, and Lange and Lerner on the other.

In empirical political economics, a similar sort of comparison may be performed and yield important insights. For example, comparing the empirical reality of socialism, politically and economically, with the empirical reality of capitalism on these grounds in terms of the actual results the competing systems produce can help us to get at the underlying political-economic problems that must be solved and how the alternative political-economic arrangements under the two systems deal with these problems. Additionally, the theoretical claims of a particular political economic view may be compared to the empirical reality of the political economic system described. Such an exercise allows researchers to identify the problems of a particular theory, or understand how a theory and reality diverge or converge.

What is not a valid mode of comparative political economy, however, is comparing the empirical reality of one political economic system with the theoretical claims of an alternative political economic system. Such a comparison is "unfair" and invalid in that it tries to assess a political economic arrangement in a necessarily imperfect real-world application of this arrangement by stacking it up against the theoretical outcomes of an alternative system, which are necessarily idealized in the sense that there is no real world to introduce imperfections into its outcomes, or to contradict the theory's assumptions.

Thus, for instance, using the theoretical assumptions of socialism, in which man's nature is ostensibly transformed to become altruistic and so predation is not a concern of the system, one could easily conclude by looking at "really-existing capitalism" that capitalism is an inferior political economic arrangement to socialism. But this comparison would not be valid. The empirical reality of *any* political economic arrangement will fall short of the idealized theoretical outcomes of *any other* political economic arrangement by construction.[11] This point is an elementary one but one that has unfortunately not been recognized in a great deal of comparative political economic research—especially that undertaken in to compare the desirability of socialism vs. capitalism.

5 Back to the Beginning, or, How Much Progress is there in Economics and Political Economy?

The comparative historical political economy research program that we have just outlined is not new. We are not making a claim to originality. Our argument is instead that this is the way political economy has always been practiced. Ronald Coase's (1971) examination of the private provision of lighthouses, Harold Demsetz's (1967) discussion of the evolution of property rights in beaver trading among the Pacific-Northwest coast Indians, as well as Steve Pejovich's (1966) analysis of workers' self-management in Yugoslavia, and Ludwig von Mises's (1922) critical analysis of theoretical visions of alternative forms of socialism all provide examples of the comparative historical political economy genre of research. The same is true of Adam Smith's discussion of mercantilism and other systems of political economy in *The Wealth of Nations*.

---

[11] Hayek (1978, 185) argued that: "we do injustice to the achievement of the market if we judge it, as it were from above, by comparing it with some ideal standard which we have no known way of achieving." Instead, Hayek argued, the market must always be judged from "below" – from what would be achieved if competition had in fact been prevented. A provocative claim in this essay of Hayek's is also that the scientific method is in a similar position as that of market competition and cannot be assessed against some idealized standard, but only against the relevant comparisons.

This method of imaginary constructions and, in particular, the method of contrast, is the way that many political economists through the history of the discipline have worked on a theoretical and empirical level. As we argued earlier, there was a period (between 1930 and 1980) when economics was conceived as an almost purely technical discipline that did not need to address questions of an institutional nature. But such an economics analysis, as if life occurred in a vacuum, always had its critics, as demonstrated in Milton Friedman's (1947) review of Lerner's *The Economics of Control* discussed above. The question of public administration was never one of pure technical efficiency, no matter how forcefully the technocratic would-be social engineers insisted they had transformed political economy into the science of economics and forged the tools for social control.

To borrow a phrase from Michael Bernstein (2001),[12] the story of the fate of 20th century economics is one of "perilous progress." If we are indeed beginning the 21st century with the same broad research program that we ended the 20th century with, then what progress was actually made in economics as a science in the intervening century of intellectual effort? It certainly wasn't for lack of funds or talent attracted to the field that we seem to have made so little genuine progress. The 20th century was in many ways the century of economists; and yet despite the funds and despite the influx of talented scholars into the field, progress on the fundamental questions of the reasons for the wealth and poverty of nations is not that much advanced over what Hume or Smith conveyed in the 18th century.

---

[12] The use of the phrase should not indicate an endorsement of Bernstein's exact narrative on economics, though we do agree with critical aspects of his argument about professionalization and public policy ascendancy.

Whereas in the classical period the basic message of political economy was communicated in natural language (whether it be in English, French, or German), today we talk in terms of mathematical models, tests of statistical significance, or computer simulations. But at the end of the day, the underlying causal mechanisms at work must still be communicated in some natural language form to its audience to meet the test of economic intuition.

The Whig theory of the history of ideas suggests that progress in knowledge is linear and upward moving. Bad ideas are weeded out in debate and only the best ideas move forward. It is an onward and upward march from falsehood to truth. Numerous researchers have pointed to the fallaciousness of this thinking. Boettke, Coyne, and Leeson (2003, 2005), for instance, examine the significant damage that was done to progress in political economic thinking and, as a result, political economic reality, as a result of various political economic conceptions once considered to represent the most scientific, advanced, and accurate core components of the discipline's thinking.

Callahan and Leeson (2006) have also pointed to errors of thinking about scientific progress as a steady ascent to the truth in which prevailing understandings are believed to embody the most advanced understanding of the world. They point out that for nearly a century, a now-discredited theory of science called the "mechanical philosophy" dominated scientific discourse to the rejection of virtually all competing understandings of the world. According to Callahan and Leeson, modern mainstream economics occupies a similar position to the "mechanical philosophy" of the 17th century, and suffers from a similar Whig interpretation of the history of science.

In the sciences this theory of knowledge progression leads to a disregard for historical contributions except as of holding antiquarian and honorific interests. The idea that older thinkers could be mined for useful insights is ludicrous. If the ideas were any good, then they are already incorporated into our analysis. If the ideas were bad, they were discarded. The only consequence of studying past writers in the subject would be to find out the errors of these thinkers. It may make for interesting reading to the historically minded, but it certainly does not demand the attention of the scientific mind. The wrong ideas of long-dead writers are not a source of scientific enlightenment.

But what if instead there are misallocations of intellectual resources in scientific and scholarly endeavors due to fads and fashions, as argued by Boettke, Coyne, and Leeson (2004, 2005), and Callahan and Leeson (2006)? In that case, ideas that could have been fruitful for the furtherance of knowledge may have been discarded, and ideas that should have been rejected were pursued until dead-ends were encountered. Kenneth Boulding (1971) refers to the attempt to reach in the past to glean insights as the "extended present." All that was valuable in Smith wasn't incorporated by previous developments in economics. Smith still speaks to us today; he is part of our "extended present."

We contend such is indeed the case in the field of comparative historical political economy. Obviously the world has changed; we have just lived through a century in which communism and fascism were tried and failed, in which corporatism was instituted in economies of the West as well as the South, and in which the continent of Africa has lingered in poverty and squalor despite massive financial and policy efforts.

The contra-Whig theory of knowledge in economics and political economy admits that knowledge that was once had can be lost, and that contributions that were once honored can now be considered an embarrassment to the intellectual community. Knowledge does not progress in a linear manner; there are twists and turns, starts and stalls, and advances and regression. There are diversions (great and small) that prevent us from drawing a clean picture of an upward march from falsehood to truth in political economy.[13]

The perilous progress experienced in economics throughout the 20th century should alert us to the dangers in believing that whatever is new is true. We have argued here that the comparative historical political economy approach offers instead an old research program for a modern age. It is with those who consistently sit in the seat of Hume and Smith, of Say and Mill, of Menger, Mises and Hayek, of Wicksell, Knight and Buchanan, and of Coase and North, where a framework for comparative institutional analysis that addresses the polity, society, and economy will be found. The purpose of this theoretical framework is to do history, for it is in the historical record that our understanding of ourselves—where we have been and where we might be going—will emerge.

---

[13] To personalize this example, F. A. Hayek used to joke with students in the 1970s interested in his work that he was the only scholar in the 20th century to go senile and come back again. What he meant by that was that in the 1930s Hayek could legitimately claim to be the main contender to Keynes for the direction of research in economics, but by the 1940s he was completely discredited as an economist. From 1950 to mid 1970s, he existed in this state of ill repute until the awarding of the Nobel Prize in 1974. There was in the wake of his award a flurry of interest in his ideas in not just in social philosophy, but also economics. Since the collapse of communism in the late 1980s, Hayek's insights regarding the market economy and political economy has gained respect, if not always acceptance. Perhaps more than any other Nobel Prize winner, Hayek is credited by other Nobel Prize winners with being a positive inspiration of their work (e.g., Buchanan (1986), Coase (1991), North (1993), Smith (2002), and Phelps (2006)). And it could be reasonably argued that as a negative inspiration you could include Stiglitz (2001). Not even Samuelson and Friedman have had as big an impact.

However, it is critical to point out that while Hayek has inspired questions, the particular framework and methods that Hayek deployed have not be widely accepted. (see Caldwell 2003) To us this raises an important question about the intimate relationship between insights and the framework of analysis and methods of inquiry. If so many missed a critical point while Hayek came to it through a different analytical framework and method of analysis, then shouldn't it be the case that the framework and method should be explored as well for their usefulness in generating interesting ideas?

6 Conclusion

The value of economics and political economy is not to be found in mathematical proofs and tests of statistical significance. We do not oppose the use of math or statistics where appropriate. Sometimes, a rough and ready picture will suggest a pattern that must be explored. No doubt many a quick picture of correlation has upon statistical analysis proven to be spurious; but it is also the case that no economically meaningful statistical correlation can ever be established without first being seen in that simple picture. The question that the analyst must ask is how do we come to know the economically meaningful statistical correlations from merely the statistically significant relationships we can unearth in the world around us (Zilak and McCloskey 2007)? We contend that it is the analytic framework provided by economics and political economy that does the sorting out, and that the sorting out is an act of interpretation no less so than constructing a narrative history.

Comparative historical political economy, in fact, tries to triangulate the evidence in the hope at constructing a "compelling story." When appropriate, hard economic statistics are every bit as useful as deep historical details. It depends on the task at the moment. But what we cannot delude ourselves into believing is that our models and measures can provide determinant solutions. Rather than flawless precision and point predictions, we have an intellectual framework that through explicating casual mechanisms and tracing out economic and social processes is able to provide tendencies and directions of change. We are provided a set of "eyeglasses" that enable us to read the empirical world and construct narratives. The "oomph" of this intellectual exercise will be found in the comparative analysis we provide.

Political economy in this vein is far humbler in its ambition than the social engineering project of post-Great Depression economics. In the vision we have described, the economist and political economist is not privileged in policy discourse. Rather than being a "high priest" of social engineering, the economist is reduced to a "mere student" of society, and the political economist, to a sort of "lowly philosopher" who uses the tools of historical comparative institutional analysis to try and grope toward some conception that helps to make sense of the world around him (Boettke, Coyne, and Leeson 2005).

This is not to say that the knowledge of the economist and political economist can be treated lightly. As we noted earlier, political economy is capable of putting parameters of people's utopias when done right. But the role of the economist and political economists is much reduced. He is a teacher of the underlying causal mechanisms that are in operation with alternative concrete institutional configurations; he is a student of society who in his work seeks to understand the impact of alternative institutional forms on economic performance through time and the betterment of mankind; and he is a social critic who uses the tools provided by economics and political economy to examine the incentive structures and the flow and quality of information generated by alternative institutions to see if stated ends are being served by chosen means. But the economist and political economist is not a social engineer asked to deploy the tools of his discipline to serve the goal of social control (Coyne and Boettke

2006). No, the number one task of the economists and political economists within a democratic society (as James Buchanan has long stressed) is to be one voice within the democratic process, and to communicate as best as he/she can the basic insights of the discipline to others so they can be informed participants within this process.

These insights, we have argued, are best illustrated in the intellectual exercise of comparative studies. By sliding between contrasting situations we start to learn how incentives impact on individual choice, how information is interpreted and utilized by participants within that environment, and how alternative institutional arrangements either hinder or promote the learning by economics actors through time about how to best serve both their interests and the interests of others by realizing the opportunities for mutual gain through exchange.

References

Acemoglu, Daron and James Robinson. 2005. *The Economic Origins of Dictatorship and Democracy*. New York: Cambridge University Press.

Acemoglu, Daron, Simon Johnson, and James Robinson. 2001. The Colonial Origins of Comparative Development: An Empirical Investigation. *American Economic Review* 91:1369-1401.

Acemoglu, Daron, Simon Johnson, and James Robinson. 2002. Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution. *Quarterly Journal of Economics* 117:1231-1294.

Bates, Robert H., Avner Grief, Margaret Levi, Jean-Laurent Rosenthal and Barry R. Weingast. 1998. *Analytic Narratives*. New Jersey: Princeton University Press.

Bernstein, Michael. 2001. *A Perilous Progress*, New Jersey: Princeton University Press.

Besley, Timothy. 2006. *Principled Agents?: The Political Economy of Good Government.* Oxford: Oxford University Press.

Boettke, Peter J. 1993. *Why Perestroika Failed*. New York: Routledge.

Boettke, Peter. 1999. "Which Enlightenment, Whose Liberalism?: Hayek's Research Program for Understanding the Liberal Society." In Peter J. Boettke, ed., *The Legacy of F. A. Hayek.* Vol. 1. Cheltenham, UK: Edward Elgar Publishing.

Boettke, Peter. J. 2002. *Calculation & Coordination: Essays on Socialism and Transitional Political Economy*. New York: Routledge.

Boettke, Peter J. and Christopher J. Coyne. 2003. "Entrepreneurship and Development: Cause or Consequence?" *Advances in Austrian Economics* 6: 67-88.

Boettke, Peter J., Christopher J. Coyne, and Peter T. Leeson. 2003. Man as Machine: The Plight of 20th Century Economics. *Annals of the Society for the History of Economic Thought* 43:1-10.

_____. 2005. High Priests and Lowly Philosophers: The Battle for the Soul of Economics. *Case Western Reserve Law Review* 56:551-568.

_____. 2008. Institutional Stickiness and the New Development Economics. *American Journal of Economics and Sociology* 67: 331-358.

Boettke, Peter J., Christopher J. Coyne, Peter T. Leeson and Frederic Sautet. 2005. "The New Comparative Political Economy," *Review of Austrian Economics* 18(3/4): 281-304.

Boettke, Peter J. and Virgil Storr. 2002. “Post-Classical Political Economy: Polity, Society, and Economy in Weber, Mises and Hayek,” *American Journal of Economics & Sociology*, 61 (1): 161-191.

Boulding, Kenneth. 1948. “Review of Paul Samuelson’s *Foundations of Economic Analysis*.” *Journal of Political Economy*.

_____. 1971. “After Samuelson, Who Needs Smith?” *History of Political Economy* 3: 225-37.

Callahan, Gene, and Peter T. Leeson. 2006. Scientism in the Way of Science: Hope for Heterodoxy in Modern Economics. Mimeo.

Caldwell, Bruce. 2003. *Hayek’s Challenge*. Chicago: University of Chicago.

Chamlee-Wright, Emily. 2006. “After the Storm: Social Capital Regrouping in the Wake of Hurricane Katrina.” Mimeo.

Coase, Ronald H. 1971. “The Lighthouse in Economics,” *Journal of Law and Economics* 17(2): 357-376.

Coyne, Christopher. 2005. “The Institutional Prerequisites for Post-Conflict Reconstruction,” *The Review of Austrian Economics*, 18(3/4): 325-342.

_____. 2006a. “Reconstructing Weak and Failed States: Foreign Intervention and the Nirvana Fallacy,” *Foreign Policy Analysis*, 2: 343-361.

_____. 2006b. “Reconstructing Weak and Failed States: Insights from Tocqueville,” The *Journal of Social, Political and Economic Studies*, 31(2): 143-162.

_____. 2007. *After War: The Political Economy of Exporting Democracy*. Stanford University Press.

Coyne, Christopher J. and Peter J. Boettke. 2006. “The Role of the Economist in Economic Development.” *The Quarterly Journal of Austrian Economics*. 19(2): 47-48.

Coyne, Christopher J., and Peter T. Leeson. 2004a. Read All About It! Understanding the Role of Media in Economic Development. *Kyklos* 57:21-44.

Coyne, Christopher J., and Peter T. Leeson. 2004b. The Plight of Underdeveloped Countries. *Cato Journal* 24:235-249.

Demsetz, Harold. 1967. “Towards a Theory of Property Rights,” *American Economic Review* 57(2): 347-359.

Djankov, Simeon, Edward Glaeser, Rafael La Porta, Florencio Lopez-de-Silanes, and Andrei Shleifer. 2003. “The New Comparative Economics.” *Journal of Comparative Economics* 31: 595-619.

Elster, Jon. 2000. “Rational Choice History: A Case of Excessive Ambition,” *American Political Science Review*, 94 (3): 685-695.

Kiser, Edgar and Michael Hechter. 1991. “The Role of General Theory in Comparative Historical Sociology.” *American Journal of Sociology* 97(1):1-30.

_____. 1998. “The Debate on Historical Sociology: Rational Choice Theory and its Critics.” *American Journal of Sociology* 104(3): 785-816.

Friedman, Milton. 1947. "Lerner on the Economics of Control." *The Journal of Political Economy* 55(5): 405-16.

Glaeser, Edward, and Andrei Shleifer. 2002. Legal Origins. *Quarterly Journal of Economics* 117:1193-1229.

Greif, Avner. 1989. Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders. *Journal of Economic History* 49:857-882.

_____. 1993. Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders’ Coalition. *American Economic Review* 83:525-548.

_____. 2006. *Institutions and the Path to the Modern Economy*. Massachusetts: Cambridge University Press.

Hall, Joshua C., and Peter T. Leeson. 2007. Good for the Goose, Bad for the Gander: International Labor Standards and Comparative Development. *Journal of Labor Research* 28: 658-676.

Hayek, F. A. (1944) *The Road to Serfdom*. Chicago: University of Chicago Press.

Hayek, F. A. (1978). “Competition as a Discovery Procedure,” (1968) *New Studies in Philosophy, Politics, Economics and the History of Ideas*. Chicago: University of Chicago Press.

Hayek, F.A. (Ed.) 1954. *Capitalism and the Historians*. Chicago: University of Chicago Press.

Leeson, Peter T. 2005a. Endogenizing Fractionalization. *Journal of Institutional Economics* 1:75-98.

_____. 2005b. Self-Enforcing Arrangements in African Political Economy.

Journal of Economic Behavior and Organization 57: 241-244.

_____. 2006a. Cooperation and Conflict: Evidence on Self-Enforcing Arrangements and Heterogeneous Groups. *American Journal of Economics and Sociology* 65: 891-907.

_____. 2007a. Trading with Bandits. *Journal of Law and Economics* 50: 303-321.

_____. 2007b. Efficient Anarchy. *Public Choice* 130: 41-53.

_____. 2007c. Better Off Stateless: Somalia Before and After Government Collapse. *Journal of Comparative Economics* 35: 689-710.

_____. 2007d. An-*arrgh*-chy: The Law and Economics of Pirate Organization. *Journal of Political Economy* 115: 1049-1094.

_____. 2008a. Social Distance and Self-Enforcing Exchange. *Journal of Legal Studies* 37: 161-188.

_____. 2008b. The Laws of Lawlessness. *Journal of Legal Studies*, forthcoming.

_____. 2008c. Media Freedom, Political Knowledge, and Participation. *Journal of Economic Perspectives* 22: 155-169.

Leeson, Peter T., and William N. Trumbull. 2006. Comparing Apples: Normalcy, Russia, and the Remaining Post-Socialist World. *Post-Soviet Affairs* 22: 225-248

Lewis, Paul. 2006. “Hayek, Social Theory and the Contrastive Explanation of Socio-Economic Order,” *Cambridge Journal of Economics*, forthcoming.

Lerner, Abba P. 1944. *The Economics of Control*. New York: Macmillan Co.

McCloskey, Donald N. 1985. *The Rhetoric of Economics*. Madison: University of Wisconsin Press.

McCloskey, Deirdre N. 2006. *The Bourgeois Virtues: Ethics for an Age of Commerce*. Chicago: University of Chicago Press.

Mirowski, Philip. 1991. *More Heat than Light*. Massachusetts: Cambridge University Press.

Mises, Ludwig von. 1912. *The Theory of Money and Credit*. Indianapolis: Liberty Fund, 1981.

_____. 1922. *Socialism*. Indianapolis: Liberty Fund, 1981.

_____. 1949. *Human Action*. Chicago: Henry Regnery, 1966.

North, Douglass. 1990. *Institutions, Institutional Change and Economic Performance*. Massachusetts: Cambridge University Press

_____. 2005. *Understanding the Process of Economic Change*. New Jersey: Princeton University Press.

Olson, Mancur. 1996. Big Bills Left on the Sidewalk: Why Some Nations are Rich and Others are Poor. *Journal of Economic Perspectives* 10: 3-24.

Pejovich, Svetozar. 1966. *The Market-Planned Economy of Yugoslavia*. Minneapolis: University of Minnesota Press.

Powell, Benjamin, and David Skarbek. 2006. Sweatshops and Third World Living Standards: Are the Jobs Worth the Sweat? *Journal of Labor Research* 27: 263-274.

Samuelson, Paul. 1947. *Foundations of Economic Analysis*. Massachusetts: Harvard University Press.

Smith, Adam 1776. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Chicago: University of Chicago Press, 1976.

Smith, Vernon L. 2003. Constructivist and Ecological Rationality in Economics. *American Economic Review* 93: 465-508.

Zilak, Stephen T. and Deirdre N. McCloskey. 2007. *Size Matters*. Michigan: University of Michigan Press, forthcoming.