

Douglas W. Allen, *The institutional revolution: measurement and the economic emergence of the modern world* (Chicago and London: University of Chicago Press: 2012. Pp xiv + 267. 2 figs. 1 tab. ISBN 9780226014746 Hbk. \$30.00)

In 1910 J. H. Clapham memorably described the industrial revolution as a ‘thrice squeezed orange’: yet writing more than a century later, Douglas Allen has written a brilliant and enjoyable book that shows there is still plenty of juice left in this orange. With this book Allen provides a stimulating microeconomic reinterpretation of English economic development in the period 1780 to 1850. The range of reading, the quality of the analysis, the elegance of the writing, and the lightness of touch displayed by Allen are all extremely impressive. Allen’s arguments owe much to the influential research programme developed by Armen Alchian of UCLA and by scholars such as Douglass North and Yoram Barzel at the University of Washington. The Washington or evolutionary view focuses on the choices and costs faced by actual economic actors rather than the attainment of social or technological ideals.

The evolutionary perspective contends that institutions are ‘constrained efficient’. Constrained efficiency implies that firms, individuals, and nations are engaged in a Darwinian struggle. Such competitions mean that the institutional arrangements that win out in this selection process tend to be the best under the circumstances faced at the time. As Allen summarizes: ‘institutions are chosen and designed to maximize the wealth of those involved, taking into account the subsequent transaction costs . . . The institutions that survive are the ones that maximize net wealth over the long haul’ (p. 225). Alternative institutional settlements may be technically feasible under different assumptions (for example, we could assume away transaction costs), but under the actual circumstances faced by actors (for example, the existence of high transaction costs) they were not possible. This evolutionary viewpoint, when applied to the economic history of the pre-

modern world, demonstrates that economic activity followed neither a simple marxian narrative of exploitation nor an optimistic Whig account of unbridled progress. Furthermore, as noted in the book's conclusion, the Washington perspective indicates that the industrial revolution was not merely a technological revolution. Allen's analysis has implications for modern economic development. A corollary of the argument is that the recent attempts at boosting wealth by transplanting institutions were doomed to failure.

Allen discusses a wide range of topics connected to patronage and economic efficiency. Each chapter tends to suggest that Adam Smith, Thorstein Veblen, and Evelyn Waugh did not tell the full story of the socio-economic roles played by aristocracy within English society. Chapter 3 outlines an economic analysis of the aristocracy. In particular, Allen discusses the role of aristocratic hostage capital within maintaining a pool of trustworthy types and the extent to which such capital excluded potentially opportunistic entrants as well as untrustworthy aristocrats. The role of this aristocratic system functioned as long as trust was crucial, but the growth of measurement as a substitute for trust enabled new organizational forms to emerge. Chapter 4 onwards develops this kind of analysis with its discussion of duelling, and other chapters extend the evolutionary institutional analysis still further to cover the Royal Navy, Army Commissions, and a variety of public goods.

However, Allen's analysis reflects a research programme that is concerned with economic efficiency and rather indifferent to the implications for social equity. Neither distribution nor equity appears in the book's index. Accordingly, it is in the area of equity—and in particular the effect of industrialization on income distribution and regional economic development—that this reviewer would have liked to have seen more discussion. Eric Jones's *Locating the industrial revolution* (2010) demonstrated that institutional arrangements among English regions were closely similar; yet while the north of England experienced an industrial revolution, the south failed to share in this process. The institutional geography of England during the industrial revolution was therefore more complex than Allen acknowledges. Yet Allen's discussion remains powerful if it is interpreted as representing a first approximation rather than a last word. While Allen acknowledges that patronage looks corrupt to our modern eyes, he does not develop the implications for social equity. Perhaps future historians may develop a framework that provides answers to these distributional and regional questions while retaining the power of microeconomic reasoning that is exhibited so powerfully by Allen. Until then, and despite some of the rather minor misgivings expressed above, I think it is safe to say that Allen's mixture of insight and lightness of touch will deservedly prove to be highly influential within both the research seminar and the classroom.