Institutions and Their Discontents

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Abstract

This essay takes up Oscar Gelderblom's book, Cities of Commerce, as an opportunity to considered the limits of institutional economic history. It poses the general question what historians actually know - as opposed to assume - about the function of economic institutions in the past. It asks who creates or manipulates these institutions, political authorities or economic agents. It then examines why institutions are created, to achieve competitive advantage or to legitimize mercantile practice. Finally, and most importantly, it wonders to what extent institutions functioned as expected, that is, to what extent they limited opportunism by raising its associated costs. In each instance, this essay points to the tension between the logical and the historical in economic history.

Douglass C. North famously defined "institutions" as the "formal rules, informal rules, and their enforcement characteristics" that define "the way the game is played," any socially imposed constraints on human behavior that permit certain expectations of what others will do in a given circumstance.[1] They are, so North, particularly important in economic life, because they facilitate human interaction by reducing uncertainty and its associated cost. That North received the Nobel Prize for his theory in 1993 may have helped to legitimate it in the eyes of a generation of scholars, but attention to the role of institutions in economic life is by no means new, its current vogue notwithstanding. As early as the mid-nineteenth century,

1 Douglass C. North, *Understanding the process of economic change*, Princeton, 2005, 48. See also: Lance E. Davis and Douglass C. North, *Institutional Change and American Economic Growth*, Cambridge, UK, 1971; Douglass C. North and Robert P. Thomas, *The rise of the Western World*, Cambridge, UK, 1973; Douglass C. North, *Institutions, institutional change and economic performance*, Cambridge, UK, 1990.

German opponents of Smithian, classical economics, the so-called Old School or German Historical School, rejected any notion of isolated individuals, acting in accordance with selfish, unchanging economic motives that failed to account for the influence of religion, politics or ethics. North managed thus to wrestle institutions from the grip of the *Methodenstreit* and to endow their study with a degree of contemporary relevance and intellectual rigor.

Economists and economic historians have since embraced institutions with real enthusiasm. The majority of recent works – certainly, the most frequently cited among them – attend particularly to the means and methods by which the "rules" are enforced, particularly with regard to property rights and contract disputes. Many scholars follow North's lead,[2] arguing that strong territorial states alone hold the key, because, supposedly, they alone possess the military might and legal authority to protect foreign trade and adjudicate commercial disputes. These assertions fail obviously to account for the early expansion of trade, especially in Europe, where states were under-developed. To explain economic growth in circumstances of political fragmentation, other scholars focused on the development of private- or public-order responses to opportunism. Avner Greif argued originally and famously that Jewish merchants active in the Maghrib during the eleventh century relied not on legal contracts enforced by courts of law, as did their Western counterparts, but rather on multilateral reputation mechanisms enforced by coalitions of merchants.[3] His critics, chief among whom was Sheilagh Ogilvie, responded that Greif had failed to demonstrate either the existence of reputation mechanisms in the hands of Eastern coalitions, the private-order option, or the efficacy of contract enforcement in the hands of Western courts, the public-order option, in his explanation of how the West grew rich.[4] Their criticism proved somewhat too round in that the empirical evidence indicated, as Jessica Goldberg later demonstrated, the resort of reputation and enforcement mechanisms, both in the East and in the West.[5]

To this debate, Oscar Gelderblom has contributed a new work and a valuable perspective, by turning from states to cities. In *Cities of Commerce*,

2 Douglass C. North, *Violence and social orders: A conceptual framework for interpreting recorded human history*, New York, 2009.

3 Avner Greif, *Institutions and the path to the modern economy: Lessons from medieval trade*, New York, 2006.

4 Sheilagh Ogilvie, *Institutions and European trade: Merchant Guilds, 1000-1800*, New York, 2011.

5 Jessica Goldberg, *Trade and institutions in the Medieval Mediterranean: The Geniza merchants and their business world*, Cambridge, UK, 2012.

he argues that "open access" institutions, developed by urban magistrates for any and all traders within their jurisdiction, made possible the concentration and expansion of commerce between the thirteenth and seventeenth centuries: "…the very problem of Europe's political and legal fragmentation also produced its solution, in the form of competition between urban governments that tried to attract trade through the continuous adaptation of their legal, commercial, and financial institutions."[6] In the contest for international trade, civic authorities in the Netherlands understood that they must innovate or fail.

The scholarly value of Gelderblom's book resides at least in part in its uniqueness. There are very few English-language studies of the economic rise and fall of Bruges, Antwerp and Amsterdam, crucial entrepôts and lynchpins that "succeeded one another as main hubs of long-distance trade in Europe."[7] This service places English-speaking scholars in his debt.

Apart from its uniqueness, the value of Gelderblom's analysis also resides in his narrative of "continuous adaptation of the commercial infrastructure to changes in international trade."[8] He begins with the competition among them that drove the adaptation of institutional arrangements to meet the needs of international traders. These began with the special privileges extended to foreign merchants of various nations and concluded with the emergence in Amsterdam of open-access institutions, in which all merchants were treated equally. He then moves to what he sees as the cities' creation of spot markets and focuses on the particular role of hostelers as agents, brokers and guarantors of international transactions. As foreign merchants settled in trading centers, particularly in Antwerp and Amsterdam, such temporary arrangements yielded to permanent factors and agents, who relied in turn upon civic institutions that trafficked in information. International commerce required extensive networks of communication, merchants turning to friends, relatives or associates, who acted on their behalf either as agents or as partners. Civic authorities fostered cross-border communications and transactions by registering sales and shipments and by regularizing legal standards and procedures, making information more consistently available to all. The issue of legal procedures to defend property rights and to settle contract disputes moves to the heart of the scholarship on institutions. Magistrates in Bruges, An-

6 Oscar Gelderblom, *Cities of Commerce: The institutional foundations of international trade in the Low Countries, 1250-1650*, Princeton, 2013, 2-3

7 Gelderblom, *Cities of Commerce*, 15.

8 Gelderblom, *Cities of Commerce*, 74.

twerp and Amsterdam extended consular rights to trading nations, allowing foreign merchants to settle their own disputes according to their own laws, encouraged the use of arbiters in cases where multiple, conflicting legal standards might apply and, finally, opened local courts and laws to foreign commercial usage. In the final, two chapters of his book, Gelderblom turns to the "footloose"[9] character of premodern merchants as the pretext for urban competition. Because traders could vote with their feet, so to speak, taking their commerce elsewhere, if local conditions proved disadvantageous, political authorities struggled to attract and protect trade and traders and, by so doing, effectively yielded to an implicit economic coercion, altering economic institutions and organizations to meet the perceived needs of economic agents. Institutions do not, therefore, simply exist, a fact often overlooked in institutional histories, but are purposefully created and altered over time.

Taken as a whole, *Cities of Commerce* adopts North's construction of the relationship among beliefs, structures and outcomes:

> Belief systems embody the internal representation of the human landscape. Institutions are the structure that humans impose on that landscape in order to produce the desired outcome. Belief systems therefore are the internal representation and institutions the external manifestation of that representation. Thus the structure of an economic market reflects the beliefs of those in a position to make the rules of the game, who enact rules that will produce the outcomes (that is, the sort of market) they desire, whether those desires are to create monopoly or to create a competitive market (always with the caveat that their beliefs may be incorrect or produce unanticipated consequences).[10]

It begs the question what role such models play in economic historical research, whether they serve as theories, which, having been tested rigorously, are generally accepted and, so, constrain subsequent interpretation, or as hypotheses, which, awaiting the test of data, remain possible explanations that, however logical, cannot yet be considered historical. *Cities of Commerce* offers a convincing narrative of institutions and institutional change in economic life during the late medieval and early modern periods. It encourages me nonetheless to reflect upon economic institutions and the role they have come to play generally in economic history. These reflections take the form of a series of questions.

9 Geldeblom, *Cities of Commerce*, 13.

10 North, *Understanding the process of economic change*, 49-50.

First question: Who creates or manipulates economic institutions? Gelderblom makes a compelling case for the role of the magistracy. He writes, “the city [Amsterdam, tms] managed to create well-functioning markets”;[11] urban governments played “the pivotal role…in the organization of European trade through the creation of well-functioning markets.”[12] Within the framework of North’s argument, this makes perfect sense. The magistrates were the ones, after all, “in a position to make the rules of the game, who enact rules that will produce the outcomes (that is, the sort of market) they desire.”[13] Yet, that view from the political top risks confusion of terms and agents.

Making magistrates the agents of economic development, Gelderblom blurs the distinction between institutions and organizations. As North puts it, “The study of institutions and institutional change necessitates as a first requirement the conceptual separation of institutions from organizations.”[14] The former are “the rules of the game”; the latter are “the players,” “groups of individuals bound together by some common objectives.”[15] By examining the magistracy, *Cities of Commerce* reveals some of the policies and activities by which the city governments of Bruges, Antwerp and Amsterdam responded to new or altered challenges and opportunities in the economy. As valuable as this is, it does not quite get at institutions *strictu sensu*, which are the visible, tangible expressions of shared beliefs, aspirations or norms. Nor can it assume a direct, one-to-one correspondence between those shared beliefs, those institutions, and the organizations that, stimulated by changing conditions, induce them to change. Urban magistrates in the Netherlands pursued complex strategies for no less complex reasons, very few of which were recorded. They remain very often, therefore, objects of historical speculation rather than demonstration.

By focusing thus exclusively on the magistrates and their actions, Gelderblom also comes perilously close to distorting or disregarding the motives and actions of the economic agents themselves, the merchants, which cannot be his intention. The closest encounter with the lived experience of commercial life takes the form of a brief biography of Hans Thijs, an Antwerp-born merchant of Amsterdam, who operated in a notably thin market and, perhaps as a result, created his own opportunities and institu-

11 Gelderblom, *Cities of Commerce*, 1.

12 Gelderblom, *Cities of Commerce*, 76.

13 North, *Understanding the process of economic change*, 50.

14 North, *Understanding the process of economic change*, 59.

15 North, *Understanding the process of economic change*, 59-60.

tions, rather than wait upon the innovations or adaptations of the magistrates.[16] Classical economists since Adam Smith have agreed that markets are any structures that allow buyers and sellers to exchange goods, services and information. They come into existence as a result of exchange activities. Moreover, privileging magistrates obscures the simple fact that many, if not all, the initiatives and adaptations attributed to them actually emerged as private-order solutions to commercial problems. The resort to hostelers for agency and brokerage services, the resort to the *compagnia* form of business organization as a means to limit liability, the development of double-entry bookkeeping as a means to monitor accurately profit and loss, the adaptation of the *cessio bonorum* as a means to limit the social and economic costs of insolvency, the use of mediation, arbitration and, in the last resort, litigation as means to resolve business disputes and other innovations too numerous to mention, all take their course as innovations that become commonplace among merchants before they are formally adopted by civic authorities. Gelderblom refers, correctly, in my opinion, to "legislation from below"[17] and reasons that "the explicit aim of the local magistrates was to complement private-order solutions."[18] Thus, the supposed "intervention of urban governments"[19] must be taken to mean the encouragement or promotion by urban governments of widely accepted mercantile practice. Indeed, he sees the "public-embeddedness"[20] of private-order institutions, a combined public-/private-order approach to institutions, leaving aside the open question whether they are institutions, as the enduring characteristic of commercial policy in Bruges, Antwerp and Amsterdam. Still, this compromise sits uneasily with his repeated insistence that magistrates "managed to create well-functioning markets."

Second question: Why are institutions created? As noted earlier, Gelderblom argues in the case of Bruges, Antwerp and Amsterdam that "competition between urban governments that tried to attract trade through the continuous adaptation of their legal, commercial, and financial institutions" is the key.[21] According to the Oxford English Dictionary, "competition" in its commercial sense indicates a "rivalry in the market, [a] striving

16 Gelderblom, *Cities of Commerce*, 62-70.

17 Gelderblom, *Cities of Commerce*, 99.

18 Gelderblom, *Cities of Commerce*, 101.

19 Gelderblom, *Cities of Commerce*, 101.

20 Gelderblom, *Cities of Commerce*, 103.

21 Gelderblom, *Cities of Commerce*, 3.

for custom between those who have the same commodities to dispose of."[22] More generally, it means the striving of two or more for the same object. The first recorded English usage appeared in Francis Vere's *Commentaries*: "Though there were grudging, there could be no competition."[23] The great English poet, essayist, moralist, critic, editor and lexicographer, Dr. Samuel Johnson called competition, "The action of endeavouring to gain what another endeavours to gain at the same time."[24] The language of competition in general suggests thus a Smithian consciousness of markets and their function. Accordingly, magistrates created institutions to lower the uncertainties, understood here in the Knightian sense of things that cannot be known,[25] and therewith the costs of conducting business in their market and, by so doing, to attract merchants who would not otherwise have traded in them. It is a logical argument, but it may be problematical, especially when applied to early modern commerce or politics.

Cities of Commerce offers little explicit indication of this sort of competition among the cities in question. Rather than provide direct testimony about the motives of urban magistrates, which may not exist, it infers them from the supposed ends of the institutions. Did Amsterdam magistrates modify or manipulate their economic institutions with the explicit intent of drawing merchants away from Antwerp? Many of those merchants migrated north in an attempt, not to capture the economies of advantageous markets, but to avoid the diseconomies, if one can refer to persecution and prosecution in such neutral terms, of religious and political upheaval. Did Antwerp magistrates modify or manipulate their economic institutions with the explicit intent of drawing merchants away from Bruges? Other studies suggest the possibility of mixed motives. Antwerp magistrates may have had a more complex game in mind: Their institutional innovations may have served not simply to attract foreign merchants, though that was also their intent, but to create vertically integrated markets that drew domestic as well as foreign trade goods to the city.[26] To achieve this end,

22 "competition, n.". OED Online. December 2013. Oxford University Press. http://www.oed.-com/view/Entry/37578?rskey=ZUvCcM&result=1 (accessed January 20, 2014).

23 Sir Francis Vere, *Commentaries*, Arber, England, 1657, 26.

24 Samuel Johnson, *A dictionary of the English language: in which the words are deduced from their originals, explained in their different meanings … / abstracted from the folio edition by Samuel Johnson; to which are prefixed, a grammar of the English language, and the preface to the folio edition*, Philadelphia, 1805.

25 Uncertainty describes future outcomes that are random, but governed by unknown or incalculable probability models. Frank Knight, *Risk, Uncertainty and Profit*, Boston, 1921.

26 Jeroen Puttevils, *The Ascent of Merchants from the Southern Low Countries: From Antwerp to Europe, 1480-1585*, Leiden, forthcoming, passim.

they were prepared to sacrifice the interests and jeopardize the prosperity of local merchants, although doing so in no way contributed to "well-functioning markets." This is no mere semantic hair-splitting; it suggests that the magistrates sought in the first instance power rather prosperity. Their economic institutions may have served explicitly political ends. Without more direct evidence, the case for competition, however theoretically convincing, remains historically speculative.

To shift to another city, in this context a counter-factual, institutions of the sort examined by Gelderblom seem largely irrelevant to economic growth. The city government of the free Imperial city of Augsburg steadfastly refused to modify its economic institutions throughout much of the fifteenth and sixteenth centuries. It expelled Jews and harassed many sorts of Christians. It never introduced laws to govern the organization of the firm.[27] It was tardy at best in establishing legal procedures to resolve bankruptcy.[28] It never, to the lasting regret of historians, publicized market information. In all of these respects, Augsburg magistrates lagged behind those of other economically important, free imperial cities, such as Nuremberg and Frankfurt. Yet, throughout the period in question, Augsburg remained one of the most important commercial and financial centers of the Empire. The existence of open-access, public-order economic institutions seems not to have made much difference. What mattered were those established mercantile practices that were encouraged by the city-state but remained voluntary. The resort to the *cessio bonorum* and *curatores bonorum* in bankruptcy resolution are cases in point. To recall North's caveat, institutions "may be incorrect and produce unexpected consequences."[29]

Third question: How effective were economic institutions? In other words, do they actually create well-functioning markets? Economic historians insist unanimously that institutions exist to prevent opportunism in agency relations. They provide ample evidence that opportunism, that is, the conscious policy and practice of taking selfish advantage of circumstances with little regard for principles, or for what the consequences are for others, actually took place; they fail to demonstrate that existing insti-

27 Katharina von Ciriachy-Wantrup, *Familien- und erbrechtliche Gestaltungen von Unternehmen der Renaissance: Eine Untersuchung der Augsburger Handels gesellschaften zur frühen Neuzeit*, Berlin, 2007.

28 Thomas Max Safley, "Business failure and civil scandal in Early Modern Europe," *Business History Review* 83 (2009): 35-60.

29 North, *Understanding the process of economic change*, 50.

tutions of any sort, whether private- or public-order, effectively deterred it.[30] They argue on the basis of game theory instead that the mere possibility that such institutions might prosecute opportunism would so raise its associated risks and costs that rational agents would elect to abide by the "rules of the game". That seems to be the approach in *Cities of Commerce*.

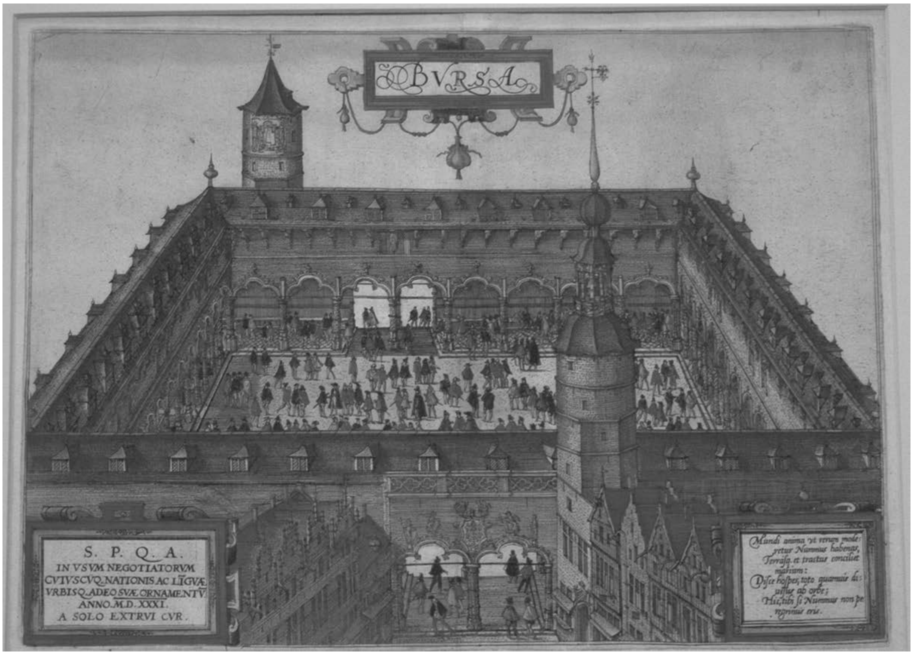

Illustration 1. De beurs van Antwerpen

Source: Guicciardini, Ludovico. *Descrittione Di Tutti I Paesi Bassi, Altrimenti Detti Germania Inferiore.* Anversa: apresso Guglielmo Silvio, 1567.

The top-down perspective occasionally takes prescription for description. Although Gelderblom makes frequent reference to statutes, violations and disputes, he seldom examines their procedures or outcomes closely. Their frequent occurrence seems to signal, not the smooth operation of commerce, but the failure of institutions to limit the rough-and-tumble. Opportunism flourished, he concludes: "It was difficult to suppress illegal mediation because for merchants it did not really matter who put them in touch with potential buyers and sellers, as long as they made a profit."[31] I

30 Cf. Goldberg, *Trade and institutions in the Medieval Mediterranean*; Greif, *Institutions and the path to the modern economy*.

31 Gelderblom, *Cities of Commerce*, 73.

would suggest rather that opportunism flourished, because the state seldom mandated absolutely the resort to institutional solutions. A degree of voluntarism persisted in their utilization, not because enforcement mechanism were inadequate or individual merchants were over-mighty, though both could prove true, but rather because the magistracy for reasons of its own often permitted a degree of elasticity. Court documents and merchant correspondence reveal the quotidian calculation of interests and negotiation of agreements; they prove beyond any doubt that expedient behaviors guided by self-interested motives, far from ever being deterred, remained constitutive of daily market life, influenced by prevalent institutions, but constantly evading and, so, shaping them as well.

This has proven to be the case again and again in premodern business conduct, bankruptcy litigation and property disputes.[32] The great Augsburg merchant-financier, Ambrosius Höchstetter was a notorious and unrepentant monopolist, who "often oppressed the common man and poor folk with his business methods, not only with better, more valuable goods, but also with those that were poorer and cheaper,…and he would frequently buy up the entire supply of a given commodity, paying more than it was worth, so that he could set the price."[33] Here was opportunism that the chronicler, Clemens Sender, could not fail to note and pillory: In fixing prices, Höchstetter violated the common good. The brothers Hans Paul and Hans Heinrich Herwart, merchants in mercury, defied imperial pressures to pay a higher price for their commodities. They invoked instead "especially good experience and practice" in the sale of these commodities, and gently but clearly threatened the emperor with his own economic losses. With considerable reserves of mercury unsold in their warehouses in Antwerp, Venice and Lyon, they refused to agree to the purchase of more, especially at higher unit prices. If the Emperor exercised his authority to force a new contract, they would withdraw entirely from their standing contract and dump all their reserves of mercury as opportunity afforded. The result would have been spectacularly lower prices and lost opportunities for the imperial government. During the 1564 bankruptcy proceedings of "Markus Ulstett and Brothers," to take another example, many of the creditors seized Ulstett properties to secure payment, despite

32 Thomas Max Safley, "Die Frage einer frühneuzeitlichen Standardisierung des Rechtsprozesses in Bankrottsfällen am Beispiel des Höchstetter Konkurs 1529", in T.M.J. Möllers, ed., *Vielfalt und Einheit. Wirtschaftliche und rechtiche Rahmenbedingungen von Standardisierung*, Baden Baden, 2008), 107-26.

33 Clemens Sender, *Die Chronik von Clemens Sender von den ältesten Zeiten der Stadt bis zum Jahre 1536*, *Die Chroniken der Schwäbischen Städte*, Vol. VII (Leipzig 1894), 220.

clear legal statutes and sanctions that prohibited such acts of private execution. When a speaker for the commission of creditors, created by the city government and approved by all parties to act on behalf of the creditors in common, admonished one of the opportunists, no less a figure than the patrician Hieronymus Rehlinger the Elder, he stubbornly refused to surrender the goods he had seized and justified his action with the argument that the right to recover "my own" (*mein aigen*) took precedence over the attempts of the creditors to achieve a common resolution.[34] The mere existence of economic institutions and organizations could not guarantee the orderly function of market-related activities. Whether they resorted to arbitration, mediation, litigation or execution to achieve a solution, traders obeyed or violated the dictates of institutions, whether private- or public-order, according to their own interests and with surprising impunity. Political authorities, at best, contributed to their smooth operation, and it is by no means certain that their contributions were effective.

Fourth and final question: Do economic institutions determine economic development? This is the big one, as Gelderblom understands. Douglass North and his disciples want to argue that the West grew rich, precisely because it developed reliable, open-access, public-order economic institutions that effectively promoted economic growth. The rest of the world lagged behind, precisely because it failed to develop reliable economic institutions that effectively promoted economic growth. The magisterial perspective alone cannot, however, explain why certain cities succeeded, while others failed. Legal adaptation did not preserve the market domination of Bruges or Antwerp or, for that matter, Amsterdam. They, like a host of trading centers before them experienced economic growth and decline, all institutions notwithstanding. In some instances, as noted previously, cities and states achieved economic growth without notable resort to economic institutions. Their governments encouraged established commercial practices, framed in institutional terms, perhaps, but left largely to the discretion of the parties involve.

Who would deny the importance of economic institutions in "well-functioning markets"? Those policies and practices, those structures and functions that help to stabilize markets and promote exchange, could play a distinct role. Given the option, merchants prefer to trade where the costs of doing business are lower. There is no argument with the study of institutions, no question of their important role in shaping economic behaviors

34 Stadtarchiv Augsburg, Stadtgericht, Schuld-, Klag- und Appelationssachen, Pt. II, Karton XXVIII, Konkurs von Marx, David und Paul Ulstett, 1564.

or encouraging economic growth. My scruple applies to the relationship between such a priori constructs and historical research. Merchants prefer to trade where the costs of doing business are lower, but they are prepared to tolerate higher costs for higher returns. In Bruges and Antwerp, traders of many nations waited years or decades to receive consular and other privileges without exercising their "footloose" option. Institutions alone do not determine the function of markets. Other factors of comparative advantage, such as geographic location, material constraint, resource distribution and industrial organization also played their part. Many, perhaps most, merchants did not simply decamp from one town to another, one market to another. Rather, they hedged their bets and considered their opportunities. The recently published, critical edition of Matthäus Schwarz's 1548 *Kaufmannsnotizbuch*, demonstrates this point in splendid detail.[35] The great Fugger Company did not simply abandon mining operations in Hungary, when the profitability of these enterprises began to decline. Rather, its leadership planned over twenty years the gradual restructuring of their interests and engagements to the south, in Tyrol, Southern Italy and Spain. Today, companies mine and purchase strategic metals in regions of the world that are synonymous with lawlessness, a near-complete lack of economic institutions as understood in developed economies. Their profits justify the costs and reward both the companies and their investors. To understand why cities and economies rise and fall, scholars need to think of opportunism as widespread, normal rather than aberrant. They need to understand merchants as not merely rational, but complexly calculating. They need to recall Hirschman[36] as well as North; they need to consider the interests as well as the institutions.

The focus on economic institutions – not unlike the current fascination with social networks – tends to reify them. Institutions become fixed and concrete, cease to be ephemeral and, above all, instrumental. They cease to be responses to economic actions that seek to channel those actions into more profitable or, better, more legitimate channels. Rather, taking on a life of their own, they determine those actions. Indeed, they displace human behaviors as the object of study. Institutions become, not the consequence, but the cause, of commerce. Gelderblom has written a cogent treatment of institutions in the great commercial centers of Bruges, An-

35 Ekkehard Westermann and Markus A. Denzel, *Das Kaufmannsnotizbuch des Matthäus Schwarz von Augsburg von 1548*, Stuttgart, 2011.

36 Albert O. Hirschman, *The passions and the interests: Political arguments for capitalism before its triumph* (Princeton, 1977).

twerp and Amsterdam. He has not demonstrated that their institutions tell us all we need to know about their rise and fall.

About the author

Thomas Max Safley is Professor of Early Modern European History. A specialist in the economic and social history of early modern Europe, roughly 1450-1750, he has published extensively on the history of marriage and the family, of poverty and charity and of labor and business. In addition to numerous articles and reviews, Professor Safley is the author of *Let No Man Put Asunder: The Control of Marriage in the German Southwest, 1550-1620* (1984), *Charity and Economy in the Orphanages of Early Modern Augsburg* (1996), *Matheus Miller's Memoirs: A Merchant's Life in the Seventeenth Century* (2000), *Die Aufzeichnungen des Matheus Miller* (2003) and *Children of the Laboring Poor: Expectation and Experience among the Orphans of Early Modern Augsburg* (2005). He is co-editor of *The Workplace before the Factory: Artisans and Proletarians, 1500-1800* (1993) and of *Perspectives from the Past* (1998), now in its fourth edition, and he has edited a volume of essays on *The Reformation of Charity: The Secular and the Religious in Early Modern Poor Relief* (2003).
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A Tale of Three Cities

How to Generalize from Here?

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Abstract

Cities of Commerce is an important study that has serious repercussions for a number of core debates within the field of institutional economic history. Future research will have to make clear what the outcomes of concrete interactions between newcomers and natives were and how these are determined by the interplay between the characteristics of the migrants and the local membership regime. Extending the geographical unit of analysis even further, the book is an excellent starting point to make broader, global comparisons with cities in Asia, Northern Africa and the Middle East, in order to understand better under what conditions gateway cities developed similar evolutionary adaptive processes as in Europe's Northwest.

Cities of Commerce is a well-written and -structured study that adds greatly to our understanding how 'inclusive commercial institutional regimes' came about in early modern North Western Europe. With this book Oscar Gelderblom positions himself in larger debates on long term economic institutional change, breaking a lance with top scholars like Douglas North, Barry Weingast, Daron Acemoglu, James Robinson, Avner Greif and Sheilagh Ogilvie. He does so convincingly, by showing that competition between cities with a certain degree of political autonomy was the driving force behind the convergence of inclusive 'open access' regimes, which offered merchants protective and enforceable legal structures with low transaction costs. These regimes go beyond what he calls 'private order solutions', that are mostly associated with ethno-religious groups with high