it throw any additional light on key events in London's financial system, to which he was connected as a director of the Bank of England. Unless one is interested in Norman's contribution *per se*, the main usefulness of this book is as a reference source to the numerous figures, mainly English, many prominent, who appear in the autobiography, to which the editors provide well-researched background information in the footnotes. Never has an index been more valuable to a book.

Matthew Smith
University of Sydney

Sjoerd Beugelsdijk and Robbert Maseland, *Culture in Economics: History, Methodological Reflections, and Contemporary Applications* (Cambridge: Cambridge University Press, 2011), pp. xx, 388, $90.00. ISBN 978-0-521-19300-9.

doi: 10.1017/S1053837212000302

Twenty-five years ago, Allan Gruchy wrote a book on institutional economics (Gruchy 1987) and dedicated it to "institutionalists who take economics to be a cultural science in the service of humanity." I think that this view about the nature of economics characterizes also the theoretical background of *Culture in Economics* by Sjoerd Beugelsdijk and Robbert Maseland, even if the ideas of the old institutional school, to which Gruchy belonged, are dealt with quite sparsely and, as it seems, not very favorably by the authors.

As indicated already by its subtitle, the book is divided into two main parts, with Part I dealing with "history and methodological reflections," and Part II bringing forward "contemporary applications" of culture in economics. The concluding chapter (formally Part III) brings evaluation and synthesis. In Part I, the authors discuss historical and methodological aspects of including culture in economics. After defining culture as "a subset of institutions related to societal collective identity," or, more precisely, as "those behavioral and ideational structures that are deemed essential to the constructed identity of a community" (p. 13), they turn to an historical overview of culture in economic theory. They analyze how culture, which was originally integrated with economic thought, gradually disappeared from economics, and how it has re-emerged in economic theory during the last decades. Culture was an inherent part of economic theory from its beginnings in the classical period and throughout the whole nineteenth century. In the economic works of Adam Smith, Karl Marx, and German Historicists, morality, beliefs, and habits were naturally considered as (cultural) components of human economic activities and social progress. Of course, there were also substantial differences between these economists regarding the character of the cultural context (Smith related culture with the qualities of the liberal society; German Historicists gave it a nationalistic tinge; Marx saw it as part of political and economic hegemony), but generally, as the authors rightly claim (p. 59), the history of the concept of culture and the history of economics are, in this period, closely intertwined. However, this interrelated evolution of "the cultural" and "the economic" ended with the emergence of neoclassical economics. Menger's position in the famous *Methodenstreit* of the 1880s was the herald of the new approach. The neoclassicists transformed economics into a universal theory based on rational choice of decision-making individuals, whose decisions were guided by equilibrium conditions. In this new analytical framework, cultural origins of the givens in the decision-making process (i.e., of preferences and institutional constraints) were no longer considered as the subject of economics but of other social sciences. In the first half of the twentieth century, culture was thus gradually eliminated from economics and outsourced to fields such as sociology, anthropology, etc. Economics became a cultureless science and—as the well-known definition of Lionel Robbins clearly stated—a pure theory of rational choice.

This transformation, however, took longer in some places than others. In England, the dominance of the neoclassical economist Alfred Marshall quickly overshadowed all other approaches (although it could be mentioned here that Marshall himself felt uneasy about marginalism, and in his last book *Industry and Trade* adopted a much more institutional approach, taking into account cultural differences!). In Germany, the progress of neoclassicism was relatively slow due to the strong position of the Historical School. Similarly, in the United States, there was a strong resistance to neoclassical theory from the side of American institutionalists inspired by the works of Thorstein Veblen. It came to me as a surprise that the authors of the book attribute to Veblen quite a controversial role concerning the relation between economics and culture. On the one hand, Veblen is presented as rejecting neoclassical economic theory, "seeking instead a more comprehensive, historically and culturally contextualized approach" (p. 45). But on the other hand, Veblen's intention to develop an evolutionary research program for economics is viewed as an attempt to merely pursue the then-modern evolutionism, which, in Veblen's eyes, was not necessarily analytically superior. Moreover, by arguing for the use of psychological and anthropological ideas that were not part of economic inquiry, Veblen, according to the authors, contributed to the notion that cultural factors were something distinguishable from economics, and "thereby ironically gave his opponents the ammunition to discharge his institutionalism as being cultural science, sociology or psychology, but not economics" (p. 47). Such a view also accounts for the absence in the book of many other old institutionalists, who would, in my opinion, nevertheless deserve a place in this historical overview of culture in economics (C. Ayres, J. Commons, A. Gruchy, etc.).

No matter whether Veblen and the institutionalists contributed to it, the separation of culture from economics paved the way for relegating the non-orthodox economic writers to inferior positions by classifying them as not really economists, but as economic sociologists, economic anthropologists, etc. By the middle of the twentieth century, economics had thus emerged as a pure universal theory of rational behavior, while culture had acquired the position of an auxiliary concept used mainly to explain peculiar irrationalities in human behavior or developmental processes in non-Western societies.

In the rest of Part I, the authors complete the historical overview by discussing the renewed interest, in the last decades, in linking culture and economy, and present the methodological background. The reintroduction of culture into economics took place in two phases. The first came in the 1970s with the application, by Chicago economists (G. Becker), of rational choice analysis to the areas of other social disciplines. This "culture-as-economics" approach (also popularly referred to as the "economization of social science" or "economic imperialism") eventually pointed to some limitations of the market model, which led to the second phase, characterized as the "economy-and-culture" approach (also termed "sociologization of economics"), in which growth theorists such as R. Barro included culture into analysis by way of exogenous preferences, and conducted vast empirical research using complex sets of variables and applying cross-cultural comparative methods. However, there have been other lines of research within the second phase. An alternative route for reintegrating culture and economy has been taken by the new institutional economics (NIE) (D. North), which sees culture as a potential constraint for institutional evolution. Institutional frameworks of societies are characterized by path dependency and high levels of embeddedness, which, in case of institutional inefficiency, prevent prompt adaptation. The authors of the book criticize the NIE approach because it offers no substantial theory of culture; culture is addressed "as a black box resulting in constraints for institutional change," and serves "as a stop-gap needed to maintain the choice-under-constraints model" (p. 94). Another line of research consists of models in which culture takes the role of a residual explanatory variable, accounting, for example, for extraordinary economic performance of some newly industrialized countries (Asian values). And finally, there is also the "economy-as-culture" approach, building on the ideas of K. Polanyi and C. Geertz, about various ways of economic organization and behavior, depending on historical and cultural specificities. According to the authors, this approach, in many respects, continues the tradition of analyzing economic phenomena from the perspective of social and cultural context, typical for the period before and around the separation of economics and sociology (p. 97). But again, there is no explicit mention of old institutional economics; that is, of the contributions by the new 'old' institutionalists continuing the original Veblenian tradition regarding the importance of culture in economics (e.g., A. Mayhew), and considering "the economic system to be an historico-cultural product in the form of an ongoing process," with behavior of individuals being shaped by their cultural milieu (the concept of "homo culturalis") (Gruchy 1987, pp. 2–4, 21).

The above three approaches also provide three different solutions to one of the main methodological problems of integrating economics and culture: how to align the behavior of economic agents (micro level) with (collective) cultural structures (macro level). While the economy-as-culture approach sees all behavior as determined by structures, for the adherents of the culture-as-economics approach, all social phenomena can be reduced to individual economic decisions. The culture-and-economics approach, with NIE as an example, is the third way, which juxtaposes, in a single model, agency and structures, but, as the authors claim, without really explaining their mutual relation (p. 122). The authors also present various research methods within the culture-and-economy strand, such as cross-cultural experiments and values surveys (G. Hofstede).

Part II contains four applications of the economy-and-culture analysis, referring to, respectively, entrepreneurial culture, trust, international business, and corporate governance. Concerning entrepreneurship, the authors partially attribute lack of reliable analytical framework in this respect to the fact that neoclassical economic theory leaves little room for the role of entrepreneur. Maybe they should have mentioned here that the story of the entrepreneur in economic theory has been very similar to the one of culture: he was a crucial figure in early economic theory

(R. Cantillon, J. Say), then expelled from it with the arrival of neoclassicism, and reintroduced again through the contributions of more or less heterodox authors (see Barreto 1989). Nevertheless, studies on the relation between entrepreneurial culture and economic growth abound, although they open several methodological problems, including the agency-structure issue in the form of linking entrepreneurship as a behavioral characteristic (individual level) to entrepreneurial culture and growth (collective level). Similar level problems occur in the trust-growth studies, which all point to the significant importance of institutional quality in relation to both trust and economic development. Strong institutional order stimulates generalized trust and reduces uncertainty. It is not mentioned in the book, but this aspect has been particularly relevant in the analysis of transition economies. Comparative differences in (the speed of) institutional restructuring have strongly influenced their economic performance (Redek and Sušjan 2005). The authors also present and critically assess a number of studies analyzing various cultural concepts relevant for international business (cultural distance, managerial values) and corporate governance (legal traditions, investor protection regimes, ethnocentrism).

My overall judgment is that this is a very systematic and comprehensive work, which clarifies the theoretical and methodological framework for analyzing the role of culture in economics. I would recommend it to historians of economic thought and to macroeconomists sympathetic to institutionalism, as well as to all other social scientists dealing with comparative economic performance and cross-cultural differences.

Andrej Sušjan
University of Ljubljana

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