

de Almeida, Rafael Galvão

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# DOUGLASS NORTH AS A POLITICAL ECONOMIST

BY RAFAEL GALVÃO DE ALMEIDA

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CENTER FOR THE  
HISTORY OF POLITICAL ECONOMY  
AT DUKE UNIVERSITY

# **Douglass North as a political economist<sup>1</sup>**

*Rafael Galvão de Almeida*

*Federal University of Minas Gerais*

**Abstract:** This article explores Douglass North's intellectual development as a political economist and an interdisciplinary researcher. Although he was an important figure during the cliometrics revolution, he later grew dissatisfied with the approach and went on to study institutions, helping to establish the New Institutional Economics. His political theory evolved with influences from Marxism and Public Choice Theory and is reflected in his work in the 1980s. His directorship at the Center in Political Economy at Washington University at St. Louis allowed him to work directly with other social scientists for the development of a New Political Economy.

**JEL codes:** B25, D7, N01

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<sup>1</sup> An earlier version of this paper was presented at the luncheon of the Center for the History of Political Economy at Duke University, December 7<sup>th</sup> 2019. The author thanks the comments from the fellows of the center. Contact the author through [rga1605@gmail.com](mailto:rga1605@gmail.com).

When Ronald Coase and I started the new institutional economics, I proposed that we call it the “the new institutional social science,” but Ronald said, “if you do, I will not be a part of it.” And so I said, “OK, I withdraw.” Obviously I want Ronald to be with me on it, but I think it was a mistake. And as I get on in life, I think it’s a bigger and bigger mistake, because it is confining our discussion much too narrowly... I think Ronald is a traditional economist, and for him, economics is economics. For me, it never was.

Douglass North<sup>2</sup>

## 1. Introduction

Douglass North (1920-2015) will be remembered as one of the most influential economists of the 20<sup>th</sup> century, by his work on New Economic History (NEH), New Institutional Economics (NIE), and for seeking an interdisciplinary relationship between economics and other social sciences. More than that, he sought a truly interdisciplinary social science. As the epigraph of this paper shows, North wanted to establish a “new institutional social science”.

One of his main issues with the economics of the 1980s was on the role of the state and government, and how it did not have the tools to explain their relationship<sup>3</sup>. This paper attempts to understand how North changed his views, focusing his change on political topics, and to which sources North resorted in order to better understand the role of government and institutions on society, and it ultimately links to his view on economics, and how wanted to preserve the foundation of economics: price theory and operation of individual choice within constraints (Krul, 2018, p. 4).

This paper has five sections besides this introduction: section 2 is about how North’s dissatisfaction with NEH and neoclassical economics made him look for alternatives to

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<sup>2</sup> In an interview to Arnold Kling and Nick Schulz (Kling, Schulz, 2011, p. 176).

<sup>3</sup> His dissatisfaction showed in his earlier career, as in this excerpt from an article published in 1950, commenting on R. A. Gordon’s theory of decision making in large corporation: “[The idea that the political-economic power of some groups is significant enough to exert influence on government and other firms] is certainly an incomplete and unsatisfactory conclusion. Perhaps ...[Gordon] has reached the limits of an economic analysis and has arrived at the borders of other disciplines. Gordon himself admits that ‘the crude tools of the political scientist as well as the more precise tools of the economist, need to be utilized’. (The political scientist might complain that the pot and kettle analogy was appropriate here).” (North, 1950, p. 81).

its results; section 3 is about his ambivalent relationship with Marx and Marxism, how important it was for his theory; section 4 is about his equally ambivalent relationship with Public Choice Theory (PCT), and how he used its tenets in his own theory; section 5 is about his time as the director of the Center in Political Economy, at Washington University at St. Louis, where he developed interdisciplinary work with political scientists, economists and other social and cognitive scientists; section 6 concludes, reaffirming North's role in transgressing boundaries in social science.

## **2. North's apparent betrayal of New Economic History**

During the 1960s, Douglass North was involved with the new economic history/cliometrics movement. His most important writings covered the development of the American South in the antebellum period (North, 1961b), a general textbook on American economic history, to be used by undergraduates (North, 1966), and a paper estimating changes in the U. S. balance of payments for the American Pre-Civil War period (North, 1960)<sup>4</sup>.

North's most important institutional contributions to the spread of the NEH method happened during 1961-1966, when he was co-editor of the *Journal of Economic History*, with William Parker. Together, they increased the acceptance of papers using the cliometric approach, making their number grow impressively (Hauptert, 2016, p. 23), and eventually become the dominant method of economic history research in the journal itself from that point on (Diebolt, Hauptert, 2017). Thus, some would claim economic history *de facto* became cliometrics (Goldin, 1995, p. 192).

Many practitioners of cliometrics recognized North's importance. Richard Sutch (1982, p. 24) considered his key role in NEH to be "an articulator, a missionary, and a militant partisan for the new methodology." Goldin (1995, p. 195) called him "the grand theorist" of NEH. La Croix (2018, p. 2) made an extensive list of important economic historians that were advised by him at some point of their formation, either as undergraduates or graduates at the University of Washington and Washington University<sup>5</sup>. He received the Nobel memorial prize for his contributions to economic history (Press Release, 1993).

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<sup>4</sup> This paper was one of the papers that was presented at the joint meeting of the Economic History Association and National Bureau of Economic Research's Conference on Research in Income and Wealth, in 1957, that established NEH as a distinctive field in economics (Diebolt, Hauptert, 2017, p. 411).

<sup>5</sup> The list includes Lance Davis, Jonathan Hughes, Richard Sutch, Terry Anderson, Lee Alston, Ben Baack, Richard Bean, Gordon Bjork, Philip Coelho, Rodgers Taylor Dennen, Price Fishback, Gerald Gunderson,

The success during the first half of the 1960s did not last. After this, “cliometrics has lost some of its significance with economists, who do not see it as anything more than another application of economic theory. While applied economics is not seen as a bad thing, cliometrics is not seen as *anything special*, just applying theory and the latest quantitative techniques to old data instead of contemporary data.” (Hauptert, 2016, p. 23, emphasis added). By the 1970s, economic departments saw little incentive in hiring an economic historian compared to an economist who could run the same regressions, given the data set<sup>6</sup>. And since it became theoretically difficult to distinguish between an economic historian and an economist, few history departments saw incentives to keep them, due to their contested approach (“the intention was to proselytize, not obliterate”, Goldin, 1995, p. 206). As the historian Pierre Vilar mentioned, economic history became retrospective economics (cf. Grandi, 2009, p. 216)<sup>7</sup>.

Supporters of NEH also had self-criticism of their own, as Hauptert (2016, p. 24) mentioned. Douglass North himself was among the harshest of them. In an article published in 1965, at the *American Economic Review* (North, 1965), he complained that the quality of economic history research was not acceptable and that, in spite of its quantitative advances, NEH did not improve the situation of economic theory, especially due to the lack of a satisfactory growth theory to explain long-run development.

It should be reminded that the AER article aimed at a general audience, its objective was to report progress in NEH and open the interest to more economists about it. The change in tone from his earlier article in the same journal (North, 1963) is clear. However, North’s feelings on the inadequateness of NEH continued to grow as he went to Geneva, on a Ford Fellowship, to study European economic history.

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Sumner La Croix, Robert McGuire, Lloyd Mercer, Ramon Myers, Roger Ransom, Clyde Reed, Gaston Rimlinger, James Shepherd, John Tomaske, Richard Tretheway, Irwin Unger, John Joseph Wallis, Gary Walton, Robert Willis, Lorena Alcazar, Eliana Balla, Mary Ann Boose, Art Carden, Hugo Eyzaguirre, Tawni Hunt Ferrarini, Daniel C. Giedeman, Peter Z. Grossman, Bradley Hansen, Michael Hauptert, Shawn Humphrey, Mansor Haji Ibrahim, Iacovos Ioannou, Shilpi Kapur, Philip Keefer, Janice Rye Kinghorn, Jeanine Koenig, Felix Kwan, Noel Johnson, Ruey-Hua Liu, Jeremy Meiners, Michael Munger, Randall Nielsen, Michael J. Orlando, Brian Roberts, Andrew Rutten, Werner Troesken, Mark David Vaughan, and Timothy Yeager.

<sup>6</sup> In an interview, North said that “economics departments have largely reverted to thinking of economic historians as marginal to department needs. The reason, I believe, is that we do not add any particular dimension to economics. We just use their tools to explain the past.” (Lyons, Cain and Williamson, 2008, p. 197).

<sup>7</sup> For this reason, economic historians still struggle with identity concerns, see Shanahan (2015).

The main reason was that the United States never had the same economic development as Europe, due to being founded in the dawn of capitalism, and did not go through different phases, such as feudalism and the manorial system, phases that neoclassical theory could not explain due to the absence of institutional research and data. Although he criticized the state of European economic history for not being updated with price theory and statistical work, he admitted that “even modern developments in economic theory will not alone be sufficient for the enormous task of reconstructing an explanation of the economic growth of the Western World.” (North, 1968a, p. 146).

According to his own report, the catalyst to the change in his ideas on the relevance of institutions came from a visit to a maritime museum in the Netherlands. Since he had experience with how important technical specifications were thanks to his time in the merchant marine, such as ship weight and crew costs, he realized that the size of the ships did not display technological improvements, while the insurance price and quantity of armaments diminished (Menárd, Shirley, 2014, p. 19). This made him realize that technology alone could not be responsible to create development, as the Solow model predicted. This culminated in his 1968 article in the *Journal of Political Economy* (North, 1968b), in which he analyzed the historical sources of productivity change in ocean shipping and emphasized the role of institutions. Geloso (2018) argued that productivity in shipping was a neglected feature that changed North’s views, changing the direction of the research from a macro-historical perspective to a micro-one, focused on the organization and institutions.

The institutional turn in North’s research came with Davis and North (1971) and North and Thomas (1973), in which they applied this institutional framework to American and European history, with the view that institutions were efficient – a view he would abandon later to study why inefficient institutions persisted. This coincided with North’s increasing criticism of NEH: North (1971, 1974, 1976, 1977, 1978) show that, while North saw the importance of cliometrics, for the promise it once held, he grew to develop “a dismal view of most of what passes for economic history these days” that “just reinforces [economists’] own prejudices” (letter to John F. Kain, 4/27/1989, DCNP box 8).

His main criticism to NEH came from the diagnosis that “the tools that the new economic historian inherited from the economist were not intended to deal with long-run economic change” (North, 1971, p. 118); NEH has been more destructive than constructive,

contributing to dispel some equivocal statements in economic history<sup>8</sup>, but not finding actual causality relations that could actually make a difference and legitimize cliometrics as a study of economic development.

There were additional criticisms, such as that long-run economic growth has been ignored; no role for government; no role to nonmarket decision making; it is unteachable to undergraduates (North, 1974, p. 2); it was incapable of analyzing the Pre-Industrial Revolution world (North, 1976); and that NEH practitioners were not fully aware of the limits and weaknesses of the datasets (North, 1977).

There is little reason to doubt that North would disagree with Vilar's statement that cliometrics became retrospective economics: "But the reason [the other economists] are not buying is not ignorance or market failure; it is simply that the new economic historians are doing the same things that economists are doing but the economic historians deal with dead issues rather than live ones and with data of generally poorer quality." (North, 1977, p. 197) and its study of economic growth "has been an exercise in applied arithmetic or simply employed bad economics, and has remained a dull and sterile field." (North, 1976, p. 462). While NEH "gained in rigor and scientific pretension, but at the expense of exploring a much more fundamental set of questions about the evolving structure of economies that underlies performance" (North, 1978, p. 963) when compared to other schools, such as the Marxist and the Annales, it still failed to provide a definitive alternative to them; even if the Annales, in the hands of its best practitioners, is more of an art form than a proper science of history (North, 1977, p. 191), it has a "significant advantage of telling a sequential story and dealing with a much broader spectrum of past economic experience" (North, 1977, p. 192) and thus potential to be a more interesting story of history.

In later interviews, he still corroborated this low opinion on cliometrics, claiming that "until economic historians break out of the strictures imposed by neoclassical theory, cliometrics will remain a relatively uninteresting field" (Lyons, Cain, Williamson, 2008, p. 197<sup>9</sup>) and that, in order to become relevant, multidisciplinary is needed: "You cannot

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<sup>8</sup> In accordance with Goldin's (1995) claim that NEH was controversial because it went against publicly held historical beliefs like the importance of railroads

<sup>9</sup> North, in the same interview, claimed that while other cliometricians saw him as a "traitor", he still considered himself a neoclassical economist, wanting to improve the neoclassical method (Lyons, Cain, Williamson, 2008, p. 203, 204).



possibly make sense of the world unless you try and integrate political, social and economic theory.” (Snowdon, 2016, p. 19).

In an attempt to find something that was lost with the cliometric revolution, besides (re)turning to institutions, North turned to other fields: Marxism, for long-run secular change theory, and public choice, for an economic analysis of politics.

### **3. North and Marx**

The anecdote of North’s relationship with Marxism in his Berkeley years is recounted in many of his interviews, of how Marx “had all the right questions but not very good answers.” (Horn, 2009, p. 159). His militancy cost him better grades as an undergraduate, but by the end of middle of the 1950s, he had abandoned Marxism in order to become, in his own words, a “very rigorous” neoclassical economist<sup>10</sup> (Horn, 2009, p. 164).

As mentioned in the previous section, his neoclassical rigor started to wane in the late 1960s. However, even during this earlier phase, he still considered Marx an important theorist. Writing for Latin American audiences, he considered Marx to be important to have called the attention for his long-run analysis (North, 1961a)<sup>11</sup>. During the 1970s, he saw that Marxism had something that the neoclassical theory lacked: a long-run approach. For that reason, he started to (re)read Marx, along with a new assistant professor in political science at the University of Washington named Margaret Levi. Levi (2018) recollected that she was indicated to him by Samuel Bowles<sup>12</sup>. They taught a seminar along with North, and they worked on Marxism and transaction cost theory.

His non-hostile treatment of Marx was considered odd for some authors, such as Wisman, Willoughby and Sawers (1988), who commented on how odd that a neoclassical economist would be so receptive to Marx. Samuel Bowles called him the “leading closet Marxist in the United States” (Letter to Mike Hauptert, 09/15/1992, DCNP, box 7).

North saw Marx as important to understand long-run secular change: “In contrast to current neoclassical economists, Marx had an integrated perception of the totality of

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<sup>10</sup> Yoram Barzel, colleague of many years at UW, classified him as an economist of the Chicago school at that point (Barzel, 2015).

<sup>11</sup> North wrote this article for Latin American audiences during his visiting scholar trips (Boianovsky, 2018), more familiar with Marx’s work than American economists (an unpublished English version of this article is available at the DCNP, box 62).

<sup>12</sup> It should be noted that Levi identified herself as a Marxist in the 1970s and North still identified her as Marxist during the 1990s (Spencer, Macpherson, 2014, p. 168), but she no longer considers herself one (Levi, 2018).

societal relations” (North, 1986, p. 58) and foresaw important theoretical advancements such as transaction costs. And not only that, but he considered that Marxism had a lot to learn from neoclassical economics, “A theory of exploitation that does not comprehend the paradoxical dilemma that the state is both the mainstay of exploitation and, equally, the mainstay for any economic order cannot adequately explain the existence of exploitation.” (Levi, North, 1982, p. 319).

However, Galípolo, Gala and Fernandes (2008) claimed that the use of Marx by North had more to do with it being a rhetorical device, since one North’s strength was in adapting his discourse to different audiences (Gala, 2003).

Thus, in his main works, North considered Marx worthy of mention because he “attempted to integrate technological change with institutional change...[and] a pioneering effort to integrate the limits and constraints of technology with those of human organization” (North, 1990, p. 132), and he engaged with Analytical Marxists such as Roemer and Elster (Levi, North, 1982; North, 1986). However, Galípolo, Gala and Fernandes (2008, p. 209) noted that citations to Marx diminished in his later works. His treatment of Marxist economics as a secondary interest pales in comparison with his productive relationship with PCT scholars.

#### **4. North and Public Choice**

The relationship between NIE and PCT is somewhat intimate and yet unexplored in the literature. Krul (2018, p. 2) observed that much of his work converged with PCT. In one of the few direct comparisons between the two approaches, Rutherford (1994, p. 4) considered PCT to be a branch of institutional economics, with focus on the polity, while Kirchner (2006) saw the potential for cooperation. Due exactly to this focus, North saw in PCT a way to improve his studies in NEH and institutions, because it covered one of the problems mentioned in the previous section: the issue of nonmarket decision. “The work of Baumol, Buchanan and Tullock, and Anthony Downs...provides us with a promising starting point.” (North, 1974, p. 5) and the inclusion of PCT literature in his work was an indication that his own research (Brownlow, 2010).

In his main books from the 1980s, *Structure and change in economic history* and *Institutions, institutional change and economic performance*, North paid tribute to PCT and to discuss the role of the State and how politicians make their decisions. However, due to having built its foundations in the rational agent theory just like NEH, it had

similar, if not the same limitations, and at best “only a modest success in explaining political decision making” and not being able to explain property rights, in spite of being useful to explain the organization of property rights (North, 1981, p. 21). He recognized the importance of Buchanan and Tullock’s theory of interest groups in North, for being a simple framework to analyze the political game; but its simplicity was also a weakness because it cannot explain more complex and real-life political interactions (1990, p. 50).

Tullock’s influence is emphasized in his personal correspondence. In a letter dated 8/10/1986, North wrote that “indeed over the years I learned enormous amounts from you with respect to the state, and I probably...got the term mafia-state from you.” (DCNP, Box 4). In a letter to Charles Rowley, dated 1/22/1985, North corroborated the influence of Tullock in his own thinking, calling himself “a fan” of Tullock (DCNP, Box 2).

The influence of PCT literature is quite evident in the 3<sup>rd</sup> edition of his textbook on American economic history (North, Anderson, Hill, 1983), where the tone changed from previous one, making the focus on economic growth more prominent, with an emphasis in the political economy of the American history, arguing that an economist cannot ignore politics (p. 12). Rent-seeking is mentioned at least 16 times, according to the index (p. 189) as an important barrier to economic growth. He also accepted the Virginian PCT narrative that Keynes’s “suggested policies for expansion served to erode that part of the unwritten constitution that required a balanced budget. No longer was there a fiscal constitution that limited the deficit spending of the government.” (p. 162).

Drawing on PCT literature, North concluded that one of the most important things a legislative body could do to benefit long-term economic development was to curb rent-seeking at the beginning of its development. However, North was opposed to write rent-seeking *as* a theory of state “because by looking at the government as a gigantic process of income redistribution and legalized theft, we have been largely diverted from our exploring, in an analytical and non-pejorative fashion, the political process.” (North, 1987, p. 164). North considered rent-seeking as a manifestation, a consequence of poor institutions, not the endgame *per se* of the economic analysis of politics.

In one example of his ambivalent relationship with PCT theorists is verified with Mancur Olson. Although he recognized his writings as important, he criticized Olson (1982) for ignoring the role of the State and of ideological convictions (North, 1983, p. 164). In a report to the National Science Foundation, he claimed that Olson (1982) “is no way

comparable” with *The Logic of Collective Action* and that Olson’s proposed follow-up *Regulation, Deregulation and Macroeconomics* should not receive a NSF grant (DCNP, box 44). In a letter (10/11/1988) to Geoffrey Huck, then editor of the University of Chicago Press, North recommended that Olson’s book *The Measure Rod of Money* should not be published, due to being outdated and not relevant to current issues (DCNP, box 44). He still claimed to hold Olson in “high regard” (letter to Joe Oppenheimer, 5/19/2000, DCNP, box 44) and used Olson (1982) in a few of his economic history courses (e.g. Econ 561/winter, 1983, DCNP box 53).

This shows another point of tension between NIE and PCT<sup>13</sup>: previous work (Almeida, 2018) mentioned the issue of associating an excessively cynical and libertarian view of the state with PCT itself. Bates considered that this was one reason why PCT did not live to its full potential: “North’s work was well-received in part because he mobilized data at the macro level that appeared to confirm the implications of the reasoning that others were developing at the micro level. Had these advances in micro theory not taken place, contemporary political economy might well have remained the provenance of public choice theory; instead, ‘institutions rule.’” (Bates, 2014, p. 54). Also, for Levi and Weingast (forthcoming), NIE provided a less hostile relationship with the government that made easier to be adopted by political scientists, focusing on the potential of the state to be something for development or stagnation, in which it would be free of ideological concerns<sup>14</sup>. North himself was dissatisfied with the Virginian PCT for treating the state “little more than a giant theft machine” (Spencer, Macpherson, 2014, p. 168) and claimed that if PCT wanted to improve, it had to go beyond rational choice (North, 1993).

Thus, although North saw the importance of PCT, especially of its Virginian variant, and collaborated with its authors, he considered it “one extreme” of the literature in political economy (North, 1986, p. 62), while Marxism was the other. North himself wrote that “the more interesting literature of the new political economy seeks to blend modeling the political process with the transactions-cost literature to explain the diverse patterns of property rights and enforcement that have evolved to produce successful economies of the past century, as well as to explore the reasons for failure in the Third World.” (*ibid.*).

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<sup>13</sup> For some reason, whenever North received correspondence from George Mason University’s staff, they always wrote Public Choice Institute, instead of the correct term Center in Political Economy (Letter from Robert D. Tollison, 02/14/1985, DCNP box 3; Letter from Jennifer Roback, 01/22/1986, DCNP box 3).

<sup>14</sup> Critics of North claim that it is impossible to separate his theory from a neoliberal worldview (e.g. Milonakis, Fine, 2007).

Krul (2018, p. 51) argued that his “transaction cost theory of politics” remained both in the PCT tradition and incorporated a contractarian approach.

He is considered to be an important figure in the new macro-political economy, which helped to establish a new form of interdisciplinary economic analysis of politics, with focus on macroeconomic issues (Drazen, 2000; Persson, Tabellini, 2000; Snowden, Vane, 2005). In North (1990, p. 112), he argued that “the polity and the economy are inextricably interlinked in any understanding of the performance of an economy and therefore we must develop a true political economy discipline” that integrates both micro and macro aspects in a truly interdisciplinary social science, with definite applications for practical problems (North, Anderson, Hill, 1983, p. 172). And North developed this project on political economy in St. Louis.

### **5. Political economy at Washington University in St. Louis**

During his time at the University of Washington (UW), North attempted to create an undergraduate program in political economy. It had, besides the area electives such as microeconomics and political science, a course in property rights with Yoram Barzel and another in Marxist political economy with Margaret Levi, and, at the end, to be part of a seminar co-taught by Levi and North (Levi, 2018). Barzel (2015) argued that one of the reasons why the economic program in UW was successful was because North managed to unite the groups in property rights and economic history, thus being a good articulator.

By the beginning of the 1980s, North was going to retire from UW. He was already dissatisfied with what the university’s political science department could provide and losing influence (cf. Barzel, 2015). According to Levi (2018), UW “did something very silly” by giving all kinds of benefits to retiring senior faculty without any penalty if they chose to go to other places. He chose the Washington University in St. Louis (WUSTL)<sup>15</sup> because of the successful request of a grant from the Henry Luce Foundation, which would turn Douglass North the first Henry R. Luce Professor of Law and Liberty (DCNP, box 3). The grant kept the future Center in Political Economy (CPE) afloat for years.

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<sup>15</sup> Levi (2018) recollected her influence in his decision, “I told him that, for his purposes, [WUSTL had] the best, if not one of the best political science departments in the country, because there were people like Barry Weingast, Kenneth Shepsle and Jim Alt. But they were really thinking about how to use neoclassical economics to inform political science and to transform both neoclassical economics and political science, which they did.”

After accepting the position at WUSTL, North organized the Committee on Political Economy, of which he became the director from 1983 to 1990. In the first year, they proposed an undergraduate major in political economy, with undergraduate courses in economic history, theory of property rights, game theory, and completed a graduate program in political economy, with seminars in history and development, and on the American constitution.

The luncheons in the first year were important to discuss the fellows' research, focused on political economy and its applications. They mention the presence of not only the economists of the center, such as Arthur Denzau, Lee and Alexandra Benham, and Barry Weingast but also political scientists such as Kenneth Shepsle, Randy Calvert, James Alt, William Riker, founder of the positive political science school of Rochester and a visiting professor, and also a relevant number of members of WUSTL's Business School<sup>16</sup>, such as Seth Norton, Ken Lehn, Bill Marshall and John Binder, plus the philosopher Ned McClennen, an important figure in establishing a philosophical foundation for the rational choice theory (DCNP box 2).

In January of 1984, the Graduate Program in Political Economy was a reality, and its objective was to "provide an interdisciplinary field of concentration for graduate students interested in studying the causes and effects of political decision making from rational choice perspective." ("A Graduate Program in Political Economy" DCNP box 2). The program struggled to be a joint effort between the economics and political science departments, with courses in economic history, macroeconomics and American politics.

By the end of 1984, the committee became a "full-blown" Center for Political Economy (Annual report, 1984-85 Henry R. Luce Professorship in Law and Liberty, DCNP box 3). In 1987, the center extended its interdisciplinary activities to the anthropology and law departments, inviting anthropologist Keith Hart to be a fellow and Chicago law scholar Victor Goldberg to be a visiting scholar (Annual report, 1986-1987, Henry R. Luce Professorship in Law and Liberty, DCNP box 3), and that the law scholar John Drobak

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<sup>16</sup> North's cooperation with WUSTL's Business School was intimate. In personal correspondence (04/01/1986), he communicated the then dean of Business School, Robert Virgil, that the Business School committed a mistake in letting Matt McCubbins and Gary Cox to leave (DCNP, box 3). Half the fellows from the center had appointments in the Business School and they organized the conference "Political Economy and Business" in 1987 (Letter to Robert Virgil and Ida Early, from Gary Miller, dated 09/02/1987, DCNP, box 3).

started to co-teach a course with North on property rights (Annual report, 1988-1989, Henry R. Luce Professorship in Law and Liberty, DCNP box 4).

After leaving the directorship of the center in 1990, North continued being a fellow and promoting interdisciplinary research, this time focusing on cognitive science, by helping to create a program on Philosophy, Neurosciences and Psychology, co-teaching some courses in cognitive science and economics (Horn, 2009, p. 169). His research would culminate with *Understanding the process of economic change* (North 2005), in which he attempted to apply cognitive science to the study of ideology and economic development.

One of his most important interdisciplinary actions was the *Working Group on the Emergence of Social, Political and Economic Institutions*, an initiative of the Committee on Basic Research of the National Scientific Council, of which he was the chairman. It was one of the most comprehensive interdisciplinary initiatives of its time. The members of the working group were Robert Bates (political science), Robert Brenner (history), James Coleman (sociology), Elizabeth Coulson (anthropology), Kent Flannery (archeology), Vernon Smith (experimental economics) and Neil Smelser (sociology). It was a massive attempt to create a truly interdisciplinary “new institutional science” in order to explain the evolution of institutions (“Report to the Committee on Basic Research of the National Research Council”, DCNP box 4).

## **6. Conclusion**

One of the reasons why North became so important to economics was because of his transit between so many different disciplines of social sciences. His criticism of economics was direct, calling economics “a very narrow field that, by itself, I don’t think is very interesting.” (Horn, 2009, p. 170), while claiming that “price theory and opportunity cost – the economic way of reasoning – is the most powerful tool of analysis in all the social sciences, and you don’t give that up.” (Lyons, Cain, Williamson, 2008, p. 203). His attempts to improve this tool motivated him to go beyond neoclassical economics and NEH, to become something different enough to have Krul (2018) call his theory of “new institutionalist economic history” instead of just “new institutional economics.”

There has been an increase in the popularity of economic history in the recent years, including new cliometric research, and economists themselves are becoming more

interested in the field (Calafat, Monnet, 2017; Cioni, Federico, Vasta, 2018). The returning increase of prestige of economic history contrasts with the increasing gulf between cliometricians and non-clometrician economic historians (Klein, 2018). Social scientists are still wary of congregating into a “new institutional social science”, even if they want more interdisciplinarity.

North himself was not spared of criticism. Ankarloo (2002) claimed that North’s attempt to incorporate history into economics failed, making economics still ahistorical; McCloskey (2018) claimed that North’s approach failed to separate itself from scientism and his focus on cognitive science left no space for ethical considerations, harming his search for pro-growth institutions. He recognized: “we don’t explain the transition completely. We don’t explain in a satisfactory way how political systems evolve and how you get adaptive efficiency.” (Snowdon, 2016, p. 143).

Still, this article showed there was an attempt. In order to improve our understanding of the social world, we need to have a more interested approach towards other scientists (e.g. Dobusch and Kapeller (2012)’s interested pluralism), in order to understand political issues. The issue is the lack of a truly dynamic theory, capable of fully understanding our non-ergodic world (North, 2006), and North’s career as a political economist might help us to give a few steps in that direction.

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