

/ПРИКАЗИ

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THE GREAT DIVERGENCE TURNING INTO THE GREAT CONVERGENCE AND BEYOND

‘But many who are first will be last, and the last will be first.’

Mark 10:31

It is fascinating to watch the transformation of China from a poor, rural, fragmented country with weak government in the first part of the 20th century, and still equally poor and rural from the 1950s to the 1980s, though with a strong, sometimes merciless government – into a modern superpower.¹ Nonetheless, the crucial question is how China had become a

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¹ Because of the huge population, China’s GDP *per capita* is rather low. In 2025, it ranked 74th in the world (with a GDP *per capita* of 13,862 nominal USD), immediately below Malaysia and directly above Argentina. Based on this indicator alone, China would be described as a middle-income emerging market. Paradoxically, according to all other economic indicators (its nominal GDP is second only to the USA), the country is a world economic powerhouse. The internationally comparable data are available at: <https://data.worldbank.org/indicator/NY.GDPPCAPCD>, last visited August 1, 2026.

poor, rural, feeble country with weak government at the beginning of the 20th century, since it was somewhat more developed than Europe at the end of the first millennium. At that time (around 1100 CE), Chinese cities were bigger, its GDP *per capita* was slightly higher (Broadberry *et al.* 2018, 46), and it was technologically advanced. It was in China, not Europe, that the compass, gunpowder, and the printing press emerged. Accordingly, China's economic and political power declined substantially during the second millennium, almost through to its end.

Although the authors do not explicitly specify the book's aim, it provides an explanation of the great divergence between Europe and China. All three authors who committed themselves to this task deserve reverential awe. The first among equals is Joel Mokyr, a 2025 Nobel Laureate in Economics and professor of economic history at Northwestern University, one of the most prominent contemporary economic historians, whose contribution to understanding relations between culture and economic outcomes, especially between culture and economic growth (Mokyr 2017), is unavoidable and immense.² Avner Greif, a professor of economics at Stanford University, follows: his contribution to the theory of institutions, their origin and impact on the modern economy, is immense, as he developed a bottom-up approach to the origins of economic institutions (Greif 2006a), which is somewhat more convincing than the top-down thesis and the unconditional primacy of political over economic institutions that inevitably follows (Acemoglu, Johnson, Robinson 2005). Last but not least is Guido Tabellini, a professor of economics at Bocconi University (Università Commerciale Luigi Bocconi), a seasoned and prolific political economist whose valuable contributions shed light on relations between institutions and culture (Tabellini 2008; Tabellini 2010).

Three intellectually super-heavy authors, a mighty triad portrayed as a 'dream team' (Van Zanden 2025), produced a super-heavy book. Its text is so dense, speckled with so many references, that it offers an abundance of insights based on strong, convincing arguments. Hence, it would be counterproductive to review this book step by step, i.e. in a conventional manner. The only thing the reader of such a book review would effectively get is a shorter version of the book – definitely of much lower calibre. Hence, the author of this book review essay opted for another concept: focusing on the crucial distinctive features, almost dichotomies, of the two paths to

² It is Mokyr's definition of culture that is used in this book review essay: 'Culture is a set of beliefs, values, and preferences, capable of affecting behavior, that are socially (not genetically) transmitted and that are shared by some subset of society' (Mokyr 2017, 8).

prosperity, i.e. explanations of the contrast between Europe and China.³ Accordingly, each section of the paper (except the final one) focuses on a specific Europe–China dichotomy.

1. THE GREAT DIVERGENCE: INDUSTRIAL REVOLUTION VS PIECEMEAL PROCESS

The notion of ‘the Great Divergence’ was introduced in the economic history debate by Pomeranz (2000). His position, shared by others from what is known as the California School,⁴ can be summarised in several crucial points.

First, around 1750 CE, Europe and China were at similar levels of national income *per capita* (i.e. living standards) and technological levels.⁵ Second, the Industrial Revolution drove the Great Divergence: Europe’s progress and China’s relative decline. Third, the reasons for the Industrial Revolution happening in Great Britain, i.e. Europe, are basically contingent: (a) deposits of reasonably priced coal; (b) colonial access to cheap raw materials such as cotton. In short, in the words of the book’s authors: ‘The California School’s approach is that the Industrial Revolution was rather sudden, unexpected, and contingent. In their view, it could have happened almost anywhere, and Europe’s advantages stemmed from the fleeting accidents of politics and the whims of geography. This claim also implies that such dynamics were readily reversible’ (pp. 366–367).⁶

³ Throughout their book, the authors use ‘Europe’ to refer to the part of the Continent west of the Hajnal line, which runs from Saint Petersburg to Trieste (Hajnal 1965), although they are aware that much of what they say about ‘Europe’ may not apply to some regions in the Mediterranean.

⁴ The other most prominent authors of the California School are Jack Goldstone and Peter Perdue.

⁵ This thesis of the equality between China’s and Europe’s GDP *per capita* at the time of the emerging Industrial Revolution is something that Goldstone (2009) especially insists on.

⁶ The authors refer to another scholar from the California School who emphasises contingency even more than Pomeranz (2000). ‘The Industrial Revolution is not a deep, slow evolution out of centuries of particular conditions unique to early modern Europe. It is a late, rapid, unexpected outcome of a fortuitous combination of circumstances in the late eighteenth century. In view of what we now know about Imperial China, Japan, and India, among other places, acceptable explanations must invoke a global perspective and allow for a great deal of short-term change’ (Perdue 2005, 537).

The authors unambiguously reject all the propositions of Pomeranz (2000) and the California School. They provide data: the GDP *per capita* and living standard gap between Europe (data are for Great Britain) and China started to diverge around 1450 CE (in that year the Chinese GDP *per capita* was 93.8 per cent of the British, and in 1500 it was only 77 per cent) and at the beginning of the Industrial Revolution in 1750, the GDP *per capita* gap was already substantial, as the Chinese GDP *per capita* was only 42.5 per cent of the British (Broadberry *et al.* 2018, 46). Obviously, the Industrial Revolution did not create the Great Divergence – it only substantially amplified it. This reality check vividly demonstrates that the Great Divergence began much earlier, before the Industrial Revolution, so it cannot be its consequence. It also suggests that it stemmed from factors the California School does not consider.

Economic progress in Great Britain – measured by living standards – began in 1650 CE after a long Malthusian stagnation, while Chinese decline began in 1700 and was so intense that in 1850 the GDP *per capita* was only 54 per cent of the base year (1700). Accordingly, another significant contribution to the Great Divergence was the absolute decline in China's GDP *per capita*. In short, the divergence would have happened even with hypothetical stagnation in Europe (i.e. Great Britain), due to China's decline. This is why the authors prefer the term the Great Reversal. Instead of going hand in hand with Europe, China economically declined not only in relative terms, but also in absolute terms.⁷

Taking all this into account, the California School's position that the Industrial Revolution was the watershed event of the Great Divergence, as the authors point out, becomes increasingly untenable. In fact, the authors emphasise that Pomeranz himself (2011) has modified his 2000 position to some extent. As to coal being the origin of the Industrial Revolution, the authors explain that what was required, above all, was the knowledge to find, efficiently extract, transport, and utilise it – not the coal deposits themselves. They emphasise that, moreover, China also possessed extensive coal fields and that its early economic expansion (during the Han and Song dynasties) relied heavily on its coal abundance. They also refer to what they call a memorable summary of a critique of Pomeranz's (2000) concept of the Great Divergence: 'The exploitation or failure to exploit coal does not answer questions, it raises them' (De Vries 2011, 15).

⁷ There is no way to attribute the Industrial Revolution in Europe as the factor in the decline of Chinese output. On the contrary, the Industrial Revolution increased demand for raw materials, some of which were produced by China, which led to increased export demand and, on the demand side, created preconditions for economic growth in China rather than decline.

As to the other argument made by Pomeranz (2000) – that Europe, unlike China, had access to colonial lands and resources, especially cotton, which was the crucial raw material for the textile industry, the forerunner of the Industrial Revolution – the authors point out that cotton was indigenous to China, which should have provided the country with a *prima facie* advantage. Furthermore, they emphasise that the colonial explanation of the Industrial Revolution has a timing problem: much of Europe's colonial expansion occurred after the Industrial Revolution had run its course. Moreover, other significant colonial empires within Europe, such as Spain and Portugal, were clearly not at the forefront of the Industrial Revolution. After all, it is telling that Great Britain lost its most valuable colony – America, with its substantial cotton production – in the early stages of the Industrial Revolution, but that did not stop the process.

The author of this book review essay would like to add a few arguments against the California School theses regarding the Great Divergence that were not mentioned in the book. First, coal-burning steam was not the crucial first step in the Industrial Revolution – hydropower was. The textile industry, the forerunner of the Industrial Revolution, was based on the invention of the spinning jenny, followed by the water frame and the spinning mule, and these increasing labour-productivity machines were powered not by a steam engine, but by hydropower.⁸ Mighty rivers are something China has been endowed with since the beginning of civilisation.⁹ Second, as the textile industry was the crucial forerunner of the Industrial Revolution, which changed society, it was based on two basic raw materials: wool, produced domestically in Great Britain, and cotton, to a great extent imported from America (which declared independence in 1776) and, even before that event, cotton was imported from the US South strictly under commercial conditions – the same conditions under which China imported cotton from India.

In short, the authors convincingly demonstrate that the Great Divergence did not start with the Industrial Revolution but much earlier and that the California School explanation of the Industrial Revolution is quite inadequate.

⁸ The steam engine, as an icon of the (First) Industrial Revolution, made its way into the textile industry somewhat later, in the late 18th century and in the 19th century it enabled innovations such as railways (steam locomotives) and steamships, which revolutionised transportation. The coal-fired steam engine dramatically sped up the Industrial Revolution, but it did not start it.

⁹ What was missing was technology, something along the line of machines like water frames and spinning mules, obtained by technology transfer or as indigenous Chinese innovations, and a trained labour force. An episode described later in this book review essay demonstrates that the crucial constraint was on the demand side of the technology transfer to China.

Accordingly, both a new timeline and explanation of the Great Divergence or rather the Great Reversal are needed. As to the timing, the prime suspect is the High Middle Ages; accordingly, the analysis started with 1000 CE and ends in 2000 CE, consistent with the title of the book. The first question regarding the explanation is what the configuration of Europe and China was like in 1000 CE.

2. FRAGMENTATION VS EMPIRE

The authors emphasise that in 1000 CE Europe was still suffering from the substantial consequences of the collapse of the Roman Empire, since it had caused such prolonged devastation that by the turn of the first millennium state infrastructure in Europe had almost completely disappeared. Political and military power was fragmented among multiple local actors who were in frequent, occasionally bitter, conflicts with one another, and cooperation among economic agents could not be enforced beyond the local level (Scheidel 2019).¹⁰ A possible exception was the Carolingian Empire in the 9th century, which unified substantial, predominantly Franconian parts of Europe under the undisputed leadership of Charlemagne. This, however, was not a proper empire; rather, it was a short-lived, weak state and, furthermore, proved to be an aberration from the general trajectory of Europe's fragmentation.

In short, Europe was fragmented, states were weak, their fiscal capacity was limited, and their capacity to provide the people with public goods and local public goods, including club goods, was very limited. The people had to organise themselves to provide these; they could not rely on the state. Nonetheless, Europe's fragmentation provided the framework for competition – by and large a military one – between numerous local political actors. The Middle Ages in Europe were an age of war and military conflict between political actors who were, first and foremost, warlords. Such a state of affairs created strong incentives for these actors to invest in innovations in military technology, groom innovators of their own, and/or grab them from competitors. Military innovations also had ample opportunity for battlefield tests, as warfare was common in Medieval Europe. With that in mind, political actors had no choice but to innovate in military technology. This is exactly the reason why Europe conquered the world (Hoffman

¹⁰ Scheidel (2019) provides a comprehensive and detailed analysis of Europe's political fragmentation due to the collapse of the Roman Empire and the long-term consequences of that fragmentation. The authors subscribe, always with proper references, to many of Scheidel's (2019) insights regarding post-Roman Europe.

2015). When the colonisation process started, overseas civilisations and tribes stood no chance against Europeans and their military technology: hardware (weapons), know-how in using the hardware (training), tactics, and logistics. After all, it was a *conquistador*, Francisco Pizarro (in a public-private partnership with the Spanish Crown), who emerged in the Inca capital of Cusco – not the Incan Emperor Atahualpa who appeared in Madrid (Hoffman 2015).

The authors accept Hoffman's (2015) insights – with two important extensions. First, military innovation had substantial spillover effects on general-purpose technologies and their innovations. Furthermore, an innovation-friendly environment cannot be limited only to military technology. The second is that fragmented Europe provided sanctuaries for innovators if the environment of one community became less innovation-friendly, so they could move, continue and even improve their work. The migration of innovators across Europe, from one community to another, created a market for innovators as well as a European network of knowledge. It was precisely European fragmentation that, paradoxically, created a network of the kind.

Unlike Medieval Europe, China was an empire from ancient times until 1912. Dynasties changed, some of the borders shifted a bit, some rebellions took place, and a few Mongol invasions occurred, but China was, as the authors emphasise, by and large, a peaceful unitary empire (save for a few rebellions and cases of dynastic wars when different parts of China were controlled by different dynasties). There was almost no fragmentation of the country, especially compared to the one in Europe, so there were no grounds for continuous wars between political actors. In short, all the incentives that existed in Medieval Europe did not exist in Medieval China. Furthermore, there were no checks on the autocratic emperor's power.

Accordingly, only the emperor's preferences directed innovation. In some cases, emperors encouraged innovations. For example, emperors under the Song Dynasty (960–1279 CE) were rather enthusiastic about innovations, and '[a]round 1250, Chinese technology was far more advanced than that of Europe in many ways. It developed techniques and innovations that Europe adopted only centuries later, many of which are often identified with progress: [...] printing, gunpowder, and the compass' (p. 29). As the authors point out, there was no ongoing serious military conflict, and intrusions by nomadic people from the north did not threaten the Empire's

existence, therefore gunpowder innovation was not sustainable in China. When it reached Europe, it became sustainable – very sustainable – because Europeans were constantly at war with each other.¹¹

Contrary to the Song Dynasty, the preferences of the emperors of the Ming Dynasty (1368–1644 CE) were not innovation but stability, i.e. strengthening and protecting the power of the emperor and the political elite around him; consequently, innovations became unwanted, counterproductive, even dangerous. According to the authors, under Zhu Yuanzhang, the founding and perhaps the most consequential emperor of the Ming dynasty, all of China's sea explorations ceased, and later a huge segment of the Great Wall of China was constructed. The authors emphasise that the Wall was not of significant military value; intrusions by the nomadic tribes from the north were insignificant. Rather, according to the authors, it symbolised the unity and authority of the newly centralised empire. The reader would add that it also epitomised a xenophobic, self-isolated and complacent China. The country became a fortress, reminding the reader of the one in J. M. Coetzee's *Waiting for the Barbarians*.

The preferences of the Ming Dynasty left no room for China to join the Industrial Revolution – centuries before its advent in Europe. One way or the other, the point is that in an autocratic empire like China, the emperor's preferences were decisive for the direction the country took and what its future would be.¹² That was the price of the empire.

3. CORPORATIONS VS CLANS

In fragmented Europe, following the collapse of the Roman Empire, state infrastructure in Europe had almost completely disappeared. There were various small local actors without significant fiscal capacity, so they were unable to facilitate social organisations and cooperation between households, by providing public goods, local public goods and club goods.

¹¹ Neither were the other two, like many other inventions/innovations during the Song dynasty. According to Mokyr (2026), the crucial question is why some societies convert bursts of inventions into durable and sustainable innovations that generate economic growth and prosperity. In short, Medieval China is a prime suspect for those societies that evade this conversion.

¹² It was beyond the scope of the book to consider the factors that influenced the preference changes from one dynasty to the other. That is understandable for the author of this book review essay, because the book focuses on differences in culture and institutions as an explanation of the Great Divergence.

These goods are crucial for the existence and sustainability of any society, but a single household is too small to provide them – yet the Roman Empire was efficient at this.¹³ The authors have in mind goods like protection against theft and external threats, market and transportation infrastructure, dispute settlement, education, public health, water management (including irrigation), risk sharing, religious worship, etc. It goes without saying that the authors remind the reader that in modern societies, cooperative behaviour that supports the provision of these basic public and club goods is largely (although not exclusively) facilitated by state agents, thanks to the rule of law and the government's enforcement powers.

Nonetheless, in the High Middle Ages in Europe there was no viable state, let alone a modern one. So, what was Medieval Europe's answer to the problem of the provision of public and club goods? It was – corporations. The notion should not be understood in contemporary terms. Following earlier contributions of one of the authors (Greif 2006b), the authors refer to Medieval European corporations as 'a "social organization," established by unrelated individuals to pursue common objectives and interests, regardless of kinship. This definition of "corporation" is broader than that commonly used today and corresponds to its premodern use' (p. 122). Examples of Medieval European corporations include fraternities, guilds, monastic and religious orders, universities and academic associations, self-governing cities, and even traces of the modern business corporation. All these corporations, i.e. social organisations, provided some public goods and club goods.

Contrary to fragmented Europe, Medieval China was an empire. *Prima facie*, China was a state that, at least in principle, should provide public goods and club goods. Nonetheless, the empire was a weak state with limited fiscal capacity, so it provided very few public goods. China's answer to the

¹³ Public goods are those goods with zero marginal costs in consumption and infinite marginal costs of exclusion. Local public goods are public goods on the local level (limited area). Club goods are goods with zero or negligible marginal costs of consumption up to the capacity and reasonable marginal costs of exclusion. Because of the reasonable marginal costs of exclusion, these goods can be priced, so they can be provided by the private sector. Nonetheless, the public sector should provide a favourable framework for such operations. Details of these types of goods are available in any serious textbook on public economics, e.g. Stiglitz (1985). In the terminology of economics, public goods is a shorthand for goods and services, as many public goods are actually services.

undersupply of public goods was straightforward: clans, as kin-based social organisations.¹⁴ Clans provided, and to some extent still provide today, some club goods to their members.

These two types of social organisations are completely different, and their features substantially affect the character of the societies that they operate in. Membership in corporations is voluntary; it is based on the individual's free decision to join a corporation, based on the membership benefits and costs. If a person is not content with the benefit-cost relations of his/her choice, the choice could be altered. For example, a household that was not content with the benefit-cost relations in one self-governing city could move to another. In principle, both entry and exit from the corporations are free. This generates competition between corporations and rivalry for attracting members, especially given that barriers to entry for a new corporation are, in principle, low. Industrial Organisation 101 insight: competition generates efficiency.

By contrast, membership in clans was not a free choice. It is given by birth, and therefore exogenous to the individual – and there was no room for his/her free will. Accordingly, there is no free entry, and virtually no exit at all – an unsatisfied household cannot move to another clan. Furthermore, genealogy specifies the number of clans, so there is no entry for new clans. Apparently, there is no competition between clans, hence, there are no incentives for efficiency.

Corporations were specialised in providing public and club goods. Fraternities provided individuals with networks, aid, and social capital, with some risk sharing. Guilds, with specialisation across the industries, were 'engaged in forms of risk sharing for members struck by bad luck and provided members with loans (which sometimes were forgiven). They resolved conflicts and arbitrated disputes, regulated and supervised master-apprentice relationships, offered protection, organized periodic gatherings to strengthen friendship, and labored to consolidate a common identity among people of the same trade. Guilds provided a variety of other economic services to their members, such as monitoring product quality and guaranteeing standards, enforcing contracts, regulating trade and setting prices, and coordinating the purchase of raw materials' (p. 179). A trained economist would highlight that most of the guilds' output was club goods and that some of them, e.g. price setting, suppress competition.

¹⁴ In the book, as well as in this book review essay, the notion of clans is used interchangeably with extended family (as opposed to nuclear family), lineages and dynasties, as these were associations of individuals who claimed to descend from a common patrilineal ancestor.

Monastic and religious orders provided religious services and some education, universities and academic associations provided education, and self-governing cities provided a rich blend of local public goods. Only self-governing cities were not specialised in the public goods they provided: they provided almost everything their citizens needed – if it was not provided by specialised social organisations.

By contrast to specialised European corporations, save self-governing cities, China's clans were general-purpose social organisations that provided all public goods, all local public goods and all club goods to the members of the clan. There was no specialisation whatsoever. Since the dawn of economics as an academic discipline and the contribution of Adam Smith, it has been undisputed that specialisation, i.e. division of labour, increases efficiency. There should be no doubt that there was some division of labour within the clans (the book provides no information on whether and how that division was accomplished), but there was no division of labour between the clans, implying lower efficiency in producing public goods, local public goods and club goods, compared with specialised corporations. This lower efficiency could be reflected in higher per-unit costs, due to more resources being engaged, or lower output quality, or both. One way or the other, economically speaking, China's clans were inferior to European corporations.

The persons who joined European corporations were complete strangers to each other. Accordingly, they did not trust each other, so they required unambiguous and formal rules governing relations between members of the corporations. They also demanded that the rules be applied uniformly, without any bias, to all the members of the corporation. This was basically a request for the rule of law. Because the costs of exit and entry to corporations were reasonably low, corporations competed for membership and, in doing so, applied the rule of law within their jurisdiction. The culture of the rule of law thrived within corporations, which were the starting point for its dissemination beyond the corporations. European societies became based on the relations, both in production and consumption, between strangers, i.e. in *The Company of Strangers*.¹⁵

All the members of a clan were relatives, as clans were kin-based social organisations. Accordingly, they were no strangers to each other, so there was no demand for formal and unambiguous rules for interactions between clan members. Instead, clans had traditional informal rules, norms of

¹⁵ Exactly as the title of the brilliant book by Seabright (2010), who explains the mechanism why individuals in contemporary times, based on a substantial division of labour, literally put their lives in the hands of complete strangers, such as in the hands of an airline pilot or a neurosurgeon.

cooperation among kin: strong bonds of reciprocal loyalty, strict gender hierarchy, and respect among relatives. This was not the great start for the dissemination of the rule of law beyond the clan, to those who were not relatives – to strangers.

Both corporations and clans were hierarchical social organisations. The difference lies in how the people at the top of corporations and clans were chosen. In corporations, leadership is elected by the constituency of the members. This is not to say that the process was democratic, that all members comprised the constituency, but only to say that there was an election process (sometimes even formally specified *ex ante*) and a contest between the candidates, a confrontation of persons and perhaps sometimes of ideas about leading the social organisation.

Since the clans were kin-based organisations, the leadership was allocated to the eldest members of the clan, according to the already mentioned Confucian norm of strict gender hierarchy. In short, wisdom was axiomatically attributed to the elders and their words and deeds were not disputed; there was no contest whatsoever. These norms could not even accommodate the idea of the hindsight wisdom that some decisions were wrong – for the simple reason that the elders cannot be wrong and they must be respected.

Since Europe's corporations and China's clans had distinctive features, one thing they had in common should be emphasised: they were both social organisations, and according to North (1990), they were institutions because they encompassed both the norms of interaction between the agents (i.e. rules of the game) and the organisations that enforce these norms. In short, both Medieval Europe's corporations and China's clans were perfect examples of institutions, according to North's academically undisputed definition. Their substantially different features led the authors to refer to the Middle Ages as a time of the Great Bifurcation between Europe and China, a long time before the Industrial Revolution.

Back to the election process in the European corporations, it is perhaps the most visible in the Catholic Church, which the authors refer to throughout the book as 'the mother of all European corporations'. Popes were and still are elected. It is not that the entire flock is the constituency – it is not a one-Catholic, one-vote rule – but it is the conclave (made up of cardinals) that has been electing the Pope for centuries.

When discussing the Catholic Church, the consideration of the Great Divergence, or rather the Great Bifurcation, should shift to the spiritual and cultural differences between Medieval Europe and China.

4. CHRISTIANITY VS CONFUCIANISM

The Catholic Church embodied Christianity in Medieval Europe prior to the Reformation. Emperor Theodosius I made it the official religion of the Roman Empire with the Edict of Thessalonica (380 CE). However, the collapse of the Roman Empire did not induce the collapse of the Catholic Church. On the contrary, the collapse of the state structures removed the obstacles to the prosperity of the Catholic Church. Christian doctrine based on the *New Testament* provided the grounds for a European culture, distinct from both China and other non-European civilisations (Incas, Mayas, Aztecs, etc.). One of the very important outcomes of the Christian doctrine is that, because every human being is created in the image of God, *all* human beings, both men and women, are equal; they are also equal because the soul of every human being is salvable, and the dignity of every human being should be preserved.

Accepting Christian doctrine and belief in God and his son on Earth, Jesus Christ, brings believers closer together and gives them identity; through baptism, they become 'brothers and sisters in Christ'. Hence, it serves as a substitute for kin-based sibling identity; it is not necessary to be kin to have trust in someone else. Strangers who have accepted Christianity trust each other, at least up to a point, because they all subscribe to the *New Testament* and the moral norms it developed. Perhaps, these moral norms may not have been very strong, because members of the corporations, predominantly Christians, requested the establishment of formal rules.

The Catholic Church played a significant role in the emergence of the European marriage pattern (EMP), a crucial element of the cultural and institutional bifurcation between Europe and China. The EMP consists of three basic elements: relatively late marriage, nuclear families, and neolocality. The authors point out that it involved some other rather radical changes in the institutions of marriage and procreation: increasingly strict prohibitions of consanguineous marriage, polygamy, divorce, adoption, levirate and sororate marriage, and infanticide. The policies of the Catholic Church 'were based on three principles, none of which ironically were drawn from the Scriptures. They were that marriage was permanent and indissoluble, that valid marriage required consent by both parties, and that matrimony was permissible only between nonconsanguineous couples, even if the degree of consanguinity was often disputed' (p. 102).

The authors emphasise that the early Catholic Church also encouraged individualism, another key cultural element that contributed to the Great Bifurcation. The Catholic Church's marriage rules empowered individuals to

make choices regarding whom to marry (if at all), removing this decision from the influence of greater society. Moreover, a basic tenet of the *New Testament* is that all humans share original sin, but redemption is personal and depends on individual choices.

Finally, relations within the Catholic Church, as a social organisation, were regulated early on by formal canon law, which became the seed for modern European law and the rule-of-law society, with the subsequent revival of the Roman legal tradition. The authors point out that through canon law, the Church set an example for secular authorities regarding how to organise and govern a community. Additionally, as canon law emerged, generations of scholars across Europe were directed toward the formal study of law, facilitating the development of a transnational class of legal experts and professionals, which was essential for efficient law enforcement.

Meanwhile, in China, Confucianism decisively shaped the cultural pattern – especially its later, more rigid version, neo-Confucianism, as formulated by the preeminent Southern Song philosopher Zhu Xi (1130–1200 CE) and his followers.¹⁶ The authors point out that its emergence, at the start of the millennium, led to a major cultural transformation in China – it became the dominant social and intellectual culture in the Empire. As it became ‘the living faith of China’s elite down to the twentieth century’ (Fairbank, Goldman 2006, 98), it is, as already pointed out, much more appropriate to consider it a counterpart to Christianity, when comparing the cultural patterns of Europe and China.

Neo-Confucianism, according to the authors, is a series of doctrines governing both personal and public life, and it emphasised kin-based values as the basis of social order. ‘Interpersonal relations, including cooperation, were to be governed by filial loyalty, strict gender hierarchy, and respect among relatives. An archetype of the communitarian value system, neo-

¹⁶ The author of this book review essay chose to contrast Confucianism, rather than Buddhism, to Christianity. It is the authors of the book who provide arguments for such a decision. In the beginning, Confucianism had to contend with competing philosophies such as Legalism, Buddhism, and Daoism (Taoism), but Confucianism became a recognised state philosophy only in the first century BCE, during the Han Dynasty. Buddhism did not vanish; its popularity increased in China during the Tang Dynasty (618–906 CE), but that rise was not sustainable. The consequent decline of Buddhism just prior to the Song period helped bring about the rise of neo-Confucianism, which became the ‘official’ philosophy that shaped the cultural pattern of China in the second millennium (like Christianity did in Europe), rather than Buddhism. Hence, the counterparts suitable for comparison are Christianity and Confucianism, especially its neo-Confucian version.

Confucianism made it easier to sustain cooperation among kin, who were tied together by clannish norms: strong bonds of reciprocal loyalty, strict gender hierarchy, and respect among relatives' (p. 10).

In addition, the neo-Confucian doctrine of ancestor worship, together with kin loyalty, implied that there was no need to elect clan leadership, because this was the role of the eldest, as well as that their decisions should not be re-examined. In short, they were not only legitimate authorities, but they were also always right. Furthermore, the authors emphasise that the neo-Confucian doctrine 'strengthened the legitimacy of the emperor – who promoted himself as the patriarch of an enlarged family – and his dynasty, as they were chosen by heaven' (p. 15). A cynic would say that the rational emperors had no incentives to erect barriers to the spread of the neo-Confucian doctrine – it only legitimised their autocratic rule and provided for its stability.

The distinction between Christianity and Confucianism is mirrored in the contrast between universalism and communitarianism.

5. UNIVERSALISM VS COMMUNITARIANISM

The authors specify for consideration of different cultural patterns that they relied on an important distinction between universalistic and communitarian value systems (or, equivalently, between generalised and limited systems of morality). 'This distinction refers to how the intensity of moral sentiments changes in relation to the social distance between individuals' (p. 5). They explain that in a utilitarian and consequentialist approach this distinction also refers to how altruism is affected by social distance. A universalistic value system is one where altruism and moral sentiments are not very sensitive to social distance: moral beliefs are applied with similar strength in interactions with friends and strangers. By contrast, in a communitarian value system, altruism and moral sentiments are much stronger toward socially close people than toward strangers. As the authors point out, Enke (2024, 136) emphasised, '[a] communitarian is a great friend to have, while a universalist is a great stranger to encounter'.

The distinction between universalism and communitarianism can easily be explained by the basic features of Christianity and Confucianism. On the one hand, for Christians, all other Christians are 'brothers and sisters in Christ', all people are made in the image of God, and all people are equally susceptible to sin. Hence, all people (Christians, and especially Catholics) are equal, and it is expected that moral sentiments do not change with the social

distance between individuals. Donations to the Church for people in need, strangers whom the donors do not know personally, are the best example of that universalism. On the other hand, the neo-Confucian doctrine of ancestor worship, together with kin loyalty, explains that increasing social distance between individuals must change moral sentiments. It is 'kin loyalty' that rules, not 'universal loyalty to human beings', which is doctrinal grounds for communitarianism.¹⁷

The authors emphasise that the difference between universalistic and communitarian values influences with whom people cooperate, which social networks are formed, and how this collaboration is sustained. Once these networks crystallise in organisational form and develop social organisations, i.e. institutions – inclusive on the one hand, and exclusive on the other hand – they exert unintended and lasting influence on future economic and political outcomes. In the opinion of the authors, the effects of culture are not only direct; they are also mediated by social organisations, i.e. institutions, which are complementary with specific cultural traits. Once in place, these institutions are difficult to dismantle, and they contribute to spreading and maintaining the cultural foundations on which they are built. The caveat of this 'cultural multiplier' concept is that initially, small differences in cultural traits or in institutions, i.e. social organisations, can set in motion a lasting process of cultural and social bifurcation.

Regardless of whether this approach is applied to the consideration of the Great Bifurcation between Europe and China, or in any other case, this finding is very important for the general consideration of the relationship between culture and institutions as an explanation of economic outcomes. The authors point out that such two-way positive feedback and complementarities, from culture to institutions and vice versa, imply that neither is purely causal, but instead the two coevolve and reinforce one another. Economists have increasingly emphasised this line of thinking, and the authors refer to like-minded economists (Tabellini 2008; Alesina, Giuliano 2015; Bisin, Verdier 2017). The authors indicate that in these models, the emphasis shifts from the often fruitless search for causality

¹⁷ The authors emphasise that in this debate their intention is not to imply that the Western Christian tradition, which they argue is more universalistic, is in any sense morally superior to the Confucian traditions, which they argue are more communitarian. Nonetheless, they imply, though between the lines, that universalism is more efficient in providing public goods and club goods than communitarianism, because it is inclusive. A trained economist always suspects economies of scale as a consequence of inclusiveness, i.e. low barriers to entry, and production efficiency (lower per unit costs) as the result of the economies of scale.

to the joint evolution of culture and institutions.¹⁸ One implication of such positive feedback models is that appropriate institutions, those consistent with the dominant cultural patterns, can amplify initial cultural differences over time, eventually creating significant divergence between societies.¹⁹

This approach to the relations between the two as an explanation of the economic outcome – accepting positive feedback, i.e. culture and institutions mutually reinforcing each other – is theoretically and methodologically superior to the ‘institutions only’ approach, i.e. that culture is completely irrelevant (Acemoglu, Johnson, Robinson 2005; Acemoglu, Robinson 2012). This is especially so taking into account that the conventional wisdom of the ‘institutions only’ approach is a top-down approach: from political to economic institutions.

The superiority of this approach is easy to illustrate. The mutual positive feedback between culture and institutions can explain the closed circles. A virtuous circle is created by both beneficial cultural patterns and institutions, and the nation is set on a steady-state towards prosperity. By contrast, a vicious circle, due to inadequate cultural patterns and poor institutions, prevents the nation from moving towards prosperity, even generating economic decline. Breaking the vicious circle is a difficult task; rapid and radical institutional change alone is hardly an answer to that problem.

For centuries, China was in decline because of an inadequate cultural pattern, reinforced by poor institutions. It is now time to examine another cultural trait that cost China very dearly, especially when the first globalisation arrived.

6. CURIOSITY VS COMPLACENCY

The authors point out that Europeans did not deny the superior knowledge of other societies, even if they regarded them with hostility. For example, Europeans adopted windmills and paper from the Islamic world,

¹⁸ In short and in very succinct form, a very convincing argument is: ‘In these environments the origin, and hence the causation, question loses most of its interest: culture and institutions are jointly and endogenously determined and they jointly affect economic growth and prosperity, indeed all sorts of economic activity. The focus is moved from the cause (both culture and/or institution can have causal effects) to the process as determined by the interaction.’ (Bisin, Verdier 2017, 3).

¹⁹ Reviewing the book, Gaddo (2026) points out that if one were to look for a single ‘secret ingredient’, this is probably not culture in the abstract, but universalistic moral order embedded in corporate forms. In short, both appropriate culture and appropriate institutions.

as well as much knowledge and thought from fields such as medicine and philosophy. After the terrible bloodshed of the locals, European conquerors, such as the *conquistadores*, took back to Europe accomplishments of the conquered indigenous peoples of what is presently Latin America: maize, potato, tomato, paprika, avocado, tobacco, cocoa, natural rubber. These products transformed Europe's agriculture, industries and day-to-day living. The potato saved many Europeans from starvation.

In short, Europeans were aggressive, relentless, ruthless, and unscrupulous in their overseas conquests, but they were very open-minded regarding their adversaries (Hoffman 2015). Furthermore, they were very curious about the accomplishments of the civilisations they destroyed. So, after the military successes, their arrogance in combat transformed into curiosity about the accomplishments of the defeated.

In China, everything depended on the emperor's preferences, but generally speaking, China's emperors were no strangers to arrogance. With the advent of the Ming dynasty, due to the emperors' preferences, society became closed: China became xenophobic, and the key word was stability. And there was no curiosity about anything. Complacency dominated.²⁰ As usual, not only limited to China, this multiplied the price that was about to be paid.

Things related to curiosity (or rather lack of it) went from bad to worse under the Qing rulers (China's last dynasty), especially the Yongzhen Emperor (who reigned 1722–1735), as China's political elite became increasingly suspicious of Western influence, considering it a source of instability. 'In 1792, the first Earl Macartney, who visited China with an exhibit of Western devices, was politely told that if these inventions had been useful in China, the Chinese would have thought of them themselves' (p. 65).²¹ China's

²⁰ One of the indirect indicators of that, as the authors point out, was that China had nothing that resembled intellectual property rights. It had no patent system or copyright. It never developed any formal, centrally enforced protection of intangible assets. Indeed, with no propensity for innovation, especially dispersed innovations of the economic agents, rather than state-controlled innovations, there was no need for protection of intellectual property rights.

²¹ This is evidence that a necessary condition for the Industrial Revolution technology transfer from Europe to China was missing. There was no Chinese demand for that technology.

self-isolation in an increasingly globalised world was unsustainable. Western influence came to China in a dramatic and humiliating way in the 19th century – with the Opium Wars.²²

It was Europeans and especially their intellectuals, with their culture of reconsidering everything and with a ‘nothing is sacred’ attitude (Mokyr 2017) that made Europe forward-looking. This attitude, with accumulated scientific achievements and useful knowledge (the one, according to the authors, necessary for the technological transformations that drove economic progress), enabled Europe to blaze the trail of the Industrial Revolution.²³ By contrast, China was backwards-looking. The authors explain that ancestor worship fostered coherence of the lineage and had become a feature of Chinese society in antiquity; this feature proved very resilient, making China backwards-looking. It was Europe’s passion for demonstrating that ancestors were wrong that, unlike China, made it forward-looking.

7. REPUBLIC OF LETTERS VS MERITOCRACY

The authors highlight that in Europe the process of creating useful innovation and transmitting it from generation to generation was entirely decentralised, largely left to the private sector, and therefore driven by competition. Hence, it was based on the scattered accomplishments of intellectuals (scientists) and artisans. Such a structure posed a great danger – isolated accomplishments, without any spillover effect; this would have made this arrangement inefficient and unproductive.

Nonetheless, an unavoidable and indomitable passion for communication created the Republic of Letters, a virtual network of intellectuals who exchanged views, cross-checked evidence, and compared arguments. Based

²² It was Leon Trotsky (Lev Davidovich Bronstein) who quipped, ‘Maybe you are not interested in war, but war is interested in you’. Although the epigram was formulated much later, referring to a completely distinctive historical situation, it is very suitable for describing 19th-century China and the Opium Wars.

²³ The authors underscore that Britain’s leadership in the Industrial Revolution should not lead to the misconception that the Industrial Revolution was ‘British’. It was European, and whereas British leadership was real and can be understood, the issue of British leadership is different from the ‘Europe versus China’ issue. Allen (2009) and Mokyr (2017) have different explanations for why the Industrial Revolution occurred in Britain of all European countries. Nonetheless, the debate why Britain was the ‘cradle’ of the Industrial Revolution, as opposed to some other country in Europe (e.g. France), is irrelevant for the Great Divergence debate.

on those interactions, the superior insight was selected – the one that best explained reality, or at least better than the others. As the authors emphasise, in the Republic of Letters, ‘Sacred cows were slaughtered mercilessly: from the notion of a geocentric universe to the idea of divine authorship of the Bible and the writings of the bogus classical author Hermes Trismegistus. Skepticism was paired with the growing belief in the progressiveness of knowledge’ (p. 448). As to the methodology, the authors remark that ‘the Republic of Letters anticipated the twentieth-century engineer W. Edwards Deming’s famous gag that “in God we trust – everyone else has to produce data”’ (p. 386).

The Republic of Letters was the framework through which European intellectuals made scientific breakthroughs that enabled quantum leaps in useful knowledge, necessary for the technological transformations that drove economic progress. This scientific breakthrough laid the groundwork for the Industrial Revolution (Mokyr 2017). In short, it was not based on step-by-step artisan improvements to products, but rather on entirely new technology and engineering, grounded in new scientific findings.

Meritocracy is undisputed as an essential ingredient of the Republic of Letters. Accordingly, it could be puzzling that the title of this section of the book review essay opposes the Republic of Letters to meritocracy, as if those two are opposites. They are not, of course – in principle. Nonetheless, meritocracy in China has had some specific features.

Of all the civilisations in the world, China has perhaps the longest tradition of meritocracy (Wooldridge 2021). Even in ancient times, in China meritocracy was embodied in the state exam, a demanding civil service exam that required lengthy preparation. In short, because the Chinese state had a long tradition of relying on a powerful and effective central bureaucracy to fulfil its aims, it did not recruit members based on social status or previous administrative experience in civil society. Instead, they were recruited on merit, and those merits were assessed by a rigorous state exam administered without bias. This was quite refreshing compared with Europe, where social status was decisive in such recruitment. China in ancient times paved the way for Weberian bureaucracy.

The problem, however, lay in the content of the state exam. Candidates were expected to be extremely well versed in Confucian doctrine. Hence, taking the state exam required lengthy preparation and extensive training in the subject. The exam included no science, technology, engineering, or mathematics (STEM) subjects, making it – and especially the preparation process – more like indoctrination than learning. There is no doubt that China’s meritocracy created incentives for the accumulation of human capital,

and that the level of human capital was substantial. Nonetheless, that human capital was based on doctrine rather than on useful knowledge. Contrary to the human capital created within the framework of the Republic of Letters, it was not the human capital that would boost the Industrial Revolution, even if other preconditions for it were met.

8. CONVERGENCE AND BEYOND

China's decline – the Great Reversal, as the authors specified – became especially visible with the advent of the first globalisation. 'Perhaps nothing is more emblematic of China's decline relative to the West than its humiliation during the disastrous Opium Wars, its need for Western military assistance in stamping out the Taiping Rebellion, and its ignominious defeats in subsequent conflicts with both the West and Japan' (p. 32). The reader would add to this the equally humiliating 1860 Treaty of Peking, by which China surrendered territories in the north of river Amur to the Russian Empire while also providing concessions to that nation.

The end of the empire and the advent of the republic did not change much in China's international position or in its domestic affairs. Nonetheless, the Communist Revolution did: the central government became strong, relentless and merciless. China's sovereignty was accomplished – no foreign power had any doubts about that. Nonetheless, the central government's policies under Mao Zedong, such as the Great Leap Forward (1958–1962) and the Cultural Revolution (1966–1976), took more than 70 million lives (Rummel 1997), due to political executions, forced labour, policy-induced starvation and deportation, with destruction of the social fabric, including clans and kin-based lineage, at least up to a point.

The demise of Mao Zedong and the political resurfacing of Deng Xiaoping could be perceived as a change of emperor, but, more importantly, as a change in emperors' preferences. From that moment, the order of the day was to introduce a market economy, i.e. capitalism, without challenging the political monopoly of the Chinese Communist Party (CCP). Hence, in a rather ironic development, the CCP was very efficient and highly successful in introducing capitalism. Furthermore, capitalism, under the vigilant eye of the CCP, produced unprecedented economic growth, lifted hundreds of millions out of poverty, and transformed China from a poor country into a powerhouse of the world economy.

The authors provide little material to explain this remarkable development, let alone link it to their own consideration of the Great Bifurcation in the book. In short, how the Great Divergence became the Great Convergence, through remarkable economic growth in such a short time, remains a mystery to the reader. Implicitly, by rejecting Landes's (1998) view of culture as a constant, the authors admit that the cultural pattern in China has changed, which, with the blossoming of entrepreneurship in the country, is rather a trivial observation, but it provides no explanation of the exceptional change that, paradoxically, occurred under the auspices of the CCP. Furthermore, the authors speculate that, despite Mao Zedong's ruthless campaign to eradicate them, clans still exist in China and play a role in its shift to a market economy and capitalism, but they stop short of the details. The reader is none the wiser.

At the end of the book, the authors speculate about the future. Their view is straightforward: '[m]odern China has removed many of the obstacles that prevented scientific progress in the past and invests considerable resources in innovation. Nevertheless, the political regime retains tight control over how these resources are allocated, what enters the educational curricula, and what sources of information citizens can access. This makes it more likely that innovation, when it occurs, will take the form of a gradual adaptation of progress that was initiated elsewhere. Radical and disruptive breakthroughs tend to emerge in open and decentralized environments, where there is not much respect for authority and where political and economic incumbents can be challenged without fear of reprisal. No matter how different it is from its past, modern China is certainly not such an environment. Without political liberalization, growth sustained by radical innovations seems difficult to achieve and continue. But political liberalization is certainly not in sight – on the contrary, under Xi Jinping, the regime has returned to the despotic and arbitrary personal rule of the Mao era' (p. 453).

The reader agrees with the authors that political liberalisation in China is not in sight, although the claim about a return to 'despotic' personal rule seems somewhat exaggerated to the reader, as the country's political economy has many strong entrepreneurs of substantial fortune, and vested interests are definitely complicated.²⁴ Nonetheless, a more important comment on the authors' prediction is that it rests on a standard logic of the middle-income trap: a situation in which a country reaches a middle level of GDP *per capita*

²⁴ Nonetheless, the absence of political liberalisation in sight is beyond doubt in the literature. Herndon (2026) claims that the CCP 'seems determined to prove' that autocratic government and innovation-based economic growth can go hand-in-hand.

through investment-led growth, and then, to sustain that growth, it should turn to innovation-led growth. The problem is that applying this approach to China is wrong. Although it is a middle-income country by GDP *per capita*, China is on the technological frontier in many industries, especially in tradable sectors such as the car industry, robotics, electronics (up to a point), and green energy technologies (solar panels and batteries). Hence, it is an autocratic country that reached this technological position. More precisely, Chinese entrepreneurs have found the way to the technological frontier by using government subsidies and avoiding government obstacles. Hence, middle-income country catechism is hardly applicable to China.

The book's conclusion is missing another relevant consideration: a specific time horizon. Stable autocracies – and China is definitely one – consider things over a much longer run than democracies, which are constrained by election cycles (Nordhaus 1975; Olson 1993). In economics jargon, stable autocracies have a lower discount factor, the measure of intertemporal impatience, by which future values are transformed to their present value. It is the speculation of the author of this book review essay that Chinese political culture features a lower discount factor, i.e. less intertemporal impatience, than Western countries: for Chinese culture, the long run is important. In the case of innovations, long-run consideration is decisive for a desirable outcome.²⁵

So, after all, China's economic growth rate may not slow down substantially without political liberalisation. It would not be the first time that China has surprised the world. Perhaps all these considerations should be the topics for a new book – *The Great Convergence*.

9. EPILOGUE

There is no doubt that this is a remarkable, groundbreaking book. This book is 'a major contribution not only to economic history, but to the broader argument and understanding about the relationships between culture, institutions, and prosperity' (Gaddo 2026). Furthermore, the author of this book review essay believes that the book is a showcase exercise that

25 Unexpectedly, Elon Musk provided corroboration for the importance of the long-run consideration in his explanation of why he delayed the initial public offering (IPO) of his SpaceX company. Shareholders are obsessed with short-run thinking and would not have tolerated massive financial losses for the company in the R&D process of heavy-lift launch vehicles. The interview is available at: <https://www.economist.com/insider/the-insider/an-interview-with-elon-musk>, last visited August 1, 2026.

– in examining specific episodes from economic history – institutions and culture are not mutually exclusive. The book demonstrates that they are not substitutes, but rather complementary concepts that together – with interaction between the two, not merely unidirectional causality from one to the other – enable us to better understand the process of economic growth and creating prosperity. Well done! The only disappointment is that the Great Convergence, China's remarkable growth in the past several decades, remains virtually unexplained. Despite this being the only disappointment – it is a big one.

Reading this book is a demanding and arduous task. This is a very well researched book, with densely packed explanations, arguments and references to the contributions of other authors. As Gaddo (2026) points out: 'Whilst a shorter version for general and more harried readers would be welcome, that is a complaint made against many serious books and seldom against mediocre ones. This one is serious in the best sense: bold, learned, and worth wrestling with.' The reader agrees with these insights only up to a point. Undoubtedly, this is a serious book in the best sense, but although there should be no shorter version whatsoever, it could have been written to be more readable and likeable.

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