

Nation, State, and the Economy in History. Edited by Alice Teichova and Herbert Matis. Cambridge: Cambridge University Press, 2003. xvi + 450 pp. Tables, figures, notes, index. Cloth, \$75. ISBN 0-521-79278-9.

Reviewed by Christopher Kobrak

Good books spanning many centuries and cultures that attempt to traverse the gap between political and economic history are rare and badly needed. For this and other reasons, *Nation, State, and the Economy in History* should be of great interest to business historians. Covering over four centuries and virtually every region in the world, the book contains a broad range of essays that explore the interaction between political choices and economic activity, a complex theme that many management theorists and historians still fail to appreciate sufficiently.

Apart from its scholarly appeal, the book has enormous contemporary political importance. With all the ongoing debates over the effects of the European Union's expansion and constitution on national identities and economic viability, political leaders who ignore the history of nation building, as well as its impact on economic and social life, do so at their own, and our, peril. As Gavin Wright argues in his essay about the United States, for example, the consciousness of nationhood, which was first expressed by the Declaration of Independence, may have been as essential as the Constitution in shaping America's economic successes. Thus, the American experience provides an historical lesson about the necessary steps in creating effective government that the framers of the European Union should take seriously.

The book mixes good political and economic history. The general themes include the ways that an interventionist state, military prowess, tax systems, and national identities can help or hinder economic activity. Judging from the number of daily news accounts about the importance of nation building or, conversely, its obsolescence, the significance of the subject is unlikely to diminish.

The book's first two essays, for example, trace the key developments in the periods of intense state building in Britain (1688–1815) and France (1500–1800). They highlight two intertwined issues—involving government and commerce and taxation and

military preparation—themes that carry through many of the chapters, especially those dealing with colonized or semicolonized regions. Patrick K. O'Brien argues that the government that emerged from England's Glorious Revolution was dedicated to security, not capital formation, which was left in private hands. The state lacked the resources, and perhaps the will, to enter into other areas of economic life. O'Brien argues that creating an efficient tax system was crucial to the state's performance, because it helped ensure immediate funding and confidence in capital markets. Relying on indirect taxes, especially on imports, which provoked little resistance, a succession of governments after the revolution was able to increase tax revenues enormously. Although government borrowing was extensive, the care given to creating a well-regulated capital market brought interest rates down and encouraged private investment rather than crowding it out, as some would suppose.

In contrast to the British experience, François Crouzet shows how French kings' consolidation of their own properties and their reliance on agricultural products reduced that country's need for complicated economic coordination and protection of overseas business. What administration there was, though, had to be heavy handed. Crouzet questions the commonly held view that the emerging commercial classes allied themselves with the king against the nobles to form a centralized government. Although, as in England, military needs and taxes were the driving forces in nation building, France, with its agricultural base and with less foreign trade, imposed direct taxes, which were less popular and required a more authoritarian state. According to Crouzet, France's absolutism, ironically, contributed both to its ascent and, eventually, to its collapse in the eighteenth century.

The question of whether the state helps or hinders economic development plays, understandably, an important role in Gerd Hardach's chapter on Germany and Hidemasa Morikawa's on Japan. Each acknowledges that the state may contribute to economic growth, but that its intervention in economic affairs may also have unforeseen and serious social and economic costs. Hardach quite rightly points out that although Germans enjoyed a sense of national identity well before 1871, much of the motivation for creating their nation state was economic gain and was based on liberal doctrines, not Hegelian philosophy. Once created, many Germans, however, including such notables as Max

Weber, wanted the state to pursue economic and political ends to establish Germany as a world power, as if to legitimize the national dream. According to Hardach, “The First World War demonstrated the power of national coherence” (p. 65).

Morikawa deftly uses two crises in Japanese economic history to argue that Japanese businessmen’s habit of overinvesting in boom times, behavior that leads to sharp downturns, may be a result of government direction in strategic areas that leaves only small niches for purely private initiatives. With a reduced span of opportunities, Morikawa posits, entrepreneurs overact to the few possibilities left to them.

There were only a few areas in which the book disappointed. Given the importance of the Middle East today, other than one essay on Israel, there was no discussion of the formation of states in that region. Some consideration of the topic would have been welcome. Also, the editors seem a little too convinced that the nation state is liable to expire under the pressures of “cyberspace” and the European Union. They may be right, but as the essays show, political and economic institutions sometimes have a way of painfully lingering on—“cluttering our social living space”—long after their original economic and political justification seems to have “withered away,” leaving the whole house, as it were, looking like a “dustbin.”

These criticisms notwithstanding, the editors and authors deserve praise for delivering a lively, clearly written discussion of an important theme, a significant addition to our understanding of fundamental social relationships and a model for future research.

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