

Douglass Cecil North (1920–2015)

Douglass North's 1993 Nobel citation reads: "for having renewed research in economic history by applying economic theory and quantitative methods in order to explain economic and institutional change." (He shared the Prize with Robert Fogel.) Outside his field, I remember learning that he was one of the founders of cliometrics, the use of statistics in economic history. I was not as aware of his work in explaining institutional change, but that became the increasing focus of the last decades of his life.

Can we take as evidence of his early interest in institutional change that, when a Berkeley undergraduate, he tells us he became a convinced Marxist? As such, he was a conscientious objector and refused to join up even after Hitler attacked Stalin on June 22, 1941, or after Pearl Harbor seven months later. Instead, after graduation he joined the U.S. Merchant Marine. He was a navigator on repeated trips from San Francisco to Australia, although there is no evidence of further Australian connections.

In 1942 Douglass North took a C-grade degree from U. C. Berkeley with a triple major in political science, philosophy, and economics, and, after the war, returned to Berkeley to write an economics dissertation on the history of life insurance in the United States. From 1952 to 1983 he taught at the University of Washington, in Seattle. His research shifted from his dissertation interests to developing an analytical framework to look at regional economic growth, that led him to develop a staple theory of economic growth.

After spending time with Simon Kuznets (Nobel Laureate, 1971), North undertook the empirical work that led to a major quantitative study of the U.S. balance of payments from 1790 to 1860 — a combination of economic history and statistics that later flowered in cliometrics (Clio being the muse of history). He built on this in his first book, *The Economic Growth of the United States from 1790 to 1860*. From 1957 to 1960, North was one of a group of economic historians, who, with support from the National Bureau of Economic Research, and under the auspices of the Economic History Association, stimulated great interest in this marriage of economic history and statistical analysis.

On sabbatical in Geneva in 1966–67, North shifted his focus from the development of a single country (the U.S.) to more than one (Europe). This immediately led him to ask the question that, by and large, occupied him for the rest of his career: why do some countries grow more slowly and less successfully than do others, despite the others' examples?

In approaching this issue of economic divergence, he tells us he "became convinced that the tools of neo-classical economic theory were not up to the task of explaining the kind of fundamental societal change that had characterized European economies from medieval times onward." The standard tool kit was static and timeless, and assumed perfect information, ill-suited to the needs of the economic historian. In the long search for a framework that would provide new tools of analysis, North's interest and concern with the new institutional economics developed.

Two books came out of his first attempts to develop some tools of institutional analysis and apply them to economic history. But both were still predicated on neo-classical theory, and North decided that it was not possible to explain long-run poor economic performance in a neo-classical framework. In particular, he questioned the assumption of rationality, and asked how the ideas, ideologies, and prejudices that affect people's decisions arise and evolve.

On the long road to developing a new analytical framework, he asked questions: why do institutions produce results that in the long run do not manage to produce economic growth? How to develop a model of political economy to explain the underlying source of institutions? Why do people have the ideologies and ideas that lead to the choices they made? How can "inefficient"

rules survive and be perpetuated in the face of low growth?

In searching for colleagues who were interested in developing political economy models, in 1983 North moved to Washington University, where he created the Center in Political Economy. In the 1990 book, *Institutions, Institutional Change and Economic Performance*, he engaged with the question of why people make the choices they do: “why can ideologies such as communism or Muslim fundamentalism shape the choices people make and direct the way economies evolve?”

This led in turn to an interest in cognitive science: how does the mind acquire learning and make choices? Under what conditions is the rationality postulate a useful tool? How do individuals make choices under conditions of uncertainty and ambiguity?

The point of this was to develop an analytical framework — a theory of institutional change — that would make more sense of long-run economic, social and political change. This would require, he believed, the integration of economics, social sciences, and cognitive sciences. The book, *Understanding the Process of Economic Change*, was one result.

Another was the establishment, with Ronald Coase (Nobel Laureate, 1991) and Oliver Williamson (Nobel Laureate, 2009), in 1997, of the International Society for the New Institutional Economics. He believed that the social sciences should be reoriented to attempt to confront these issues and to be more focussed on policy problems. He was involved, in 2004 and 2008, with the Copenhagen Consensus (founded and organised by Bjørn Borg) to derive policy recommendations.

When an undergraduate, North was a professional photographer, and worked with Dorothea Lange, head of the photographic division of the Farm Security Administration, travelling with and photographing migrants throughout the central valley of California. But for the arguments of Dorothea’s husband, Paul Taylor, an economist at Berkeley, he might have remained a photographer. Economics and the wider social sciences should be grateful for Paul Taylor’s eloquence.

References

North was the author or co-author of more than fifty articles and eleven books.

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