

BOOK REVIEW

Geoffrey Hodgson, *The Wealth of a Nation: Institutional Foundations of English Capitalism*, Princeton Economic History of the Western World Series (Princeton: Princeton University Press, 2023), pp. 304, \$39.95 (hardcover). ISBN: 9780691247014.

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On November 29, 2024, the prominent British institutionalist Geoffrey Hodgson celebrated reaching 50,000 citations on Google Scholar through a post on a social platform. In today's world, such posts are often regarded as part of everyday digital life. However, Hodgson's post carries significant meaning: 50,000 citations represent a remarkable achievement for a thinker who does not follow the mainstream tradition of the economics profession. A brief reading of some of Hodgson's works suffices to identify him as a heterodox economist. In terms of citations, publications, and books, Hodgson stands out as one of the most prominent contemporary heterodox economists.

This review of Hodgson's *The Wealth of a Nation: Institutional Foundations of English Capitalism* may be of particular interest to *Journal of the History of Economic Thought's* (JHET) readers, as it reflects the author's long-standing engagement with the history of economic thought since the 1980s. Although Hodgson's interpretation does not always align with conventional historiography, Hodgson (2023) work illustrates how a prolific thinker can draw from multiple economic traditions.¹ To explore how Hodgson engages with different strands of the history of economics, this review focuses on his treatment of institutional economics and other schools, with the aim of highlighting his distinct institutional perspective.

Hodgson presents *The Wealth of a Nation* as a multi-faceted institutional analysis grounded in the writings of Douglass C. North, Original Institutional Economics (OIE), and Joseph A. Schumpeter. From North, Hodgson draws the central insight that institutions are essential to economic development. OIE shapes Hodgson's approach through a legal-institutional perspective, especially the contributions of John R. Commons and Warren J. Samuels, as well as through the pragmatist philosophy associated with Thorstein Veblen's approach. Schumpeter's influence is evident in Hodgson's emphasis on the role of finance in modern economies. Hodgson also notes that *The Wealth of a Nation* brings together many of the themes he has explored over the past fifty years—a claim with which I agree. As I argued elsewhere (Almeida 2023), I am convinced that Hodgson advances an institutional perspective that aligns with neither OIE nor New Institutional Economics (NIE) in a strict sense. In my view, *The Wealth of a Nation* serves as a compelling illustration of Hodgson's distinctive institutionalism.

A more speculative argument is that Hodgson's institutionalism may represent a new institutionalist perspective—one that has emerged in the twenty-first century. This

¹ One example of Hodgson's distinctive interpretation is his classification of Frank Knight as an institutionalist. As Hodgson states, "[Knight] was also one of the greatest of all institutionalists after Veblen" (Hodgson 2004a, p. 344). However, this view is not shared among historians of economic thought.

argument builds upon the previous one: since Hodgson proposes a new form of institutional economics that has reached a wide audience—as evidenced by the substantial number of citations to his work—he may be regarded as the founder of a new institutionalist school. This is yet another reason why the present review may be of interest to *JHET*'s readership. Analyzing Hodgson's institutionalism can be viewed as witnessing the formation of a school of thought. From the standpoint of a historian of economic thought, this constitutes a particularly compelling development. Accordingly, this is the perspective I adopt in the review. I aim to show how *The Wealth of a Nation* can be interpreted not only as an illustration of Hodgson's institutionalism but also as a reflection of his broader interpretation of the history of economic thought.

The Wealth of a Nation highlights key elements of Hodgson's institutional perspective, which he has been developing since the 1980s. His *Economics and Institutions: A Manifesto for a Modern Institutional Economics* was published in 1988 and is structured in three parts. Part 1 focuses on methodological issues, and Part 2 engages in theoretical debates. In both sections, Hodgson offers critical reflections on mainstream economics and introduces institutional economics—more closely aligned with OIE than with NIE—as a potential alternative. Part 3 presents Hodgson's own contribution to the institutionalist debate, although a portion of this contribution also appears in Chapter 6 of Part 2. In this work, Hodgson constructs his institutional perspective by drawing on elements from both OIE and NIE. It is worth emphasizing that, overall, Hodgson's writings align more closely with OIE than with NIE.

Both Hodgson's *Economics and Institutions* (1988) and his later work *Economics and Evolution: Bringing Life Back into Economics* (1993) reveal his early commitment to the methodological foundations of OIE, particularly its evolutionary approach grounded in Darwinian principles. For the same reason, Hodgson integrated the Veblenian perspective into his institutional framework. Throughout the 2000s, he appeared convinced by Veblen's interpretation of Darwinism as a scientific method (see Hodgson 2004b, 2007, 2008) and by Veblen's theory of decision-making as habit-driven behavior (see Hodgson 2003, 2004c)—a central element of Veblenian institutionalism. In the 2000s and 2010s, Hodgson developed his own account of the role of habit in decision-making, introducing the concept of reconstitutive downward causation, later renamed reconstitutive downward effect, as well as his broader methodological vision of Generalized Darwinism.² According to Hodgson (2003, 2004c), reconstitutive downward causation refers to a learning process through which institutions shape and influence individual preferences and dispositions—a dynamic in which the Veblenian concept of habit plays a central role. As Hodgson and Thorbjørn Knudsen (2010, pp. 41–42) explain, “Generalized Darwinism provides a focus for inquiry and enables a more systematic accumulation of knowledge pertaining to a wider array of selection processes.”

Hodgson's engagement with Veblenian habits, reconstitutive downward causation, and Generalized Darwinism appears to have been a central part of his research agenda throughout the 2000s and 2010s. *The Wealth of a Nation* marks a return to these foundational concepts, now intertwined with more recent developments in his work—

² Hodgson developed and introduced his concept of Generalized Darwinism through a series of scholarly articles and a book co-authored with Thorbjørn Knudsen.

especially his turn toward a legal institutionalist perspective, discussed in greater detail below. One of the key points clarified in *The Wealth of a Nation* is that the criticism advanced by John Hall (2011) may be misplaced. Hall's central claim is that Hodgson's institutionalism fails to make Veblen's critique of capitalism sufficiently explicit. At the heart of Hall's (2011) critique lies the view that habits are not merely mechanisms of decision-making; they also embody substantive content and meaning. These meanings are enacted when habits result in concrete actions. Veblen underscored this by portraying capitalist society as an evolution of barbarism, suggesting that the habits underpinning capitalism are inherently tied to exploitation and expropriation. A review of Hodgson's institutionalism throughout the 2000s and 2010s reveals important contributions to the theoretical and methodological development of OIE, but not an explicit critique of capitalism. My contention here is that *The Wealth of a Nation* marks a shift in this regard: it brings Hodgson's institutionalism closer to a critique of capitalist economic organization. This critique is not merely implicit—it lies at the very core of the book.

The Wealth of a Nation opens in a distinctly Veblenian tone: "The history of capitalism is one of violence, inequality, exploitation, colonialism and slavery" (p. ix). As previously discussed, Veblen viewed capitalism as an evolutionary extension of barbarism, rooted in a logic of predation that culminates in exploitation and expropriation. While Hodgson acknowledges these violent dimensions in the history of capitalism, he also highlights its productive achievements—most notably, the dramatic increase in output per capita. This expansion of productivity is central to Hodgson's analysis, particularly concerning "the English economy from 1300 to about 1820" (p. 2).³ Interestingly, this Veblenian strand in Hodgson's work is not accompanied by any explicit engagement with Veblen's writings. In Chapter 3, Hodgson (p. 77) observes that "[i]n pre-industrial England, land, law and war were an intimate trinity." He further argues in Chapter 6 that war is an often-overlooked element in the development of national systems in Europe. The relationship between feudal lords and villeins, as he describes it, was grounded in violence and expropriation. Although this emphasis on coercive institutions resonates with Veblenian institutionalism, Hodgson's broader historical and evolutionary framework for understanding the rise of capitalism in England draws more directly from the institutionalisms of Douglass North and Daron Acemoglu.

North is one of the leading figures of New Institutional Economics. His institutionalist framework is applied to explain long-term development, a goal that aligns—at least superficially—with the Veblenian tradition. However, the methodological foundations of these approaches diverge significantly. As noted earlier, Veblen's institutionalism is rooted in an evolutionary perspective. In contrast, North's approach is grounded in conventional economic reasoning, emphasizing incentive structures. The same applies to the institutionalism advanced by Acemoglu. Within this context, Hall's (2011) critique may gain traction. While Hodgson's institutionalism is theoretically consistent with Veblenian principles, its empirical orientation appears to draw from mainstream, incentive-based frameworks. This tension is evident in Hodgson's legal institutionalism. Although in *The Wealth of a Nation* Hodgson references thinkers such as Commons and

³ Hodgson underscores that his analysis is centered specifically on England, rather than on the United Kingdom as a whole, which also includes Scotland and Wales.

Samuels, the legal dimension of his institutionalism adopts a framework that is ultimately incentive-driven. This reflects the type of institutionalism Hodgson has promoted in recent years. Indeed, the shift toward an incentive-based institutionalism may represent Hodgson's putting into practice his own recommendation that heterodox economists should actively engage with the mainstream (see Hodgson 2021).

In sum, *The Wealth of a Nation* sheds light on the trajectory of Hodgson's institutionalism, a trajectory that appears to confront a critical methodological juncture. On one side, his work is firmly rooted in the Veblenian tradition; on the other, it engages with the frameworks of mainstream institutionalism. Resolving this methodological tension may prove to be a decisive step toward the establishment of a new branch of institutionalist thought within economics.

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COMPETING INTERESTS

The author declares no competing interests exist.

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