

Book Review

THE EVOLUTION OF PATH DEPENDENCE

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The introduction to the idea of path dependence and its relevance in development of historical Social Sciences begins from very common concept of history and historicity in narration. Contemporary research on this idea can be considered as part of broader intellectual movement which can be explained as quest for historical social sciences. One of the best descriptions of path dependence, in artistic sense, can be found in this book which is Paul Klee's famous painting, *Angelus Novus*. The painting in which the angel gazes with mouth wide open and wings extended on the heap of the ruins of history has attracted many interesting interpretations. One interpretation by Walter Benjamin sees a strong wind blowing from paradise which prevents the angel from closing its wings. The wind drives the angel away from the past towards the future. This wind can be called progress. This interpretation has brought many comments: The landscape that angel sees, changes continuously. Can the journey of the angel through this landscape be conceptualized as path dependency? In certain sense yes, because there is no way it can escape its connection to the past.

This edited volume "The Evolution of Path Dependence", contribute to the extensive literature in the same framework. As the editors point out in the introduction, the aim of the book is twofold. First, how various disciplines have used the concept of path dependence and second, to discuss the often used concept of path dependency and analyze the possibility as well as limitations of its application. In addition to a very detailed editorial introduction, there are eight chapters in the book, each by different authors. In the introduction, authors begin by discussing the inter-disciplinary importance of the concept of path dependency, followed by a

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short description of the work of Paul David focusing on his seminal work on QWERTY key boards and the work of Brian Arthur related to increasing returns. In the same chapter Liebowitz-Margolis's criticism of path dependence is also explored. The introduction ends with Institutional theory of path dependence.

In chapter 1, historian Bo Strath² explores the idea of path dependence from the viewpoint of skepticism towards structural explanations in understanding historical processes. He first discusses the link of path dependence to the philosophers of Enlightenment focusing on the work of Hegel. In this context he also discusses the criticism of David Ricardo and Adam Smith by the historical school. According to the historical school, classical economists separated the economic phenomena from their concrete economic context and described economic life as subject to natural law, which was an error in judgment. To drive his point in clear manner he explores the response of Germany and Sweden to the problem of growing unemployment during the great depression. To quote, "In March 1930 the German coalition government under the Social Democrat Hermann Muller fell on the issue of how to finance unemployment". The first of three presidential governments that paved the way for Hitler took over. The elections in September 1932 in Sweden brought the Social Democrats to the government and on the basis of their programme of an expansive unemployment insurance and support (page 30, chapter 1). He believes that the response for exactly same problem in both the nation was completely different because of their distinct past. In Sweden historically the positions of present has been stronger however, the same was not true for Germany. He concludes with the idea that change should be studied on the basis of "Reflexivity", "Historicity" and "Agentiality".

In chapter 2, Gary.D Libecap³, discusses path dependency in the context of political economy and political action. This chapter takes North American Great plains as an example to study the impact of path dependency, which was the last agricultural frontier, settled in 1880-1925. The distinguishing features of these plains are its relative aridity and fluctuating rainfall, compared to the agricultural regions to the east. The land policy and other related laws in the north were

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modeled by the climatic conditions in the East and political objectives of favoring small farmers turned out to be inappropriate *ex post*. But the inefficiency losses and related problems cannot be attributed to path dependency but the lack of information about the region and intense political support for maintaining the existing land policy. The droughts of 1920s and 1930s brought in fresh information and hence improvement in the region too. In chapter 3, Lena Andersson-Skog⁴ explains path dependence taking the example of railways development from various countries. Authors have taken the examples from USA and Europe related to historical development of railways to explain its technological system and establish the role of path dependence in this process. Author concludes that institutions in most cases are results from a path dependent process and these processes can be political as well as technological.

Chapter 4 is by Mangus Lagerholm and Anders Malmberg⁵; they explore the role of path dependence in economic geography and its evolution over time. This chapter tries to identify mechanisms that lead to spatial clustering of economic activities and also links to path dependence. It also explores the reason for development of localized capabilities and gestation period of the same. The role of path dependence in regional development is explored as well. In chapter 5, PerOla Oberg and Kajsa Hallberg Adu⁶, focus on the role of politics in path dependence. They believe that the theories of path dependency developed for economic analysis may not be sufficient for political systems as they are more complex than the former. Authors mention the work of Robert Putnam to effectively explain his idea of path dependency (p.109). Path dependence is an apt and convenient metaphor; however one should use a beautiful metaphor carefully, is the message of the chapter. The importance of micro studies and its cross country comparison is emphasized by the authors, to avoid wandering around vague directions.

Chapter 6 by Roger Hollingsworth⁷ explores in detail the role of institutional environment on organization's innovativeness via implications on organizational

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culture. 290 major discoveries in the field of biomedical science from four countries (Britain, Germany, France and USA) are used to explain the role of path dependence for societies and organizations. It is well explained in the chapter that variability in innovativeness of societies can be explained by path dependence and in individual research organizations as well. In chapter 7, Stephen E. Margolis⁸ explains the role of path dependence from public policy perspective. He critiques the earlier and general notion of path dependence in the terms of, "History Matters" and "They are what they are because they have been what they have been" (p.166). This general interpretation is too obvious to him and in this sense path dependence can be actually seen everywhere. But to derive conclusions related to market failure and inefficiencies, the idea of path dependence should be examined to deeper levels. This chapter draws heavily from economic history (p.168). It is advised not to confuse simple persistence with lock-in. The simple fact of persistence should not be taken to imply likelihood of inefficiency. Just as policy analyst should not accept the suggestion of remediable market failure at the allegation of externality, they should be skeptical that persistence is likely to enshrine inefficiency (p.188).

In chapter 8, Bernhard Ebbinghaus⁹, examines the role of path dependence in institutional framework. Two types of path dependence discussed in the chapter are in institutional sense; micro level diffusion process and macro level institutional arrangement that shape subsequent political decisions. The first kind starts with small chance event which leads to deterministic outcomes through self reinforcement. The self reinforcement mechanisms in this case are coordination, vested interest, institutional complementarities and internalization. On the other hand, the second kind starts with major events which lead to open processes of institutional change. In this case the factors of change are endogenous, unlike the first kind. The self reinforcement mechanism is same in this case as well. Author also discusses the limitation of the approach of path dependence in institutional framework.

The various chapters in the volume present detailed and multi-disciplinary approach to path dependence. The authors of different chapters being from different

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backgrounds with different specializations, presents all possible dimensions and application of path dependence. Path dependence has largely been associated with stability and change, but now the focus should be on how to bring the pattern of changes in the narrative of path dependence. Path dependence understood in the sense of history matters, and “no one chooses in vacuum but under the conditions created by past”, is correct but the story must move ahead from this. Arguments around loss of independence because of increasing returns in models of path dependence need to evolve further because timing of events is not a mechanism. Models of path dependence should not just bring events with common event under one roof, but also events with common causal mechanism. This is the biggest challenge that this paradigm is facing today and bringing this to notice is the biggest achievement of the book too. This volume focuses and emphasizes on the need for path dependence framework to evolve to answer bigger questions and its increased applicability.

As the volume contains work by different authors in different chapter, the major limitation of the book is repetition of work in various chapters. Almost all chapters have referred to Paul Davis’s work on QWARTY key pad, more than two chapters have used defined first, second and third degree path dependence and Douglass North’s work is also used in almost all chapters.

Overall, the book is a comprehensive and interesting read for anyone interested in the subject of path dependence in any sphere, be it polity, history, technology or economics.