inconsistent with the libertarian case, as advocates of big government like to point out. But Bergh and Henrekson explain that economic growth is also influenced by a host of other factors, particularly other dimensions of economic freedom and openness. Scandinavian countries' efforts over many years to increase their economic freedom and openness have offset the drag on economic growth from their unwavering commitment to big government. Moreover, while their total tax shares of GDP have not come down, their tax systems have become more growth-friendly through reforms that removed some of their distorting features.

What Bergh and Henrekson argue, in other words, is that the economic growth penalty from big government can be masked for a while by the benefits of other growth-oriented policies, but it is always present and will eventually assert itself. They warn the United States that it cannot expect to avoid this penalty by trading off government expansion against broader economic liberalisation, simply because the US economy is already relatively free and open and has less scope than Scandinavian countries did 30 or 40 years ago to offset the harm that a bigger government size would do to economic growth.

This leads me to wonder about Australia, which has a relatively small government share by the standards of rich countries but also the scope and need to lift productivity towards US levels through tax reform, deregulation, and other productivity boosting policies. Although Bergh and Henrekson don't discuss Australia, the lesson I take from them is that if the growth dividend from economic reform were to be spent on new and expanded social programs that significantly increased government spending and taxation as shares of GDP, the growth dividend would disappear and living standards would be back to where they started, or worse.

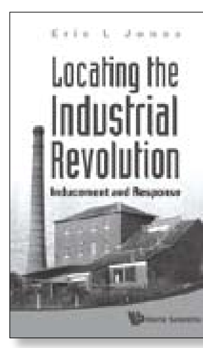
The other novel aspect of the book is its emphasis on the damage done by higher personal income tax rates to productivity and economic growth through their effects on the degree of marketisation of household production. High tax rates act as a disincentive for market work and encourage more do-it-yourself work at home. This hampers the development of an extensive service sector with its greater specialisation, division of labour, and impetus to innovation and productivity growth. The authors present evidence from the United States and Sweden. They are no doubt correct, but I find the emphasis on this particular thesis disproportionate relative to all the other ways in which high taxation can stifle innovation and productivity growth.

For example, there is broad agreement among economists that high corporate income tax rates are particularly damaging to growth, but there is no mention of that in this book. This serves as a reminder that *Government Size and Implications for Economic Growth* does not purport to be a comprehensive theory or analysis of the topic. It is a polemical piece that chooses the grounds on which to base its contribution to the US economic debate, but the result is no less valuable for that.

Reviewed by Robert Carling

Locating the Industrial Revolution: Inducement and Response
By Eric L. Jones
World Scientific Publishing, Singapore 2010
US$68, 272 pages
ISBN 9814295256

It was not that long ago when detailed study of the Industrial Revolution, like economic history more generally, was considered an integral part of an Australian economist's education. No more: a victim, it would seem, of the crowded syllabus and technical orientation of contemporary economics. Fortunately, as Eric Jones' new book, *Locating the Industrial Revolution*, illustrates, the causes of the Industrial Revolution continue to fire the interest of the finest minds regardless.



For many, if not most, the British Industrial Revolution is typically understood in terms of those things most commonly associated with it: iron, coal, steam, cotton, machinery, and factories. Here, it is said, was a truly revolutionary event: a sudden, sharp episode, born at the end of the eighteenth century, of new technologies and individual genii, which once and for all wrenched humanity out of its pre-industrial slumber and propelled it into the modern world.

Locating the Industrial Revolution offers a different, fresh perspective. It contends that the Industrial Revolution is better understood not as an abrupt break with the past but as a phenomenon connected to broader, much longer running developments occurring within the British economy.

There have, of course, always been researchers who have emphasised the gradualism of the Industrial Revolution. What is unique about this book is that it comes to such a position by looking at what took place in the English economy *as a whole*. As its starting point, it poses the question: what happened in the largely ignored other half of England that did not experience the revolution? After all, during the late middle ages and the early modern period, it was there, in the south of England, that the country's industrial heart beat. Jones' 'twist,' therefore, is to see the demise of manufacturing across southern England as a control against which the industrial rise of the north can be understood. Given the institutional, political and cultural similarities in both regions, this certainly appears to be a better control than the more commonly used later experiences of other countries. Utilising an impressive array of regional sources and family histories, Jones reveals that southern de-industrialisation actually began in the seventeenth century, well before northern coal-fired steam engines came on the scene; the south's decline was not just a consequence of the north's industrial revolution.

So, what did happen? In a nutshell, Jones' answer lies in the steady integration of England's markets brought about by constant improvements in the country's transport and communication networks. While this process of improvement began, albeit tentatively, as far back as with the Stuarts, it gathered momentum after the Glorious Revolution of 1688, when England acquired a king who agreed to limit his powers. Under this settlement, political and religious turbulence gradually abated, and a markedly safer investment climate combined with the curiosity of the Enlightenment to galvanise the economy. As part of this transformation, the English elite, long accustomed to the rewards of rent-seeking, progressively came to accept the market as the final arbiter of its fate.

The result was ever-widening regional competition, a process that worked itself out over decades, with producers in the various parts of the country being drawn into the national market at different rates and times. As Jones describes:

> … latent advantages enabled this town or that to prevail over its neighbours, whole districts to maintain their industry but others to see theirs dwindle, and eventually entire regions—north and south—to follow opposite economic paths. (p 48)

Thus, Jones' explanation for the rise of the industrial north lies in the process whereby the first *truly* British economy came to be reorganised along the lines of comparative advantage. With sustained agricultural innovation in the south, investment there steadily flowed into farming away from a traditional manufacturing base facing ever-greater competitive pressures. The opposite occurred in the north. Seen from this light, the concentration of industry in the north was a secondary effect of market integration; it was not due to the presence of coal there.

Jones then outlines three phases in the rise of northern industrial supremacy. In the first, its strength arose ironically from what it lacked: a comparative advantage in cereals. Once established, though, the industrial clusters of the north went from strength to strength benefitting from agglomeration economies. In the second phase, coal appeared on the scene, but for purposes other than generating steam. Since coal was a small component of costs prior to the steam age, it afforded the north little benefit. Its competitive advantages still lay elsewhere. Indeed, it was not until Jones' third phase after 1850 that coal was routinely used in steam engines. Only then was coal truly central.

Jones' work is important because it illustrates that the economy of late pre-industrial England was far from moribund and that coal-fired steam engines did not initiate southern de-industrialisation. The only quibble I have relates to Jones' assumption that the great technological advances of his third (coal-dominated) phase were driven by the same process of market integration that propelled the regional restructuring of the previous two phases. One could, of course, build a plausible argument around industrial agglomerations reaching critical mass to support such a view, but that case is not made. Nor does demonstrating the earlier power of the market to transform regional economies do the job. Without more direct evidence, a sceptic could still contend that what happened in Jones' third phase was an entirely separate phenomenon. In other words, first markets integrated *and then* there was an industrial revolution, rather than market integration leading to industrial revolution. This may sound like pedantry but it isn't: each formulation has different policy implications. The former suggests that a separate trigger is needed for an industrial revolution-like event, the latter that the market and competition will suffice.

Another interesting feature of *Locating the Industrial Revolution* is that it shows, I believe, three ways in which the study of economic history can inform economics.

First, economic history provides real world context. By training, economists look for neat solutions; economic history exposes them to cases where the usual assumptions do not apply, where, for example, responses do not automatically follow incentives and irrationality persists. In the wake of the global financial crisis, such knowledge is surely germane.

Second, economic history provides economists with a wealth of data to test theories. Care is needed here, though, for, as the book neatly illustrates, historical data can be unreliable. Moreover, merely using history as a lab without understanding the sources and period leads one to miss as much as one discovers. As Jones notes:

> Models are not meant to map reality, yet the economist's professional urge is to go too far down this track, to see how far any model will run. It then becomes an exercise, not history. (p. 245)

Finally, the puzzles posed by economic history can be sources of useful new ideas. Properly taught, economic history and theory complement each other beautifully and yield powerful insights.

Locating the Industrial Revolution is an excellently written book that offers an intelligent, erudite and thoroughly entertaining account of one of history's most significant events. It is highly recommended.

Reviewed by Gary Magee, Professor of Economics and Associate Dean (Graduate) in the Faculty of Business and Economics at Monash University.

Good Faith Collaboration: The Culture of Wikipedia

By Joseph M Reagle Jr

MIT Press, 2010
$41.95, 256 pages
ISBN 9780262014472

Good Faith Collaboration explores the genesis and operations of Wikipedia, as well as the community of Wikipedians who sit behind the online encyclopaedia. The book, which was originally written for a postgraduate dissertation, offers a detailed and sympathetic account of what Joseph Reagle, Jr. believes are the core features of the Wikipedia culture and community.

Reagle starts by chronicling modern attempts at developing a universal encyclopaedia. The task of capturing and cataloguing the world's knowledge, as it was and as it is, does not fit well with the static paper-based approaches used in the past. Yet electronic and web-based attempts did not automatically achieve success either. Wikipedia's predecessor Nupedia was a peer-reviewed web based encyclopaedia. Like Wikipedia, it allowed individuals to share their knowledge, but contributions had to come from authoritative experts. Though well intended, the need to submit whole entries and undergo the review process discouraged contributors and curtailed Nupedia's vision of being a free and accessible encyclopaedia.

The invention of the wiki, which allows readers of a webpage to edit it, enabled a new process where members could not only contribute entries but also amend and add to other people's work. Wikipedia uses the wiki idea,