As the Elbert H. Neese, Jr. Professor of Economics, it is my privilege to introduce the fifth Annual Proceedings of the Wealth and Well-Being of Nations.

Under the banner of the Miller Upton Programs, The Department of Economics at Beloit College has developed an ambitious initiative to advance understanding of the ideas and institutions necessary for widespread prosperity and human development. The centerpiece of these programs is the annual Wealth and Well-Being of Nations: a Forum in Honor of Miller Upton. Every year, the Upton Forum brings to Beloit College a distinguished, internationally recognized scholar who works within the classical liberal tradition. The Upton Scholar engages with students, faculty, alumni, and civic leaders in an informed dialogue around the nature and causes of wealth and well-being.

In addition to the Upton Scholar, we feature leading scholars whose work complements the work of that year’s Upton Scholar. We assemble this cadre of scholars to demonstrate that the intellectual enterprise of understanding the nature and causes of wealth and well-being is an ongoing project. The essays collected in this volume capture in written form many of the ideas exchanged, challenges posed, and questions considered during the Upton Forum and over the course of the academic year.

Before introducing the Upton Scholar and the substance of the contributions made within this volume, let me say a few words about the man for whom the forum is named. R. Miller Upton was the sixth President of Beloit College, serving from 1954-1975. A nationally recognized leader in higher education, President Upton had two passions. First, he believed that small residential liberal arts colleges were the ideal places to engage the “great questions” because at places like Beloit College, students are expected to acquire the intellectual habits nec-
ecessary for critical thinking and civil discourse. Second, he believed in the ideals of a liberal society: political freedom, the rule of law, and peace and prosperity through the voluntary exchange of goods and ideas. For President Upton, the critical and open discourse fostered by liberal education was crucial to building and maintaining liberal democracy.

Consider the following quote from a speech President Upton gave at Culver-Stockton College in Missouri during the run-up to America’s Bicentennial:

Let us not, therefore, content ourselves with a crash celebration of the Bicentennial of the beginning — July 4, 1976.

Such a celebration we should have, but we have more to think about than that. We have the opportunity during the 13-year period 1976-1989 to re-awaken the nation to the nature of its origin and the genius of its concept. All segments of our contemporary society should be involved in recovering the mission and pride of our existence — not for the sake of pride alone but to reassure our contribution to the social evolution of man by fidelity to the principle of decentralization of authority.

The Miller Upton Forum reflects and honors the two passions of President Upton that are so apparent in that quote. It does so by bringing to Beloit an internationally recognized scholar whose work falls within the classical liberal tradition. In 2013, that scholar was Professor Timur Kuran.

*Explaining the Economic Trajectories of Civilizations*

Professor Timur Kuran is the Gorter Family Professor of Islamic Studies at Duke University, where he has appointments in both the economics and political science departments. During his career, Kuran has focused on some of the biggest and most important social science questions, such as the evolution of preferences and institutions. While an economist by training, he has published not only in top economics journals but in sociology and political science journals as well. The boldness and clarity of his research, in addition to his willingness to speak to and learn from other disciplines, has helped scholars better understand social change, revolutions, and the underdevelopment of the Middle East. It is for these reasons we were honored to name Timur Kuran as the fifth Upton Scholar.

It would be extremely difficult, if not impossible, for me to effectively detail in the space available the large number of important arguments advanced by Professor Kuran and how they have contributed to our understanding of the wealth and well-being of nations. As author of three major books and over 60 journal
articles, the sheer scope of his scholarship is considerable. Instead I will sketch here, in the briefest of fashions, the arguments presented in Kuran’s two most prominent books, before moving on to discussing the new scholarship surrounding his ideas that are contained within these collected proceedings.

In his first book, *Private Truths, Public Lies: The Social Consequences of Preference Falsification*, Kuran (1995) argues that individual’s publicly expressed preferences often diverge from their private preferences in the face of repression or social disapprobation. This “preference falsification” often has social consequences because when a person hides their true opinion about an opinion or policy they make it harder for others to publicly express their true preferences. Professor Kuran’s work shows, among other things, how preference falsification can distort and corrupt public knowledge by minimizing intellectual debate and consideration of the advantages of institutional change. In addition, his notion of preference falsification is crucial for understanding why revolutions or the fall of communism cannot be predicted with any certainty.

In his most recent book, *The Long Divergence: How Islamic Law Held Back the Middle East*, Kuran (2011) is a careful study of the mechanisms by which Islamic law impeded capital formation and innovation in business organization in the Middle East. The starting point for his analysis is the fact that the economy of the Middle East was roughly comparable with that of Europe in the year 1000. By the nineteenth century, however, the Middle East had fallen considerably behind Europe in terms of economic development. Kuran shows that this long divergence was not due to Islam being inherently conservative or hostile to commerce, as some have argued. Instead, Kuran argues, the institutions that developed during the first two centuries of Islam to facilitate development ultimately blocked the emergence or adoption of innovations crucial to the modern economy, such as the modern corporation, standardized accounting, or written contracting. In helping to explain why the industrial revolution took so long to spread from Europe to the Middle East and why the Middle East still lags behind today, Kuran has contributed greatly to our understanding of the wealth and well-being of nations.

**New Questions Pursued in this Volume**

In his keynote address offered as the first essay in this volume, Kuran turns his attention away from economic institutions in the Middle East and towards democratization. Like his work in *The Long Divergence*, Kuran shows how Islam
indirectly influenced institutional change in the Middle East. His careful economic history of the Middle East illustrates how, over the past millennium, Islamic law influenced economic and social institutions in a manner that hindered institutional improvement. For example, the interpretation and implementation of the tax system mandated in the Quran led to arbitrary taxation, which in turn led the wealthy to protect their assets through the Islamic trusts known as waqfs. The waqf, while successfully sheltering assets, weakened civil society since tying up resources in a waqf meant they could not be used politically to achieve institutional change. In addition, Kuran argues that civil society was not robust in the Middle East because Islamic law kept commercial relations at the level of personal exchange. Combined, these historical factors manifest themselves in the current Middle East as low levels of trust, high rates of corruption, and a weak civil society, all of which, Kuran argues, indirectly contribute to the lack of democratization in the region.

The remainder of this proceedings volume features scholars working on themes prominent in Kuran’s work. In “Institutional Bottlenecks: What Can Be Done?” Christopher Coyne and Abigail Hall tackle the thorniest issue raised by Kuran’s work. Throughout his work, especially in The Long Divergence, Kuran has carefully identified the mechanisms by which the institutions of the Middle East have led to economic stagnation. Since institutions are path-dependent and slow to change, “institutional bottlenecks” are created. Coyne and Hall use the work of Nobel Laureate F.A. Hayek on spontaneity versus constructivism in an attempt to answer the difficult question of what can be done to overcome institutional bottlenecks once they are identified. They conclude that given the limitations on human reasoning, it is best to focus on the meta-rules by which institutional evolution takes place.

In “Preference Falsification, Revolutionary Coordination, and The Tahrir Square Model,” David Patel employs Kuran’s revolutionary threshold model to explain the 2011 protests in Egypt that eventually ended the nearly thirty-year rule of Hosni Mubarak. In Kuran’s model, revolutions are unexpected because of the divergence between public and private preferences. In the face of a repressive regime, some individuals may be willing to express their true preference for a new government. Others, however, might want a new government but are unwilling to publicly express this opinion unless enough other people were to do so. Each individual has a different “revolutionary threshold” – the amount of public opposition necessary for them to make private preferences for the opposition pub-
lic – and thus seeing the true extent of the opposition is necessary for fostering revolutions. Patel builds upon Kuran’s work by showing how focal public squares like Cairo’s Tahrir Square can foster revolutions by making common knowledge the true size of the opposition to the current regime.

In a provocative essay, Murat Iyigun asks tough questions surrounding scholarship in new institutional economics. While new institutionalism has had considerable success in the last thirty years convincing people that “institutions matter,” there are some important blind spots in their analysis, argues Iyigun. If institutions are durable and long-lasting, why have many constitutional democracies struggled with eroding institutional quality in recent years? There is ample evidence that economic, legal, and political institutions are open to change, so why the narrow focus on these institutions as the source of economic growth to the exclusion of other institutions such as beliefs, culture, and social norms. Like the drunk looking under the streetlight for his keys because that is where the light is brightest, Iyigun argues that the quest for a clean identification strategy has caused many new institutionalists to ignore these other important causes.

Jared Rubin provides a wonderful overview of Kuran’s work on the underdevelopment of the Middle East in “Timur Kuran’s Framework and Economic Underdevelopment in the Islamic World.” He takes readers on a tour of some of Kuran’s seminar papers, showing why Kuran’s insights and arguments were so compelling that they quickly overturned previous notions regarding Islamic underdevelopment such as the “fact” that Islam is inherently “conservative.” Rubin then goes on to show very clearly how Kuran’s research has influenced his own important scholarship on the role of religious legitimacy for political authorities. Differences in both the prevalence of usury laws and restrictions on the printing press, Rubin’s work shows, can be explained by the fact that Islamic political authorities relied much more heavily on religious legitimacy than did contemporary Western political authorities.

The final two essays in the proceedings are somewhat exploratory in nature. In “Religion and Entrepreneurial Activity in the US,” Travis Wiseman and Andrew Young examine the role that religion plays in explaining differences in entrepreneurship across US states. In contrast to the “thick” economic history that Kuran does, they employ “thin” regression analysis approach to take a first look at how religion might influence entrepreneurship in the United States. Wiseman and Young have many interesting findings, but what is most valuable about their paper is the questions that their work raises for future research. Similarly, the
final essay by Anna Faria and J. Robert Subrick raises important issues concerning economic underdevelopment in Brazil. According to available estimates, in 1600, Brazil had income levels higher than what is now the United States. Today, Brazil’s per-capita GDP is under a quarter of that of the United States. Building off Kuran’s approach in *The Long Divergence*, Faria and Subrick discuss different possible arguments for “Brazil’s Long Divergence.”

**With Many Thanks**

On behalf of Jeff Adams, the Allen-Bradley Professor of Economics and the other members of the Department of Economics, I want to extend our thanks to everyone who played a part in making the 2012 Upton Forum and associated programs a success, including the many scholars who presented during the forum and over the academic year. Taking over the duties of the Neese Chair from Emily Chamlee-Wright was a daunting task, but having such personable and engaging scholars visiting campus made things considerably easier, as did having such wonderful students in my 2012 Senior Seminar on the Wealth and Well-Being of Nations. Their willingness to dive deeply into the readings and engage with our visitors was integral to the success of the Forum.

Special thanks go to former Neese Chair Emily Chamlee-Wright for creating such a strong foundation for success as Neese Chair. Whenever I had doubts about what was the right way to handle something, I could always follow her detailed directions from previous Upton Forums, secure in the fact that she never did anything without a good reason. The biggest thanks I can give her, however, is for not taking Jennifer Kodl, Program Coordinator of the Upton Programs and Managing Editor of this volume, with her to Washington College. Jennifer’s experience, attention to detail, and good spirit were everything this neophyte needed to pull off the dozens of Upton programs and events.

Finally, I would like to thank the many alumni, friends, and charitable foundations who have supported the Miller Upton Programs. When the Upton Forum was launched, the goal was to create a suite of programs that would foster the kind of intense and engaged inquiry that leads to the development of liberally educated men and women. A belief in the emancipating power of critical thinking, an unapologetic passion for ideas, and a deep respect for open inquiry in which the answers are not preordained, have been our guiding principles. If the Economics Department were to honor Miller’s legacy, anything less would have been unacceptable. The generosity of our contributors has allowed us to live up to
the promise of those principles and has ensured that the Miller Upton Programs will serve Beloit College students and the broader community of intellectually engaged citizens for many generations to come.

References

