

# Referee Report for “Simple Rules for the Developing World ”

European Journal of Law and Economics

Jan 2021

## 1 Summary

Let me state that I am a weird kind of reviewer. I often read interesting papers and I wish they had been written in a different manner to better convey the point. However, I try to limit this reflex of mine as it seems pretentious and arrogant to propose to someone to rewrite a paper based on my subjective preferences. Consequently, I always try to move to the core of the argument and I only propose restructuring when absolutely crucial. In the present case, I felt no need to exercise this reflex. The paper is clear in its structure.

I admit I liked the paper. In fact, there is much to like in it.

## 2 Main Comment

### 2.1 A bit more empirical

I have a simple suggestion for the author. The idea is going to give them some leeway to say more with certainty as the **Indian case is interesting but limited (n=1)**. They could use the Chong et al. (2014) data and express it relative to the World Bank’s Ease of Doing Business. Assuming that the World Bank’s measures captures complexity and that Chong et al. (2014) capture state capacity, the authors could produce a cross-section of countries in the developing world with an independent variable that, by expressing the two as ratios, could allow them to test how costly it is for weak states to engage in complexity! I imagine a very simple setup with GDP per capita growth in the five years after the Chong et al. (2014) survey (using the Maddison Project Database). I expect, given the stuff that Ryan Murphy (2019b,a) has done, that they’ll find a strong positive association (weak states with low complexity have more growth than weak states with high complexity). With roughly 100 + countries, I expect some relatively stable results. In fact, if the authors don’t do this, I might take this up myself as a paper for the near future (I really think their core idea is good and worth fleshing out) or I will approach them after the review to write it up with them!

## 2.2 Economic History

The authors are forgetting something really huge here: history. Most of the now capable states were once weak as modern weak states are. In the United States, the state was quite weak (it could not even enforce its postal monopoly for the first fifty years of the Republic – Olds (1995)).<sup>1</sup> Yet, the rules were arguably quite simple (as most of Epstein’s legal history work suggests). The US was quite able to surge ahead and get rich. There must be a way to insert some history to make the case that weak state imposing simple rules has actually helped them escape poverty. They do mention Adams briefly, but the Mercatus working paper by Werner Troesken on corruption would probably do an ever better job (Troesken, 2007).

## 3 Minor comments

### 3.1 Predation

On line 33 of page 4, the authors state that “Individuals are vulnerable to predation by other individuals and predation by the state”. I think it would be useful to cite Djankov et al. (2003) here alongside Rosser and Rosser (2008).

### 3.2 Law, predation and its origins

It would also be worth pointing to the work of Geloso and Salter (2020) which argues that state capacity is not about reducing private predation – state capacity is built to resist predation from other states (and prevent being absorbed/conquered) or in order to attack other states to capture rents (which is why they argue that there is no long-lasting rich/stateless example in economic history). This would have the benefit of allowing the authors to modify lines 36 and 50 through 55. Indeed, “law” is more than state capacity. “Law” refers to the large set of elements that constitute governance – capable states are a subset of that set.<sup>2</sup> In mentioning this, they avoid wedding themselves to the implicit assumption of the state-capacity crowd that guarantees that they get the results they want (i.e. state capacity leads to growth) by being fooled by correlation (which is what Geloso and Salter (2020) argue is actually happening).

### 3.3 Big Players

For some reason, the argument regarding complexity of rules made me think of Roger Koppl’s work on Big Players. It would be worth trying to add some of his stuff (as I know the authors are familiar with it anyways).

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<sup>1</sup>It was even worse in Canada Geloso and Makovi (2020) and Britain (Coase, 1939, 1961).

<sup>2</sup>In fact, I would be tempted to say that “law” refers to a set of “good” governance of which “some” capable states are included but very few in reality. Many “capable states” are not in the “good governance” set.

### 3.4 State capacity and post office

It would be worth pointing, when mentioning the Chong et al. (2014) article, that there is a long literature that uses the post office as a proxy for state capacity (Acemoglu et al., 2016; Geloso and Makovi, 2020; Rogowski et al., 2017; Jensen and Ramey, 2019; Andrabi et al., 2020).

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