

Flexibility and Growth: the Discipline of Economic History in the Mirror of the Past

(opening lecture at the XIIIth I.E.H.A. Congress, Buenos Aires, 22 July 2002, by Professor em. Herman Van der Wee, Leuven University, Belgium)

Paraphrasing the well known statement ‘The Cliometric Revolution is dead’ that Alexander Field made in 1987 in his book *The Future of Economic History*, I could have begun my lecture with the rhetorical question: ‘Is Economic History dead or dying in 2002?’ Were the answer to have been ‘yes’, my lecture would have been a short, nostalgic one. Looking at the programme of this XIIIth International Economic History Congress and looking at the bright, creative audience in front of me, the answer is definitively ‘no’. Economic History has never exhibited such activity and dynamism as it does today, interacting much more than during earlier periods with numerous other branches of the Humanities and the Social Sciences. Looking at this congress’s splendid and varied program and at the disciplinary diversity of its participants, one is struck by the degree to which the field of scientific research in Economic History has been by the addition of many new aspects of the complex socio-economic reality, the new questions being asked indeed originating to a large extent from the other disciplines of the Humanities and the Social Sciences.

Before formulating certain other reflections on the present and future of Economic History, however, I want first to review, more particularly to present a short overview of its origins in the nineteenth century, its development during the inter-war period, and its real breakthrough after World War II. You will excuse me that, out of necessity, the overview will be brief and for that reason simplified and selective.

Like many children of Clio, Economic History took shape even before it was born. The leading writers of the Mercantilistic Era, for example, developed their doctrines on the basis of economic-historical data, founding, as the late Carlo M. Cipolla once put it, a kind of ‘Proto-economic History’. Adam Smith was the first modern scholar to use economic history systematically as a tool of analysis. For him the critical historical study of Mercantilism was a kind of laboratory within which, by inductive reasoning, he could build up the theoretical framework of the free market economy, in his view a more efficient system than that operating according to the principles of Mercantilism. Smith’s successors developed his ideas of classical economics further, but they deprived the new theory of its historical dimension. They preferred to construct elegant models of general equilibrium in which any reference to the historical reality was absent. One notable exception was Alfred Marshall, although he used Economic History in an eclectic way and mainly to illustrate or clarify his theoretical analyses.

Around the mid-century, the German economists reacted against the deductive approach of the English classical economists by founding their Historical School. In the Germans’ view the inductive method, based on Economic History, was the only, thus necessary, tool for all relevant theoretical reasoning in Economics. Interested primarily in institutional analysis the Germans focused on studying the changes over time of economic institutions and systems, constructing theories of economic development, the so-called ‘Stufen’-theories. Werner Sombart and Max Weber would widen the scope of the ‘Stufen’-hypothesis, by adding social and cultural variables to the economic ones. Karl Marx, finally, would combine the German inductive approach with

the deductive approach of the Anglo-Saxon classical economists. The scientific reputation of the German Historical School on the continent became so high that, at the end of the nineteenth century and at the beginning of the twentieth century,, many young scholars were wending their way to Berlin to complete their education in the economic seminars, which were organized according to the formula introduced by Leopold von Ranke in Germany in 1833.

In studying economic-historical development in such a systematic way, the members and followers of the German Historical School became *de facto* the founding fathers of Economic History. But one should not forget to mention that during the second half of the nineteenth century an English Historical School had also emerged, reacting in turn against the too abstract and too deductive approach of the classical economists. The success of this School extended to the United States, where institutional economists such as Thorstein Veblen became active in the field of Economic History and gained great fame in it. The Anglo-Saxon School, therefore, also made a substantial contribution to the emergence of Economic History as an autonomous discipline.

Of course, its growing success from the end of the nineteenth century onwards was due to other factors, too. Marxism, for example, became influential among intellectuals and in academic circles, stimulating interest in economic development as an important topic of historical analysis. Not less crucial was the industrialization that took place across large areas of the European continent and in the United States during the second half of the nineteenth century. Economic growth in the industrializing countries, indeed, created a favourable climate for study of the historical context in which the industrialisation took place. Thus, even before World War I, Economic History had developed into a healthy and respected discipline of the Humanities and Social Sciences, confirming its status with the attraction of an ever-increasing number of students and scholars, with the creation of specific university chairs, very quickly with the foundation of specific journals, and - after the war - with the organization of specific congresses.

During the inter-war years Economic History expanded further. However, its scholars shifted the focus of their research: first (within the framework of quantitative monetary theory) towards the economic problems arising from the war, such as inflation; later towards questions linked with the world crisis, such as business cycles and wages. W.C.Mitchell and Joseph Schumpeter were pioneers in this respect in the Anglo-Saxon world,; other pioneers were François Simiand and Ernest Labrousse in France, and Walther Hoffmann in Germany. It was felt that the use of historical statistics could contribute substantially to a deepening of the analysis. With that goal in mind an *International Scientific Committee for Price History* was created in 1931 by Edwin Gay and William Beveridge. It had an immediate impact and remained important beyond the 1930s. During the second half of the twentieth century, indeed, publication of historical series of prices and wages, and of other quantitative data multiplied.

Two other initiatives of the inter-war years were to have a great influence upon the expansion of Economic History during the first decades after World War II. In this respect, particular mention has to be made of the ambitious project represented by the *Cambridge Economic History of Europe*, a project involving a large international team of economic historians and aiming at combining economic theory with historical analysis. A first volume was published in 1941 and was followed by many others over the ensuing decades. The second important initiative was the

founding in 1929 of the French journal *Annales d'histoire économique et sociale* by Marc Bloch and Lucien Febvre, whose ambition was to introduce a new kind of social and economic history, to make it truly interdisciplinary and to integrate it more fully into the interests and methods of the Social Sciences. This ambition was maintained after the war.

By then, Economic History had become one of the main sub-disciplines of the Economic and Historical Sciences. Of course, the full realization of initiatives taken during the inter-war years was not the only factor responsible for the success of Economic History after World War II. A number of initiatives taken *after* the war were as decisive. In this respect the Anglo-Saxons clearly dominated the scene. During the immediate post-war decades, indeed, they were the main innovators in both Economic History and Economics as such. It is common knowledge that Keynesianism became the great fashion in Economics at that time, soon to be complemented by theories of economic growth and development. These shifts in theory increased the interest of economists in long-term processes. The Americans were the first to appeal to historians to join them in conducting research on the topic. The appeal was heard. During the first International Economic History Congress at Stockholm in 1960, the themes on industrialization, human capital and technological innovation became predominant in the sessions on Modern History. Soon the scope of research was to widen, leading to new questions being asked, such as: 'had the centrally planned economies, seen in a long-term historical perspective, a comparative advantage or a comparative disadvantage vis-à-vis the free market economies in promoting economic growth?'; 'how could one explain in historical terms the regional, long-term growth disparities in the West?'; 'how could one explain uneven economic development in the world?'; 'how could one specify the links between long-term growth and income?'. The last question was analysed in depth by Simon Kuznets, who started to use reconstructed historical series of national accounts for that purpose. Kuznets' project, funded by a generous grant from the Social Science Council, was, in both Europe and the United States, to generate a large-scale movement of reconstructing national accounts with a view to studying long-term economic growth and its social and socio-institutional implications. In France, as early as 1961, Jean Marczewski and his collaborators began publishing the results of their research on the reconstruction of French national accounts from 1700 onwards. In England, in 1962, Phyllis Deane and W.A.Cole published a comprehensive study entitled *British Economic Growth, 1688-1959*, based on reconstructed national accounts.

The British medievalist, Munia M. Postan shared the post-war interest of the modernists in economic growth and became a prominent figure in the study of the long-term economic development during the *Ancien Régime*. His neo-Malthusian approach remained for a long time a model of interpretation as far as European economic development in the pre-industrial era was concerned and was to lead to the creation of the *Cambridge Group for the History of Population and Social Structure*, soon to become famous for its publications on English demographical history. The French and German medievalists and early modernists, including Jean Meuvret, Pierre Goubert and Wilhelm Abel, joined the British, but focused their research more on the short- and mid-term demographical fluctuations, while also looking also at the impact on the socio-economic situation. During the same period the *Annales* School, now firmly led by Fernand Braudel, extended its influence among not only the French economic historians but also historians in the rest of the continent, and even beyond. Initially, inspired by Braudel's pioneering study on the Mediterranean, research was concentrated on regional studies - quantitative as well

as qualitative in their methods - of long-term economic development in Europe. Gradually, however, the 'global history' approach of the School became predominant, leading to the study of a so-called 'emerging world system' since the sixteenth century onwards, of which the publications of Braudel himself and of Immanuel Wallerstein are the most representative.

From a methodological point of view, the expansion of Economic History had been characterized during the inter-war years and the years immediately beyond by a big effort to increase quantification and to extend the use of economic theory. However, the use of statistics and the use of theory remained in essence descriptive. Economic historical studies of that time can therefore be sub-divided, therefore, into three categories: 1° studies that systematically published quantitative socio-economic source material, such as series of prices and wages, customs accounts, mint accounts, demographic statistics, production statistics, etc.; 2° studies that, on the basis of newly compiled or previously published quantitative data and with the help of elementary statistics, were already introducing some interpretations albeit in a descriptive way; 3° studies that combined economic theory, statistical data and qualitative information in order to advance well specified explanatory hypotheses without, however, systematically testing those models.

During the 1950s, American economic historians took the initiative to add a fourth category to the three already in existence. In 1957 Alfred Conrad and John Meyer launched the idea of a 'New Economic History', aiming at a rigorous combination of economic theory and historical data in order to construct well-specified working hypotheses, to formalise these in a mathematical model and to test that model statistically on the basis of an existing or newly mined bank of quantitative data. The idea was taken up with enthusiasm by a group of young economic historians who founded 'Cliometrics' as an autonomous sub-discipline of American Economic History. They institutionalised the movement by the creation of a 'Cliometric Society', Robert Fogel's *Railroads and American Economic Growth*, published in 1964, becoming their model. Soon all other major themes of American economic history were to be revisited by the cliometricians in the hope that the new methodology would lead to a complete revision and reinterpretation of the traditional explanations. The so-called 'Cliometric Revolution' would also spill over to Europe and to other countries overseas, although for many years the movement was still to remain marginal outside the USA. From 1970 onwards, however, the world congresses of the International Economic History Association began including in their programmes a session on methodology, dominated from the beginning by the American cliometricians.

The ambition for that Cliometrics soon to become the main current within the discipline of American Economic History was not realized. Critical comments multiplied on the 'counterfactual' character of certain hypotheses, on the neglect of social and cultural factors in the operation of the market, and on the irrelevance of modern economic theory in explaining historical developments taking place under conditions very different from those assumed by the theories employed. However, the New Economic History did not disappear from the American scene. On the contrary, it kept its enthusiasts while withdrawing from the mainstream of Economic History into the safe, more limited circle of specialists within the Departments of Economics. In Europe Cliometrics did not disappear either, although the Departments of History and many of the Departments of Social and Economic History remained distrustful of it. In these departments medievalists and early modernists and even most modernists considered the use of

current economic theory inappropriate when the specific historical situation of Europe was taken into account. Nevertheless, cliometric methodology gradually gained ground in the circles of economic historians within the European Departments of Economics: instrumental in this respect were the foundation of a European Association of Economic History and the creation of the Association's review in the late 1980s. Moreover, the interest of American cliometricians in European Economic History encouraged a group of European economic historians to join their American colleagues in applying cliometric methods of research to Europe. Since the mid-1980s, thus, cliometric research has expanded in particularly France, England, Italy, Spain and Scandinavia.

The innovative character of the American New Economic History stimulated the search for methodological reform in other branches of the discipline, although in most cases the innovators held back from the formalized model-making and statistical testing used by the promoters of the New Economic History. The non-clometrician reformers, indeed, preferred to renew their analytical and theoretical approach by giving more weight to historical experience when constructing and verifying their hypotheses. Economic concepts and theories were used in full, but in a non-formalized way, and were often constructed inductively, being directly linked with the historical experience made during the research. Into their research and analysis, the same innovators also systematically integrated certain concepts and theories from the other Social Sciences, including Economic Sociology and Economic Anthropology: many of them, for example, were inspired by the ideas of Max Weber and Talcott Parsons. The three branches in which this specific innovative movement became most prominent were: the 'New Institutional Economic History', the 'New Business History' and the 'New Urban History'. Douglas North, originally a cliometrician, reoriented his research on economic growth to the institutional aspects of the economic past, concluding that institutions which protected property rights and which lowered transaction costs were the decisive factors in the history of economic growth. North's institutional approach in explaining macro-economic phenomena attracted the attention of many scholars. Alfred D. Chandler Jr., on the other hand, combined careful historical investigation of individual industrial enterprises with an in-depth analysis of theories of the firm and of the multinational corporation. Chandler's basic hypothesis that business management and business organization were determining factors of the success and expansion of Western capitalism soon became a standard idea in Business History. It encouraged scholars, such as Geoffrey Jones, Richard Sylla and many others, to apply his methods to the sector of multinational banking as well. If the previous innovations were rather an American than a European phenomenon, the 'New Urban History', was, on the contrary, introduced by Europeans and Americans alike. In Europe, scholars such as H.J. Dyos, urged that urban history be raised up beyond the local level to the level of analysing its typology by using particularly the comparative method. The American scholars, under the influence of the sociologists, first engaged in a more interdisciplinary approach; later, they too put more emphasis on theoretical analysis and on quantification.

Meanwhile new developments had taken place within Economic History as a whole. First, the discipline crossed its traditional European and North American boundaries and became firmly established in Australia and New Zealand, and after in many Latin American and Asian countries, as well. Second, the spectacular expansion of the mixed economies in the West during the 1950s and 1960s generated increasing concern about the negative effects of economic growth on world reserves of raw materials and energy sources. Concern also emerged about the negative

effects of growth on the environment and about the widening gap between the fast growing industrialized countries and the rest of the world. Both factors, the geographical extension of the discipline and the emergence of concern about developments in the world economy, had a serious impact upon the orientation of research in Economic History. Research, seen in relative terms, was re-orienting itself towards non-European and non-North-American Economic History. Of course, research into European and North-American Economic History remained important and even increased in absolute terms, but research into the Economic History of Latin American and of Asian countries posted quite remarkable expansion. Hand in hand with this geographical extension went the expansion of research into modern and contemporary history, at the expense of that into medieval and early modern history, which traditionally has always been focused on Europe.

A third new and fundamental development was thematic in character. Concern about contemporary developments in the world economy served to have new topics introduced into research programmes. These topics appeared as new themes in the sessions of the International Economic History Congresses from the mid -1970s onwards, and a few representative examples were: 'Oil in the World Economy', 'Typology of Colonial Economic Development', 'Loans, Debts and Economic Development in the 19th and 20th centuries' and 'Ecological History'. The re-orientation of research along new avenues would continue during the 1980s and 1990s, when economic historians began considering economic development as part of a more complex reality in which mental, cultural and socio-institutional variables were as crucial as the purely economic variables in the understanding and explaining of reality. Such themes as 'Film: an Industry on the Cross-roads of Economics, Politics and Arts', 'Gender and Labour Migration', 'Courts as Economic Institutions', 'Disease, Development and Medicine in Modern Asia' are representative of the broadening scope of economic-historical research.

The differentiation in the thematic choices went still further when economic historians also introduced micro-history and the history of the unique and of the particular more systematically into their research activities. Many scholars became interested in the economic experience of the individual ('l'expérience vécue'), in the uniqueness of some economic events ('das Einmalige'), in descriptive histories, such as biographies and narratives about small social groups or individual enterprises, at the expense of macro-history and of a more analytical and theoretical approach. They preferred the meticulous study of specific, atypical, idiosyncratic cases to structural interpretation. Many therefore abandoned macro-economic history and focused on the economy of particular private households, on the career of certain male or female business managers, on the relation between individual working-life histories and labour market structures, on micro-research with respect to demographic responses to economic stress, etc. Within this context particular mention should be made of the multiplication during the 1980s and 1990s of scientific monographs in the field of Business and Banking History. As a matter of fact, the shift from macro- to micro-history has to be seen in parallel with the shift from Macro- to Micro-Economics that has taken place within the economic discipline in general, under the influence of the success of neo-liberal theory and of neo-liberal politics since the 1980s: the time had come for a revival of supply economics, for the rehabilitation of the Schumpeterian entrepreneur and of John Hick's 'mercator gloriosus'. The 'national economy' approach, based upon strong national government intervention and action, weakened in favour of a 'global world economy' approach, based upon individual entrepreneurial creativity.

This, alas, too abbreviated review of the recent trend in the research activity of economic historians brings me to the last part of my presentation. What do the thematic and methodological shifts in the discipline imply for the future of Economic History?

As far as the thematic shifts are concerned European developments seem to indicate that policies, inspired by neo-liberal principles, will be losing ground in the coming years to policies favouring more government intervention. The main reason for this has paradoxically to be found in the development of neo-liberal policies themselves. Maintaining these policies within the increasing complexity of the global world economy of today will, indeed, necessitate more national and international government action, in order to support the entrepreneurial dynamic, on the one hand, and to avoid unacceptable abuses, on the other hand. The current emphasis on micro-economic theory ought therefore to give way to a renewed interest in macro-economic theory. Parallel with this, one could expect research in Economic History to come again to be focused, to a larger degree than in recent years, on macro-economic problems. My feeling is, of course, subjective and conjectural, entirely based on my predominantly European experience that Economic Policy, Economic Theory and Economic History are closely interrelated and subject to variation in thematic interest, according to changes in the general public's evaluation of the government's economic performance and to the resulting re-orientation of party programs.

Where methodological shifts are concerned, no such revolutions as the Cliometric Revolution are to be expected in the near future. The cliometricians will continue to go their own way, as will the other, still larger, group of economic historians who do not want to go down that path in their analytical methodology. However, it is my feeling that the latter group, even those with a continued interest in micro-history, will further increase further the use of concepts and theories from the Social Sciences, and in particular from Economic Sociology and Anthropology, when constructing their hypotheses and when analysing their databanks. They also will multiply the use of quantitative data and the use of statistical methods in order to improve the quality and analytical depth of their research, as Jean-François Eck rightly pointed out in the recent French publication on the theme 'Où va l'histoire économique?', edited by Dominique Barjot. I quote: 'Face aux multiples données chiffrées les méthodes statistiques sont pour l'historien économiste le seul moyen de dégager la signification, puisqu'elles sont précisément conçues dans le but d'extraire de ces données des grandeurs représentatives'. The revolution of the Personal Computer and the enormous progress realised in recent years in making statistical software more easily accessible to the individual researcher will of course stimulate the extension and intensification of quantitative analysis.

In future research, however, economic historians will continue to be faced with two main methodological problems. First, that of whether the concepts and theories borrowed from the Social Sciences, and from Economics in particular, are relevant for the phenomena being studied? Neo-classical theory, for example, deals with the allocation of resources under the conditions of perfect information and no transaction costs, reducing economic dynamics to mere changes in relative prices. Applying this theory, without any critical apprehension of economic situations of the recent past and of pre-industrial economies, when formulating and specifying the hypotheses would be, in my view, unjustified. Nevertheless, economic analysis, even modern economic theory, is a powerful tool to help the economic historian to organise his research and to ask the

right questions regarding the economic life of the past. Moreover, as Peter Klein emphasized, nothing in neo-classical analysis forbids the economist or the economic historian to take account of historical conditions through means of empirical research. As a matter of fact, Economic History helps in the exploration of the range of validity of economic generalisations and remains an excellent testing ground for economic theory. Therefore, when the economic historian uses modern economic theory to pose new questions and when, through his empirical research, he brings the assumptions and the resulting theoretical adjustments closer to historical reality, his working hypothesis will become more relevant, his explanatory analysis and interpretation will become more relevant and his explanatory analysis and interpretation more convincing (I am happy to say in this context that in recent years many economists, particularly the institutional economists, increasingly have been integrating an historical perspective into their research and analysis, trying by doing this to move their concepts and theories closer to reality).

A similar problem faces the economic historian when he is using statistics to formulate, analyse and test his hypotheses. Indeed, quantitative databanks of the past often do not display the same qualities of accuracy and of representativeness as the contemporary ones do. Historical statistics have therefore to be adapted to the shortcomings of the quantitative information at hand (here again, I am happy to say that in recent years the statistical science also has made remarkable progress in this respect).

The remarks I have just made concern methodological progress in the field of structural analysis. However, historical reality is much more complex than what structural analysis can reveal. Reality is a combination of 'structure' (necessity), of 'chance' (hazard) and of 'creative action by individuals and groups' (human freedom). The final question for me to address is therefore 'to what extent, in the near future, will Economic History also be able to help clarify the complexity of this global reality?'

In the first place, progress in the analytical methodology, in the way I indicated above, will, no doubt, help clarify the complexity of reality insofar as it is structurally determined. Secondly, the same can be said for the impact of the factor 'chance' or 'hazard' on reality. Progress in probability and game theory and efforts to adapt these theories to the specific circumstances of the historical situation, will make the past more transparent and enhance the quality and relevance of the interpretation. Finally, the scientific progress made in Micro-Economics and in Micro-History during the last two decades has enormously improved our knowledge of the impact of 'human freedom' on economic development and society. Borrowing theoretical insights from the Social and Behaviour Sciences, other than Economics, and from the Humanities in general, both Micro-Economics and Micro-History are now assessing much more accurately and relevantly the creative contribution, based on human freedom, of individuals and groups to economic-historical reality and development. If this progress in Micro-Economics and in Micro-History can be combined with new progress to be expected in the fields of Macro-Economics and Macro-History, we will be able to disentangle the complexity of our economic-historical reality much more efficiently than during earlier periods. Under these conditions, therefore, economic historians could play a pioneering role in modernizing and improving scholarly research in the world of the Social Sciences. Such an innovative task represents a great challenge to the economic historian, but it is a challenge we can face with optimism, when we look at the programme of the Congress that is getting under way today and when we consider the quality of the group of economic historians present here and committed to make an absolute success of it.