Jaimini Patel

What do historians bring to economic history that economists cannot bring?

Economic history is an analysis of the reciprocal relations between economic factors on the one hand and social, political, philosophic or similar factors on the other [1]. Historians can bring a real understanding of these other factors to economic history, placing the development of the economy in the context of the entire social fabric of human beings. After all, economic conditions are never isolated. They fit together to form an elaborate mechanism that creates and distributes the wealth of societies[2]. It is the eclectic nature of history that captures the complexity of human beings in our wealth gathering activities, demonstrating the interaction of such activities with society as a whole. Economists cannot bring this because they abstract economic history from the cultural, political, and social nuances of the period in question, instead focusing on what the past can contribute to today's economics. This abstraction can have profound implications on how human beings and society are captured in economic history.

Historians bring the ability to place economic behaviour in the social and institutional context of the time in which it existed, understanding the past on its own terms rather than with a present lens. The German Historical School of Economics was an approach to academic economics that emerged in nineteenth century Germany[3], which recognised this crucial role of historians in writing economic history. From this school, 'Professor Schmoller has shown us how inadequate as history is Adam Smith's account of the mercantile system'[4]. Smith's account is a picture distorted by his ideals of laissez faire economics and free trade- he condemns mercantilism to be a state policy guided by the 'childish accumulation of shiny metals', impeding the ability of a nation to focus on 'the economic prosperity of its people'[5]. In contrast, when reading Schmoller's account, which focuses on the historical context of mercantilism, he sets out to demonstrate how there is a certain dependence 'of the main economic institutions of any period upon the nature of the political body or bodies most important at the time'[6]. Schmoller directly challenges Smith's idea that the economic activity of individuals is primarily dependent on natural law by instead accepting that economic activity can be determined by the contemporary juristic system. Mercantilism was a product of the growing centralisation and emergence of the modern nation state- not something to be simply dismissed as Smith did, but appreciated as an expression of the political climate of the time. Schmoller's approach demonstrates how historians are much more alive to the nuances and cultures of different periods, bringing a sensitivity to economic history that an economist's approach is devoid of. Adam Smith is the father of modern economics, but studying mercantilism simply from his lens, as economists do, would be failing to appreciate the merits of the system in relation to the time it existed.

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[1] Harold F. Williamson, 'What is Economic History?', The Journal of Economic History 4 (1944), 25-28

[2] G.S. Callender, 'The Position of American Economic History', The American Historical Review 19 (1913), 80-97

[3] http://www.newworldencyclopedia.org/entry/Historical_school_of_economics

[4] Callender, 'American Economic History', p. 92

[5] Adam Smith, 'An Inquiry Into The Nature and Causes of the Wealth of Nations'

[6] Gustav Schmoller, 'The Mercantile System and its Historical Significance'

Historians also bring a different type of awareness to economic history: one that explores economic thinkers for their characters, successes and failures, rather than simply their most enduring theories. In contrast, economists study people in a context that is still relevant to their own discipline. For example, an economist would undoubtedly focus on John Maynard Keynes' ideas in his magnum opus *'The General Theory of Employment, Income and Interest'*, as they are still relevant to macroeconomic theory. However, the historian would capture not only Keynes' contributions to today's mainstream economics, but also how he was embroiled in the political sphere of his time. It is not often discussed among economists that post WWI Keynes was horrified by the Carthaginian peace terms of French leader Clemenceau and instead proposed the German government be given a loan to maintain itself[7]. Keynes' idea failed to come to fruition, but he accurately prophesised 'If we aim at the impoverishment of Central Europe, vengeance, I dare say, will not limp'[8]- Germany did indeed fall victim to the vengeful Nazi regime. The historian's insight into such aspects of Keynes' political character gives economic history a depth missing from the economist's reductive approach of simply focusing on his theories that pose relevance today. There is much to be learnt from Keynes' criticism of Versailles peace treaty. It is this political context that allows us to learn how Keynes, despite being British and on the winning side of the war, nonetheless maintained a critical perspective concerned with long term benefit rather than short term national glory. Historians understand how Keynes' political perspective opposed and 'came out of his unique concerns and circumstances'[9]; an insight into his concerns and circumstances allows an understanding of Keynes' innovative character. Historical details that give us an understanding of how Keynes transcended the consensus of his time might teach us how to innovate and transcend the consensus of ours, hence why a historian's insight into character and context is an invaluable contribution to economic history.

Historians bring an understanding not only of what did happen, but also what could have happened in economic history. Keynes' forgotten legacy in economic history is also his contribution to the Bretton Woods conference. He proposed an International Clearing Union- a global bank of sorts- which would create a new reserve currency, the 'bancor', 'that could only be used for settling international accounts'[10]. The fundamental principle of Keynes' idea was to subject both nations with trade surpluses and nations with deficits to pressures aimed at achieving equilibrium in their balance of trade. His idea would place a burden on not only poor importers running large deficits, but also wealthy exporters running large surpluses. However, Harry Dexter White, head of the American delegation of Bretton Woods, quickly shot down Keynes' proposal as he did not want America, the world's largest creditor at the time, to be put at any disadvantage. The economist familiar with today's architecture of the IMF and World Bank would take as gospel the decisions made at Bretton Woods when writing economic history, whereas the historian captures the personalities, power maneuvering and politics behind these decisions. Keynes may not have been successful when it came to drafting the constitution of Bretton Woods, but it is a

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[7] https://www.history.com/this-day-in-history/keynes-predicts-economic-chaos
[8] John Maynard Keynes, 'The Economic Consequences of the Peace',
[9] Niall Kishtainy, 'A Little History of Economics'
[10] http://theweek.com/articles/626620/how-john-maynard-keynes-most-radical-idea-could-save-world

historian's understanding of the nuances of this process that allow us to understand how and why accepted institutions came to be. The historian's interest that extends beyond current economic norms means that historians can find solutions to current problems that may have been lost or omitted from economic histories otherwise, as currently in economics the world has forgotten what Keynes proposed[11]. Keynes' idea was not accepted, but it could be the key to helping the poorest countries today emerge from chronic debt problems, rather than the traditional methods used by the IMF. It is the historian's knowledge of contested political battles in economic history that could challenge this status quo.

Historians also bring an appreciation of the messiness, complexity and depth of human society to economic history. Economists cannot do this due to their reductive, scientific approach to the discipline, which often warps historical realities. This is evident in the debate between economists and historians surrounding the research 'tracing the creation of American capitalism to the expansion of slavery'[12]. Edward E. Baptist, Cornell University historian, wrote a 400 page narrative- '*The Half Has Never Been Told'*- about how slavery's pre-Civil War expansion turned the US from a 'barely surviving postcolonial disaster' to a 'geopolitical and economic superpower'[13]. In his work, Baptist argues that the reason for the tripling in the amount American slaves picked per day from 1805 to 1860 was down to torture (his work is largely based on slave testimonies from the antebellum years). Economists in the field were quick to question Baptist due to holes in his data: pointing out that only one type of cotton crop (the Upland Crop) saw such a drastic increase in picking rates, whereas other crops (e.g. the Sea Island Crop) cultivated along the coasts of the US saw no such increase. The scientifically minded economists immediately identified variables and pinned down the cause of increased cotton picking to one factor: biological innovation (the improved varieties of Upland Cotton seeds), rather than torture as Baptist suggests.

These opposing interpretations of data from plantation records reveal that historians can bring realistic perspectives to economic history. Baptist interpreted plantation records in the context of their time and with regard for the attitudes of a society fuelled by slave labour. His work paid heed to the fact that plantation documents were generated to measure labour being extracted by force, not the effectiveness of different seeds. Thus, putting down increases in cotton picking to biological improvements in crops, whilst a neat explanation for economic models, is nonsensical and profoundly naïve to the historian. The historian's criticism focuses on how 'The economists are bent on stripping causality down to one variable (seeds), assuming away things they have no business discarding (different systems of labour)'[14]. Furthermore, Baptist's interpretation used human testimony from the slaves themselves to understand the past, rather than solely relying on quantitative data to draw abstract conclusions. Overall, historians bring experience, humans and insight into

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[11] https://www.theguardian.com/commentisfree/2008/nov/18/lord-keynes-international-monetary-fund
[12] https://parrym.files.wordpress.com/2017/01/shackles-and-dollars-the-chronicle-of-higher-education.pdf
[13] Ibid.
[14] Ibid.

economic history rather than bringing artificially simple solutions as the scientific methodology of economists tends to do.

Historian also bring a dose of humanity back into economic history, which economists cannot bring because of their over reliance on data and statistical model building. Economic theory assumes all human beings to be *homo economicus*: the utility maximising entity that weighs up the costs and benefits of every decision and fits meticulously into universal laws. The fundamental problem with this approach to economic history is its chronic lack of moral awareness, which historians can bring back into the picture. A poignant example of how an appreciation of social climate and the reality of human existence can enrich economic history can be seen in Professor Jane Humphries' '*Childhood and Child Labour in the British Industrial Revolution'*. Professor Humphries reintroduces human voices from autobiographies into the preponderance of abstract theory that dominates an economist's perspective of history. The economist can indeed use data and theory to appreciate growth, the division of labour and mechanisation in the Industrial Revolution, but it is the historian's appreciation of qualitative, intangible aspects of the past (such as social relations or family structures) that gives individuality to economic agents and reminds us that many of these agents were children. It is dehumanising to treat the data from the Industrial Revolution with the same economic lens as any other period. The social context of the historian is what reminds us that this data was the product of exploited labour from society's most vulnerable members. When it comes to Professor Humphries' book, 'its images of suffering, stoicism and occasional childish pleasures put the humanity back into economic history and the trauma back into the industrial revolution'[15]. History should not be about removed economic actors whose roles are assumed to fit into models, and it is the historian who can 'achieve some kind of contact with the mind of those about whom he is writing'[16], not forgetting the real implications economic change can have on humans.

The economist's perspective on Stalinist Russia can also be cited to understand the unique insight into the psyche of human beings that a historian brings to economic history. At the beginning of a paper from Yale University's economics department entitled '*Was Stalin Necessary for Russia's Economic Development?'*, the authors write 'A representative consumer born at the start of Stalin's policies in 1928 experiences a reduction in welfare of -1 percent of consumption, a number that does not take into account additional costs of political repression during this time period'[17]. This quote epitomises what historians bring to economic history that economists cannot: the ability to remain alive to the discriminating features of different historical periods. Reducing citizens of Soviet Russia to representative consumers and aridly quantifying the loss in welfare does not capture the essence of society at the time. The backdrop of paranoia from the Show Trials and purges, the casual brutality of the gulags, and the cheap value to assigned to human life under the Stalinist regime are all lost when economic history is studied primarily through the lens of neoclassical economists. Applying economic theory to regimes like Stalin's normalises periods that simply cannot be explained by negative welfare losses, as they pushed the boundaries of human suffering to levels that were beyond imaginable. The historian's ability to delve into

[15] https://www.history.ox.ac.uk/people/professor-jane-humphries
[16] E.H. Carr, 'What Is History?'
[17] https://economics.yale.edu/sites/default/files/files/Faculty/Tsyvinski/stalin_wp.pdf

society beyond the economic sphere captures the culture of abject fear under Stalin, keeping the most valuable aspect of the period- what life was actually like under such regimes- alive.

In conclusion, economic history is a fascinating discipline that examines the fundamental concept of wealth gathering in relation to society and humanity. The economist can understand wealth gathering, but it is the historian's context that provides a meaningful understanding of humanity's relation to this. Historians do not operate with universal laws governing humans throughout space and time, rather they bring an understanding of the past on its own terms, an understanding rooted in cultural relativism. Sweeping generalisations and reverence for the scientific approach make economists unable to grasp such an intricate understanding of the real nature and character of human beings in the context of the society they inhabited. Moreover, historians are far more suggestive than economists, accepting the contingencies that shaped the development of the economy throughout history. It is this suggestiveness, and careful examination of the highly political nature of major economic decisions that have shaped history, which allows historians to see beyond the conventional economic models of today when writing economic history. Historians, unlike economists, are not reductive and do not search for simple theories to explain human beings- it is the historian's appreciation of the messiness and complexity of human society that provides economic history with a sense of realism. Most importantly, historians, through their understanding of social context, give voices to the passive economic agents who are simply a source of data to economists. They reintroduce a profoundly human concern to economic history, giving a sense of morality to a discipline that would otherwise be dry and quantitative. There are profound moral implications for leaving out the social context which historians bring to economic history: historians are fundamental in ensuring that the human condition, struggle and experience in the economy is not forgotten.

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