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Economics for Inclusive Prosperity

The Divide between Economic History and History: From Idealogy to Methodology

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I attended grad school at Yale in the late 1960s, when the New Economic History was on the ascendancy. Although the NEH was mainly in economics, the broader field of economic history clearly included members of both parent disciplines. At Yale, history grad students like Jan de Vries and Fred Carstensen could do an economic history track by taking a few core econ courses. There was also fair amount of common cause with a movement called the New Social History, interested in pursuing quantification to write "history from the bottom up." Membership and presidents of the Economic History Association were about equally divided between the two disciplines. When I started at Michigan in 1972, there were two card-carrying economic historians in the history department (Sylvia Thrupp and Jacob Price), and similar lineups were not unusual elsewhere.

The era of coexistence came to an abrupt end with the publication of *Time on the Cross* by Fogel and Engerman in 1974. The book was controversial not just because of its claims about slavery in the United States – that slavery was efficient, productive, and not all bad for the slaves -- but because these claims were presented as a summation of research by cliometric economic historians over the previous decade or more. Even though some of the most robust critiques came from within economic history – consolidated in *Reckoning with Slavery*, published in 1976 – many historians felt that any discipline that could generate such an offensive brand of history did not deserve respectful intellectual status.

In truth, History was probably going its own way towards the "cultural turn" anyway. To the extent that economic history had something to do with this move, it would have been a reaction to the observation that much of the new work seemed drawn moth-like to the discovery of markets and market processes in history, concluding that "markets worked." Bill Parker remarked on this tendency in his presidential address to the EHA: "From Old to New to Old in Economic History (JEH 1971), describing the NEH as "a gigantic test of the hypothesis of economic rationality of a system and of the behavior of individuals within it." Robert Lucas wrote: "The central lesson of research in economic history is that neoclassical economics applies anytime, anywhere." This now seems like something of a caricature, but for the NEH roughly through the 1970s, Lucas was largely correct. A case in point that mattered to many historians was the agricultural regime of the postbellum South. Works published in the 1970s by Joseph Reid, Stephen DeCanio and Robert Higgs all concluded that sharecropping was not an exploitive economic form, and that any racial oppression that did occur was rooted in politics rather than markets. Small wonder that historians found little to attract them to this style of research.

True, *One Kind of Freedom* by Roger Ransom and Richard Sutch (published 1977) was an important counterweight. But although this book was a major contribution to cliometrics, its analytical foundation did not seem especially powerful: Territorial monopoly in the rural credit market, a condition that applied as much to white as to black small farmers. The role of race in their account remained underdeveloped.

A strong reaction to this state of affairs occurred during the 1980s. One landmark was a session at the 1984 AEA meetings organized by Bill Parker, resulting in a slim volume *Economic History and the Modern Economist* (1986). Contributors made the case that economic history should be understood as a distinct approach to the study of economic life, not merely "applied economics with old data." Using the QWERTY typewriter keyboard as central metaphor, Paul David advanced the view that some historical economic processes are governed by increasing returns and "path dependence," whereby events of the remote past exercise continuing influence on the present. Also, encouraged by a rejuvenated Douglass North, economic historians began to rediscover the importance of "institutions" as "carriers of history."

As an illustration of the changing worldview of economic historians, consider this statement by Claudia Goldin – who began her career as a Chicago-school economic historian – in the introduction to her 1990 book on the gender gap: "I began this study more as an economist but have ended with a fuller appreciation of how the distant past affects the present, how norms and expectations impede change, how discrimination can survive even in highly competitive markets, and how slow genuine change can be." I began my JEL review of the book with this statement: "Economic history is in the midst of a quiet revolution. Two decades ago, cliometricians were bent on showing that economic analysis could be applied even to the study of far-off times and places…More recently, economic historians have begun to take a more assertive posture towards the discipline, defending the distinctiveness of historical approaches and advocating the essentiality of history to comprehending modern issues."

Were we perhaps engaged in self-deluding wishful thinking? Perhaps so, but there were others who also saw significant progress. Consider this 2002 statement by Howell Harris, a British historian with a specialty in American business history: "*The Journal* [of Economic History]'s editors have made a successful effort to require contributors to write clearly and to explain themselves. There is a wealth of readable, novel work on, for example, invention during the nineteenth century industrial revolution, labor market behavior in the late nineteenth and early twentieth centuries, racial and other discrimination in urban-industrial labor markets, and the economics of depression and recovery in the 1930s and 1940s, to which other industrial historians and even regular historians should pay attention." The new self-image of economic history is perhaps best illustrated by this remark from a referee's report that came in when I was editor of the *Journal of Economic History*: "This paper may be good enough for the AER, but it does not meet the standards of the JEH."

Despite these ostensibly successful gains in goals and aspirations, history and economic history today are more divided than ever. What went wrong? Looking back, I can now see that most of our attention was devoted to historicizing the discipline of economics, rather than making the field itself truly interdisciplinary. It is not that we have lapsed back into the rigid world of economic orthodoxy: Economics today is far more eclectic and philosophically diverse than in earlier times. Economic historians, and economists more generally, are quite comfortable framing their interpretations in terms of culture, institutions, or politics. However, any progress we may have made in making economic history more palatable to historians has been swamped by a deep change in prevailing methodology: the rise and entrenchment of "identification econometrics," whereby every empirical study is seen as the challenge of extracting "causal" relationships between variables, by locating exogenous variation somewhere in history or in the economic system. This approach has become all-pervasive in economics, including among economic history students. Bob Margo has documented the trends in his article "The Integration of Economics and Economic History" (*Cliometrica* 2018), but they are obvious to the naked eye, to anyone who attends seminars or meets with grad students to discuss research plans.

In my view, this approach is extremely constraining as a one-size-fits-all way of writing economic history. Whatever else one may say about it, the resulting publications are deadly from the standpoint of fostering interdisciplinary communication. To be sure, the very best economic history studies do it all: meet the professional standards of applied economics while fleshing out the historical context and building a narrative. But even when well done, the outputs rarely promote productive conversations with historians.

What can be done? I have three recommendations: Economic historians and historians should co-organize joint seminars; economic historians should be encouraged to publish in history journals; historians and economic historians should collaborate in research. To be successful, any such ventures will have to entail true shared sponsorship, not just putting out a notice declaring that "our meetings are open to all." Perhaps future intellectual historians will report that today's EFiP session was the beginning of a return to the reintegration of economic history and history.