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The 50th Year: Special Essay 10

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Economic History and the Historians

A good economist "must be mathematician, historian, statesman, philosopher—in some degree. He [sic] must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. . . . He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician."

John Maynard Keynes, "Obituary Essay in Memory of Alfred P. Marshall"

Without an historical account of economic behavior, "analysts slip into cultural or functionalist explanations, both of which usually make their appearance when historical dynamics have been neglected."

Mark Granovetter, *Economy and Society*

Of all the social sciences, economics is perhaps the most likely to be characterized as ahistorical. Core economic relationships—say, between demand, supply, and price; or fundamental motivations, such as the drive of possessive individualism—are posited as remarkably stable phenomena across time and place. The neoclassical model can be applied to seemingly any situation, and *homo economicus* increasingly makes his home everywhere, even in a past that had no specific notion of him. History, on the other hand, is the social science least amenable to generalizable rules of causation; indeed, many have argued that it is not a social science at all.

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Individual men, and women, *might* do anything, and the contingency of their choices *might* just matter profoundly. History in this guise is, above all, the province of the well-crafted narrative that revels in gritty particulars that defy easy generalization. In its most extreme form, what we learn best from someone's history is precisely their story, little more but also no less. It is the very specificity and complexity of that story that makes it worth telling, not what it might be able to tell us about the future.

Contrast this view with what Gaddis, in his influential book for teaching historical methods, calls "the pressure for reductionism within the social sciences. . . . [so] as to be able to forecast the future." His rejection of this agenda fairly drips with disdain. "The trouble with the future," he quips, "is that it's so much less knowable than the past." What reasonable prospect is there then for a long or happy marriage between economics and history? What hope is there that a shared topical interest—the economic behavior and outcomes of temporally distant societies—can truly overcome such fundamental differences of disciplinary temperament and orientation?[1]

Neither history nor economics is well served by local practices that conform to either of these caricatures. Both the neglect of context and the provision of superabundant context limit our ability to grasp and appreciate what has preceded our moment in time, not to mention what we might reasonably expect to happen next. Well-functioning markets (as defined by neo-classical economics) may indeed churn along in roughly similar ways across space and time, but surely the many instances of what economic rhetoric dismisses as "market failures," just like Leo Tolstoy's many unhappy families, each need to be situated in the details of their particular evolution. Moreover, as economic sociologists such as Mark Granovetter have cogently argued, all market transactions—especially the successful ones!—are dependent on human relationships, and so must be similarly embedded in their multivalent logics. An economics without contingency or context is no more useful as social science than are 100 billion (a more or less reasonable estimate of the number of people who have ever ventured on our planet) individual histories bereft of a framework in which to situate and evaluate them.

Economic history, done well, could model a path forward for the social sciences more broadly. It would not discount the agency

1 John Lewis Gaddis, *The Landscape of History: How Historians Map the Past* (New York, 2004), 56.

of individual actors, nor the social and political considerations (nor the obvious constraints) that frame many economic decisions. Neither would it overlook what long runs of observational data and theory-driven models can contribute to the rich description of the past (or an anticipation of forthcoming) decision patterns of individuals and groups. There could even be room for a modest—not so much small as humble—appeal to causal analysis to explain not just what happened and to whom but also why some things happened when others did not. The future of economic history could be as promising as our commitment to hold these two disciplinary inclinations in fruitful and balanced tension will allow.

THE ECONOMIST AS HISTORIAN The informed reader might object that this is hardly a new observation. A number of prominent economists have been making this argument for a long time. As Solow pointed out in 1983, with a hint of dry sarcasm, "It would be a useful principle that economists should actually believe the empirical assertions they make." He then suggested, in a more serious vein, that "the true functions of analytical economics are best described informally: to organize our necessarily incomplete perceptions about the economy, to see connections that the untutored eye would miss, to tell plausible—sometimes even convincing—causal stories with the help of a few central principles, and to make rough quantitative judgments about the consequences of economic policy and other exogenous events. In this scheme of things, the end product of economic analysis is likely to be a collection of models contingent on society's circumstances—on the historical context, you might say—and not a single monolithic model for all seasons."[2]

In an even more capacious statement, Keynes defined the best sort of economist as a "mathematician, historian, statesman, philosopher—in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought." In a recent blog post, DeLong expressed a similar view in a critique of the typical, blunted education in economics: "We have no business offering a narrow economics B.A. at all. At the undergraduate social-science level, the right way of organizing a major curriculum is to offer some

2 Robert Solow, "Economics: Is Something Missing?" in William Parker (ed.), *Economic History and the Modern Economist* (New York, 1983), 23.

flavor of history and moral philosophy: enough history that students are not ignorant, enough sociology and anthropology that students are not morons, and enough politics and philosophy that students are not fools." For good measure, DeLong ends this statement by recommending, "a double dose of economics to ensure that majors understand what is key about our civilization and do not get the incidence of everything wrong." In his conception of an ideal education, economists may deserve the last word (on civilization no less!), but at least they are not so privileged as to offer the only word.[3]

As someone whose professional training and academic career have bridged what sociologists might call the "structural hole" between the disciplines of history and economics, I am especially eager to reflect on the tensions within that space, as well as the opportunities that those tensions might afford. This seems particularly apposite as we mark the birth of the *JIH* fifty years ago, a time that saw less hype for interdisciplinary projects than seems to be the case now, though possibly better prospects for its success, particularly in the case of the interdisciplinary project of economic history. The death, or at least serious illness, of economic history in the United States has been much lamented of late, ironically by practitioners on both sides of the growing chasm, albeit with different narratives. On his retirement from the Department of Economics at MIT, Temin wrote a much-discussed essay on the "rise and fall" of economic history at MIT. People interested in economic behavior in historical contexts were not entirely missing from the MIT faculty after 2015 (to wit, the economic sociologists in the Sloan School of Management or the Department of Urban Studies and Planning, as well as a few holdouts in the History Department like myself), but they were largely missing from the Department of Economics by then.[4]

3 John Maynard Keynes, "Obituary Essay in Memory of Alfred P. Marshall," *Economic Journal*, XXXIV (1924), 311–372. Brad DeLong's blog is available at https://www.ineteconomics.org/perspectives/blog/thoughts-on-skidelskys-rant-against-the-current-economics-curriculum (accessed August 25, 2015).

4 Google ngram suggests that the word *interdisciplinary* did not make its first discernable appearance in English books until the 1950s. The term gained traction from the mid-1960s to mid-1970s before reaching a plateau and peaking near the year 2000. As a reference point, *multi-disciplinary* is substantially less common, barely rising in usage between 1970 and 2000. For a fuller discussion of this concept in the social sciences, see Harvey Graff, "The 'Problem' of Interdisciplinarity in Theory, Practice, and History," *Social Science History*, XL (2016), 775–803. His book on the same topic across all academic disciplines is *Undisciplining Knowledge: Interdisciplinarity in the Twentieth Century* (Baltimore, 2015). Peter Temin, "The Rise and Fall of Economic History at MIT," *History of Political Economy,* XLVI (2014), 337–350.

Historians lament not so much the decline in the number of practitioners of economic history as the nature and quality of the interdisciplinary conversation itself, especially as practiced in economics. Their complaint is not Temin's, that economics has abandoned the field but that economists appropriated it and then proceeded to impoverish it. In another seminal essay from 2014, Adelman and Levy at Princeton took their case to the *Chronicle of Higher Education*. Their assessment of the divide is simple and dismissive:

> Once a mainstay of history departments, economic history was, with historians' complicity, seized in the mid-20th century by economists who sucked the culture and chronology out of it and turned it into an obscure province of mathematical formulas. There it languished. The field became increasingly uncool. . . . Since [technical economic historians] don't write for historians, even if they wring them for data, historians' basic assumptions about the contested nature of narratives, and the craft that must go into constructing them, do not get through. No wonder, then, that many historians take one look at what passes for cutting-edge economic history, shrug, and move on.[5]

Adelman and Levy end their piece on an upbeat note, invoking the thriving interest among American historians in the debate about the "new history of capitalism" as evidence that economic history is returning to its historical roots. They even express hope that economists will begin imitating historians rather than the other way around. However, given the recent tenor of the debate (brawl might be a more apt term) about the economics of American slavery between cliometricians based in economics departments and the self-styled historians of capitalism, this hope seems misplaced. Indeed, by 2017, Cowrie, a New Deal historian at Vanderbilt University, could publish an essay in the *Chronicle of Higher Education* titled "Why Are Economists so Small-Minded?" Even if the main charges that he leveled at the economics profession are true—that historical context and accuracy are essential to social-scientific inquiry and

5 Jeremy Adelman and Jonathan Levy, "The Fall and Rise of Economic History," *Chronicle of Higher Education*, 1 Dec. 2014. The title is an oblique reference to the title of Temin's essay when it circulated as a working paper before appearing in print. See Alan Olmstead and Paul Rhode, "Cotton, Slavery, and the New History of Capitalism," *Explorations in Economic History*, LXVII (2017), 1–17.

that methodological control can work like a protection racket—economists were hardly likely to view them as an overture to open dialog with historians; they had the insulation, at the very least, of higher academic salaries and greater public status. We can only hope that Lamoreaux's sensible plea for a middle ground does not fall on deaf ears: "Culture is not fate, and neither are the disciplinary practices that prevent economists and historians from improving each other's scholarship."[6]

How might a new civil interdisciplinary conversation under the rubric of economic history be fashioned to create a better understanding of our world? What might economics stand to gain if it took history more seriously, in ways that were recognizable to the majority of practicing historians? What would history gain from a more open mind toward the insights of social theory? Does economic history have a future in the next fifty years of scholarship in the *JIH*, a journal that, notwithstanding its heavy reliance on quantitative methods, did not embrace "technical economic history." After all, as Adelman and Levy observe, the *Journal of Economic History* never did so either. Is there too much water under the proverbial bridge to revive Keynes' notion of a good economist as something of a historian and a philosopher (leaving aside the statesman's role for now)? Certainly not.

The aims and discoveries of historians can contribute to fostering "good economics" in at least five ways:

(1) As a first step, historians' use of archival, material, and oral sources, parsed through the lens of multiple disciplinary methodologies, is crucial to an accurate reconstruction of the past. Such should be the basis of all social-science inquiry.

(2) The study of history "disrupts inevitabilities," suggesting that events and outcomes might have been different than they actually were. The paths not taken were not necessarily unviable just because they were not selected. History allows us to ponder these discarded alternatives as possibly relevant in other times and places.

6 Jefferson Cowrie, "Why Are Economists so Small-Minded?" *Chronicle of Higher Education*, 7 Feb. 2016. Naomi Lamoreaux, "The Future of Economic History Must Be Interdisciplinary," *Journal of Economic History*, LXXV (2015), 1256.

(3) History can confer a critical perspective on the present, tempering our hubris about the supposed virtues of contemporary manners and mores. As Butterfield wrote in 1949 as he looked back on two world wars and a devastating depression, "The river of time is littered with the ruins of systems." Although we cannot now imagine anyone wanting these systems to persist, the people who devised them did. "They did not imagine us," Butterfield said, any more than we can imagine those who will follow us. The future may well disdain our systems with equal vehemence.

(4) The study of history "widens our horizons of empathy," helping us to imagine the world of others. Carlo Cipolla always began his classes with an admonition borrowed from the first line of L. P. Hartley's novel, *The Go-Between* (London, 1953): "The past is a foreign country—they do things differently there." Even if not always true, it is nonetheless always worth keeping in mind.

(5) Finally, history can protect us from a truncated view of the past that tends toward a misguided nostalgia.[7]

THE DANGERS OF NOSTALGIA In academic life, nostalgia per se may not appear to have much weight, but in public life its effect is often consequential. Nostalgia can be insidious, because it encourages us to sever happy memories from any trace of the less enjoyable baggage that might have accompanied them.

Getting vaccinated is unpleasant. Dying of measles is worse. In the decade before the 1963 vaccine for measles emerged, an average of 475 Americans died from measles every year, most of them children. This (absolute) number had dropped to a low of 1 in 1981, despite a steadily increasing population that might have hypothetically contributed additional cases. Sadly, the number of measles cases in the United States has been steadily climbing upward again because we seem not to remember the ravages of the disease so much as the inconvenience of the shot—even without taking into account the absurd rejection of the solid scientific

7 This list expands on the claims made for historical practice by Paul Kramer in "History in a Time of Crisis," *Chronicle of Higher Education*, 19 Feb. 2017 (items 2 and 4 borrow his felicitous expressions). Herbert Butterfield, *Christianity and History* (New York, 2009; orig. pub. 1949), 75.

evidence in favor of vaccinations. Many people still have an elderly relative who survived a bout of severe childhood illness; not one of us has an elderly relative who did not. The blurring of the historical evidence for and against vaccination that arises from strangely incongruous historical narratives allows a seemingly inconsequential but nonetheless deadly nostalgia to run rampant.

The area of public policy can also offer other cases in which a distorted past can wreak havoc. Take the policy debate about the costs and benefits of industrial regulation designed to mitigate air pollution. The costs are relatively straightforward to estimate as they are borne in the present, but an appreciation of the benefits often requires an active historical imagination. For example, anyone who travels or even just reads a major newspaper may be well acquainted with the contemporary dangers of toxic particulates for pedestrians or bicyclists in Beijing. Yet how many Westerners remember the iconic London fog of yore that was just as toxic or, when not so long ago, smog alerts closed schools in southern California as frequently as snow days do now in the Northeast? The research of economic historians on American cities is suggestive in this regard: Clay, Lewis, and Severnini discovered that early twentieth-century Chicago had higher particulate concentrations than do the industrial cities of China today.[8]

Indeed, in the early part of the twentieth century, American cities broadly suffered from dire levels of air pollution, largely on account of the burning of bituminous coal for heat. In 2014, Barreca, Clay, and Tarr estimated that the impact of this pollution on mortality was substantial. Reductions in the use of bituminous coal for heating American homes between 1945 and 1960 decreased overall mortality in winter by 1.25 percent and infant mortality in winter by 3.27 percent, saving nearly 2,000 lives per winter month, 310 of which were infants. Furthermore, for reasons that the authors explain in detail, those estimates are likely to be a lower bound, because they capture primarily the short-run relationship between coal and mortality, not effects that accumulate throughout extended periods of exposure.[9]

8 Karen Clay, Joshua Lewis, and Edson Severnini, "Canary in a Coal Mine: Infant Mortality, Property Values, and Tradeoffs Associated with Mid-20th Century Air Pollution," NBER Working Paper No. 22155, Figure A.1, March 2016 (rev. June 2019), available at https://www.nber.org/papers/w22155 (accessed Sept. 18, 2019).

9 Alan Barreca, Clay, and Joel Tarr, "Coal, Smoke, and Death: Bituminous Coal and American Home Heating," NBER Working Paper 19881, February 2014, available at http://www.nber.org/papers/w19881 (accessed Sept. 18, 2019).

Another example of dangerous reverence for the past concerns the flurry of popular enthusiasm lately (at least if the pundits of the 2016 American election are to be believed) for the "good old days" of the 1950s when a family could live securely on just one income (in these nostalgic accounts, that one income is usually a man's). Lest we forget, these are the same good old days of poor air quality and measles. Maybe trivial in comparison but certainly indicative of the scope of the cognitive problem that nostalgia presents, the average size of a new home built in America in 1950 was 983 sq. ft.; by 2010, the average size had risen to 2,392 sq. ft. Given that families were larger on average in the 1950s than they were in 2010, per capita space allocation had risen even faster than total area. Although we might not *need* that much personal space, many of us have become used to it. Older furniture now looks tiny compared to what is now on offer in showrooms, whereas older television sets were behemoths with miniscule screens showing programs in glorious black and white.

Are the people who long to live on one male income also prepared to lower their standard of living to the then-prevailing level? Do they remember what that level was? How many households actually lived on just one income, anyway, regardless of what people believe to have been the case? The boost to income from boarders, various types of at-home work, and child labor (whether paid or not) played a much larger economic role in the not-so-distant past than most popular narratives of the bygone days suggest. Many supposedly "non-working" women actually worked extremely hard. But a proper accounting of such matters requires the data of economic historians, not to mention a historical imagination sufficiently practiced to situate those data. Not only do the facts not speak for themselves; they also do not generate themselves. Without the work of historians, they simply do not exist. The only genuine defense against the obfuscations of nostalgia is serious, empathic, and quantitative historical study.

THE PROBLEM OF INEQUALITY If media attention is the correct metric, economic inequality is *the* most pressing economic question of our day. As such, it demands insights from historical inquiry: What causes it, what are its consequences, and what can we do about it, if anything? The unexpected runaway commercial success of Piketty's long and dense *Capital in the Twenty-First*

Century, as well as the proliferation of academic and popular responses to it, are a clear indication of the current salience of this topic. For Piketty, the admittedly "imperfect lessons" that history has to offer are of "inestimable, irreplaceable value." Not surprisingly, many of his respondents, even when generally appreciative, tend to focus their critique not on his application of economic theory but on his reading of the historical evidence. Recent work in the pages of the *JIH* argues forcefully that historians have been much too reticent about the problem of inequality, urging them to rejoin the fray.[10]

Historians certainly have not lost interest in studying poverty, a topic with which they have engaged intensively. Practitioners of the "new social history" of the 1960s and 1970s, in particular, regarded study of the mostly silent and dispossessed members of the underclass as a badge of honor. But the leap from the study of poverty itself, and the life stories of its victims, to an analysis of the social forces that tend toward inequality has proven difficult for many scholars to make. Milanovic, an economist intent on identifying the specific problems associated with interpersonal inequality concedes that this topic is "not too popular": As he bluntly puts it, "Inequality studies are not particularly appreciated by the rich." To study poverty is admirable, even virtuous, but to study inequality is "altogether different: every mention of it raises the issue of the appropriateness or legitimacy of my income." Nevertheless, paying proper attention to the apparently global trend toward greater inequality in not only income and wealth but also education, health, marital stability, stress, and even obesity (in the contemporary version of this story, the rich tend to be the thin ones) means developing a robust understanding of the causes and effects

10 Thomas Piketty (trans. Arthur Goldhammer), *Capital in the Twenty-First Century* (Cambridge, Mass., 2014), 574. Tellingly, Lawrence Summers' review of the book in *Democracy*, XXXIII (2014), available at https://democracyjournal.org/magazine/33/the-inequality-puzzle/ (accessed August 13, 2019), cited its establishment of the historical facts as "a Nobel Prize-worthy contribution." A noteworthy critique of the historical data, however, is in Richard Sutch, "The One Percent across Two Centuries: A Replication of Thomas Piketty's Data on the Concentration of Wealth in the United States," *Social Science History*, XLI (2017), 587–613. See, for example, the special issue "Economic Growth and Inequality in Europe and South America," *Journal of Interdisciplinary History*, XLIX (2018), 1–188; "The Quest for Interdisciplinary History: A Mini-Symposium," *ibid.*, XLVIII (2018)—Herbert S. Klein, "The 'Historical Turn' in the Social Sciences," 295–312; Jan de Vries, "Changing the Narrative: The New History That Was and Is to Come," 313–324.

of inequality in the past. Economic historians are uniquely positioned to address this urgent need.[11]

Individuals vary considerably in productivity, as well as in circumstance. How important is the one versus the other? How does the distribution of power in society influence the formation and distribution of opportunities, the dispersal of social benefits, or the levying of fees, fines, and taxes? What effect does the clear inequality of initial endowments have across multiple metrics? How important is skill-biased technical change in producing markedly different levels of compensation in the labor market? Is technical change always skill-biased, and if not, why should it be more so in one historical context than in another? Does the rate of growth itself affect the distribution, or the seeming distribution, of that growth? Does it matter if growth is primarily extensive, resulting from increases in the working population, or intensive, resulting from more output per person? Is Piketty correct that a rate of return that exceeds the rate of growth is "a powerful force of divergence?" A first problem for economic historians is to find a way to test the relative strength of each factor across multiple times and places.

In our rush to do this important work, we must not overlook a set of even more fundamental questions about inequality that have so far eluded academic discourse far more than have questions of measurement and causal explanation. Should scholars, or society at large, be interested in inequality for the same reasons that many individuals care about it? One reason to make note of someone else's wealth (or beauty, health, social status, etc.) is jealousy—hardly a solid foundation on which to base serious historical inquiry or public policy. What would constitute a more objective, intellectual grounding of a case against inequality? Ancient philosophers often denounced inequality (despite or because of their deeply unequal societies) largely on the grounds of justice and the well-being of the state. On a slightly different logic, indirectly tending toward greater equality, ancient Hebrew law forbade that anyone lose

11 Branko Milanovic, *The Haves and the Have-Nots* (New York, 2011), 84; Klein, "The 'Historical Turn'," 299. For two recent examples of work on the relationship between inequality and health, see Richard Wilkinson and Kate Pickett, *The Spirit Level: Why Greater Equality Makes Societies Stronger* (New York, 2011); Anne Case and Angus Deaton, "Rising Morbidity and Mortality in Midlife among White Non-Hispanic Americans in the 21st Century," *PNAS*, CXII (2015), 15078–15083.

control of his personhood (or of his family) for longer than one lifetime, which they measured as fifty years. At the half-century jubilee, anyone who had been enslaved for failure to pay a debt could return to his family of origin, regardless of any debts that might remain outstanding. The express purpose of this regulation was to vouchsafe the moral health of society.[12]

Social scientists not similarly motivated might instead raise objections to gross inequality on other grounds, say, efficiency, efficacy, or practicality. An argument from efficiency is that resources would go to their best use if control over them is spread more widely; from efficacy, that public disamenities, particularly those associated with ill-health and squalor, would be held in check; and from practicality, that distributions considered fair by most people would require less policing or arbitration than less equitable ones. Enforcing grossly unequal allocations of goods or opportunities imposes high transaction costs that function as a tax on the economy for everyone. Another argument, controversial as it may be, is that greater equality is conducive to higher rates of economic growth.[13]

Concepts such as justice and fairness are not usually high on the list of priorities for academic economists. Yet they are at the very core of what historians have at least professed to espouse for as long as history has been written. Piketty is not wrong to claim that "the history of inequality is shaped by the way economic, social, and political actors view what is just and what is not, as well as by the relative power of those actors and the collective choices that result." Hence, inequality as an ethical problem offers a perfect opportunity to implement Lamoreaux's call for a middle ground between the disciplinary inclinations and insights of historians and economists (a theme that will return at the close of this article).

12 For a classic treatment of the Aristotelian concern about justice and well-being, see Martha Nussbaum, "Nature, Function and Capacity: Aristotle on Political Distribution," in Julia Annas and Robert H. Grimm (eds.), *Oxford Studies in Ancient Philosophy* (New York, 1988), 145–184; for a more recent treatment of inequality in the Hellenistic world, Georgios Anagnostopoulos and Gerasimos Santas (eds.), *Democracy, Justice, and Equality in Ancient Greece* (New York, 2018). Plato warned that robust citizenship depended on curbing gross inequalities—for example, Book IV of *The Republic*. For the Hebrew law, see Leviticus 25: 10–14.

13 Frederico Cingano, "Trends in Income Inequality and Its Impact on Economic Growth," *OECD Social, Employment and Migration Working Papers No. 163* (Paris, 2014), available at https://doi.org/10.1787/5jxrjncwxv6j-en. For the contrary view, see Livio Di Matteo, "Does Egalitarianism Come at a Price? Inequality and Economic Performance in Late-Nineteenth-Century Ontario," *Social Science History*, XLI (2017), 615–644.

It dovetails with a phenomenon that we might call sociability—the capacity to live a fulfilling social life in community with neighbors and peers.[14]

The Impact of Inequality on Sociability One particularly fruitful window into the complexities of social and economic inequality is the study of consumption behavior, because it speaks to how well people can meet their so-called basic needs but also because it reveals their preferences in the context of the constraints on their decision making. Yet because our perspective on current consumer practices is often deeply colored by prejudices about what constitutes an appropriate desire for, and use of, material goods, turning to an earlier period with different social norms to see how people negotiated the potential social disabilities imposed by inequality can be helpful.

Adam Smith, who had at least as much to say about morals as he did about markets, provides an apt framework for this subject. His understanding of the problematical link between inequality and dignity is clear in his definition of *necessities* from *The Wealth of Nations*: "By necessaries I understand, not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without."[15]

Smith's claim is vastly different from that made in 2017 by Rep. Jason Chaffetz of Utah, who argued that poor people would be able to afford health insurance if they had the discipline to forgo buying an iPhone. Even if the congressman's accounting had been correct, as it most assuredly was not, he failed entirely to appreciate that in 2017, U.S. citizens needed a cell phone if they expected to find or keep a job; locate their children; connect with social, political, civic, and religious organizations; conduct bank transactions; interact with the government for services and obligations; and so much more. Only self-sufficent eccentrics or the devastatingly poor or ill can live without a cell phone. Rep. Chaffetz's remarks reveal an all-too-common moral blindspot—the ease of casting aspersions on people who inhabit a wholly different context than your own.[16]

14 Piketty, *Capital in the Twenty-First Century*, 20.

15 Adam Smith, *Wealth of Nations*, Book V, Chapter II, Part II, Article IV.

16 This episode generated a flurry of media coverage. See, for example, Christopher Ingraham, "If Jason Chaffetz Wants to Compare Health Care to iPhones, Let's Do It the Right Way," *Washington Post*, 7 March 2017.

Eighteenth-century Amsterdam—at the time a center of a global trade network, on the leading edge of many new and alarming (to some, anyway) consumer behaviors—affords another perspective on the necessities of life (Table 1). Research on a collection of nearly 1,000 after-death household inventories assembled by the Regents of the Amsterdam Municipal Orphanage (BWH) between 1740 and 1782 has much to say about the link between the formation of cultural identity and the exigencies of consumption.[17]

To be eligible for admittance into the Municipal Orphanage, children had to have lost both natural parents, so long as those parents had been citizens (either by inheritance or purchase) of the city for at least seven years. The BWH archives contain inventories from a remarkably diverse collection of households, displaying much more heterogeneity than the typical range of households captured by notarial inventory records. Decedents whose estates were surveyed by the orphanage included married as well as widowed men and women (the married ones were on their second or later spouse after the death of their first). The BWH archives also include single men and women who had been orphans themselves and died without heirs, thus enabling the BWH to claim their estate. Many of the households were exceedingly poor; rarely did such a group finds it way into the documentary records of inheritance or probate. The data sample includes both native-born Amsterdamers and successful migrants to the city who could afford the substantial fee to obtain citizenship status.

Historians of consumption are amazed at the surprisingly wide diffusion of Asiatic textiles (or Asian-inspired European imitations) and the housewares associated with colonial groceries among this diverse population, especially as it reached into the ranks of the poverty-stricken. Nearly 60 percent of the households (533 out of 912 complete inventories) owned at least one item used to make or serve tea or coffee; 54 percent (492 households) owned delftware, although often only one or two pieces; and a remarkable 38 percent (341 households) owned real porcelain, even if old, chipped, or otherwise in poor condition. At this time, Asiatic

17 For details of the data cited herein in the following paragraphs, see McCants, "Becoming Consumers: Asiatic Goods in Migrant and Native-born Middling Households in 18th Century Amsterdam," in Maxine Berg (ed.), *Goods from the East: Trading Eurasia 1600–1830* (Basingstoke, 2015), 197–215.

Table 1 Amsterdam Orphanage Families' Possession of "Asiatic" Goods by Asset Categories, 1742–1782

HOUSEHOLD TOTAL ASSETS	% WITH TEA/COFFEE	% WITH PORCELAIN	% WITH COTTON	% WITH SILK	% WITH CHINTZ
Assets<15 N=250	8.0	4.8	2.8	0.0	0.4
15–200 N=446	70.9	42.2	27.7	20.2	11.0
Assets>200 N=216	90.8	65.6	39.9	53.2	38.1

textiles do not seem to have penetrated the BWH population as fully as had exotic tableware. Nonetheless, 23 percent of households owned something made of cotton and roughly the same number for silk (213 households for cotton and 207 for silk). Even highly prized Indian chintz was present in 134 homes of BWH affiliates (14.6 percent of the sample). The sizable quantity of the clothing listed in these inventories that was in poor condition did not rate a description in any detail. Although the bookkeeper tasked with creating the inventory would have been more likely to report materials of exotic origin, it seems safe to presume that because of underreporting, the percentages noted herein represent lower bounds for the presence of cotton and silk in the poor to middling homes in eighteenth-century Amsterdam.

The factors that allow (or even encourage) individuals to purchase new types of goods, acquire new tastes, and form new habits are by no means uncontested. Historians have argued that a rapidly increasing wealth was most likely responsible for early modern Europeans' ability to assume new consumer behaviors with such enthusiasm, even though documentation of the ownership of these goods was instrumental in the discovery of that increasing wealth. The obvious logical problem notwithstanding, social and cultural historians have recently argued that the ability to afford new consumer practices, regardless of its derivation, is not enough. Flows of information and community norms of behavior are also necessary to facilitate the diffusion of new commodities across the landscape, whether understood in physical, sociological, or economic terms.

When the destitute people in the orphanage population procured and displayed "luxurious" imported textiles and the special table goods used for serving exotic colonial groceries, they were not just wasting their limited resources (as Rep. Chaffetz might have argued if they had been his contemporaries). Rather, they were demonstrating what it takes to render oneself as "decent" in Amsterdam in the middle of the eighteenth century. The wide prevalence of old and broken porcelain found in the inventories of the poorest household is suggestive of the tenuous hold that many people actually had on decency. But hold on to it they did. We can honor them by remembering their efforts as worthy of a historian's attention.

ECONOMICS AS AN ETHICAL DISCIPLINE An issue that is especially appropriate for historians (economic historians in particular) to raise is the matter of their ethical obligations—not the ethical obligations of individuals regarding the norms of research or publication but the ethical considerations that pertain to the theory and practice of the economics discipline itself. Much economics is written as if its compass includes only "value-neutral" questions of efficiency, that is, the maximization of either production or consumption under conditions of scarcity. The message, whether it be explicit or implicit, is that value formation should be the province of other disciplines. But is this a legitimate view? Is economics well served by it?

Michael Polanyi, originally a chemist, who is best known for his mid-twentieth century pioneering work in the philosophy of science, actively worked on economic questions in the 1930s and 1940s that speak to the heart of this issue. He believed strongly that absent a clear understanding of the economic principles that govern the lives of all producers and consumers, the simplistic and patently false promises of both communism and fascism would lure ordinary people to their collective doom. If people could see only the uncertainty of everyday economic life, not the hidden logic of the liberal economy's contribution to a generalized prosperity, liberalism would not survive. Yet, even as a great champion of liberal values (unlike his brother Karl, author of *The Great Transformation* [New York, 1944]), Polanyi would not have been an unabashed apologist for the neoliberal agenda that characterizes a great deal of economic theory and practice today.[18]

18 Michael Polyani, *Full Employment and Free Trade* (Cambridge, 1948). Polyani also made a film, entitled *Unemployment and Money: The Principles Involved*, offering a basic ducation to the general public about how a market economy works. The film, which premiered in 1940, is now available to view, following the restoration work of Eduardo Beira, with the assistance of the Michael Polanyi Society, at https://www.youtube.com/watch?v=wFm_ORFfp9U.

In his unpublished "Economics Education" lecture, delivered in Manchester, England (1937), Polyani listed the mistakes of those whom he called "the utilitarians":

(1) They failed to see that the just reward of the factors of production did not lead to a just reward of the people disposing of these factors. Their philosophy never produced an idea as to how the just reward of the various people should be assessed.

(2) The utilitarians overestimated the idea of the free market. They thought it to be applicable to all human relationships and therefore opposed all legislation regulating labour conditions and objected to free services by the community, as for example, free education. They failed to produce an idea as to the limits to which human affairs should be regulated by buying and selling.

(3) The utilitarian economic theory gave no reasonable account of the trade cycle. It left the unemployed in the depression without even an intellectual consolation and objected to any action to improve their lot.

(4) The general weakness of utilitarianism, which includes the above particular failures, is this: that its philosophy makes self-seeking the supreme principle in economic life and assumes that people are happy if seeing their blind acquisitiveness is transformed into a maximum efficiency.[19]

Remarkably, with the distinct exception of point number 3, these mistakes are all ethical failings, not economic ones, at least not by the standards of economics as it has come to be practiced today. In 1937, Polanyi saw the critical failures of economics as the result of misplaced values, not of faulty logic, algebraic or statistical error, or even a misguided trust in the workings of the invisible hand in the marketplace. In other words, those failures were not merely the "market failures" of standard economics textbooks, important as those might be as exceptions. Rather, the failings that worried Polanyi concerned justice, the articulation of priorities, and the setting of reasonable limits to self-seeking behavior (not

19 A transcription of Polyani's lecture is available at https://philpapers.org/rec/POLOPE.

a generalized condemnation of self-seeking). In this critique, Polanyi aligns with Adam Smith, who celebrates the sometimes beneficial, if unintended, consequences of self-interest (the "invisible hand" that coordinates private interests to the public benefit, which is widely cited as a rationale for markets run amok, a position that Smith himself never held). This critique goes straight to the heart of economic theory—not just the unusual case when the market mechanism stalls because of externalities, public-goods provision, asymmetric information, or some other accepted aberration. It suggests instead that the market cannot work *at all* without a shared commitment to its rules or, more accurately, its values.[20]

Sen makes the same point explicitly in *Development as Freedom*: "While capitalism is often seen as an arrangement that works only on the basis of the greed of everyone, the efficient working of the capitalist economy is, in fact, dependent on powerful systems of values and norms. . . . Successful markets operate the way they do not just on the basis of exchanges being 'allowed,' but also on the solid foundation of institutions (such as effective legal structures that support the rights ensuing from contracts) and behavioral ethics (which makes the negotiated contracts viable without the need for constant litigation to achieve compliance)." Moreover, Sen stresses that reasonable social judgments about what we want our economy to produce and for whom depend on more than just the preference rankings of individuals maximized in the standard utilitarian framework. We need "other relevant facts," such as the relative poverty or health requirements of different persons, the differential harm that may accrue to some parties from an action, or the freely voiced values that people in the community hold. Sen also argues that the prevention of extreme injustice is possible without a complete determination of what would be "most just." The cause of economic justice is ill-served if dictated by an analysis aimed at "finer differences and puny infelicities. Indeed, the overuse of the concept of justice reduces the force of the idea when applied to the terrible deprivations and inequities that characterize the world in which we live."[21]

20 Much has been written about "Adam Smith of the *Moral Sentiments*," although the moral underpinning of Smith's thought runs throughout *The Wealth of Nations*. For an especially engaging treatment of this subject, see Albert O. Hirschman, *The Passions and the Interests: Political Arguments for Capitalism Before Its Triumph* (Princeton, 1997).

21 Amartya Sen, *Development as Freedom* (New York, 2000), 252–254.

The "other relevant facts" on which Sen's analysis depends bring us again to the work of historians, among other social voices. Historians have had much experience in documenting deprivations and their consequences, as well as in discovering the values that people hold. The "informational *broadening*" to which Sen alludes is precisely what historical research is supposed to accomplish.

We return again to the original question, What can history contribute to economics, beyond just an appreciation of the past for its own sake? An economics that refuses to engage with the lessons of history or to engage in a dialog about justice and values, or ethics, can go in any or all of three directions: (1) It can wish itself back to a past that never existed, at least not in the way that intellectual shortsightedness remembers it. (2) It can lose sight of the multiplicity of human interactions across varied, but always interconnected, spheres of life—political, social, aesthetic, spiritual, or communal, among others—that affect our attempts to solve specific economic problems. (3) It can become ever-more clever in its ability to build models, test hypotheses, and manipulate data while still remaining confused or, even worse, small-minded about the ends to which its analytical efforts are geared to pursue.

The project of economic history should not be confined to only those capable of methodological sophistication in pursuit of a self-proclaimed value-neutral theoretical apparatus. As Piketty memorably concludes *Capital in the Twenty-First Century*, "All social scientists, all journalists and commentators, all activists in the unions and in politics of whatever stripe, and especially all citizens should take a serious interest in money, its measurement, the facts surrounding it, and its history. Those who have a lot of it never fail to defend their interests. Refusing to deal with numbers rarely serves the interests of the least well-off." Discourse about economics restricted to a small group of academics talking only among themselves is no better.[22]

An economics that is sensitive to the complexity of the past, conducive to beneficial social conditions in the present, or even just an economic history with a viable future, will depend fundamentally on our commitment to hold two disciplinary inclinations in fruitful and balanced tension. We will need not only the models

22 Piketty, *Capital in the Twenty-First Century*, 577.

and insights of generalists but also guidance from what Raff called "salient particularlity." Economists and historians should talk to each other regularly, with open minds, as many already do, as the fifty-year existence of the *JIH* attests. Hopefully, the conversation will continue, unabated, in these pages and elsewhere, and the broader public will find it meaningful.[23]

23 Daniel Raff, presentation at the Business History Conference, "Organization Theory as Theory, Business History as History," Denver, April 2017.