

COMMITTEE IV
A Critical Assessment of
the Achievements of the
Economic Approach

DRAFT - 10/15/87
For Conference Distribution Only

REMARKS

by

Peter Munz
Professor of History
Victoria University of Wellington
Wellington, NEW ZEALAND

DISCUSSION PAPER

on

Roger E. Meiners'

THE ECONOMIC APPROACH TO HISTORY

The Sixteenth International Conference on the Unity of the Sciences
Atlanta, Georgia November 26-29, 1987

© 1987, International Conference on the Unity of the Sciences

ICUS XVI

Committee IV

DISCUSSION PAPER

by Peter Munz

for

Roger E. Meiners

The Economic Approach to History

Meiners' paper tackles one of the central issues in the proposal to allow true "imperialism" to economics. Central, because if the proposal is taken seriously, then it must apply to history. Doubly central, because it is already widely recognised that economic history plays a crucial role in social studies. There are chairs of economic history in almost every University; whereas there are very few universities in which there are chairs for the study of the history of science, the history of religion, the history of art, and so forth. Only economics is accorded this special importance. This special importance we all attach to the history of economic activity may be an indirect tribute to the thought of Karl Marx; and, on the other hand, it may come from the recognition central to the work of our Committee IV that economics has "imperialist" power because its key concepts have universal applicability.

However, Meiners in his well argued and concise paper claims more. He claims first that there ought to be an economic approach to all history. This indicates that he believes that economic history, rather than the history of art or thought, is the key to history. He also claims that only in very recent times there have been developed adequate methods for the pursuit of economic history. He classes these methods under two headings,

econometric history and the study of "property rights analysis of social phenomena".

I would like to say at the outset that I have no quarrel with this subdivision, but I have two other critical comments on the paper. The first concerns a broad issue - the question as to whether the economic approach to history is really a necessary consequence of the claims of economic imperialism. The second critical comment concerns something more detailed. It concerns Meiners' defence of cliometry.

As far as the broad issue is concerned, I would like to suggest that we have to be very careful. Behind the economic approach to history there lies always the spectre of materialism. That is, the idea that everything that happens is determined by material circumstances. If materialism is correct, then an economic approach to history would be in order. My reservation concerns such tacit materialism. I cannot here go into the metaphysical problem of materialism. But I would like to mention some odd examples to show that even though we may leave metaphysical materialism out of this discussion, one can have very legitimate doubts about the primacy of economic history. If we accept that economics, since its key concepts are universal, applies to society, to thought, to politics, etc., it does not follow that economic activities as such are the key which *explain* these other phenomena. It only follows that we can apply the economic key concepts to those other phenomena and recognise, for example, that even in art as well as in religion, problems of choice and scarcity, preference and cost apply. But if they do, it does not follow, as Meiners appears to assume, that an economic *determinism* prevails.

As I understand economic imperialism - and I am taking Ghiselin's book on *The Economics of Nature* and the volume edited by our chairman, Gerard R. ^Ynitzky, *Economic Imperialism* as my starting point -

Imperialism is a question of concepts and methods, but not of substance. One can see very clearly that an artist, in deciding whether to use green rather than blue in a certain painting context, has a problem of preference, of scarcity and of opportunity, just as one has when one is playing the stock market. But it does not follow that an understanding of economic development can help us with an understanding of the artist's work.

Furthermore, - and here my reservations about Meiners' presentation are even stronger - one can often show that economic activity is derivative on politics or social pressures and secondary to it. It can therefore not be presumed, let alone be taken for granted, to play such a determining role that one can commend an "economic approach to history." Take, for example, the question of property rights. As Locke observed nearly 300 years ago, the only "property right" we can derive from the law of nature is the right to as much property as we can "mix our hands with". Any property right, and in a non-agrarian as well as in a feudally agrarian society, most property rights go far beyond those we can mix our hands with, is not derived from nature but from legal enactments and/or social traditions and therefore often totally dependent on non economic factors. Legal enactments can be interfered with by politics and even traditional arrangements are susceptible to political pressures. This would indicate that politics is more primary than economics and that, even though we may be all economic imperialists, we must grant that the political approach to history is more fundamental than an economic approach. I would even go further and suggest that while the study of politics can fruitfully be pursued with the help of economic concepts, the study of politics cannot be really advanced through the economic approach which presumes that economic activity is in some way fundamental. Perhaps I attribute too much importance to Meiners' title. But even if I do, I do not believe that the economic approach to history is a necessary consequence of economic imperialism as we understand the term in our Committee. Nor do I believe

that Meiners' two types of economic approach are a necessary consequence of the economic approach to history

This brings me to my second, detailed, reservation. Meiners writes as if before cliometry, there had been no or little economic history. I do not believe that this point of view can be sustained. I recall very vividly the economic histories by Tanwey, by Cunningham, by Clapham and by Knowles by Pirenne, by Rostovtzeff and by Toynbee (not Arnold). None of these classics fall under Meiners' stricture that economic history before cliometry was "facts without theory". On the contrary. Everyone of these authors had a very explicit theory. Moreover, I think I can detect a note of defensiveness in Meiners' presentation of the various cliometric enterprises. He does spend a lot of time defending them against their critics. Surely, if he believed them to be the great break-through, there would be no need to defend them. One would expect a more positive exposition of their merits.

My reservation focuses on the thought that in many ways the cliometric enterprises praised by Meiners can indeed not be defended. It is certainly very questionable that cliometrics introduced the spreading of economic methods in the study of history, unless one takes "economic methods" to have a very narrow meaning. For all practical purposes, I would rather argue that most cliometric enterprises reduce certain types of economic thinking *ad absurdum*. Take, for example, the most celebrated one, the study of the contribution of railways to the economic growth of the USA. Fogel imagined he had proved that railways were not central in that growth because he had found that their economic value was less than had been supposed. This counterfactual reasoning is quite unsound. It may well be that their economic value was less than had been thought. It does not follow, not by any stretch of the logical imagination, that they were not crucial or that something else was *more* important, unless one can *see*

come up with the factor that *was* more important. I am afraid, I must entirely agree with Fogel's critics whom Meiners mentions but dismisses: history is concerned with what actually happened. The historian has to explain what happened and how it happened. The suggestion that something else might have happened to produce a similar result is totally irrelevant.

On the contrary: railways are not just economic commodities. A steam engine with its pistons is a powerful symbol of enterprise, achievement and dynamism. Even if railways were less useful in economic terms than was supposed, their appearance in open and easy sight of everybody, had a powerful psychological effect. It helped to crystallise the sense of power and achievement and helped people to focus on these specific economic qualities, even though it did so in an uneconomic manner. Any cliometric investigation of railways must take cognisance of this psychological effect. Might this power and this sense of achievement not have been diminished or remained too diffuse without the sight of these giant steam engines moving up and down the country? It is at this point, highlighted eloquently in the second volume of Peter Gay's recent history of Victorian manners and morals, that even cliometry might have to cease to be purely quantitative. Even in purely cliometric terms and even within the perspective of Meiners' economic approach to history, quantification has its limitations.

Meiners is, of course, aware of this criticism of cliometry. He therefore addresses it in detail. He argues that the cliometric investigator makes use of alternative sets of general laws in order to determine what causes what. Meiners maintains in the same paragraph that the economic historian rejects the idea that history may be a unique sequence of events.

I believe that Meiners is setting up a false dichotomy here. It is certainly

true that general laws play a crucial part in historical explanations and that causality in history has to be determined by comparing alternative general laws and see how they can link up particular events. This shows that The idea that history is a unique series of events is not opposed to the idea that all causal explanations must depend on general laws. On the contrary. The unique series of history is obtained in every case by the lining up of particular events according to well tested general laws. Meiners, it seems to me, is here confusing the role of general laws with the role of merely putative general laws, that is, with the role of general laws which do not apply. Historians shun general laws which do not apply; but they seek out general laws which do apply. The difference is crucial to historical method. Meiners, I think, would argue that old fashioned historians do not use general laws; and that cliometric historians are entitled to use applicable as well as putative general laws

I have different reservations in regard to his treatment of property rights analysis in his section IV. Here again Meiners sets up a false dichotomy between "intuitionist" historians and economic historians. If one examines how the so called "intuitionist" goes about his business, one will usually find that there is much less "intuition" than meets the eye or than the practitioner professes. Even the reasoning and method of such a self-proclaimed empathy historian as Collingwood are susceptible to a close Covering Law Model analysis and boil down to what Karl Popper calls "situational logic". This may be only a matter of terminology.

I have a more serious reservation in regard to Meiners description of the property rights analysis. The analysis, he writes, proceeds by identifying what the participants are 'really' seeking, ...specifying the particular features of the institution that make it more or less costly to use one technique..." Here Meiners tackles a matter of both substance and of method. The question of method concerns our ability to find out what

people are 'really' seeking. I would argue that the meaning of the term 'really' leads us into psychology and hermeneutics - areas which Meiners would prefer to avoid.

The matter of substance, however, is important, because it may indicate the point where Meiners is true to economic imperialism and where I begin to have reservations not about Meiners but about economic imperialism. Cost analysis is only possible when we are quite sure we know what people 'really' want. When we are not sure, cost analysis becomes a doubtful strategy. The pyramids or medieval cathedrals were costly. Most taboos in religion, most religious food-habits, religious festivals, these are all example of economically wasteful practices. A cost analysis of religious festivals or of cathedral building would be extremely revealing if we knew that people really wanted to cut costs. But suppose that people did not really want to cut costs and that they had good reasons for not wanting to cut costs. Suppose that the building of a cathedral creates a spirit of communal solidarity and that the home-creating result of that spirit is considered more valuable than a more tangible commodity. One could, of course, argue that the non-tangible commodity is still susceptible to economic imperialism because it indicates a preference. But I think that this is stretching the import of economic concepts. Moreover, I believe we are here moving beyond the realm in which economic concepts are applicable, because the people who engaged in cathedral building at considerable economic cost, were not in an open market where they had a choice. First, they were born into a context in which cathedral building was valued and in which they were not free to bargain; second, their psychological despair may have been so great that they had no choice but to opt for the solidarity creating activity in which they could get their despair cured. Again, one could argue that they preferred a cure to the alternative economic advantage they could have got by not building a cathedral. But here again we are stretching

terminology beyond credibility. A man who is actually starving, is not a good subject for economic reasoning about preference and about the alternatives he has to forego if he makes a certain choice. A starving man has no choice in any meaningful sense of the term. The cathedral or pyramid builders may, similarly, have had no choice in any meaningful sense of the term.

These considerations about the advisability of casting all of social science in an economic mould are not just semantic considerations. Economically irrational behaviour is not just obliquely irrational and, in a wider sense, rational after all. The building of pyramids and cathedrals is non-adaptive and the only reason why pyramid builders and cathedral builders survive in spite of their non-adaptive (=irrational) behaviour is that pyramid building has an unexpected spin-off through the generation of solidarity; and solidarity, in taking survey of the entire social world, makes it possible to cover up for wrong choices by using solidarity, rather than rational preferences which cost less, to provide the commodities which sustain life.

I would like to stress that I began my list of reservations with remarks which showed that I had doubts as to whether Meiners' commendation of cliometry was necessary for economic imperialism. But the last of my reservations does not concern so much Meiners' own point, but the limitations of economic imperialism in general and Meiners' failure to accept that, even from the point of view of economic history, there may well be limits to such imperialism.

I would like to conclude with a general reflection on Meiners' specific commendations and on economic imperialism in general. At the beginning of our century, the German sociologist and economic historian Max Weber introduced a famous distinction between traditional behaviour and

economically rational behaviour. Among other things, this distinction proved a fruitful explanation of the tensions between economic rationality and economic irrationality. This tension, in turn, went a long way to explain the dynamics of history (= manner of change) in an entirely novel way. Weber's explanation of historical process was couched in terms of the conflict between economic rationalism and economic irrationalism and thus differed sharply both from the Hegel-Marx dialectical explanation and from other explanations which were either historicist or historicist and, at that time, much in vogue. It has occurred to me that economic imperialism is wiping out the distinction between economically rational and economically irrational behaviour. If that distinction is abandoned, we will be deprived of Weber's dynamics. One could argue that the notion of natural selection and/or of the invisible hand is bound to reintroduce a different explanation of the dynamics of the historical process. This may well be so. But before we take leave of Max Weber to move into biology-oriented directions, we ought to be quite clear that we know what we are doing and recommending and what the implications of such recommendations will be.