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## Historical Political Economy

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### 1 Introduction

Invited to deliver the first presidential address of the Economic History Association at Princeton University in the early Fall of 1941, the day after the *Wehrmacht* occupied Estonia, Harvard Business School's first Dean Edwin F. Gay (1867–1946) mused on the origins of his discipline, and how intellectual-historical vicissitudes had ensured that his audience was made up of “economic historians instead of historical economists”; why, in other words, history and economics in many ways had parted company in the halls of academia. Gay himself was a proud student of “[Gustav von] Schmoller in Berlin,” don of the so-called German Historical School of Economics in the second half of the nineteenth century and a powerful figure in German academia who, in turn, had been “a pupil of [Wilhelm von] Roscher... one of the first historical economists and the original formulator of a program for the new ‘school’ of economics.” And Gay happily agreed with his mentor and his predecessors in championing the cause of “historical relativity” in the face of the “absolutism of theory” (Gay 1941, p. 9).<sup>1</sup>

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<sup>1</sup>These categories remain trenchant in the historiography of economics, see, for example, Eklund and Hebert (1997, p. 61). On Gay, see still Heaton (1952). The literature on Gustav von Schmoller is

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Yet this particular battle had, he thought, by the early years of World War II been largely won, though perhaps not in a way expected or indeed likely approved of by his forebears: Historical political economy had largely given way to separate disciplinary inquiries of history and economics, with the latter nonetheless generally grounded in the former.

The “tendency to abstract theorizing,” Gay continued, had first been inaugurated in the distant eighteenth century by the so-called Physiocrats, a French sect of political *économistes* and large-scale landowners believing in the primacy of *laissez-faire* and the sole ability of agriculture to produce wealth, but had later come to dominate political economy in the English-speaking world as well, and nowhere more so than in Great Britain.<sup>2</sup> Generations of historical economists had subsequently sought to offer robust alternatives to abstract theory that took account of the world’s complexity, most recently the so-called institutionalists, but they had never successfully navigated the tension between relevance and erudition to offer a meaningful “synthesis” of the “interaction of all manifestations of the human spirit, economic, legal, political, social and religious” (Gay 1941, pp. 9–10).<sup>3</sup> It was a disconcerting realization, powerfully conveyed by Gay’s vivid memory of Schmoller leading his famous Berlin seminar on historical political economy and always ending his “suggestive commentaries... with an interweaving motion of his hands, by saying: ‘*Aber, meine Herren, es ist alles so unendlich kompliziert*’”—“But gentlemen, it is all so infinitely complicated” (Gay 1941, p. 13).<sup>4</sup>

Gay recognized that it was hard for such a Faustian approach, one that literally sought to embrace the dynamics of human life *tout court*, to compete with the seductive clarity and elegance of conjectural modeling, though, perhaps, it was neither possible nor altogether necessary to do so. “We can now see,” he argued, “that the full hopes of the historical economists have not been realized and are not realizable.” Consequently, “the historical economists have given place to the economic historians,” practitioners

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growing, for which see still Peukert (2001, pp. 71–116). On the historical school in Germany, see Grimmer-Solem (2003). On Schmoller and his method, see furthermore Gioja (1990) and Priddat (1995). On Roscher, see Backhaus (1995).

<sup>2</sup>The literature on Physiocracy is extensive, but see Kaplan (2015a, b).

<sup>3</sup>See for similar arguments also Hodgson (2001) and Milonakis and Fine (2009, p. 111). On the similar fate of institutional economics, see Hodgson (2004, p. 391 and *passim*) and Rutherford (2011, p. 311 and *passim*).

<sup>4</sup>It is important to note, however, that such a “concern with complexity did not entail a blind attempt to reproduce reality on a one to one scale,” see Grimmer-Solem and Romani (1999, p. 342).

of an independent discipline whose “criticism,” Gay continued, had served not to displace but to inflect and to moderate the “absolutism of theory.” To his eyes, something akin to a division of labor had evolved between history and economics, one through which fruitful disciplinary dialogues could strengthen both fields. So though historical political economy had not prevailed in the form originally dreamt of by the German Historical School he so cherished, it seemed that the cause of historical awareness itself nonetheless had won a significant victory, because,

as the nineteenth century has moved on to the twentieth, economics has increased the range and depth of its contemporary observation; its use of the deductive method has become more guarded, its analysis more subtle. (Gay 1941, pp. 13–14)<sup>5</sup>

In short, historical experience had succeeded in anchoring and rendering more realistic and effectual the efforts of abstract economic analysis.<sup>6</sup>

In hindsight, of course, it is clear that Gay’s hopes were overly sanguine from the perspectives of the historical professions, with “economics” in effect increasingly leaving the past behind as the twentieth century progressed, both as a parameter internal to the discipline and as a valued external influence on the field.<sup>7</sup> Historical political economy may well have contributed to the establishment of economic history as a discipline in English-speaking academia, but it is hard to disagree with Erik Grimmer-Solem and Roberto Romani that “historical political economy” itself for a long time has been, “as an economic discipline, without any doubt dead” (Grimmer-Solem and Romani 1999, pp. 353–354). But, as the pulp writer H.P. Lovecraft once put it, “that is not dead which can eternal lie,” and temporal awareness is about as close to the eternal as our species gets.<sup>8</sup> Indeed, this essay will argue that the late twentieth century was hardly the first time that a historical approach to, and grounding of, the organization of material life seemed to

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<sup>5</sup>I agree with Keith Tribe that “the study of history and economics” should be considered “part of the wider history of the social sciences, rather than a clash between inductive and deductive methods, or of historicism and rationalism,” but, given the arguments made by the historical actors in question themselves, it seems excessive to argue that the idea of a “historicist critique of economics” is “based largely on bad history.” See Tribe (2002, p. 20). Though far from the black-and-white situation suggested by much of historiography, historicist critiques of economics have been going on for centuries.

<sup>6</sup>For a relevant compass for this tumultuous period in the history of economics, particularly given Gay’s background, see Schefold (1999, pp. 378–391).

<sup>7</sup>There are many histories of this moment, but see among others Hodgson (2009) and Weintraub (2002).

<sup>8</sup>For a post-Hawkingian meditation on time and eternity, see Carroll (2010). On Lovecraft’s political economy, see S.A. Reinert (2015).

have died, just as our day and age is far from the first in which urgent calls are made for its resurrection.<sup>9</sup> For though the fortunes of historical political economy may ebb and flow across the centuries, it has indubitably been a constant companion of economic thinking since the latter's incipience, "an underground river," as Kenneth Arrow once described the theory of increasing returns to scale in relation to the larger history of economics, offering a perspective of perennial importance on the management of human affairs (Arrow 1994, p. ix).<sup>10</sup>

## 2 The Continuity of Crisis

Cyclical challenges have again returned to the forefront of economic debates, and it is worth remembering that moments similar to that described by Gay too have come and gone many times in the history of political economy, a history peculiarly torn between the centripetal pull of theoretical elegance on the one hand and the centrifugal force of the world's complexity on the other, between periods of buoyant hubris and humbling calamity.<sup>11</sup> This is not the venue in which to summarize the excellent and growing literature on historical political economy in different times and places, but it might be worthwhile, in light of contemporary challenges, to meditate briefly on certain recurring themes at the intersection of history and economics.<sup>12</sup> Erik S. Reinert has referred to periodic turning points in the historiography of economics—and specifically the way in which political economy or economics has formalized to the point of eventual rupture and crisis, invariably with real-world consequences, only to return to more historical and empirical methods—as "1848 Moments," after the crisis of political economy around the time of the 1848 Revolutions that shook large parts of Europe at the time (E.S. Reinert 2011, pp. 23–38). And he has fittingly quoted John Stuart Mill's (1848) *Principles of Political Economy* to highlight the degree to which not merely intellectual fashion but what might be seen to constitute economic common sense itself is inflected by such paradigm shifts:

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<sup>9</sup>For an intriguing take on the undead nature of economics, see also Quiggin (2012).

<sup>10</sup>Discussed also in E.S. Reinert (2016, p. 337 and *passim*). For a now striking meditation on how increasing returns for a long time was sacrificed on the altar of mathematical simplicity, see Krugman (1994, pp. 39–58).

<sup>11</sup>See, from different perspectives, Perez (2003) and James (2009).

<sup>12</sup>For a remarkable recent selection of essays including a variety of historical approaches, see, however, Reinert et al. (2016).

It often happens that the universal beliefs of one age of mankind—a belief from which no one was, nor without an extraordinary effort of genius and courage *could* at the time be free—becomes to a subsequent age so palpable an absurdity, that the only difficulty then is to imagine how such a thing can ever have appeared credible... It looks like one of the crude fancies of childhood, instantly corrected by a word from any grown person. (Mill 1848, p. 3)<sup>13</sup>

What follows draws inspiration from this insight to reconsider the nature and, arguably, continuing—or, at least, yet again renewed—relevance of historical political economy. For again and again, specific ideas, suggestions, or observations are proposed, gain traction, and are ultimately elevated to the point of generalized, universal validity or even natural law and religious dogma before they frequently fail—sometimes with downright catastrophic consequences—in the face of real-life events and contextual differences, of black swans and swans that were long ago discovered, cataloged, and subsequently ignored or simply forgotten.<sup>14</sup> There is one area where this has happened with remarkable frequency: the cluster of assumptions, models, and proposals unified around phrases and ideological constellations such as “*laissez-faire*,” “spontaneous order,” the exquisitely opaque yet all-round favorite slogan of “free trade,” and what one eighteenth-century writer, with striking assumptional transparency, called “the economic hand of God”; the sentiment, in short, that the social world quintessentially is characterized by providential harmony and that unmitigated individual self-interest therefore best can provide for worldly melioration *for everyone*.<sup>15</sup> Deep down, our never-ending debate over the necessity or not of economic regulation masks one of the most fundamental questions facing humanity: Whether reality itself is imbued with an intrinsic, preordained tendency toward social advantage or improvement, or whether it results, however haphazardly and imperfectly, from purposeful human organization; and though this cannot be neatly generalized, it remains that many notable historical economists have tended to deeply distrust arguments for providential order.<sup>16</sup>

<sup>13</sup>On common sense in intellectual history, see Rosenfeld (2011). The literature on paradigm shifts has of course exploded in the wake of Kuhn (1962) on which see Isaac (2012).

<sup>14</sup>On black swans, see of course Taleb (2007).

<sup>15</sup>Most of these phrases are ubiquitous, but for “the economic hand of God,” in particular, see Facchini (1763). For different perspectives on invisible hands, see among others Harrison (2011, pp. 29–49), Samuels et al. (2011), and Sheehan and Wahrman (2015).

<sup>16</sup>The literature on this topic is as vast as the subject matter, but see also the classic Viner (1977). On the theme of religion and economics, see furthermore Nelson (2014, p. 346) and Agamben (2009). For concrete arguments that a divinity literally made the world so that markets should be free, see the long arc from Bencivenni (1774, pp. 292–294, 329–330, 342–345, 387–390) on the authorship of which see Pozzetti (1810, pp. 100–101), to McCloskey (2006, pp. 38, 438, 462). For providence-skeptical historical economists, see, for example, Balabkins (1988, p. 75).

Not surprisingly, scholars have written entire libraries about the rise and fall of moments such as that described by Gay: moments, that is, in which historically minded economic thinkers have warned of the gradual process by which abstractions may end up being confused with reality, of impending crises resulting from undue faith in the application of theoretical maxims, of excessive faith in what Gay called the “absolutism of theory” and the Austrian economist Friedrich Hayek later liked to laud as “the primacy of the abstract,” and more broadly in the salubrious consequences of “letting do,” or *laissez-faire* (Gay 1941, p. 9; Hayek 1978, pp. 35–49).<sup>17</sup>

Already at the very origins of coherent economic writing in early modern Europe, “history” and “experience” were frequently summoned as the ultimate arbiters of authority in debates regarding political economy, and if one accepts the verdict of the great Harvard economist Joseph A. Schumpeter, the first ever work of “economics” took the form of the lawyer from Cosenza Antonio Serra’s 1613 *Short Treatise on the Causes that Can Make Kingdoms Abound in Gold and Silver even in the Absence of Mines*, itself an analytical meditation on the relative values of “theory” and “experience” in formulating economic policy. Serra’s subsequent failure to impress Neapolitan authorities, who decided to follow the advice of his intellectual opponent Marc’Antonio de Santis, was a sign of things to come (Serra 1613/2011).<sup>18</sup>

Gay, however, chose to focus on the better-known and more consequential case of the French Physiocrats. A royal physician, the group’s leader François Quesnay first made a name for himself as a scholar of bloodletting, the practice of which, if nothing else, at least outlived the phlogiston theory (Quesnay 1730).<sup>19</sup> Beginning in the 1760s, he began to attract a cohort of followers—most famously the Marquis de Mirabeau—to found one of the first and most coherent “schools” of economic thought in history.<sup>20</sup> Simultaneously a grandiose plan to pacify international relations in the wake of the global Seven Years War; a neo-feudal capitalist ideology lionizing landed elites; a path-breaking theoretical analysis of the circular flows

<sup>17</sup>On which see Romani (2004, pp. 37–65). That “economics” depended on the interplay of history on the one hand and theoretical abstraction on the other was mainstream at the time, see, for yet another example, Einaudi (2017, p. 1). For a timeless warning of ultimately believing the “fictive” nature of theoretical assumptions, see also Einaudi (1942–43, pp. 51–52) and Röpke (1942).

<sup>18</sup>On which see S.A. Reinert (2016, pp. 112–142). On Serra as the first economist, see among others Schumpeter (1996, p. 195).

<sup>19</sup>On which see among others Groenewegen (2001, pp. 93–115). On the phlogiston theory, once at the apex of scientific certainty, see among others the essays in Conant (1950).

<sup>20</sup>The literature on Physiocracy is vast, but see, for a classic work on the subject Kaplan (2015a, b). More recently, see Shovlin (2007) and Sonenscher (2009).

of production, consumption, and investment; and a clarion call for “legal despotism” and *laissez-faire*, Physiocracy, which literally means the “rule of nature,” gained extraordinary fame and notoriety throughout Europe in the 1760s and early 1770s. Yet at its conceptual core lay a series of bold but unrealistic assumptions that, though justifying the theoretical architecture and legitimacy of the movement, turned out to be catastrophic when tested in practice. Not only did the Physiocrats argue, against the experience and example of the world’s wealthiest realms and cities, that agriculture was the sole source of a state’s wealth, but they also, and more immediately dangerously, assumed that buyers and sellers inevitably would find each other at the right price in a world of frictionless transactions beyond time and space—a world very different from the logistically still developing and regionally diverse France of the eighteenth century. Nonetheless, Quesnay believed that historical precedents presented merely “an abyss of confusion” from the perspective of political economy, in many ways establishing a conceptual tension between history and theory that periodically comes to dominate economic analysis, and offered Physiocracy as an alternative to temporal awareness applicable “everywhere.”<sup>21</sup> Given the stakes were nothing less than the people’s subsistence, this would prove to be a perilous gambit.

Close to individuals in power in the French state apparatus, Quesnay’s group stood behind the great French liberalization experiments of the period, revolutionizing not merely the regulation of the grain trade but the very social contract itself. To borrow the phraseology of Oscar Wilde, people overnight “found themselves indeed so absolutely free that they were free to starve” (Wilde 1891/2001, p. 131). For though entrepreneurs were incentivized by the deregulation, French markets were simply not integrated enough, territorially or socially, for ideal market mechanisms to do their job at the time, which, when combined with bad harvests, resulted in veritable subsistence trauma (Kaplan 2015a, pp. 689–690).

Though critical of the Physiocrats’ endeavor, Adam Smith also considered them “perhaps the nearest approximation to the truth that has yet been published upon the subject of political economy,” thus seemingly giving them his blessing as founders of economics; a position they still enjoy in most histories of the discipline (Smith 1776/1976, vol. II, p. 199).<sup>22</sup> In the words of the brilliant Neapolitan political economist Ferdinando Galiani, however, who expressed what many across the European world felt, Quesnay

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<sup>21</sup>On Physiocracy and history, see S.A. Reinert (2011, p. 284).

<sup>22</sup>On Smith’s decidedly critical stance on Physiocratic reforms, see Hont (2005, p. 100).



was nothing less than “the Antichrist,” Physiocracy a deeply dangerous and ahistorical theory that, as he explained in his bestselling 1771 *Dialogues on the Grain Trade*, was based on such absurd assumptions that it inevitably *had* to create real suffering when put into practice. It was not just that some economic ideas turned out to be bad in certain situations, it was that lives were lost as a result of them as the Physiocratic reforms ended in dearth, civil disorder, and, as Galiani reported, even death (Galiani 1770/1818; Galiani 1979). The remedy, he argued, could only be a grounded, historically aware political economy, one for which the hardest part was not the theoretical elegance of its “economic” aspect but rather the practical applicability of its “political” counterpart; as Galiani’s mouthpiece in the *Dialogues* put it, “the example of the past indicates what lies in the future” (Galiani 1770, p. 283).<sup>23</sup> Some of the greatest minds of the period subsequently lent their pens to the cause of Antiphysiocracy instead, and it is by now evident that in practice Physiocracy was subject to a massive backlash in the later eighteenth century, becoming *far* less influential in eighteenth-century Europe than many hitherto have assumed, all while it undeniably greatly affected the development of economic theory as such.<sup>24</sup>

But there have been numerous other such moments in which theory has overshot the possibilities of practice, causing varying degrees of damage and inviting historicist critiques, and though it of course would be far too simplistic to reduce the history of political economy to just this, the dynamic certainly represents a significant pattern in the discipline’s past. Friedrich List’s epochal 1841 *National System of Political Economy*, the influence of which is difficult to exaggerate, did something similar to Galiani on the eve of the 1848 Revolutions, offering a devastating attack—in the name of historical experience—on the assumptions and consequences of what has come to be called British free-trade imperialism.<sup>25</sup> As List showed large parts of the world, there simply turned out to be very limited correspondence between the trade theories promoted by British economists throughout much of the nineteenth century on the one hand and the ruthlessly interventionist practices that had led the British Empire to global supremacy on

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<sup>23</sup>See for a discussion also Kaplan (2015a, p. 683) and S.A. Reinert (2011, p. 283).

<sup>24</sup>On European Antiphysiocracy, see now the essays in Kaplan and S.A. Reinert (2018, forthcoming).

<sup>25</sup>See the frequently translated and republished List (1841). The literature on List is massive and growing in light of the recent crisis, but see still Tribe (1995, pp. 32–65) and Hont (2005, pp. 148–155). For an example of the recent flurry of publications, see Wendler (2015). On British free-trade imperialism, see still Semmel (1970). For the geographical limits to List’s argument, see Boianovsky (2013, pp. 647–691).



the other.<sup>26</sup> So, as José Luís Cardoso and Michalis Psalidopoulos recently have argued about the European world at the time, “the more in need of catching up, the more the historical method was put to use to work out strategies of deliberate industrialization and development in various countries,” a strategy later emulated with great success by the likes of Japan, Singapore, South Korea, and Taiwan in the twentieth century.<sup>27</sup>

Numerous “historical schools” in any case emerged in the later nineteenth century across the Old and New Worlds, as well as in Japan, spearheaded by the most famous one of all, the German Historical School of Economics.<sup>28</sup> This school is, in turn, habitually divided into the “Older School,” which included the likes of Wilhelm Roscher, Karl Knies, and Bruno Hildebrand, and the “Younger School” represented above all by Gustav von Schmoller, Karl Bücher, and Adolph Wagner, with recognized antecedents in List as well as in the deeper academic and practical traditions of German Cameralism, and crowned with luminary successors like Werner Sombart and Max Weber.<sup>29</sup> Any reference to “historical political economy” today will, in one way or another, draw on the disputed legacy of this complex and multifaceted tradition, which, it is worth noting, never constituted a “sect” in the sense that the Physiocrats formed one. If many historically minded economists have shared certain approaches and perspectives across different times and places, they have seldom demonstrated great intellectual homogeneity or, for that matter, durable and coherent institutional hierarchies; there has never been only *one* mainstream method of historical political economy, any more than historians share *one* uncontested historical narrative, and this

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<sup>26</sup>For an extended meditation on this tension, see S.A. Reinert (2011), but this is by now a mainstream argument. See, from very different perspectives, Brewer (1990), E.S. Reinert (1999, pp. 268–326), developed in E.S. Reinert (2007), Chang (2002), Nye (2007), and Pincus (2009).

<sup>27</sup>Cardoso and Psalidopoulos (2016, p. xxvii). See also Johnson (1982), Wade (2003), Austin (2009), and Woo-Cumings (1999).

<sup>28</sup>The literature on the German Historical School is vast, but see, in addition to the previously mentioned Grimmer-Solem (2003), Tribe (2002) as well as the essays in Shionoya (2005). On its wider influence see the essays in Cardoso and Psalidopoulos (2016), and for the American case the classic Balabkins (1988) as well as Herbst (1965) and Bateman (2011, pp. 108–124). For the Norwegian case, see Fasting (2014). For the case of Japan, see Nishizawa (2003, pp. 155–172), Yanagisawa (2003), as well as the essays in the classic Sugiyama and Mizuta (1988). On the larger transformation of economics in academic life in the period, see the project described in Claeys et al. (1993, pp. viii–x), and the literature there addressed. From the perspective of the history of political thought, see now McDaniel (2018).

<sup>29</sup>For a brief overview, see Hagemann (2016, pp. 223–235). For caveats regarding the chronology of the German Historical School, see Lindenfeld (1993, pp. 405–416). The literature on German Cameralism is also flourishing, but see particularly Tribe (1988), Wakefield (2009), and S.A. Reinert (2011, pp. 233–245).

may simultaneously be one of the greatest strengths as well as weaknesses of historical awareness in the social sciences.<sup>30</sup>

The historiography of the German Historical School has, indeed, long emphasized the importance of the *Methodenstreit*, or “Battle of Methods,” between the historicist Schmoller and the Austrian marginalist economist Carl Menger, a supposed Manichean battle between history and theory, darkness and light.<sup>31</sup> More recently, Keith Tribe has argued that the actual debate was less about the virtues of historicism as such than over the direction of social sciences in the second half of the nineteenth century (Tribe 2002, p. 23; Tribe 1995, pp. 74–76 and *passim*). As the British economist John Neville Keynes, father of the better-known John Maynard Keynes, described the tensions of his discipline already in his 1891 *The Scope and Method of Political Economy*,

the main points involved in controversies about economic method may be indicated in outline by briefly contrasting two broadly distinguished schools, one of which describes political economy as theoretical, abstract, and deductive, while the other describes it as ethical, realistic, and inductive. (Keynes 1891, pp. 9–28)<sup>32</sup>

History would continue to inform a wide spectrum of approaches to political economy in the European world and beyond into the twentieth century, and increasingly so in the wake of economic crises and uncertainty, though individual practitioners put divergent and frequently idiosyncratic emphases on the weight of past experience.<sup>33</sup>

### 3 Cycles of Globalization

It was in such a context that the eminent historical economist and later Archdeacon of Ely William Cunningham, lecturer at Harvard and fellow of Gonville & Caius College, Cambridge, recorded one of the most

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<sup>30</sup>Grimmer-Solem and Romani (1999, p. 353). The question of whether or not the German Historical School was ever a “school” even was recently raised. See Pearson (1999, pp. 547–562), for rebuttals against which see Caldwell (2001, pp. 649–654) and Tribe (2002, p. 2n3). On objectivity and history more generally, see still Novick (1989).

<sup>31</sup>The literature on this is, again, vast, but see Schumpeter (1996, pp. 814–815).

<sup>32</sup>On John Neville Keynes, see Deane (2001).

<sup>33</sup>On the explicit use of historicism to criticize more theoretical economics in the USA, for example, see Barber (2003, pp. 231–245, particularly pp. 240–241).

famous moments of historicist vindication in his 1904 *Rise and Decline of the Free Trade Movement*, a funeral oration of sorts for nineteenth-century globalization (Cunningham 1904).<sup>34</sup> Driven by the solidification of Western imperial structures and by key technological developments like the telegraph, the world had embarked on an unprecedented (quantitatively if nothing else) period of galvanized trade, travel, and investment during the Victorian era.<sup>35</sup> Yet, as List and others had warned, the benefits of these dynamics were rather unevenly distributed from a planetary perspective, and internal dynamics eventually led to the unwinding of this first great period of modern globalization; indeed, both trade and international capital flows—in many ways litmus tests of global capitalism—peaked around 1914 and would not recover again until the 1970s.<sup>36</sup> According to Cunningham, who reiterated earlier peripheral critiques from the very core of the world economy, it was thus high time in the early twentieth century to reconsider “the conduct that is *expedient*, with reference to the material prosperity of human beings,” for it seemed clear to him that many of the “economic principles” that long had been ascendant in Britain and elsewhere “might be fitly relegated to Saturn” (Cunningham 1904, pp. 2, 4).<sup>37</sup> Most pressingly, he argued,

There is indeed a wide-spread superstition that if things are only left alone they are sure to work out in the best possible way and to the greatest happiness of the greatest number. Reliance on unrestricted individual competition—the war of all with all—as the essential condition of improvement appears to derive some support from the Darwinian doctrine of the survival of the fittest. But physical nature and human society are so far distinct spheres that we cannot argue directly from one to the other. (Cunningham 1904, pp. 149–150)<sup>38</sup>

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<sup>34</sup>Though Cunningham himself felt he was changing his mind in light of recent events, p. [vii], he had always been oriented toward a historical political economy generally speaking, see, for example, Kadish (1993, p. 81 and *passim*).

<sup>35</sup>See from different perspectives on this moment O'Rourke and Williamson (1999), Harper (2002, pp. 141–166), Mattelart (2000), Wenzlhuemer (2013), Osterhammel (2014), and Rosenberg (2012). For a popular account, see Wilson (2016). For an insightful theoretical take on the mechanisms of this, see again Perez (2003).

<sup>36</sup>See among others the classic Bairoch and Kozul-Wright (1996). On this first grand moment of globalization, see among others O'Rourke and Williamson (1999).

<sup>37</sup>The relocation of *laissez-faire* to distant planets is old news, see, for example, Genovesi (1764, vol. I, pp. 292–93n).

<sup>38</sup>On the history of Darwinian influences on economics, see among others Hodgson (2004).

Historical experience had made clear that though the economic transformations of the recent century—the onset of real development in parts of the world—had been extraordinary, there in practice *were* some “malign effects of cosmopolitan competition” that had to be addressed politically for globalization to be sustainable (Cunningham 1904, p. 161). First of all, Cunningham followed List in identifying “the deadening influence” of “English industry and commerce” on other countries, the uneven playing field at the beginning of this period of globalization having allowed “an economically strong country to crush others that were, at the time, economically weak,” systematically dividing the world into industrializers on the one hand and providers of raw materials on the other (Cunningham 1904, p. 160). In real time, then, perspicacious observers noted that, as Jeffrey G. Williamson would put it much later, the first modern period of globalization truly was “when the Third World fell behind,” though a gradual divergence had begun to materialize already in the early modern period (Williamson 2011).<sup>39</sup>

Equally importantly, however, Cunningham believed there were mechanisms internal to the nature of international competition that eventually could turn against core countries as well. Britain’s heyday as the proverbial workshop of the world had undeniably brought “the standard of comfort of the Lancashire factory operatives to a very high plane,” but Cunningham found it “doubtful” whether this could “be maintained in the face of cosmopolitan competition” (Cunningham 1904, p. 162).<sup>40</sup> The relentless pressures of cost competition between countries with vastly different wage levels and expectations with regard to living standards would eventually hurt the working classes in the world’s wealthiest countries, and, as he argued, “there is a danger that the position of the labourer in civilized countries will be seriously injured, if the Englishman is not careful to protect himself against the malign results of cosmopolitan competition.” That said, given the nature of globalization, Cunningham saw “even greater danger of the oppression of coloured labour by European capitalists in tropical lands” (Cunningham 1904, pp. 162–163).<sup>41</sup> In his bleak vision, global labor would increasingly

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<sup>39</sup>The construction of a worldwide dataset of such estimated GDP values had been the brainchild of the late Angus Maddison, now continued by an international team of scholars. See The Maddison Project, <http://www.ggd.net/maddison/maddison-project/home.htm>. On recent updates to the dataset, see Bolt and Van Zanden (2014, pp. 627–651). For a rather different argument, see a literature best represented by Pomeranz (2000, pp. 165, 276 and *passim*).

<sup>40</sup>On the vast difference between Gross Domestic Product per capita in the UK and the rest of Europe, let alone the world, in the late nineteenth century, see Maddison (2007, p. 382).

<sup>41</sup>On the much longer history of theorizing about cost-competition, see Hont (2008, pp. 243–323).

suffer as a small elite reaped the profits of world trade, and geopolitics rendered more uncertain as individual countries eventually realized that “English interests had led to the adoption of Free Trade, and declined to admire this country as an exponent of international morality” (Cunningham 1904, p. 181).<sup>42</sup>

However eerily Cunningham’s words reflect some of the turmoil of our own time, it is worth clarifying that he did not wish—the way many do today—for the enterprise of globalization (or for that matter many of the findings of past economic inquiry) to collapse; he was not one of history’s “grim prophet[s] of national isolation,” far from it.<sup>43</sup> Rather, he hoped that past experiences might lead to a more measured approach to international political economy—one focused more explicitly on inequalities of wealth and power—so that the process itself might be managed to benefit a wider constituency and thus remain viable over time; and he was deeply worried about the dangers of throwing the baby out with the proverbial bath water:

Are we forced either to follow economic authorities blindly, or to repudiate them altogether? Is there no mean between the exaggerated deference which was shewn to the maxims of Political Economy in the middle of last century, and the undue disparagement to which it is exposed in the present day? (Cunningham 1904, p. 4)

Much of what Cunningham feared would indeed come to pass in the next few decades, and the contemporary resonance of his observations as the last grand period of globalization began to unwind cannot fail to catch our attention. The Great Depression again galvanized the study of a more historically grounded political economy and of economic history generally—the way crises had done before and have done since.<sup>44</sup> Not unlike Cunningham, Gay’s former student William T. Jackman also relished the renaissance of “the historical economist” at the time, but he, too, quickly observed that there

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<sup>42</sup>On the truth of this analysis, in the complex history of labor conditions under globalization, see among others Bonanno (2013, pp. 21–41, particularly p. 37).

<sup>43</sup>The phrase was used to compare Gunnar Myrdal and, by reflection, large parts of early development economics, to Johann Gottlieb Fichte by Heilperin (1960, p. 149). On Fichte’s actual political economy, see Nakhimovsky (2011). More recently, isolated states are seen as nothing less than cancers in the global body; as Harold James argues, if countries “cannot export goods and participate in international society, they will not remain simply self-contained in a ghetto of misery and inhumanity. They will export their problems: their terrorism, their violence, and even their diseases.” See James (2001, p. 217).

<sup>44</sup>See, for example, Boldizzoni (2011, p. 3 and *passim*) and Kadish (1989, pp. 221–245). On popular turns to history in the face of crises, see also James (2001, p. 65).

was a real danger that, in overreacting to the perceived practical failures of economics, a proposed remedy might make things even worse. Jackman was quite clear, for example, that one would not “obtain an answer in the crashing of great business organizations, which were built up in years of prosperity and were supposed to be invulnerable” (Jackman 1932, pp. 4, 15).<sup>45</sup> Similar fears and preoccupations of course drove John Maynard Keynes’s project to save liberal democratic capitalism from the clutches of fascism during the Great Depression; “to cure the disease,” as he put it, “whilst preserving efficiency and freedom” (Keynes 1933, p. 350).<sup>46</sup> And his solution was precisely to prudently step back from bold yet untenable assumptions and reground political economy in experience, in what his colleague Joan Robinson would call “historical time” (Robinson 1978, pp. 126–136).<sup>47</sup>

Mark Twain may never actually have claimed that “history does not repeat itself, it rhymes,” but the sentiment is worth quoting nonetheless (O’Toole 2014).<sup>48</sup> For though the exact details of moments such as those described by Gay of course differ greatly across time and space, their underlying mechanisms, and sometimes terrible consequences, cannot but illuminate. Today, the world’s bookstores are again lined with historical warnings and explanations—Thomas Piketty’s unlikely global publishing phenomenon *Capital in the Twenty-First Century* being a sure sign of our times—and academic work and political debates alike resound once more with calls for a historical political economy (Piketty 2014).<sup>49</sup> Indeed, even laymen now claim knowledge of the history of economics is necessary for informed citizenship.<sup>50</sup> Though this trend was evident for years before the economic crisis of 2008, there can be no doubt that this renewed interest in historical economics was galvanized by the ongoing consequences of the so-called Great

<sup>45</sup>On Jackman, see Innis (1952, pp. 201–204). On the no less relevant Innis, see Watson (2007).

<sup>46</sup>See, for example, Keynes (1936, p. 381). The literature on Keynes also exploded with the financial crisis of 2008, but see Skidelsky (1983–2000) as well as the aptly titled Skidelsky (2009) and Backhouse and Bateman (2011).

<sup>47</sup>On Robinson see Harcourt and Kerr (2009).

<sup>48</sup>The first variation of the quote may have been in “Art. I. [Review of A. N. Mouravieff’s *A History of the Church in Russia*],” *The Christian Remembrancer*, October 1845 [vol. 10, London: Burns, 1845], pp. 245–331, p. 264: “*history repeats her tale unconsciously, and goes off into a mystic rhyme; ages are prototypes of other ages, and the winding course of time brings us round to the same spot again.*”

<sup>49</sup>On which see among others Hudson and Tribe (2017).

<sup>50</sup>Barnard (2013, p. 9) claiming someone ignorant of the history of economics risks being a “cittadino coglione,” a less vulgar but also less colorful rendition of which would be “stupid citizen.”

Recession.<sup>51</sup> Yet again, leading economists are drawing inspiration from Alexander Hamilton's dictum that, in matters of political economy, "the practice of mankind ought to have great weight against the theories of individuals" (Hamilton 1791, p. 132).<sup>52</sup> And global trade has once more begun declining in volume, unequal gains from trade over the preceding decades of widespread and often very rapid deregulation having roused inequality and incited social unrest on a planetary scale, leading us to another period of renewed populism in the old core of the world economy.<sup>53</sup>

If *The Economist* claims it "fatuous" to compare our times to the 1930s, the legendary hedge fund manager Ray Dalio recently argued that precisely that decade offered a mirror for our own times, reminding us that "although circumstances like these have not existed in our lifetimes, they have taken place numerous times in recorded history," while the economic historian Niall Ferguson suggests we are rather experiencing a period similar to that following the global financial crisis of 1873. Either way, an increasing number of observers have again begun to engage with the politics of economic rhythms and the rhymes of historical political economy.<sup>54</sup> Calls for political economy to be more clearly grounded in historical experience, and more attentive to contextual differences in its application as policy, are, in other words, about as old as the broadly defined discipline itself, and what is surprising is less the fact of their recurrence than how quickly the need for temporal awareness fades.

## 4 Approximate Accuracy

The great Chicago economist Jacob Viner once considered naming one of his essays "Why has economics always had a bad press?" though after listing endless jeremiads against his discipline across the centuries he nonetheless

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<sup>51</sup>"The financial crisis of 2008," Cardoso and Psalidopoulos (2016, p. xiv) have rightly observed, "has revived interest in economic scholarship from a historical perspective." For an earlier, similar statement, see, for example, Peukert (2001, pp. 73–74), and even the memorable warning that "graduate programs may be turning out a generation with too many *idiot savants* skilled in technique but innocent of real economic issues" in Krueger et al. (1991, pp. 1044–1045).

<sup>52</sup>Though they do not quote that particular passage by Hamilton, it deeply influences Cohen and DeLong (2016) and similarly Rodrik (2016).

<sup>53</sup>On current trade flows, see Appelbaum (2016). For just two examples of what undoubtedly will become a cottage industry, see Judis (2016) and Mishra (2017).

<sup>54</sup>"League of Nationalists" (2016) and Dalio (2016). On Dalio see still the portrait by Cassidy (2011) and, for a more academic use of comparisons with the 1930s, O'Rourke (2016, pp. 110–114) and Ferguson (2016).



concluded that, “on average’... the American economist has been dealt with fairly by the American public” (Viner 1963/1991, p. 227). Therein lay the rub, for the dominant word here is “average.” Indeed, there have been long periods in which economics has enjoyed a far better press, not to mention greater social status, pecuniary recompense, and access to power for its practitioners, than most if not all other disciplines in the humanities and social sciences.<sup>55</sup> Yet Viner was indubitably right that economics *has* enjoyed periods of very bad press, and the deeper question might be why it continues to experience such fluctuating extremes of opinion, good and bad (Viner 1963/1991, pp. 246–247). The media seldom turns *en masse* to sociology say, or for that matter to archaeology, in either adulation or vilification, and this is of course also because economics, as the ostensible science of humanity’s material organization, is thought to matter *more* for the majority of human beings, therefore by necessity playing a game of much higher stakes that most other disciplines can lay claim to.

The methodological musings of Nobel Laureate Paul Krugman, in a classic article on the decline of “high development theory” as championed by people like Paul N. Rosenstein-Rodan, Gunnar Myrdal, Raul Prebisch, and Albert O. Hirschman in the postwar period, may be illuminating from this perspective. The group, he lamented, had chosen to remain wedded to approximate, historical methods in political economy and reject the renewed “drive towards rigor” embraced by the “mainstream” of economics since the late 1950s. The crux of the matter lay in the question of whether to engage with economies of scale in economics; Krugman’s “mainstream” preferred to assume away differential returns because they were too difficult to model with the mathematical tools of the time, while “high development” theorists thought them too important for understanding the process of comparative economic development to ignore simply because methodologically elusive (Krugman 1995, p. 40).<sup>56</sup>

As a metaphor for the development of economics in this case, Krugman drew on the experience of European mapmaking in Africa. Early maps of the continent were replete with cities, mountains, rivers, and the strange creatures cataloged by Pliny the Elder. Gradually, however, as technological tools improved and empirically sounder observations of Africa became available during the so-called age of exploration, the map of Africa was first

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<sup>55</sup>See recently Fourcade et al. (2015, pp. 89–114).

<sup>56</sup>On the continuing relevance of this moment though, see Meier and Stiglitz (2001) and Sunna and Gualerzi (2016).

emptied entirely before gradually being repopulated with a more trustworthy topography. The same, Krugman has argued, is true of economics, which sometimes necessitates a “loss” of real knowledge regarding a subject matter before it can gain more: “Model building, especially in its early stages, involves the evolution of ignorance as well as knowledge.” Increasing and diminishing returns to scale were, similarly, put aside until they could be understood with better tools (Krugman 1995, p. 50).<sup>57</sup>

Two recent examples of this mechanism can help both justify Krugman’s point and underline some of its collateral consequences. For, sometimes, it takes a very long time indeed to prove with rigor what once was known intuitively. Though the languages for describing this have evolved over time, a core assumption of economics has, for example, for centuries been that markets adapt, self-correct, and tend toward equilibria. One of the most influential statements of this doctrine can be found in Smith’s passages in favor of “freedom of trade,” among which he argued that “though a great number of people should... be thrown all at once out of their ordinary employment and common method of subsistence,” for example by exposure to international competition, “it would by no means follow that they would thereby be deprived either of employment or subsistence.” Why? Because, looking to the example of the last great war, Smith noted that “more than a hundred thousand soldiers and seamen, a number equal to what is employed in the greatest manufactures, were all at once thrown out of their ordinary employment,” yet they were absorbed by other occupations, and “not only no great convulsion, but no sensible disorder arose” (Smith 1776/1976, vol. I, p. 492).<sup>58</sup> Gradually, over time, Smith’s argument became ever more formalized as the Pareto-optimizing nature of international trade, while critics, who often appealed to common sense, largely were ignored. Yet, as David H. Autor, David Dorn, and Gordon H. Hanson recently have argued, the entrance of China into the World Trade Organization indeed caused substantial and durable unemployment in the USA, at the very least demonstrating, like Galiani did centuries before them, that markets may need more *time* to adapt than ordinary people are willing to put up with, and that this may have unfortunate human and political consequences (Autor et al. 2016, pp. 205–240).

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<sup>57</sup>For a rather less forgiving reading of the story, see Chitonge (2015, pp. 1–3 and *passim*).

<sup>58</sup>For a transparent restatement of the argument, see Smith (2015, p. 279) and Evensky (2015, p. 118).

From a slightly different perspective, scholars have for centuries suspected that Napoleon's continental system contributed to the more rapid industrialization of France as British imports were substituted with domestic products.<sup>59</sup> As an anonymous French planter in Venezuela succinctly put it in 1851, "the blockade, which was for the continent in general, but for France in particular, a source of prosperity, by favoring the several nations of Europe in the development of their manufacturing industry, gave a fatal blow to the commerce of Great Britain" (Anonymous 1851, p. 259). Contemporary observers had noted these effects, and subsequent scholars gathered this had been the case on the basis of qualitative measures of analysis. It was an example of infant industry protection by default, a policy measure not unlike those later proposed by the likes of Hirschman and early development economics. Yet it long went against a standard theoretical argument regarding the fallacies of protectionism, and very much suffered the fate of Krugman's hypothetical rivers in Africa, the whereabouts of which were roughly known but still exorcised until it eventually was reintroduced with more sophisticated methods at a later date. In this case, the industrializing consequences of the Napoleonic Blockade were only shown with sufficient rigor to be reconsidered by Réka Juhász more than two centuries later (Juhász 2014).

One can, of course, just as easily fetishize paralyzing complexity as one can mathematical elegance, and the deeper methodological problem of political economy may be our seeming need to pick one or the other. It cannot be doubted, for example, that we now have answers to many old questions that are incomparably superior because of ever more sophisticated theoretical tools. Yet, at the same time, one must be allowed to question and assess the costs of such an unforgiving approach to economic mapmaking. In relation to the specific examples mentioned above, plausibly effective policies have not merely been sidelined but ridiculed for long periods of time, with very real human consequences. And the issue of course remains how to engage with questions for which one may *never* have the appropriate tools to produce sufficiently rigorous answers, or for which such methods ultimately are inappropriate; as Abraham Maslow warned, "it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail" (Maslow 1966, p. 15). Because of the way in which it shapes public policy and administration, such questions are far more pressing for matters of political economy than for most other fields of learning. Few people will prosper or flourish in material terms based on a revolutionary reading of Shakespeare's

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<sup>59</sup>On these events, see now the essays in Aaslestad and Joor (2014).

*Othello* or the discovery of a new long-extinct *hominid*, no matter what previous intuitions have to be discarded and for how long, but the same is simply not true with regard to the economic realm, where life literally is on the line in the contest of knowledge, and where the consequences of willful ignorance are infinitely more consequential. And if the above examples are indicative of anything, it may safely be argued that intuition fruitfully can continue to be considered while methodological tools are sharpened; to return to Gay's point, the relationship between experience and theory ought to take the form less of an antithesis than of a profitable division of labor.

There are, however, further ways in which Krugman's geographical analogy remains apt for appreciating the relationship between history and economics. In the eighteenth century, theorists often fell back on stadial theories of history, which offered frameworks not merely for understanding time but also space; traveling to other continents from Europe meant, for many in the early modern world, voyaging between different historical evolutions of human institutions.<sup>60</sup> One could not, some began noting, very easily project one's assumptions, for development differed temporally as well as geographically. This was the essence of the great Neapolitan philosopher Giambattista Vico's historicist critique of natural law in the early eighteenth century; for too long writers had assumed that man in the state of nature was like "modern man," whereas rigorous historical analysis made clear that humans, languages, laws, and societies had developed together over time. Economic and political interventions had necessarily to take account of the diverse trajectories of various times and places (Vico 1744/1984, p. 95 and *passim*).<sup>61</sup> In conscious opposition to the contemporary vogue for Cartesian mathematical reductionism, and deduction from axioms, Vico instead suggested a genetic approach to knowledge emphasizing the crucial importance of "history" and "context" for "science."<sup>62</sup>

Similar critiques have often lingered behind calls for historical political economy as well, as evident even from the title of Nobel Laureate Gunnar Myrdal's (1957) *Economic Theory and Under-Developed Regions*; economic theories produced in the so-called first world could not simply be translated to regions with extremely divergent developmental paths (Myrdal 1957).<sup>63</sup> He expounded upon this in his essay "An Economist's Vision of a Sane World,"

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<sup>60</sup>See among other works on this tradition Meek (1976) and Palmieri (2016).

<sup>61</sup>On Vico, see Robertson (2005). On Vico and economics, see still Tagliacozzo (1969, pp. 349–368).

<sup>62</sup>Vico even applied these methods to himself in his Vico (1725–28/1944, pp. 113, 120 and *passim*). See also Vico (1708–9/1990).

<sup>63</sup>For context, see also Appelqvist (2014, p. 72).

In regard to the development problems of underdeveloped countries, I feel that we have been living, and are still living, in a fool's paradise. We have formed opinions which are heavily biased in an optimistic direction. The careless application of Western economic theories and models that are not adequate to reality in underdeveloped countries has contributed to this by making it possible to disregard levels and modes of living, and attitudes and institutions—that is, the social facts which raise obstacles and inhibitions to development. (Myrdal 1973, p. 99)

This was precisely the sort of guarded, approximate approach to political economy that, as Krugman explained, increasingly fell out of favor over the subsequent decades. This came, however, at a cost, for if Milton Friedman famously defended his approach to “positive economics” by way of John Neville Keynes’ dictum that it dealt with “‘what is’, not with ‘what ought to be’,” the problem was that many common assumptions of economics derived from reality as it “was” perceived to be somewhere entirely different from where it often was deployed; in short, what “is” in matters of political economy varies greatly across time and space, and scholars are today again beginning to emphasize the degree which academic scholarship tends to reflect the realities of so-called WEIRD countries, that is, those that are “Western, Educated, Industrialized, Rich, and Democratic.”<sup>64</sup> If axiomatic assumptions of economics such as “perfect information” seem exaggerated even from the perspectives of Oxford and Palo Alto, for example, they take on a nearly surreal air when considered from the banks of Angola’s Okavango River or in the shadow of Bhutan’s majestic Gangkhar Puensum.

In this vein, Krishna Palepu and Tarun Khanna have suggested the concept of “institutional voids” to address the palpable and consequential differences between member states of the Organization for Economic Co-operation and Development, in which so much of our economic and business knowledge is generated, on the one hand, and the reality on the ground in so-called emerging markets on the other hand. On the basis of experiences in WEIRD countries, for example, one may risk assuming the existence of efficient infrastructure, regulatory frameworks, credit card systems connecting buyers and sellers, or for that matter market research firms where no such things exist in large parts of the world (Palepu and Khanna 2010). Yet such differences of course go far beyond the mere functioning of

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<sup>64</sup>Friedman (1953, p. 4) drawing on Keynes (1891, plausibly pp. 4, 49, but also *passim*), recalling the famous distinction lionized by Hume (1739, p. 335). The acronym “WEIRD” was popularized by Diamond (2012, pp. 8–9 and *passim*).

markets, embracing our most basic assumptions regarding the mechanisms and dynamics of human coexistence as well.<sup>65</sup> The academic debate over whether certain countries are nation-states or state-nations is, to name one further example, significant, but it is useful to remind ourselves that many post-colonial political communities are struggling with both at once, a process which invariable changes many of the proverbial rules of the game.<sup>66</sup> Historical political economy might be understood to apply a similar historicist caveat more widely, and though the phrase offers no definitive signifier and no institutional or even sociological home, it still suggests a fruitful orientation for appreciating possible relations between economic theory and practice.

## 5 Present Pasts

The remarkable Italian economist, journalist, wine-maker, and Prime Minister Luigi Einaudi, for example, whose preference was decisively for economic liberalism while steadfastly maintaining that economics remained a “humanistic discipline,” nonetheless argued vehemently against what he called “religious” faith in “*laissez-faire*.” Since “pure economic reasoning cannot solve concrete problems,” with regard to policy “the economist can never be a liberalist or an interventionist or a socialist at any cost.” Rather, economists had to rely on contextualization, interpretation, and calculated choices in the face of complex situations, which was why economic “science” had to bow down to political realities and historical awareness alike; “the hiatus between abstract construct and reality,” Einaudi insisted, “remains unbridgeable for science; it can only be bridged by the politician’s instinct and the historian’s vision” (Einaudi 2006, p. 74).<sup>67</sup> Similarly, as Gay had concluded his inaugural address, “the economic historian knows something of the long trends of the productive energies and social pressures that have brought us where we are. The statesmen who are to guide the future should use that knowledge. It is one of our major tasks to see that he does” (Gay 1941, p. 16). Historical knowledge, in short, was a necessary mediator between economic ideas and political practices.

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<sup>65</sup>See, on economic assumptions, among others Mankiw (2014, pp. 21–22) and Schlefer (2012).

<sup>66</sup>See, for example, Baycroft and Hewitson (2006, p. 3 and *passim*) and Stepan et al. (2011).

<sup>67</sup>The literature on this remarkable figure is ever-growing, but see the classic biography by Fauci (1986). On the importance of historical knowledge for Einaudi’s economics, see among others Schumpeter (1996, p. 855) and Forte and Marchionatti (2012, pp. 599–608).

Needless to say though, the question of historical objectivity in such a process is no easier to resolve than modeling is; in this endeavor, we can only place our faith in historical conscience and critical debate, for history too is contested ground (Eichengreen 2014, p. 382). Hayek, to return to one of the preeminent intellectual architects of our present moment, however obliquely, held that truthful historical work only could occur with

the rise of a generation of economic historians who no longer regarded themselves as the opponents of economics, intent upon proving that the economists had been wrong, but who were themselves trained economists who devoted themselves to the study of economic evolution. (Hayek 1954, p. 26)

As Hayek argued, economic history and the history of political economy could only be produced internally to the discipline of economics, by practitioners loyal to the object of their study. Given the inherently politicized natures of both history and economics, however, one might instead argue, from a Nietzschean point of view, that a more insightful and *useful* historical political economy perforce must draw on a greater plurality of perspectives (Nietzsche 1989, p. 119).<sup>68</sup> Even Hayek, after all, admitted in his correspondence with Joan Robinson around the time when Gay gave his lecture that their differences regarding relevant assumptions in economics ultimately were “philosophical” in nature, deriving not from empirical disagreements but rather from the respective visions they brought to the debate (Hayek 1941, 2r).

Today, of course, the category of historical political economy has no natural institutional home in our current academic and professional landscape. Like its subject matter, it bridges history, political science, and economics, not to mention certain departments of anthropology, business, economic sociology, public policy, science and technology studies, and so on and so forth. Even in the absence of an institutionalized historical political economy, however, historians can contribute to economic debates in important ways through proactive engagements with their empirical as well as philosophical parameters. The question of whether interdisciplinary dialogues are possible given this generalized professional segregation of course remains, and Donald Winch, one of the greatest historians of economics in the second half of the twentieth century, was certainly right to note that “we lis-

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<sup>68</sup>For a discussion of which see Fredona and Reinert (2017). See, for a similar point, Peukert (2001, p. 97f61).



ten to them [economists], but they do not return the compliment” (Winch 2002, p. 11). Institutions and foundations like the Cambridge-Harvard Joint Center for History and Economics and Duke University’s Center for the History of Political Economy thus do important work by bridging communities of scholars that otherwise have limited occasion to communicate and by highlighting the historical aspects of political economy outside of traditional academic departments. Even so, historically inclined scholars may, simply by doing their work, eventually shape public debates over matters of political economy. As Keynes so timelessly put it, “I personally despair of results from anything except violent and ruthless truth-telling—that will work *in the end*, even if slowly” (Keynes 1919, vol. 17, p. 8).

Yet it may be useful to remind ourselves that academic trends change over time; the job market may never have been better for mathematically focused economists than today, but things have not always been this way (Crawley 2016, p. 21). During the summer of 1934, for example, the Yale economist Irving Fisher found himself forced to explain to the members of The Econometric Society why he had suggested making a donation to Léon Walras’ impoverished daughter Aline Walras, noting that “hundreds of econometricians are out of work” and that while she was a special case, he would not “suggest that the Econometric Society should raise money for the relief of distressed econometricians” more generally (Fisher 1934).<sup>69</sup> From a birds-eye perspective, the idea of distressed econometricians is no less fanciful than that of historical political economy, and, in light of recent events, one cannot entirely discard the possibility that the latter may see a renewed institutionalization—not in the form of a resurgent historical “school,” perhaps, as much as of an acceptance of the need for historical awareness and methodological pluralism in economic analysis.

It is, though, important to restate that, however illuminating, inspiring, and even pragmatic historical insights can be, they cannot be asked to provide blueprints for the future, and “Historical Political Economy” remains an elusive category of analysis. Perhaps it might best be defined as an orientation, a scholarly sentiment, more than a precise set of tools, techniques, or sectarian sets of ideal questions and answers. Axiomatically, it does not offer universally applicable methodologies, instruments, or proposals, nor, for that matter, easy solutions to our problems.<sup>70</sup> Like much historical work,

<sup>69</sup>On Walras and his contribution, see now Tribe (2015, pp. 255–295).

<sup>70</sup>Richard Whatmore recalls Istvan Hont proclaiming that “methodology is for stupid people,” in Whatmore (2015, p. 10); my recollection is of him arguing that “methodological work has never said anything interesting.” The point remains.

a historically aware political economy can serve as a “tool of skeptics,” challenging problematic “assumptions and beliefs” and allowing us to ask new questions, better questions, and of course questions we long have forgotten we should ask (Hont 2005, p. 156; Skinner 1997, p. 108; Schumpeter 1996, pp. 4–6 and *passim*). Indeed, from the perspective of the DuPont economist and historian Edmond E. Lincoln in the 1930s, it seemed clear that “a careful study of economic history reveals surprisingly few *new* ‘problems’,” or, as the late Istvan Hont more recently put it, “the globalization debate of the late twentieth and early twenty-first centuries lacks conceptual novelty.” As such, history can help us avoid “reinventing the wheel.”<sup>71</sup> Some, including luminaries such as Schumpeter and Eichengreen, have even warned that an argument may be made that historical lessons should *not* be fully heeded, for unless crises run their own courses their consequences will not be evident enough for appropriate actions to be taken.<sup>72</sup> Whatever one’s approach to these matters, in short, history, politics, and economics cannot but remain inexorably intertwined.

Many have argued that we now find ourselves at a proverbial crossroads of capitalism, and that central assumptions regarding the nature, purpose, and future of political economy are being actively rethought across the world.<sup>73</sup> Whether with respect to long-term dynamics, like the recent decline in volume of aggregate international trade flows, or to singular yet momentous events such as Britain’s decision by popular referendum to leave the European Union and the election of Donald Trump to the US Presidency—symptoms and causes of what some have come to call “the Rage of 2016”—much suggests that we are living through a period of long unprecedented change as neglected economic forces, which scientism long failed to identify and address, trigger surprising political dynamics with real and widespread social consequences (Appelbaum 2016; Cohen 2016). In a world of online individualized echo chambers, of “fake news” and the ascendancy of 140-character forms of communication, one is reminded of George Orwell’s warning that “the very concept of objective truth is fading out of the world” (Orwell 1981, p. 198). As human beings, we are hardwired to approach the world through analogies, and it is not surprising that history returns to the

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<sup>71</sup>Lincoln (1932, p. 665) and Hont (2005, p. 155). See similarly S.A. Reinert (2011, p. 12) and Tribe (2015, pp. 311–312).

<sup>72</sup>See the recollections of Schumpeter’s equation of the Great Depression with a “good cold *douche*” in Heilbroner (1999, p. 291) and Eichengreen (2014, pp. 385–386).

<sup>73</sup>For a salutary reminder of the relationship between economics and the public sphere, see Maas (2014, p. 174).

forefront during periods of seemingly unprecedented change (Eichengreen 2012, pp. 289–307). Yet, as should now be clear, this is hardly the first time we find ourselves in this position, nor, bar the direst of recent predictions coming to pass, will it be the last.<sup>74</sup> As the previously mentioned DuPont-economist Lincoln put it in the midst of the last Great Depression,

We of the United States are fond of phrases and superlatives. Whenever the results of our own mistaken judgments become distressing, it is easy for us to say that ‘capitalism is on trial’ and ‘civilization itself is at stake’. In a similar manner not many years ago we talked about a ‘war to end war’ and a ‘war to make the world safe for democracy’. What of it? Civilization always has been and always will be at stake. Capitalism always has been and always will be on trial. The world never has been and never will be safe for democracy; nor has democracy ever been safe for the world. (Lincoln 1932, p. 643)

This was in the very nature of capitalism; “thus it has been from the earliest days of recorded history,” Lincoln ventured, “and thus it probably will be so long as mankind makes material progress” (Lincoln 1932, p. 643).

Such vistas can of course inspire both dejection and resolve, not to mention a certain world-weariness.<sup>75</sup> Perhaps though, in light of this tension, the overarching category of historical political economy may best be related to what once used to be known as wisdom, or sound judgment in the face of dynamic complexity. However impalpable the concept of wisdom may be in light of current methods, we after all still follow Linnaeus in holding it to be a categorically defining feature of our species—*homo sapiens*—and it is not incidental that wisdom and judgment were the exact virtues that Gay himself had hoped to instill through the gradual adoption of practical, case-method pedagogy at his institution.<sup>76</sup> Wisdom is intrinsically hard to formalize, but the question of judgment has again returned to the core of political philosophy, and has of course always remained a quotidian element of statecraft and, as Friedman and others emphasized, at times even of formal economics.<sup>77</sup> To quote Luigi Einaudi, political economy cannot *but* rely

<sup>74</sup>See, among others, Rees (2003), Lynas (2008), and Kolbert (2014).

<sup>75</sup>See on this theme S.A. Reinert (2010, pp. 1395–1425).

<sup>76</sup>On the origins of the term “*homo sapiens*,” see among others Broberg (1975), and for its history Harari (2015). On the elusiveness of wisdom, see Hall (2010).

<sup>77</sup>On the case method, emphasizing the virtues of wisdom and judgment, see still Gragg (1951), and the classic essays in Christensen et al. (1992). On political judgment, see recently the essays in Bourke and Geuss (2009). For Friedman’s point, see, for example, his argument that there “inevitably” would be a need for “judgment” in economics in Friedman (1953, p. 25).

on “historical judgment” in practice, and it is rather its sustained absence than its presence in economic debates that demands our interrogation and explanation (Einaudi 1939, pp. 234–237).<sup>78</sup> Then as now, however, accepting this requires coming to terms with the fact that, indeed, “*es ist alles so unendlich kompliziert*” (Gay 1941, p. 13).

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<sup>78</sup>On which see Silvestri (2017, pp. 23–24).

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