

# Introduction to Economic History

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PSE

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# Objectives

- ▶ explain why economic history is a separate field
- ▶ what makes questions and methods of econ history specific, and how it can interact with other fields
- ▶ introduction to classic works and current research in the field
- ▶ introduction to econ history research at PSE

# Outline (3h per week: 1h30 every Monday & Wednesday)

- ▶ E.Monnet. \*Introduction/\*the State and Economic Development/\*Financial and commercial Globalization
- ▶ L.Kesztenbaum. \*Health and economic inequalities/\*Environmental history and energy transition
- ▶ D.Cogneau. \*Imperialism & colonialism /\* Slavery, Capitalism and the Great Divergence
- ▶ PC.Hautcoeur. \*Institutions, law and economics/\*Financial & economic crises
- ▶ T.Piketty. \*Wealth inequalities/\*International trade, foreign wealth and the world balance of payment
- ▶ J.Bourdieu. \*Historical construct of the labor supply (women and men)/\*Unions and labor movements

# Requirements and evaluation

- ▶ 1 or 2 required (recommended) readings for every week.
- ▶ If unclear, write to me ([eric.monnet@psemail.eu](mailto:eric.monnet@psemail.eu)) or directly to other professors.
- ▶ **Evaluation:** Written exam. 2 questions on the course Each question from a different teacher. Randomly assigned. Required readings + courses (main messages & key examples) are to be used. No need for comprehensive bibliography and knowledge of all historical events.
- ▶ Attendance compulsory
- ▶ Examples: *what can we learn from historical trade protectionism for today? How historical studies on women's labor have recently changed common view on industrial revolution and econ. development? are financial crises all the same?*

# Economic History as a Field

- ▶ Separate departments of economic history exist in places like:
  - ▶ **LSE, Geneva, Italy, Netherlands, Spain, Sweden**
- ▶ **Associations & Meetings:** Economic History Association, Economic History Society, International Economic History Association, etc.
- ▶ JEL code: **N**
- ▶ **Journals:** Journal of Economic History, Economic History Review, Explorations in Economic History, + European Review of Economic History, Cliometrica, Economic History of Developing Regions, Financial History Review, etc.
- ▶ Sub/related fields: business history, international political economy, historical institutionalism, etc.

# A short history of Economic History

- ▶ **Economics** used to be predominantly historical: Marx, German Historical School (Schmoller → Weber, Schumpeter), American Institutionalism (Veblen, Commons, Mitchell → Kuznets, Hirschman), etc.
- ▶ Changes starting mid-20th century, with rise of formal neoclassical economics (Samuelson etc.) & keynesianism
- ▶ **Historians** used to be focused on economic questions: marxism (Hobsbawm, etc.), Ecole des Annales ( Bloch, Braudel), Business History ( Chandler, Landes)
- ▶ Changes around the 1970s: cultural turn, criticisms of statistics (Ginsburg, etc.), moral economy (Thompson)
- ▶ **1960-1970s: "cliometric revolution" / "new economic history"** (North, Fogel, Goldin): integrate quantitative economic tools (neoclassical analysis, econometrics) in the study of history
- ▶ EH vanished from history dpts., became minority in econ depts. (but survived there)

# Recent developments

- ▶ Economic history still exists as a field within economics (see journals and associations above). Reinvigorated by new topical questions [**see this course!**]: financial crises, inequalities, gender, ecology, legacy of colonialism, etc.
- ▶ Renew of interest among historians (Lipartito 2016: historical materialism, 'history of economic life', 'new history of capitalism')
- ▶ Increasing trend in economics to use historical data: (*historical economics* = using history to test economic theory) (Bisin and Federico 2021, Acemoglu-Johnson-Robinson)
- ▶ Endless debates on whether economic history should be closer to economics or history. Boldizzoni 2011, Lamoreaux 2015, Bourgeois-Gironde and Monnet 2017, Bisin and Federico 2021.

# Different styles of economic history

History of economic life	Economic History	Historical economics
Understand importance of economic practices in social life	Use tools from economics to understand the past and historical evolution (institutional changes)	Test economic theory using historical data
Academic books. Articles in Past & Present, AHR, etc.	Academic books. Articles in Journal of Economic History, Economic History Review, etc.	Articles in general-interest economic journals. Trade books.
Connected history/Global history. History of capitalism. Material history. Business history	Cliometrics. Quantitative economic history. Neo institutionalism. <i>Longue durée</i>	Quantitative historical political economy. Neo institutionalism
	Econ Nobel prizes: D. North, R. Fogel, C. Goldin	Econ Nobel prizes: Acemoglu, Johnson, Robinson
Causal process (process-tracing). Narrative	Causal process (process-tracing). Structural causality. Interventionist causality. Narrative	Interventionist causality (treatment vs. control groups)

In practice, many econ. historians use different methods for different goals



## Example: slavery (north Atlantic slave trade and US plantations)

- ▶ vs. How slavery shaped financial and accounting practices (Rosenthal 2019; Berg and Hudson 2023)
- ▶ vs. How much slavery contributed to economic growth, capital accumulation? Was it profitable? (Rhode 2024; Wright 2022)
- ▶ Long-term impact of slavery on econ.development (test of neoinstitutional theory). Nunn 2008

# What Makes Economic History Different?

- ▶ Economic history is not simply economics applied to the past.
- ▶ Main objective is not to test economic theories with longer data or better natural experiments, but to explain historical evolution and historical specificities.
- ▶ Object and research question determine the methodology, not the reverse.
- ▶ Avoid anachronism (thinking of the past as if it were today).
- ▶ Study what people did, not just what they thought.

# Economic History vs. Econ. Applied to the Past

- ▶ *Temporality*. Track and explain evolution, rather than focusing on average effects
- ▶ Explain important junctures, even when endogenous
- ▶ explain what has persisted or not persisted, rather than focus on persistence to test theories
- ▶ Focus on size of effects, not just statistical significance
- ▶ Explain "individual" and "time" fixed-effects rather than taking them as given
- ▶ Explain missing data or statistical bias rather than taking them as "measurement errors" only
- ▶ Consider multiple causal factors when needed, rather than isolating a single one

Different from applied economics, but use methods of the later if appropriate

- ▶ Cogneau and Moradi 2014; Dupraz 2019: Natural experiments
- ▶ Bazot, Monnet, and Morys 2022: Local projections with exogenous shocks
- ▶ Kesztenbaum and Rosenthal 2017; Montalbo 2021: instrumental variable
- ▶ Raster 2024: gravity equations with exogenous shocks



# The Value of Economic History

1. A critical eye on statistics
2. Revealing the unknown (i.e. avoid "teleology")
3. Multiple causes and interdisciplinarity
4. Think Globally
5. Engage with current policy debates

# Provides a critical eye on statistics

- ▶ Highlights the importance of historical context (different methods, different categories) in understanding data (e.g see Van Bavel et al. 2019 on climate statistics; **Guinnane 2023 on population data, Zhao 2023 on distance as an IV for diffusion of Protestantism** ).
- ▶ Examples:
  - ▶ Romer 1986: US industrial production.
  - ▶ Humphries 2013: Child labor and women's wages.
  - ▶ Le Bris and Hautcoeur 2010 on stock market indices.
- ▶ → history of statistics belongs to economic history (Desrosières 1998; Tooze 2001; Lemerancier and Zalc 2021)

# Building datasets

- ▶ economic history often involves producing large scale datasets with comprehensive and critical documentation, rather than selective data collection for a single article.
- ▶ At PSE: Bourdieu-Kesztenbaum-Postel-Vinay on individual wealth, labor, demography (TRA), Cogneau on French colonial empire, Kesztenbaum on French censuses, Alvaredo, Chancel, Piketty & co on wealth & income inequality, Hautcoeur & Riva on financial market & companies (DFIH), Monnet on banks & central banks



# Revealing the Unknown

- ▶ Avoid anachronism and teleological assumptions.
- ▶ Uncover forgotten histories and alternative paths.
- ▶ Examples:
  - ▶ Hoffman, Postel-Vinay, and Rosenthal 2019 on peer-to-peer lending (notaries) in 19th century
  - ▶ Piketty, Postel-Vinay, and Rosenthal 2006; Piketty 2020: Income & wealth inequality
  - ▶ Monnet 2014 on monetary policy without interest rate
  - ▶ Degorce and Monnet 2024 on public credit
  - ▶ Humphries 2013; Folbre 2021; Burnette 2008 on women's work
  - ▶ Logan and Parman 2017 on official segregation statistics in the US
- ▶ This also implies to be critical about simple modernization narratives ("stages of development", "good vs. bad institutions") . See Ogilvie 2007, Lamoreaux 2015, Piketty 2020, van Bavel (2024), course by PC Hautcoeur

# Think About Multiple Causes/interdisciplinarity

- ▶ Most historical phenomena have multiple causes and are deeply endogenous.
- ▶ Avoid focusing solely on single exogenous causes (may have little explanatory power) and "compression of history" (Austin 2008).
- ▶ Use a variety of methods, sources, and angles to increase explanatory power. (ex: Pomeranz 2000, Humphries 2010)
- ▶ Recognize multiple forms of causality (including descriptive ones, without "control group"). See Sewell 2005; Lamoreaux 2015; Bourgeois-Gironde and Monnet 2017; Monnet and Velde 2021. Ex: cause of a war?
- ▶ Connect economic history with social history (see C.Zalc, C.Lemercier, S.Bittman), history of ideas (F.Alvaredo, A.Orain, JY. Grenier), demography, environmental sciences, political history, importance of "ideology", history of accounting, law & statistics etc.
- ▶ Books are especially well-suited for this, but not only [see next sessions for examples discussions]

# Think globally

- ▶ Economic history at the forefront of criticisms against the "Rise of the West" (see course by D.Cogneau)
- ▶ Pomeranz 2000: Great Divergence
- ▶ Comparatism to study different growth paths
- ▶ "connected history" / "global history" (e.g. Conrad 2017): some phenomena exist only because of globalization
- ▶ Ex: debate on slavery and capitalism . Is global trade of cotton the "matrix" of capitalism because of scientific exchanges and commercial practices (Riello 2015) or because of violence and slavery (Beckert 2015)? Can we consider slavery and colonialism as a cause of capitalism even if non profitable? (see debates between quantitative economic historians (Hilt 2017; Olmstead and Rhode 2018) and historians of material practices in global trade (Burnard and Riello 2020; Berg and Hudson 2023))

## beginframe

- ▶ How the past has shaped (or not) current societies
- ▶ Does not take current situation as given. Think about alternative paths.
- ▶ Time is always *different*
- ▶ Even if not direct test of theory, economic history evidence can push economists to build new models or change their models (Solow, Sargent, Shiller).
- ▶ Ex.: History of public debt & banking crises. Different policy conclusions depending on whether one emphasizes regular patterns only (Rogoff and Reinhart 2009) or the singularity of each crisis despite theoretical patterns (Quinn and Turner 2020; Monnet 2021; Monnet and Velde 2021).
- ▶ other examples: inequality (Piketty 2020), monetary policy (Monnet 2021; Monnet 2024), immigration (Abramitzky and Boustan 2022), corporate governance, profit & capitalism (Lazonick and O'Sullivan 2000; O'Sullivan 2023).

# Conflicts & Potential Dialogue

- ▶ What can historians and social scientists (including economists) learn from each other?
- ▶ Sewell 2005: Logics of history and social transformation. (p.10 et al.)
- ▶ “Historians, at least implicitly, conceptualize social *temporality* with considerable care and finesse. But with rare exceptions, they do so only implicitly. They don’t regard their understanding of the *temporality* of social life as being a matter of theory at all, but simply as how the world works.”
- ▶ “What the, do social scientists know that they can bring to a dialogue with historians? In my opinion, it is their strong penchant for *structural thinking*. By contrast with historians, who tend to opt for multiple causality and detailed circumstantial narrative, social scientists tend to look for explanations in terms of a relatively limited set of *causally powerful features* of the social world.”
- ▶ However, social scientists’ structural thinking is commonly flawed by inadequate temporal assumptions[. . .]The problem, of course, is that underlying causal structures themselves undergo mutations or transformations over the course of historical time.”

# Difficulties and Challenges (see next sessions...)

- ▶ How to make comparisons work?
- ▶ How to make interdisciplinarity work?
- ▶ How to cope with data limitations?
- ▶ How to consider unique events, or individuals, in the long -run ?
- ▶ How to reconcile single and multiple causalities, natural experiments and long-run patterns?
- ▶ How to reconcile formal econ. models and historical narrative (Monnet and Velde 2021)?

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