

Fogel and North: Statics and Dynamics in Historical Economics

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In the introduction to his economic history of Sweden, Svenskt arbete och liv (1941, trans. 1963), Eli Heckscher noted that "economic history expects its adept to be both theorist and empiricist. This is a challenge for which the human mind appears none too well equipped". So it would seem. Yet it is the challenge of a fully scientific economics. A fully scientific economics would aspire to the condition of historical economics after Fogel and North.

Economics has always wavered between the blackboard and the archive. Since Hobbes in his middle age discovered geometry, "the onely Science that it hath pleased God hitherto to bestow upon mankind", some economists have believed that great social truths could be extracted from the blackboard. A parallel belief, first expressed by the political arithmeticians of the seventeenth century, has denied the blackboard in favor of Just the Facts, Ma'am. It is econometrics, the German historical school, and American economic history before Robert Fogel and Douglass North. But as Heckscher put it, the "adept" at historical economics had better do both. Another precursor of modern historical economics, the English economic historian T. S. Ashton (1974) expressed it this way: "But the whole discussion as to whether deduction or induction is the proper method to use in the social sciences is, of course, juvenile; it as though we were to debate whether it were better to hop on the right foot or on the left. Sensible men endowed with two feet know that they are likely to make better progress if they walk on both."

By walking on two feet, Fogel and North created historical economics in the United States. The European precursors included Heckscher and Schumpeter, Brinley Thomas and Alexander Gerschenkron, among others—a thin, bright stream that became a river in the American Midwest. Until the 1950s the writers on American economic history were dominated by institutionalism of a German sort, spurning neoclassical economics of a British, Austrian, and Swedish sort. Fogel and North, together with groups at Purdue, Toronto, Harvard, and Yale, brought the two conversations back together.

Fogel was the insistent modernizer of historical economics, taking it to the frontiers of economic and historical study. His masterful works on railways, slavery, abolitionism, and now mortality have carried out in unprecedented detail the program of using modern economics to understand history. No economist combines the scholarly values of economics and of history more thoroughly.

From the early 1950s North taught students to take their economics seriously and to carry the economics over into history. As Heckscher wrote in the late 1920s, "an attempt might at least be made to utilize economic theory for the work of economic history". North's students at the University of Washington at Seattle - economists such as Lance Davis, John Meyer, and Richard Sutch - learned that economics was for use. North contributed largely to American economic history, then turned to the origins of property rights in Europe, becoming a pioneer in bringing the legal and political system into the economics, empirically and theoretically.

A scientific program is successful when it influences other scientists. These two men inspired a large, good literature. A Bibliography of Historical Economics to 1980 lists some 4,500 items of historical economics, on a narrow definition, published between 1957 and 1980 alone; cf. Field (1987). A big share of this outpouring was inspired directly by North on early American growth, by Fogel on railroads, by North on transportation improvement, by Fogel on the efficiency of slavery, by North on medieval economic institutions. Much of the rest has been influenced indirectly by them. They have shaped a notably lively conversation in one part of economics.

But there is a bigger reason than popularity to see historical economics as a leader in economic science. It is this: the example of historical economics can make other parts of economics more scientific. By the 1950s being a neoclassical economist meant bypassing history, a conviction strengthened by the victory of the Cowles Commission over the National Bureau of Economic Research in econometrics and of social engineering over wisdom in public policy. Yet forty years later economists are perhaps not so confident that the structure of the economy can be estimated easily from the data and that the model estimated can be used easily to fine tune the economy. Economics has rediscovered intellectual modesty. The modesty is beginning to overcome the anti-historical frame of mind. Lucas and Sargent and Townsend have turned to history, because historical wisdom is modest in a way that their models require.

As the historical evidence improves (and as the present becomes the past), economic history will take an increasing share of the argument; cf. McCloskey (1976). The anti-historical frame of mind in economics cannot last. It would be as though astronomers were to peer only at the solar

system; the stars beyond would remain, and demand study. The narrow questions of what caused last year's downturn or why women participated more in the market economy over the past decade will yield to the broader questions of what causes business cycles in capitalist economies or what causes sexual segregation in the workforce.

An economics that recognizes the past is simply one that uses all the scientific evidence, the fossil record and the present ecology, strata below and features above. Many of the central issues facing economics are intrinsically historical. How do Great Depressions happen? How is the structure of incomes determined? How, as Wicksell (1901, trans. 1934) put it, did the older conception, "so repellent to our minds, of a workman as a mere beast of burden", change in a century and a half to the free worker?

Above all, what explains the main event in human history since the invention of writing, modern economic growth? To this last question North and Fogel have devoted their careers. Are great inventions the key to growth? [Fogel] What role does foreign trade play in the wealth of nations? [North] How does human liberty change an economy? [Fogel] How have rights to property engendered enterprise? [North] How do riches affect health? [Fogel]

The conversation of economics is broadening in the historical direction. Labor economics has turned increasingly to longer-term questions of participation and the character of work (in which Fogel is especially interested). Law and economics has reawakened economists to institutional factors operating over decades or centuries; the new institutionalists are re-armed with modern economic methods (partly because North has advocated them long and well). The theorists in monetary economics find themselves asking again why money exists. Twenty years ago they would have been satisfied to work out another multiplier. The path that North and Fogel have discovered - or rather rediscovered, considering that economics from the pens of Adam Smith or Karl Marx or Alfred Marshall was an historical study - is the path down which economics must travel as a science.

Young economists are realizing that we cannot achieve all things in economic science by staring at a blackborard. It is a scientific scandal that evolutionary biology, inspired by economics, has so much exceeded it in empirical depth. Economists should at least occasionally look at the unstylized facts. The unstylized facts are historical. This conclusion, contrary to the long trend since the 1960s, is one that the elders of the profession have been articulating in their presidential addresses regularly in recent years, with an urgency bordering on despair. (Wassily Leontief, Michio Morishima, Maurice Allias, Thomas Mayer, and Robert Solow, for example, have written in this way, as have numerous others from the generation that nurtured blackboard economics.)

The suggestion is not that economics return to measurement without theory. Historical economics is like physics in its dance between theory and measurement. North and Fogel and their colleagues have achieved excellence in both ways, the way of the mathematician and the way of the historian. Achieving the double excellence that North and Fogel have in the late 20th century is a notable feat. Scholarly standards in economics and history have risen notably since the War. What passed for analytic brilliance in an economic article in the 1940s looks routine in the 1980s (consider Samuelson on the multiplier and accelerator). What was viewed as impressive breadth of sources from an historian in the 1940s looks now crude and inexplicit (consider Marc Bloch on French agricultural history). To achieve excellence in both fields nowadays is comparable to the best modern work in biochemistry, say, or astrophysics. That economics and history are intellectually orthogonal makes the combination all the more notable.

The double excellence sets a standard towards which economics can strive. It is peculiar that economics has allowed itself to ignore certain classes of evidence and argument. There is no good case for ignoring evidence from opinion surveys or from narratives; yet the official methodology of economics urges us to do so. North and Fogel and the other historical economists resist the narrowing of evidence. One cannot read a piece of first-rate historical economics without encountering this startling if obvious standard, borrowed from history but transferable to economics: examine all the evidence.

North and Fogel do not go about their scientific business in quite the same way, and the difference has caused some confusion. North is fond of saying that he has rejected neoclassical economics in favor of a revival of institutionalism. Most confusingly, this inventor of it claims that he now opposes historical economics, because it "does not study institutions". But he here misunderstands his own work. His work on ocean freight rates, for example, though entirely quantitative and neoclassical in technique, studied the institution of foreign trade. Fogel's work on railways studied the institution of invention in capitalist societies. Historical economists have always studied institutions, ranging from medieval open fields to the American central bank in the 1930s. Slavery is the leading case. Fogel, who is construed by North to be merely neoclassical and non-institutional, has spent twenty years investigating that peculiar institution from the point of view of incentives and political economy.

The real difference between Fogel and North is the difference between statics and dynamics. (I use "dynamics" in its technical sense, not as a synonym for "better" or "my theory".) The studies of institutions that Fogel and I and many other historical economists practice are comparative statics. They are snapshots of the rationale for institutions at a single time.

The studies of institutions that North has come to advocate are dynamics, moving pictures. The one is metaphorical, the other narrative. The one is synchronic, a cross section, the other diachronic, a time series. The one is precise, but sacrifices historical movement. The other is storytelling, but imprecise. But of course a complete historical economics, like a complete linguistics, requires both. It is another case of walking on both feet if you are endowed with two of them.

Young economists would do well to emulate the rigor and thoroughness and empirical imagination that characterizes Fogel's work, but not neglect the temporal breadth and desire to give back results to other branches of economics that characterizes North's work. They can create a truly scientific economics.

Economic historians have a bad reputation in literature. Kingsley Amis' Lucky Jim is an economic historian, as is Jörgen Tesman in *Hedda Gabler*:

Hedda: Oh, well, Tesman! You know Tesman, my dear Judge! His idea of bliss is grubbing about in a lot of dirty bookshops and making endless copies of antiquated manuscripts.

Brack (With a touch of malice): Well, after all, that's his vocation in life, you know. Or a large part of it.

Hedda: Tesman is a specialist, my dear Judge.

Brack: Undeniably.

Hedda: And specialists are not amusing traveling companions — Not for long, at any rate

Just you try it! Nothing but the history of civilization morning.

noon, and night.

Brack: Everlasting.

Hedda: And then all this business about the domestic industries of Brabant during the Middle Ages. That's the most maddening part of it all.

Historical economics is better than this (though come to think of it, Fogel could do a superb static study and North a superb dynamic one of the domestic industries of Brabant during the Middle Ages, using most brilliantly some copies of antiquated manuscripts). At its best it fulfills the promise of economic science. It walks on both feet, theoretical and empirical, and uses both hands, static and dynamic.

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