



TSE M1 Economic History (2020)

Victor Gay

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What Is Economic History?

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Fall 2020



What is Economic History?

- Does the past have useful economics?
- Methodological issues in economic history
- (Short) Intellectual history of economic history

Does the past have useful economics?

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- A classical approach. [McCloskey \(1976\)](#)
- From classical to modern approach. [Arrow \(1985\)](#) [Solow \(1985\)](#)
- A modern approach. [Abramitzky \(2015\)](#) [Cantoni Yuchtman \(2019\)](#)

A Classical Approach

McCloskey (1976)

- Economic history for itself.
- More and better economic facts.
- Better economic theory.
- Better economic policy.

“Disinterested intellectual curiosity is the lifeblood of real civilization. [...] There is nothing that more divides civilized from semi-savage man than to be conscious of our forefathers as they really were, and bit by bit to reconstruct the mosaic of the long-forgotten past. To weigh the stars, or to make ships sail in the air or below the sea, is not a more astonishing and ennobling performance on the part of the human race in these latter days, than to know the course of events that had long been forgotten, and the true nature of men and women who were here before us.”
Trevelyan (1942)

Economic History for Itself

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“Every economy and every society has an interesting story to tell.”
Mokyr (2003)

⇒ Economic history much alike mathematical economics.

More and Better Economic Facts

- Inductive or deductive approach: facts are necessary.

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- Inductive or deductive approach: facts are necessary.
- History simply provides more facts.
- Whenever institutions are present, statistics are present.
- Even before: archaeology provides facts about the economy.

More and Better Economic Facts

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 - Penn World Tables: real GDP PPP 182 countries since 1950.
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 - IPUMS NAPP: full count censuses North Atlantic starting 1703.

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- More facts about populations:
 - IPUMS USA: full count censuses 1850–1950.
 - IPUMS NAPP: full count censuses North Atlantic starting 1703.
- Other facts:
 - Macrohistory: macro-finance indicators, 17 countries since 1870.
 - World Inequality Database: inequality indices since 1875.

Aside: IPUMS

Ruggles et al. (2015)

- Greatest accomplishment for empirical economics.
- IPUMS: 98 countries, 443 censuses, > 1Bn individuals.
- Historical samples:
 - USA: full count censuses 1850–1950.
 - UK: 1851–1911.
 - Canada: 1852–1911.
 - Norway: 1801–1910.
 - Sweden: 1880–1910.
 - Iceland: 1703–1910.
- Data management:
 - Data preservation and reformatting.
 - Metadata integration: harmonized documentation.
 - Variable integration, e.g., marital status.
 - Dissemination: free, accessible, formats.

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- Populations: no anonymity rule.
 - USA: linked samples across censuses (IPUMS).
 - France: linked samples across vital records (TRA).

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- Full access to companies' records and manufacturing censuses.
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 - USA: linked samples across censuses (IPUMS).
 - France: linked samples across vital records (TRA).
- Access dramatically improved recently.

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- Main limits to more and better facts:
 - Existence of historical data.
 - Inaccuracies and measurement errors.

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- Main limits to more and better facts:
 - Existence of historical data.
 - Inaccuracies and measurement errors.
- On existence.
 - True.
 - But be creative and knowledgeable about the data production process.
- On inaccuracies.
 - Less true.
 - Much more cautious approach to data as constructed objects.

"Much of the problem, I think, arises because of the separation in economics between data producers and data analyzers. By and large, we do not produce our own data and, hence, do not feel responsible for it." Griliches (1974)

More and Better Economic Facts

- History provides better facts through natural experiments.
 - Can we learn from these experiments?
 - People were the same hundred years ago.
 - Structures were different and changed: we can learn a lot from that.
- ⇒ More on that later.

Better Economic Theory

- Obvious that economic history uses economic theory in Popperian sense (as all applied economics).
- The converse is less obvious but no less true.

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In analogous discussions concerning the role of theory in historical research the argument is frequently made (perhaps because it is valid) that the historian will inevitably be guided by some [theory]. [...] Much the same can be said for the use of history by theorists. Even the most scornful ahistorical economist makes some use of history: his own experience, the experience of his generation, or the loose historical generalizations which abound in the folklore of even highly sophisticated societies.

Cameron (1965)

- Theorists routinely use history (although some get facts wrong):
 - Kaldor stylized facts and neoclassical growth theory.
 - Ricardo and rising land rents.
 - Rostow and the stages of growth.
 - Marx and the impoverishment of the working class.

Better Economic Theory

- Economic history to test economic theory.

Better Economic Theory

- Economic history to test economic theory.
- More helpful than contemporaneous economy.
- Enables to test theories in their pure form, as structures sometimes less complex in the past.
- E.g., Koudijs (2015) on information and stock prices volatility.

“Have a very healthy respect for the study of economic history, because that’s the raw material out of which any of your conjectures or testings will come.” Samuelson (2009)

One purpose of history is to broaden our conception of the possible.

Rockoff (1975)

- Learn from historical crises to inform policy.
- Bernanke is among the best examples.

Better Economists?

- Smith, Marshall, Schumpeter, Keynes, Friedman. . .
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- The great economists were all deeply historical in their thinking.
- Even if not object of study, the long view helps finding important research questions.
- So read, read, read!

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From the Classical to the Modern Approach

Arrow (1985) Solow (1985)

- The (caricatured) classical approach might be a naive view of history.
- History is not just a repository of facts for testing economic theory.

The aim of historical study as such was not simply to serve as a source of data from which to infer and to test social science generalizations.

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The aim of historical study as such was not simply to serve as a source of data from which to infer and to test social science generalizations.

- Economic history would just be applied economics with old data.
In this dispensation an economic historian is merely an economist with a high tolerance for dust or a working knowledge of a foreign language.

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- Is economics like physics, true for all time, or are its laws historically conditioned?
- By its general statements, economic theory generates new questions for economic history.
- But economic theory emphasizes generality at the expense of particularity.
- Economic history helps the development of economic analysis by defining its historical conditioning.

⇒ Economic history is crucial to assess “external validity.”

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A Modern Approach

Abramitzky (2015)

- Test economic theory.
- Improve economic policy.
- Learn about mechanisms.
- Answer the big questions.

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 - Impact of supply shocks on technological change: Hanlon (2015) uses drop in cotton from US South after Civil War.
 - Effect of ↓ agricultural labor availability on agricultural development: Hornbeck and Naidu (2014) use Great Mississippi Flood of 1927.

- Economic history to improve economic policy.

Better Economic Policy

- Economic history to improve economic policy.
- Historical settings allow counterfactual worlds, or repetition of episodes.
- Again, past financial crises deeply inform current policy.

- Economic history to learn about mechanisms.
 - Typically, economists learn about mechanisms indirectly, e.g. by interactions or heterogeneity across subgroups.
 - Deep knowledge of historical setting and direct (qualitative) historical evidence can be much more convincing.
 - Analytic narratives approach using game theory (see Avner Greif's work).

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 - Why are some countries rich and other poor?
 - Why did the Industrial Revolution happen in Europe and not elsewhere?
 - What factors caused the demographic transition?
 - How and why did inequality evolve over time?
 - What is the process of cultural change?

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 - What is the process of cultural change?
- These are too big to nail. But...

Economic history seems to collectively agree to not limit ourselves to answer only those questions with random variation, of which there are not as many.

Natural Experiments of History

Cantoni Yuchtman (2020)

- Economic history is especially popular in mainstream economics for natural experiments.
- Enable to answer important questions that require historical perspective while keeping applied micro approach and credible causal identification.
- Especially popular in economic growth and development.

⇒ Bridge between economic history and all other disciplines.

Natural Experiments of History

- Taxonomy of three primary motives for examining historical natural experiments:
 - Natural experiments to learn about historical episodes (cat. 1).
 - Natural experiments yielding general economic insights (cat. 2).
 - Natural experiments to understand contemporary development (cat. 3).

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 - Natural experiments yielding general economic insights (cat. 2).
 - Natural experiments to understand contemporary development (cat. 3).
- Not mutually exclusive: most research overlaps categories.
- No one motive is better or worse.

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 - Historical variation in public policies, historical human-made or natural events provide better sources of variation for identification (category 2).

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⇒ At the confluence: AJR's *Colonial Origins*

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 - Impact of WWI of female labor force participation: variations from cohort-drafting rules (Boehnke and Gay 2020).

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- Critique of “looking under the lamppost.”
 - Only study component of episode exhibiting useful identifying variation.
 - Miss many important historical aspects.
- Sometimes, amounts to argue for inexplicability of historical variation of interest.
- But understanding source of variation is valuable (even beyond LATE).

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 - Causal effect of input relative abundance on technical change: use decline in US South cotton imports to Britain during US Civil War as a source of variation in input availability (Hanlon 2015).

Yield General Economic Insight: Challenges

- Usually nice “existence” results.
- Sometimes lack of insight on mechanisms.
- Go beyond estimating single parameter.
- Critiques of reduced form à la Heckman (2005) and Deaton (2010).

Understand Contemporary Development

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- Examples:
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 - Long-run effects of slave trade: Nunn (2008) uses distance to major slave-receiving ports as IV for intensity of slavery.
 - Long-run effects of disease environment: Alsan (2014) uses suitability for Tze Tze fly as IV for disease environment.

Understand Contemporary Development: Challenges

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 - Especially salient when little data around the experiment: challenges to the exclusion restriction.
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- Spatial correlation when persistence is underestimated (Kelly 2019).

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- Causally linking past to present is subject to historical contingency:
 - Especially salient when little data around the experiment: challenges to the exclusion restriction.
 - A lot of work is needed along the causal chain.
- Spatial correlation when persistence is underestimated (Kelly 2019).
- Bias toward persistence. When and why does history not persist?

Methodological issues in economic history

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- Economics versus history
- Measurement and historical data
- Econometric identification
- Geographic Information Systems (GIS)

Economics versus history

Blum and Clovin (2018) Chap 1.

- Interdisciplinary field: between economics and history.

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- Traditional history:
 - Focus on the particular, explain individual events, outliers.
 - No counterfactual thinking.
 - Attributes cause and effect through timing.

Economics versus history

Blum and Clovin (2018) Chap 1.

- Interdisciplinary field: between economics and history.
- Traditional history:
 - Focus on the particular, explain individual events, outliers.
 - No counterfactual thinking.
 - Attributes cause and effect through timing.
- Economics:
 - Focus on generalizations, explain trends, means and variances.
 - Counterfactual approach: reality is a draw from distribution.
 - Disentangle causes from effects.

Economics versus history

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 - Reasoning from premises to reach logical conclusions.
 - Might rely on stylized facts, but might generate self-referential systems with little explanatory power.
- Bad history is purely inductive.
 - Use observation to draw arguments based on evidence.
 - Might select those archival evidence to confirm theory
- Good economic history uses abduction:
 - Surprising observation (against prior).
 - Build hypothesis.
 - Test hypothesis and reject it.

⇒ Back and forth between theory and empirics.

Blum and Clovin (2018) Chap 44

- Measurement and source criticism is fundamental:
 - Right measure and level of aggregation.
 - Data generated how, by whom, for what?
 - Inputting data enables knowledge of hidden regularities.
 - Measurement error invalidates any identification strategy.

Measurement and historical data

Blum and Clovin (2018) Chap 44

- Measurement and source criticism is fundamental:
 - Right measure and level of aggregation.
 - Data generated how, by whom, for what?
 - Inputting data enables knowledge of hidden regularities.
 - Measurement error invalidates any identification strategy.
- Mismeasurement and bias can be exploited:
 - Difficult to measure populations' numeric skills.
 - "Age heaping" method.
 - Frequency of rounding (0 or 5) age when self-reporting.

- Economic history uses standard tools of econometrics.
- Identifying correlation:
 - Controlling for observables.
 - Multivariate OLS regressions.
 - But measurement error, reverse causality, omitted variable bias.

Econometric identification

Blum and Clovin (2018) Chap 45

- Economic history uses standard tools of econometrics.
- Identifying correlation:
 - Controlling for observables.
 - Multivariate OLS regressions.
 - But measurement error, reverse causality, omitted variable bias.
- Identifying causality:
 - Empirical design: exogenous variation in treatment variable.
 - Difference-in-differences.
 - Instrumental variables (included in the narrative). Caicedo (2020)
 - Regression discontinuity designs.

- Deep institutional knowledge essential for credibility of identification.

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- External validity issues: LATEs.
- Trade-off between validity and importance.
- Ask questions first, look for identification after.

Blum and Clovin (2018) Chap 49

- GIS as a tool for new historical data:
 - Matching modern datasets with historical units.
 - Suitable for time-invariant characteristics: topography, agricultural potential, climate. Nunn and Puga (2012)
 - Spatially disaggregated modern data (for persistence studies): night light intensity. Michalopoulos and Papaioannou (2018)

Blum and Clovin (2018) Chap 49

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 - Suitable for time-invariant characteristics: topography, agricultural potential, climate. Nunn and Puga (2012)
 - Spatially disaggregated modern data (for persistence studies): night light intensity. Michalopoulos and Papaioannou (2018)
- GIS as a tool for matching historical data:
 - Match heterogeneous geolocated datasets. Dittmar (2011)
 - Georeferencing historical maps.

- GIS as a tool for new analyzes:
 - Spatial regression discontinuity designs.
 - Spatial networks: optimal paths and market access.

- GIS as a tool for new analyzes:
 - Spatial regression discontinuity designs.
 - Spatial networks: optimal paths and market access.
- Using GIS methods:
 - Softwares: QGIS (free) and ArcGIS (pay).
 - Coding: python.

(Short) Intellectual history of economic history

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Diebolt and Hauptert (2018)

- The economic history discipline
- The New Economic History or the Cliometric Revolution
- Bibliometric approach to Cliometric Revolution

The economic history discipline

- Formal discipline of economic history:
 - Germany mid-19th (Gustav Schmoller). Developing states.
 - UK late-19th (John Clapham). Social concerns for working class.
 - Method: narration with little quantitative data.

The economic history discipline

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 - UK late-19th (John Clapham). Social concerns for working class.
 - Method: narration with little quantitative data.
- Methodological debates with economics of late 19th century:
 - Economics: inductive vs deductive.
 - Economic history: against deductive theories of classical economics.
 - Aim: develop theories inductively with little generalizations.
 - Method: narratives and comparative.

The economic history discipline

- Early 20th century:
 - Some successes: LSE (UK), Annales School (France).
 - Failure: formal and deductive approach in economics (Marhsall, Edgeworth).

The economic history discipline

- Early 20th century:
 - Some successes: LSE (UK), Annales School (France).
 - Failure: formal and deductive approach in economics (Marhsall, Edgeworth).
- After WWI: economics and economic history closer.
 - Economic history in America
 - The National Bureau of Economic Research (NBER)
 - The Economic History Association (EHA)

Economic history in America

- Long tradition of interest in historical data.
- American Statistical Association created in 1839: compiling time series data.
- Courses in economic history at Harvard since 1880s.
- Many founders of EH: Dunbar, Ashley, Gay (Edwin).
- Chairs in economic history early 20th century.

The National Bureau of Economic Research (NBER)

- Gay and Mitchell: economic theories are not immutable laws, but depend on context and evolve over time.
- Helped found NBER in 1921.
- Gather tremendous empirical data on business cycles.
- Goal: use data about America since 1870s for theoretical generalizations.

⇒ NBER helped shift EH from narrative to quantitative.

The Economic History Association (EHA)

- In the 1930s, mathematical approach dominated economics.
- For fear of extinction, EHA created in 1940.
- E. Gay (first president) in “The Task of Economic History” (1941) calls for reunification of economic history and economics.
- Among the main institutional actors in EH since then.
- Journal: *Journal of Economic History*.

The New Economic History or Cliometrics

- Cliometrics: use of techniques of modern economic theory to frame historical questions, influence hypotheses about the past, suggest data to be collected from archives.
- Advocate for rigorous testing of hypotheses through econometrics.
- With advances in computing and statistics, quantitative analysis possible.

The New Economic History or Cliometrics

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- Manifesto through two articles: Conrad and Meyer (1957, 1958).
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- Institutional economics: Douglass North (Nobel 1993).

The New Economic History or Cliometrics

- New approach: combination of measurement and theory.
- New techniques: econometrics and counterfactual approach.
- New method: use of hypothetico-deductive models.
- New datasets: bigger data, OCR, GIS.

⇒ The Cliometric Revolution

Bibliometric approach to Cliometric Revolution

Cioni, Federico, and Vasta (2020)

- Capture cliometric revolution in top 3 EH journals:
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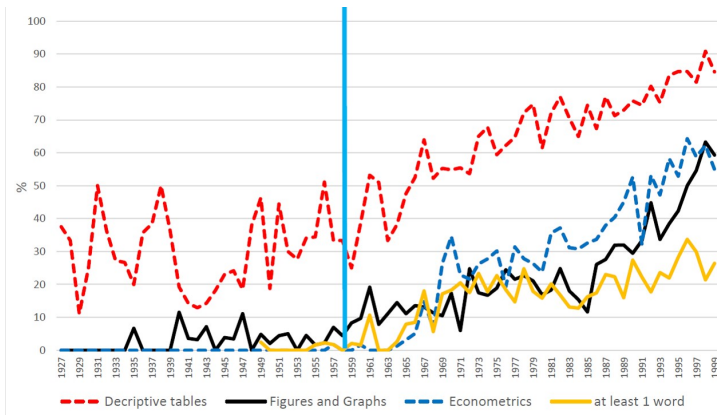
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⇒ Cliometric Revolution across journals and countries, but slow.

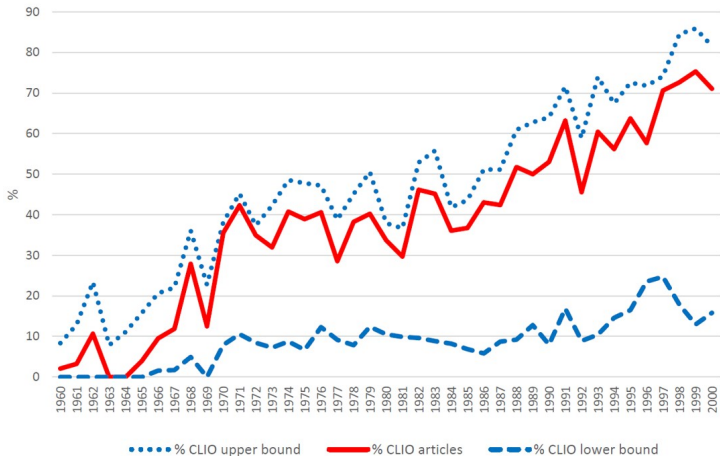
Bibliometric approach to Cliometric Revolution



Use of theory and quantitative tools in top-3 EH journals

Figure from [Cioni, Federico, and Vasta \(2020\)](#)

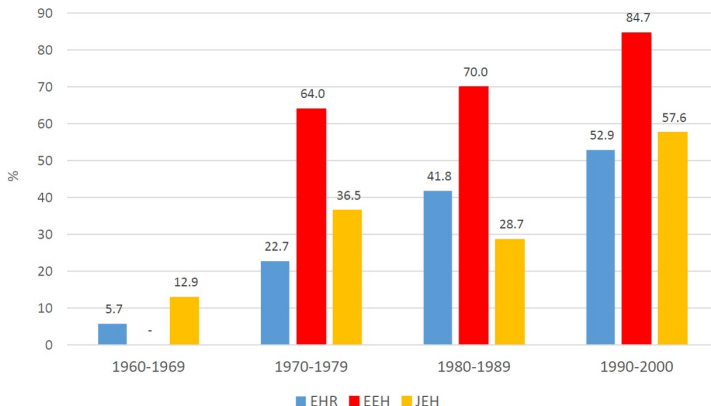
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Use of either theory or quantitative tools in top-3 EH journals

Figure from [Cioni, Federico, and Vasta \(2020\)](#)

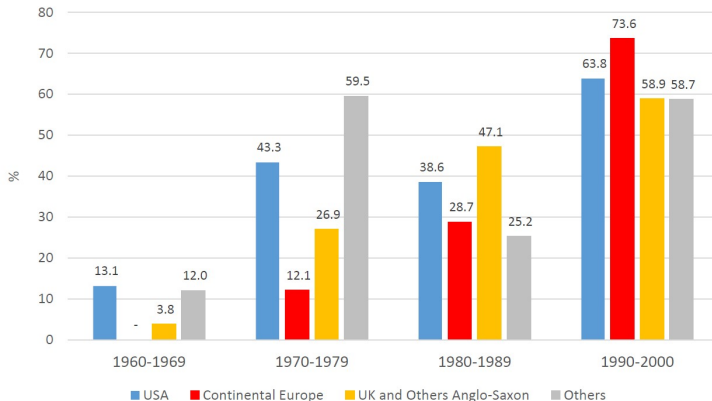
Bibliometric approach to Cliometric Revolution



Share of cliometric articles by journal

Figure from Cioni, Federico, and Vasta (2020)

Bibliometric approach to Cliometric Revolution



Share of cliometric articles by country of affiliation

Figure from [Cioni, Federico, and Vasta \(2020\)](#)

- The integration of economic history into economics over time.
Margo (2018)
 - Economic historians and economists use the same (econometric) language.
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Margo (2018)
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 - Publication histories of successive cohorts are similar.
 - Pace of convergence was slow.
- Still relatively small field within economics (5–8% top-journals).
- Difficult field: master two disciplines, interdisciplinarity.