

LF1217.5 IS 1967

Archives

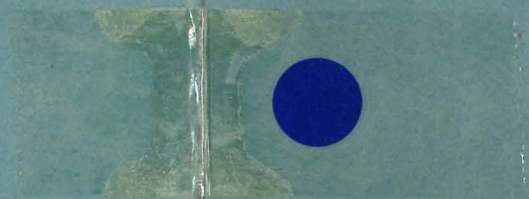


ECONOMIC HISTORY  
AS A SOCIAL SCIENCE

*Inaugural Lecture  
delivered at the College  
on 24th October, 1967*

by

W. A. COLE, M.A., PH.D.  
Professor of Economic History



UNIVERSITY COLLEGE OF SWANSEA



Classmark: LF1217.5 IS 1967

Accession no: 67/1386

Location: Archives

SWANSEA UNIVERSITY COLLEGE  
LIBRARY

1002421905



UNIVERSITY COLLEGE OF SWANSEA

ECONOMIC HISTORY  
AS A SOCIAL SCIENCE

*Inaugural Lecture*  
*delivered at the College*  
*on 24th October, 1967*

*by*

W. A. COLE, M.A., PH.D.  
Professor of Economic History

ECONOMIC HISTORY  
AS A SOCIAL SCIENCE

I hope I may be forgiven if I begin this evening by counting my blessings. Anyone in my position, who is called upon publicly to justify his subject, and in a measure at least himself, to an audience of his colleagues and peers, must, I suppose, regard the assignment with rather mixed feelings. But whatever misgivings I may have on this occasion – and I will not pretend that they do not exist – they cannot conceal the sense of pride which I also feel at being asked to occupy the first chair of Economic History in this University College, and, indeed, in the University of Wales. In a sense, I must confess that it seems a little inappropriate that this honour should have fallen on me as an Englishman, for as many of you will know, Wales has a proud record of endeavour in the field of economic history of its own. Quite apart from the distinguished contributions which have been made to the subject by Professor Brinley Thomas and others here in Wales, we should not forget that the occupants of the chairs at both Oxford and Cambridge, and one of the professors at the London School of Economics, all have very close connections with this part of the world. But for my own part I am particularly happy that I should have been invited to occupy a chair here in Swansea, in such delightful surroundings, in such congenial company, and with so many signs of growth and vitality around me.

I have a further reason for gratification this evening, namely that I should have the good fortune to address you on behalf of a discipline that has made such rapid advances in recent years. Indeed, I think it is fair to say that in the past few years there has been a revolution in the status of economic history. The subject itself is not, of course, new, though it is certainly much younger than most other branches of historical study. Most of the great classical economists, from Adam Smith to Karl Marx, drew freely on historical experience to illustrate their theories, and some of them, such as Marx, were as much



historians as economic theorists. Moreover, in the late eighteenth and early nineteenth centuries, there were a number of specialised studies of the history of trade, industry and prices which in fact, if not in name, must rank as works of economic history. By the beginning of the twentieth century, thanks to the labours of men like Thorold Rogers, Archdeacon Cunningham and Sir William Ashley in this country, and Max Weber and Werner Sombart on the Continent, the subject had clearly begun to take shape as a field of study in its own right; and since the 1920's this fact has been underlined by the regular appearance of learned journals devoted to it, first *Economic History*, a supplement to the *Economic Journal*, and only a little later, the *Economic History Review*. But until recently economic history had scarcely begun to gain recognition as a legitimate subject for specialised study at the undergraduate level. Twenty years ago nearly all economic historians were trained either as historians or economists, and there were only two chairs in the subject in British universities outside London, Oxford and Cambridge. Moreover, even where chairs existed, the subject usually continued to occupy a strictly subordinate place within the established disciplines of history or economics; and at both the ancient universities, especially Oxford, this remains true even today. But in many of the newer universities there has been a remarkable change: new chairs have been created, separate Departments of Economic History have been established, and about half of Britain's university institutions now offer some kind of economic history degree. Belfast, Exeter, Kent, Leeds, Nottingham and Sheffield all provide single-subject courses, and in many other institutions, including, of course, this University College, it is possible to 'major' in economic history in one or more combined-subject courses.

There are several reasons for this transformation. To a large extent, the emergence of the new discipline is simply the result of the increasing specialisation which

accompanies the growth of human knowledge. For the study of economic history cannot readily be undertaken by one who has received a conventional training in either general historical studies or economic theory. If the historian is to make sense of the past he often needs to make use of the analytical tools developed by other social scientists. But it is clearly impossible for any historian to keep up with the relevant developments in all the social sciences, and at the same time to master our ever-increasing knowledge of the whole of the past. Unless he confines his energies to the understanding of one aspect of human experience, and to the theoretical developments most relevant to his own particular field of study, there is a real danger that he will become a 'Jack of all trades and master of none'. And in the same way, the professional economist is not likely to get far in economic history unless he has acquired some of the historian's skill in analysing historical evidence, his understanding of the multifarious influences, geographic, social, political and cultural, as well as the purely economic, which help to produce economic changes; and unless, above all, he has acquired that highly developed 'historical sense' which comes from constant study and reflection about the past. Hence the need to produce a peculiar breed of historian who is prepared to devote his attention to the problems of man's economic development, and who is equipped with the necessary theoretical and statistical tools to aid him in this task.

But why, you may ask, should the process of specialisation have gone so much further in economic history than in most other branches of historical study? For many years historians have tended to specialise in a particular period or branch of history, but this development has not usually resulted in the emergence of distinctive disciplines or the creation of separate university departments for their advancement. Clearly, part of the explanation must lie in the fact that the links between history and theory are very much closer in the analysis

of economic changes than they are in some other branches of historical study. Indeed, many historians, particularly those concerned with the narration and explanation of political events, would deny that any elaborately articulated body of theory can be of assistance to them in their work. For the student of economic and social changes, on the other hand, the need for theory is much more pressing, and the economic historian who, for example, tried to explain the rise in prices in sixteenth-century England without some understanding of the quantity theory of money and the laws of supply and demand would soon find himself in rather deep waters. But it is also true that the progress of economic history as an independent discipline would hardly have been so rapid in recent years if there had not been significant developments in both its parent disciplines of history and economics.

On the historical side, much the most important development has been the influence of Marxism, which has enormously heightened our understanding of the importance of economic factors in shaping the process of historical change. This does not mean, of course, that the study of economic history itself implies a commitment to an economic *interpretation* of history. For economic history is concerned with the factors which determine the course of economic development, not with the influence of economic changes in other spheres of human activity. And although, like other historians, students of economic development may have views about the importance of the economic factor, they are very far from being united by a belief in its primacy in human affairs. Yet it is undoubtedly true that the recognition by most twentieth-century historians, including non-Marxists, that economic development is important, both in itself, and because of its repercussions on art and religion, politics and social institutions, has greatly stimulated research into the causes of economic change.

No less significant have been the changes in the outlook of economists, changes which have both strengthened the

interest of economists in historical developments and, at the same time, heightened the awareness by economic historians of the contribution which economic theory can make to the progress of their own subject. We have seen that, in its earliest years, economic history was closely associated with the rise of the great classical school of political economy. In the course of the nineteenth century, however, the links between history and theory weakened: gradually political economy turned into economics, as economists, in their search for universal economic laws, tended to contract their area of interest, to isolate economic phenomena from their historical context, and to concentrate attention on those relationships which could be readily expressed in mathematical terms. Moreover, partly for this reason, and perhaps partly because in the Victorian era economic progress could almost be taken for granted, orthodox economists ceased to display that interest in the conditions of economic growth which had informed both Adam Smith's celebrated *Inquiry into the Nature and Causes of the Wealth of Nations* and most of the other major works of the classical school. Hence it is scarcely surprising that the new economics often appeared to have little relevance for the minority of scholars who retained an interest in the problems of economic history. Certainly, any layman who has witnessed the frequently violent disagreements between economists on matters of current economic policy may understand the feeling of many economic historians that, for all its dazzling intellectual achievements, the isolation of economic problems from their social context has not greatly increased the ability of economics to elucidate the problems of the real world.

In the twentieth century, this process of refinement in economic studies has continued, but in certain respects there has been a significant change. In the first place, historical developments have encouraged economists to modify many of their traditional ideas: the theory of imperfect competition, for example, involves some

recognition of the fact that some of the laws which applied in the relatively free market conditions of the nineteenth century no longer operate in the same way in the different conditions of the twentieth. Secondly, and perhaps even more important, the experience of the inter-war years destroyed men's faith in the inevitability of steady economic progress; and since the Second World War, the competition between East and West and the efforts of underdeveloped countries to set their feet on the industrial ladder, have once again stimulated interest in the problems of economic development. Today the manufacture of theories of economic growth has become a flourishing industry, and just as economists are beginning to show a renewed interest in the historical facts against which they can test their theoretical models, so, too, the economic historian is being equipped with a whole new range of tools which he can bring to bear in his efforts to explain and interpret the course of economic change.

Yet curiously enough this blossoming of economic history is taking place at a time when the faith of many in the value of historical studies as a whole has been seriously undermined. A generation or so ago it was commonly believed that the study of the past would provide us with the key which would help us to solve the problems of the present and even to unlock the secrets of the future. Today we are not so sure. The more we learn, the more we realise how little we do or can know. It is not simply that many of the relevant facts about the past can never be ascertained, although the violence of the seemingly endless controversies over apparently simple questions of historical fact, which once appeared to have been settled, must make us conscious of the limits and frailty of the historian's art. Many have even doubted whether any objective knowledge of the past is possible, since the historian cannot directly observe historical events but must perforce rely on what contemporaries thought, or professed to believe, about their world, or on those scattered and often fragmentary historical records which

have been deemed worthy of preservation. But there is also the much more fundamental difficulty that even the facts which can be established are not self-explanatory. And as soon as we move from the mundane task of trying to describe what happened in history to explaining *why* it happened, we rapidly become aware of certain difficulties which have led many to suppose that an historical explanation is radically different in character, and much more restricted in its application, than the laws of the natural sciences. For it is evident that the course of human history is continually being influenced, to a greater or lesser extent, by the vagaries of the weather, the accidents of human personality and the multitude of other phenomena which together constitute the element of chance in human affairs. It is true that what we call chance is not necessarily incapable of rational explanation. When a historian attributes a particular event to chance, all that he means is that its cause lies outside the historian's province. But the fact that history is, in this sense, an 'incomplete causal system' necessarily means that it cannot have the same predictive value as the exact sciences. Nor does the difference between historical and scientific explanation end there. Indeed some writers have claimed that even in what may properly be regarded as the historian's province, there are no such things as historical laws: 'Historical laws are not just more or less difficult to find – the very concept of historical law carries an inner contradiction'.<sup>1</sup> Or as Karl Popper puts it: 'Generalisation belongs simply to a different line of interest, sharply to be distinguished from that interest in specific events and their causal explanation which is the business of history'.<sup>2</sup> The reason usually advanced for this is that every past event is in a sense unique. History never

1 Heinrich Rickert, *Die Grenzen der naturwissenschaftlichen Begriffsbildung*, quoted in A. H. Conrad and J. R. Meyer, *Studies in Econometric History* (London, 1965), p. 6.

2 K. R. Popper, *The Open Society and its Enemies* (London, 1957), Vol. II, p. 264.

repeats itself in exactly the same way, if only because everything that happens necessarily influences the course of all subsequent development, nor can it be artificially reproduced in an historical laboratory. The historian cannot, therefore, test his theories by experiment: he can only attempt to formulate hypotheses which appear to fit all the facts as he knows them. And more important, his explanation of specific events can never have a universal validity. Indeed, the scientist might be forgiven if he concluded that they are rather pointless: certainly there would be little value in trying to explain why water boils when it is heated if it could only be heated once.

Anyone with even the slightest acquaintance with history can scarcely ignore such formidable difficulties. Yet the historian who claims a scientific status for his subject clearly cannot admit that they are insurmountable without forfeiting his claim; and it may well be that one reason why economic history, alone among the different branches of historical study, is today establishing its position in the Social Science Faculties of British universities, is that economic historians have been rather less inclined than some of their colleagues to indulge in the pessimism of the 'history teaches us that history teaches us nothing' school. Nor is it evident that they are wrong. For although it is true that the study of history presents us with peculiarly difficult problems, I certainly do not believe that it is pointless or that the methodology and aims of the historian need be fundamentally different from those of other scientists.

But we must begin at the beginning. Scientific study of any kind, whether it be in the realm of nature or society, depends on the availability of adequate objective information. The difficulty of obtaining the necessary information presents problems for most of the social sciences and in history these problems are more difficult to solve than elsewhere. Since the historian cannot directly observe past events he is dependent for his knowledge on what he can learn from those records which have survived, and it

is certainly true that the records are frequently biased, fragmentary and misleading. All this is true. But it does not follow that objective knowledge of the past is impossible. This point cannot be emphasised too strongly, and I am glad to learn that it has recently been re-affirmed by no less an historian than Professor G. R. Elton,<sup>3</sup> a scholar whose interests and general approach to history could hardly be more different from my own. For the first requirement for any historian is that he should learn how to handle the evidence which is available to him. He must learn to assess the credibility of his witnesses, test the internal consistency of their testimony, and wherever possible check it against other types of evidence. Only then, when the evidence *obliges* him to believe it, can he be said to know something about the past. Sometimes the evidence available may be too fragmentary to enable him to conclude that a particular event in fact occurred, and in that case he must confess his ignorance. But at others he may be able to *infer* that something took place even when no direct evidence of it is available, or indirectly to confirm a supposition which may have been suggested by the fragments of evidence which have survived.

Here perhaps I may be permitted to cite an example from my own experience. Some years ago, as a young research worker, I was confronted with the problem of trying to measure the amount of smuggling in eighteenth-century Britain, in order to assess its possible effect on the official statistics of overseas trade. At first this problem seemed insoluble, since, in the nature of the case, the smugglers had not been obliging enough to leave us any records of their activities. There were, it is true, a few conflicting, and far from disinterested, contemporary estimates of the extent of the illicit traffic; but although I suspected that the truth might lie somewhere between the extremes which they suggested, there appeared to be no way of testing the accuracy of my guess. Fortunately,

<sup>3</sup> G. R. Elton, *The Practice of History* (Sydney, 1967).

however, the legal imports of one of the more important smuggled commodities, tea, were monopolised by the East India Company, and we have records of the quantity and price of all tea sold at the Company's sales. By analysing the fluctuations in the demand for legally imported tea, and in particular the effects of the major changes in duty which were likely to affect the illicit traffic, I was able to make my own estimates of the quantity of tea smuggled. As it happened, these estimates confirmed my original guess that the illicit traffic was rather less widespread than the contemporary advocates of freer trade professed to believe, but more extensive than the government officials of the day cared to admit. And since other evidence was available which suggested that the smuggling of other contraband goods varied in much the same way as the traffic in tea, I was able to deduce the probable trends in the smuggling trade as a whole.

It is true, of course, that however scrupulous the historian may be in his handling of the evidence, and however diligent in his search for clues which will enable him to interpret more fully the scraps of information available to him, he can never achieve final certainty: it is always possible that some new piece of evidence may come to light which will compel him to change his mind. But this is also the case in any other branch of science, and the fact that the historian cannot directly observe the past does not alter the position. I understand that no geneticist has ever seen a gene; nor can protons or neutrons be directly observed by the nuclear physicist, although an image of them may be projected on to a screen. But so far as I am aware, no-one has therefore suggested that the study of genetics and nuclear physics should be transferred to the Faculty of Arts.

If, then, the special nature of past events does not in itself prevent the historian from achieving objective knowledge of them, how far can he provide a rational explanation of the facts which he can discover? As we

have seen there are two principal reasons which have been advanced for the belief that scientific and historical explanation are fundamentally incompatible, which are connected with the importance of chance in human affairs and the alleged uniqueness of historical events. The first of these objections need not detain us long, for it appears to rest on a real but somewhat exaggerated distinction between the nature of the events which historians and other types of scientist try to explain. When a scientist explains a particular event he does so in terms of a given set of initial conditions and some causal law or generalisation. Now it is true that at various times, such phenomena as Cleopatra's nose, the survival of Lenin in 1917, or even the Russian winter, have exerted a significant influence on the course of history, and that these phenomena cannot be readily explained in terms of the particular conjuncture of historical forces which historians frequently adduce to explain the events with which they are concerned. But in many other fields of study, including, I understand, that of atomic physics, there are likewise areas of uncertainty, random occurrences which cannot be explained, at least in terms of the ordinary causal laws pertaining to that branch of science. We may freely admit that in history such random occurrences are more frequent than elsewhere. But it does not follow that there is a distinction in principle between historical and other types of explanation, unless, of course, we are prepared to assert that the random variables always dominate the course of events. To be sure, some historians have appeared to do just that. Thus, H. A. L. Fisher, in an unguarded and rather over-quoted passage, professed to see in history 'only one great emergency following upon another as wave follows wave, only one great fact with respect to which, since it is unique, there can be no generalisations, only one safe rule for the historian: that he should recognise in the development of human destinies the play of the contingent and the unforeseen'.<sup>4</sup>

<sup>4</sup> H. A. L. Fisher, *A History of Europe* (London, 1952), p. vi.



If this statement is accepted at its face value, it would appear that any rational explanation of historical events is impossible, and we should have to conclude with E. M. Forster that history is simply a mess, or more precisely, 'a series of messes'.<sup>5</sup> But very few historians, including Fisher himself, have in practice adopted such an extreme view, however much they may disagree amongst themselves about the role of chance in general or in particular historical situations. Thus some historians may be prepared to argue that if Princip had not murdered the Austrian Archduke Franz Ferdinand at Sarajevo in 1914, the First World War might never have occurred. But most would probably agree that given the state of international relations at the time any spark might have set Europe ablaze. And this is as it should be. For the historian, like many other scientists, cannot insist on rigid determination. Rather his task must be to narrow the range of alternative possibilities and to predict the most likely outcome, given a set of initial conditions and the causal law appropriate to his own field of enquiry.<sup>6</sup>

This brings me to the wider question of the role of universal laws in history. I do not wish to pursue here at length that rather hoary old will-o'-the-wisp of so-called universal historical laws. For it is clear that, in formal terms, such a universal historical law, or body of laws, is no more than a tautology, since history as a whole is a unique sequence of events. Nevertheless, there is a variety of more or less meta-historical theories which claim to discern in history the working of some universal law which would ultimately explain all historical changes. All through the ages there have been those who believed that the hand of Providence was at work, guiding and controlling the destinies of men: sometimes this has taken the form of a belief in direct supernatural intervention in human affairs, and at others a belief in a universal

<sup>5</sup> Quoted in Patrick Gardiner, *The Nature of Historical Explanation* (London, 1952), p. 51

<sup>6</sup> Conrad and Meyer, *Studies in Econometric History*, p. 13

moral law against which men rebel at their peril. Each of us is at liberty to have such a belief, and I, for one, having spent my years as a research student, studying the lives and thought of the early Quakers, certainly learned to respect and admire, if not entirely to share, the sublime and unshakeable faith of those simple men of the seventeenth century, a faith which enabled them to withstand persecution and death, and at last to win for themselves and others that measure of toleration for the individual conscience which today we regard as one of the essential characteristics of a liberal state. Yet it must, I think, be clear that the belief in such a universal moral law is a matter of faith, not reason, and as such it is not a question on which the historian can pronounce. For when we ask if it is true that in history individuals and societies have committed crimes and got away with it, the answer must be that sometimes they have done so and sometimes not. This does not necessarily mean, of course, that the Providential view of history is wrong, but merely that in common with all such meta-historical theories, it finds its *ultimate* justification not *in* history, but beyond or outside it.

Similar considerations apply – although rather less obviously – to the Marxist interpretation of history to which I referred earlier. If the Marxist asserted that all historical changes are the direct result of economic developments, it would be easy to prove him wrong. But he does not. In the course of his efforts to satisfy his material needs, the Marxist will tell us, man enters into certain social relationships, and from these ultimately arise all those ideas and institutions which go to make up the 'superstructure' of society. And once again the key word is 'ultimately'. For the Marxist does not deny that once it has come into existence the superstructure has a life of its own and acts and reacts on the material base. But if so, how are we to prove or disprove the frequent Marxist assertion that economic changes are ultimately decisive? The word 'ultimately' here cannot mean

'initially', for in that case we should have to assume that all great economic changes are in some sense self-motivating. But that is clearly not what the Marxist means. For he sometimes argues that economic changes initially stem from technological advances. But this only brings us back to the superstructure again, and so the circle is complete. Of course, the Marxist is quite right in claiming that economic changes frequently do have profound repercussions, and as I suggested earlier his point of view has had a pronounced influence on modern historical writing. At its best it may suggest a number of useful questions which we may put to historical data; but, like all other such theories, it cannot possibly provide us with an empirically verifiable law which would explain all observable historical changes.

But if the concept of an all-embracing historical law or laws must be regarded as illusory, it does not necessarily follow that we must also reject the view that in history there are no historical laws in the more limited sense in which the term is employed in other sciences. Of course, if all historical events are unique, clearly there could be no historical laws. But is this really so? For although it is true that no two historical events are ever identical, it is absurd to pretend that they never have anything in common. History is littered with examples of wars, revolutions, and innumerable other phenomena, each of which is in a sense unique, but each of which has certain characteristics in common with others of its kind. And if this is so, we may reasonably ask why it should be impossible to generalise about them. The answer sometimes given is that although somewhat similar events do occur in history, they are not sufficiently alike for us to be able to frame laws about them. Historians can, and sometimes do, make rough and ready generalisations which may provide a useful guide to the understanding of particular events. But such generalisations do not have the status of laws, for they are usually so loosely formulated that they cannot be tested and often do not pretend to

universal application.

Now we may freely admit that in history the task of formulating verifiable laws presents us with peculiar problems. But are they as insoluble as many philosophers and historians profess to believe? For if historical data are so unamenable to quantification and generalisation as this position implies, should we not have to conclude that no social science is possible? In this connection it is interesting to note that Professor Popper, whom we quoted earlier on the subject of historical laws or generalisations, does not deny the existence of *sociological* laws; and in *The Poverty of Historicism* he specifies a number of them, such as Plato's law of revolutions and Lord Acton's well-known law of corruption, which he quite rightly says social scientists may discuss and attempt to substantiate.<sup>7</sup> But several of the laws which he cites could just as well be described as historical, since they are either general propositions about certain relationships obtaining in given historical situations, or generalisations about particular types of historical change. Nevertheless, Popper argues that from his point of view historical laws do not exist because historians are not interested in framing or testing them. This is because the historian is concerned with the explanation of specific events, and although he must make use of general laws, most of the rather 'trivial' laws he needs may be taken for granted. Hence the historian consumes theories but does not produce them.<sup>8</sup>

Now this somewhat surprising conclusion is important, for similar views have been expressed by many historians. The historian, it is said, is interested in historical events in all their richness and variety, and does not seek to subsume them under general laws. He is interested in the causes of *this* war, not of wars in general. He may seek to explain a particular situation in which he is interested in terms of some general hypothesis, but regards this more as an 'explanation sketch' which requires filling in, rather

<sup>7</sup> K. R. Popper, *The Poverty of Historicism* (London, 1957), pp. 62-3

<sup>8</sup> *The Open Society and its Enemies*, Vol. II, pp. 261-5

than as a case of a general law. Nor is he interested in proving or disproving the general law which his hypothesis implies, but only in ascertaining whether it can be applied to the particular situation with which he is concerned. And he will probably regard the man who does seek in history the validation of general laws, not as an historian, but as something else.<sup>9</sup>

But this position cannot, I think, be adopted by an *economic* historian. For unlike some of his colleagues who may be able to assume Popper's 'trivial universal laws' in seeking for explanations of the events with which he is concerned, the economic historian is engaged in the task of trying to explain man's economic development, a highly complex process governed by laws which as yet are only dimly perceived. To be sure, as I mentioned at the beginning, he can turn to his economist colleagues for many of the general laws of economic behaviour which he may need in his work, though he will sometimes find that they are not always applicable as they stand to all historical situations. But when it is a question of laws of economic development the position is rather different. The economist may be able to offer him a variety of useful and sometimes highly sophisticated theoretical models, but in the nature of the case few of these will have much empirical foundation. For the economic historian alone is in a position by his observation of the past to frame the relevant hypotheses, to test them against the available data and then to try to establish the empirical laws which he needs. And in recent years economic historians have, particularly in the United States, begun to elaborate a number of schema which are designed to conceptualise and elucidate the course of development. As yet, it must be confessed, their success has been limited. The schemes offered have tended to be taxonomic rather than fully explanatory in character, sometimes their formulation has not made them susceptible to ready verification, and usually they have been based on a limited sample of

<sup>9</sup> Cf. Patrick Gardiner, *The Nature of Historical Explanation*, pp. 80-99

historical experience. But this is hardly surprising, for the problems involved are formidable, and as we saw at the beginning, economic history as a fully-fledged discipline is still in its infancy. At least a start has been made and hypotheses have been put forward which humbler scholars may be able to test and amplify as they dig deeper into the past.

Thus it appears that most of the objections which have been raised against regarding historical studies as a branch of science can be answered, and if history as a whole has not achieved that status this is in part because most of its practitioners have not sought to develop it in that way. Today, however, it seems that we are witnessing the growth of a new discipline which unites the traditions of historical and economic enquiry, and which in embryo at least may justifiably be regarded as a genuine social science. But if this is so we may perhaps enquire how much bearing this new branch of knowledge has on man's contemporary concerns. Most sciences derive their social justification, if not their academic rationale, from the fact that by increasing our understanding they help man to master his world. How far can the same be said of economic history?

The answer I should give to this question would, I think, be threefold. In the first place, since most contemporary economic problems have their roots in the past, the study of the historical record should enable us to achieve a fuller diagnosis of these problems even though it cannot in itself provide us with the solutions. Secondly, as in any other branch of history, the study of the past enables us to evaluate our own society and thought in the light of the standards and aspirations of another age. And thirdly, we may sometimes find in the rich storehouse of historical experience examples which, if judiciously interpreted, may have particular applications to the problems of today. When we enquire, for example, how far Soviet experience in the process of industrialisation can be regarded as a model for underdeveloped countries

today, we are asking a question of the most urgent practical importance to millions of people throughout the world. Yet we cannot begin to answer such a question unless we first know why Soviet industrialisation took the form which it did. Of course it is true that no amount of historical understanding will enable us to give a precise and complete answer to our initial question. But the more we know, not only about the Soviet case, but also about the experience of other industrial countries in different historical conditions, the more likely we are to be able to make an informed estimate of the possibilities open to under-developed countries today.

I say 'possibilities' rather than 'probabilities' because we can only say what *may* happen, not what is *likely* to happen. Or, to put the point another way, we can only say what is likely to happen on certain unverifiable assumptions. This is not primarily because any prediction we may make may be upset by the intervention of chance: indeed, it can be argued that, in principle at least, the problem of the chance element has been exaggerated. In some types of economic prediction the chance element may be small, and in others it may be possible to estimate both the statistical probability of many types of random occurrence and their likely effect. But there is also the much more fundamental difficulty that the course of human history is influenced, sometimes decisively, by the growth of human knowledge. An increase in knowledge cannot be regarded as a chance element in the sense that we defined it earlier, that is to say as an event outside the realm of historical explanation; but as Popper has pointed out, it is nevertheless largely indeterminate in that we cannot know today what we shall only know tomorrow.<sup>10</sup>

Perhaps we may illustrate this point by reference to one of the most famous of all historical predictions, Marx's prophecy of the impending end of the capitalist system. A crucial element in the Marxian diagnosis of the 'laws of motion of capitalist society' was the supposed

<sup>10</sup> *The Poverty of Historicism*, pp. ix-x.

law of the falling rate of profit. According to Marx, it was an outstanding feature of the process of capital accumulation that outlays on fixed capital and raw materials would tend to increase in relation to wages. This was because, in the nineteenth century, most innovations were labour-rather than capital-saving in their effect; and in consequence as new and more powerful machines were invented to do the work of men capital costs per unit of output necessarily tended to increase. Hence it followed that if the shares of the total product obtained by capital, on the one hand, in the form of rent, interest and profit, and of labour, on the other, were to remain constant, the rate of profit must fall. It should be stressed that Marx did not assert that the rate of profit would fall in all circumstances, but that it would *tend* to fall. Capitalists might, for example, try to increase their share of the total product at the expense of labour, although in that case the system would be on the other horn of its dilemma, the contradiction between the impoverishment of the mass of the population and the wealth they had created. But since Marx regarded the tendency of the rate of profit to fall as a law which would ensure that economic crises would recur and become progressively deeper, he presumably believed that in the long run the various counter-vailing tendencies which he noted could not be of decisive importance.

Now an interesting attempt<sup>11</sup> to test this analysis in the light of the historical record, suggests that in the United States, despite some increase in what Marx termed the rate of exploitation of the working population, the rate of profit did reveal a long-term tendency to fall in the period before 1914. But since the First World War this has not been the case, largely because many new technical innovations have tended to economise capital as well as labour. In other words, changes in human knowledge which Marx might have foreseen, but could not confidently predict, have rendered his celebrated law

<sup>11</sup> Joseph M. Gillman, *The Falling Rate of Profit* (London, 1957)



inoperative.

This does not mean, of course, that all Marx's predictions have been completely falsified by events. It is possible, though perhaps unlikely, that the long-term tendency of the rate of profit to fall may yet reassert itself. It can be argued that the effect of capital saving innovations in a society geared to a high rate of savings and investment created new problems which partially help to explain the unprecedented crash of 1929; and anyone who has read Professor J. K. Galbraith may suspect that the problems of an 'affluent society' will ultimately prove as formidable as any which Marx anticipated. And finally, of course, although proletarian revolutions have not taken place in the advanced capitalist countries as Marx predicted, his expectation that economic processes would be subjected to a greater measure of social control is being progressively fulfilled in all modern industrial countries. Nevertheless, a hunch is not the same thing as a scientific prediction, and it certainly cannot be maintained that Marx's expectations have so far been fulfilled in quite the way he anticipated. But even if it could be shown that all his prophecies were completely false, it would not follow that Marx's labours were in vain. For it remains true that the Marxian analysis provides us with a profound insight into the workings of nineteenth-century capitalism and it does not take much perspicacity to see that an intelligent opponent of Marx might have learned from him what needed to be done to invalidate the master's 'laws'. Such an understanding would not and could not have given our imaginary upholder of capitalism any guarantee of success, any more than Marx would have been justified in assuming that he was bound to fail. But at least it would have told him the direction in which he should try to move.

In short, then, because men are not merely the slaves of their past, it is not given to the historian to predict the future. As Alexander Gerschenkron, one of the greatest living exponents of economic history has put it, 'No past

experience, however rich, and no historical research, however thorough, can save the living generation the creative task of finding their own answers and shaping their own future'.<sup>12</sup> But if we are not the slaves of the past, we are its children. It must be the historian's ultimate aim, by deepening our understanding of the past, to help us to catch a fuller glimpse of the possibilities of the present, so that we may decide how best to shape our own future. And that, perhaps, is justification enough.

<sup>12</sup> Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (New York, 1965), p. 6

Filmset 'Monophoto'  
and Printed by  
Allens Printers (Wales) Limited

