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He was awarded many honorary degrees across Europe – the last one, in 2003, by the Russian Academy of Science. He is also member of the British Academy, the Royal Historical Society, the Royal Danish Academy and the Royal Belgium Society.

His works – such as English Trade Tokens (1962), Science and Society (1972), The First Industrial Nation: an Economic History of Britain, 1700-1914 (1983), L’economia britannica dal 1815 al 1914 (Einaudi, 1994) – are milestones in the history of economic development.

He also edited, with M.M. Postan, The Cambridge Economic History of Europe (1966-1989), and with J.A. Davis, The First Industrial Revolutions (1990). His last work published in Italy is Cinque lezioni di storia e teoria dello sviluppo economico (ESI, 2003), taken from some of his annual lectures at the Istituto Italiano di Studi Filosofici of Naples.

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Peter MATHIAS

Economic History. Living with the Neighbours

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Luiss Guido Carli, Rome
Peter MATHIAS

Economic History. Living with the Neighbours
Reading this text in retrospect, with emotion recollected in tranquillity, it seems to have become almost exclusively Anglo-Saxon in content and orientation. Doubtless this reflects in large measure my own commitments in economic history and the trajectory of my own career. Had the main focus of the text been that of social and cultural history – demographic studies, *histoire des mentalités*, integrated regional studies in society and economy *et al.* – then continental scholarship and *Annales*, as the leading French journal capturing many of these trends, would have loomed larger. But in economic history, after the époque of Labrousse’s quantification and *la longue durée* of Braudel, I would argue that most methodological and conceptual innovations in economic history have come from North America to Europe – with the United Kingdom serving as the main bridgehead. In this respect, as in others, the Atlantic has proved to be narrower than the Channel.
Any subject with intellectual life in it advances and differentiates in a normal academic process of progressive nucleation. Advances come from new knowledge as research proliferates and ideas multiply giving an intrinsic internal dynamic. But much change is responsive to external stimuli. In some cases new ranges of awareness are derived from contemporary issues which focus attention (economic historians following in the wagon-train of other observers): ecological problems, the limits of non-renewable resources, energy are current categories. For economic history most infusions of new blood – it seems to me – have come from adjacent social sciences: economics above all, sociology, anthropology, political science, legal studies, et al. both directly and indirectly. Economic theory – in particular development economics – so much concerned with the analysis of present-day, long-run economic growth has much in common with the concerns of economic historians exploring comparable relationships, if in different contexts (which can require differences in the explanatory apparatus). Further common ground has been established in the unending search for quantification of economic change in all its variables. National income accounting for most national economies, in particular, has now produced a comparative record of rates of growth, levels of income, distribution of wealth, demographic trends and the like which have been pushed back as far as historical data allow (and in some cases much further). Despite ferocious, and often unresolvable, issues of comparability over time and context, the analysis of long-term economic growth has proved to be the
most important focus for economic historians since the 1950s, at the level of local, regional, sectoral, national and international analysis. I once described the role of economic history as ‘Living with the Neighbours’, a fate which has not disappeared.¹ Recent trends widening the explanatory apparatus in the analysis of long-term growth, cited below have developed this further.

Cliometrics and after

In formal terms, judging by such criteria as the number of departments of economic history in the UK (where the great expansion of the subject in British universities in the 1950s and 1960s was primarily embodied in the establishment of new departments offering honours degrees), the number of honours degrees in economic history (as distinct from individual papers in economic history forming constituents in history honours degrees or in economics), the recruitment of students for economic history degrees and courses, economic history has been declining as a subject in British universities

since the 1970s. The decline in individual membership (ie non-library subscriptions) of the Economic History Society can be seen as representative of the trend. Membership numbers grew rapidly in the 1950s and the 1960s (being 1,900 in 1966) to reach a maximum of 2,460 in 1974. This peak has been followed by a gradual but steady decline: to 2,160 in 1981, to 1,767 in 1991, down to 1,274 in 2005. This has also been the case where economic history had a formal presence in departments of economics (where the subject was not regarded as so ‘useful’ vocationally as other branches of the subject). One principal reason for this shrinkage of the subject was the general trend towards sophisticated quantification and the use of more elaborate statistical methods for processing and interpreting data.

Then, as a ‘double whammy’ came the impact of ‘the new economic history’ from the United States beginning in the 1950s. Never was a label better fashioned: by implication ‘new’ equalled good and ‘old’ equalled bad. Econometric history, to use the more specific term, was a major methodological innovation in the subject, born and bred for the most part in American departments of economics. The methodology was based on quantification, a

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universal trend in the social sciences, but, more significantly, its claim to more ‘scientific status’ lay in the statistical testing of specific variables in a formal model, which allowed causation to be identified, by correlation analysis of the variables, and therefore ‘real’ explanations of historical change determined. A major claim indeed! All other potential – but unspecified – variables in the explanation of change were outside the model and therefore unanalysable in comparable terms. Eclectic explanations might be interesting, like stamp collecting, but they had no claim to scientific status.

This may be a caricature, but not much more so than the necessary assumptions behind the most dramatic exercises, and the greatest claims, in ‘cliometrics: that the economy was in a state of competitive equilibrium, with perfect information, and that prices could be accepted as valid proxies for costs. On the basis of the new methodology, elaborate ‘counterfactuals’ could be construed, with a quantified reconstruction of a mythical economy, against which what actually happened could be tested against the ‘reality’ of what could have happened. These exercises were forged particularly on the economics of slavery and the contributions of railroads to the growth of the American economy. Full-blooded cliometrics might be important

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exercises in the methodology for economic history but most economic historians asked whether one could hope to understand the process of historical change by excluding by definition all institutions, legal, political, societal and cultural relationships. For understanding wider processes of change, at least, precision was being bought at too high a price.

For some years ‘cliometrics’ was hailed as the new dawn of economic history, with missionaries arriving by the planeload from North America to spread the gospel. I feared that economic history was painting itself into a corner, being defined against itself ever more narrowly. The identification of what ‘economic history’ was in essence was being challenged. This was not an argument per se against quantification, with the techniques required for statistical analysis and interpretation, which form an irreversible tide flowing in all the social sciences, but against the methodological reductionism of ‘cliometrics’ which was soon challenged from within by advances in economic theory itself.

The excesses of ‘cliometrics’ were restricting enough conceptually but, more practically, access to economic history in this mode was only possible for those having the necessary technical expertise, which put it beyond the pale for most British students coming to the subject with a background in history (perhaps with some elementary economics), while most in the
United States were in departments of economics. This was particularly
the case for modern economic history and still is. Hence, where the price
of citizenship in the new republic was a formidable apprenticeship in
theory, methodology and statistical techniques, students abandoned
economic history on a large scale for social and cultural history, widely
seen as ‘softer’ disciplines and more accessible, even if techniques there
were becoming more rigorous (as demographic and family history, for
example, were demonstrating). Social and cultural history were flourishing
on their own terms so there was a strong pull as well as a push to this
trend.

One consequence has been that the radical tradition in British
historiography, centred in economic history from the first generation of
academic economic historians in the late nineteenth and early twentieth
century, flourishing in the interwar years and after, when mainstream
economic history guarded the historical flank for the eternal truths of
Fabian socialism, was challenged and left the field of battle. There were
wider reasons for this, of course. When in the long run, the progress of
industrialisation was seen to be the greatest creator of wealth the world
had ever seen and also, in the long run, the basis of rising standards of
living, and where every state, new or old, had as a policy imperative the
aim of promoting industrial growth, it was increasingly seen as anomalous
– perverse – to categorise the British Industrial Revolution as economic and social disaster. This did not deny the acute social problems which were intensified by the process of industrialisation.

The essential truth of the ‘optimistic’ interpretation was demonstrated by systematic quantification of the historical record, provided by the reconstruction of national income statistics. In British economic historiography, I believe, the most widely acknowledged turning point in this interpretation came with T.S. Ashton’s influential little text book *The Industrial Revolution* published by Oxford University Press in 1948. A key quotation from the book bears repetition: “There are today on the plains of India and China men and women, plague-ridden and hungry, living lives little better, to outward appearance, than those of the cattle that toil with them by day and share their places of sleep by night. Such Asiatic standards, and such unmechanised horrors, are the lot of those who increase their numbers without passing through an industrial revolution.” (*op. cit.* p. 161).

Driven out by quantification, protesting that the ‘new economic history’ offered only quantified expressions of bourgeois ideology, the radical tradition in British historiography found a congenial home in social history, led in Britain by Edward Thompson, Raphael Samuel and the ‘Social History Workshop’,
et al. Their banner read ‘Thou shalt not judge by real-wage indexes alone’.4

Other trends, much more conceptually congenial to good old economic history, as it has seemed to me, then came on the scene with further advances in economic theory. The full implications of one such, indeed, had lain largely hidden since the 1950s. All the exercises in ‘accounting for growth’ had revealed a large, if unidentified, residual when growth over time was measured in relation to quantified inputs of capital, labour and resources at constant levels of productivity over the period under scrutiny.5

This residual, by definition, lay outside the terms of the equations – being literally a residual – part of the higher mysteries of growth. Technological change and ‘improvements in human capital’ (i.e. education, training, skills) were assumed to be the main components of the residual but, equally,

in institutional change, improvements in organisation and other changes in the context of the economy were also potentially relevant. Even entrepreneurship which could be rejected by definition under neo-classical assumptions of perfect competition, could be an activating force for improving the performances of other variables. Schumpeterian theorising about entrepreneurship being the principal means of an economy breaking out of the ‘circular flow’ of imitative decision-making through innovation enjoyed a sustained revival, particularly being embodied in the great expansion of business history.6

And then came Douglass North and others with the new ‘institutional economics’ which opened doors wide enough for all of us to re-enter the temple.7 The momentum for economic change (or the sources of inertia


holding back the process) were to be found deeply embedded in the fundamental institutions of society and the state, as in the socio-cultural matrices of a country, together with the political process and the legal system, which embodied in large measure underlying social and cultural determinants. The ‘incentive structure’ within which an economy operated was identified as being all-important, and this depended on the development of private property rights, economic and tax policies, finding the appropriate balance between freedom of action and the regulatory framework which conditions the operation of all markets. ‘Agency relations’, the fostering of personal trust and confidence which underlie on-going commercial dealings and contractual relations, formed another dimension of the reality of how an economy actually worked. All these issues recognised that economic action and institutions were socio-cultural constructs embedded in a wider society and its values. They also offered new insights into the roles of minority groups. The balance between incentive and inertia could be analysed conceptually, if not always measured through the concept of ‘transaction costs’ which set the terms for the interplay of these relationships governing changes. But ‘transaction costs’, which imposed inertia upon the operation of the market, could arise from a multitude of things – climate and resources,

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transport, the political and legal system, the efficiency of communications and information flows in a market economy, the business system, the level of risk (itself arising from many aspects of the context) and other issues.

With such diverse variables – some ‘real’ and others arising from ‘perceptions of reality’ – collectively mobilised into the concept of ‘transaction costs’, it was impossible to construe them into a single, all-embracing operational model with quantified variables. Attempting to do so simply introduced an arbitrary and subjective allocation of degrees of significance by the back door while the ostensible objective of such modelling was to exclude subjectivity from its front door.

All this comes as no surprise to economic historians accustomed to investigate aspects of the empirical context through primary sources and contemporary commentaries. They did not need a sophisticated conceptual apparatus to tell them how complex matters were in practice. But it has broken through constraints in formal economic theorising and dramatically widened the agenda for analysing economic growth, which had been operational in the other social sciences, such as sociology, political theory and anthropology, for a long time. The range of relationships which the new conceptual apparatus in economic history brings to the analysis of economic change includes many neo-economic variables, as described, and, although many of these may invite quantification on their own terms, they cannot
be captured within a single general model, being too numerous and too heterogeneous, although organically part of the process of change. This has opened up the discipline conceptually again, as the methodology of cliometrics had narrowed it, providing a basis for reconciliation, if not a symbiosis, between the older and newer traditions of the historiography and bringing the conceptual and the empirical into relationships in new ways.

Proto-industrialisation

One methodological innovation, also hailed as a new dawn in the 1970s and later, but now absorbed into the much diversified mainstream, was antithetical in many ways to ‘economist’s economic history’. This was ‘proto-industrialisation’, brought into the canon of social history as much as economic history, and rightly so because its basic assumption was integrative between economy and society.\(^9\) Proto-industrialisation

was identified by some as a new universal ‘stage’ in the evolution of society and economy, between ‘feudalism’ and ‘industrialisation’, as the lead-in to the ‘industrial revolution’. Handicraft manufacturing industry in a rural context, mainly textiles of all sorts and small metal wares, commercially orientated to non-local markets, was identified as a new dynamic. Proto-industrial growth generated crucial non-agricultural skills, developed a (largely seasonal) industrial labour force, accumulated profits and capital, produced a commercial infrastructure led by merchants and, in general, paved the way for later factory technology.

While accepting the significance of these developments empirically – on the ground – as a supposed general historical process proto-industrialisation bristled with problems: rural based industries were known from the thirteenth-century in England (so where did that place the chronology of ‘stages’?); some leading proto-industrial districts flourished, others faded and disappeared (what were the criteria?) Some major industrial districts did not pass through a ‘proto-industrial’ apprenticeship; much ‘proto-industry’ was urban based, rather than rural ... Nevertheless, this new mode of historical analysis yielded important perceptions into the complex interlinkages between social and economic change. The focus was that of local communities studied ‘in the round’, exploring all the relationships in life and work –
communal, familial, technical, commercial, in intricate interplay. Perhaps the most fruitful enquiries linked the development of proto-industry with its demographic dynamic. The offer of more non-agricultural employment allowed families to be supported on smaller holdings, encouraged marriage at a younger age and enhanced the rate of marriage; breaking older constraints on demographic advance and the level of population which a rural locality or region could sustain with traditional agriculture.

Mega-economic history

An exception to the new ‘eclecticism’ in theorising about causation in long-term economic change – the retreat from pursuit of a integrative general theory, a single integrative, all-embracing explanatory variable – is the spate of studies of ‘mega’ economic history – of economic history seen as a world process in the very long run. This carries the Braudelian tradition of _la longue durée_ to an ultimate destination and can be seen as being in the long tradition of interpretations of world evolution in terms of the working out of a particular philosophy of history. It is one dimension of the study of economic growth in historical perspective. This has been led by economists, and economic

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Economy: History and Prospects’. There are many others in similar vein.

With some latter-day recognition of the more recent transformations of Japan, South East Asia and China now *in via*, this world process has been dubbed ‘The West and the Rest’. The main tide of interpretation of the global process of development has moved away from single-cause explanations, such as a favourable indigenous natural resource endowment or abundant capital with a low rate of interest, to more eclectic formulations, as current empirical or historical evidence cast doubt on the explanatory force of single variables. Favoured explanations of European dominance, apparent in quantitative data by the end of the eighteenth century but with roots back to the sixteenth, encompass European expansion to the new world (to North America and the West Indies in particular) with colonial settlements, commercial and maritime strength, superior fire power and naval technology. These were consequential in large measure on the scale of resources which effective national states could mobilise, in itself evidence of multifaceted modernisation. A progressive scientific culture, advances in intellectual secularisation, with motivations to discover, measure and control the forces of nature were also characteristic of ‘Westernisation’, impacting upon the dynamic of long-term growth.
At the level of analysis of national economies the focus of explanation for sustained economic growth has seen growing recognition of the importance of political and legal processes, aided by the methodological influence of the ‘new institutional economics’. Much advance, it is argued, has come from the dynamics of free markets, which has concentrated attention on the necessary attributes of a progressive market economy. The physical security of persons and property, an assured legal system with secure private property rights, procedures for the enforceability of contracts, accepted procedures for the transferability of assets (including financial assets) at their proper market prices and other aspects of the political-legal-cultural matrix within which an economy operates are seen as essential foundations – even if the ‘autonomous’ operations of a market are always compromised in various degrees. A market – operating with a balance of freedom and constraint – is inevitably embedded in the legal and political process. Beyond formally enforceable procedures, but embodying them, lie socio-behavioural norms of ethical standards, reliability and honesty in personal dealings, the maintenance of trust and the like, which are also integral with continuous dealings in a market context. This widens the analysis still further into cultural and religious as well as societal and legal relationships.
This strong tide of interpretation of historical processes of development in terms of market-economy relationships has had a countercurrent of alternative radical hypothesising in terms of ‘core-periphery’ relationships and the exploitation of the primary producers on the periphery in successive modes from the sixteenth century, as they have been drawn into the international economy under the initiative (and largely the control) of shippers, merchants and financiers of the modernising/industrialising economies.\textsuperscript{11} Formal colonisation and imperialism in particular contexts form one dimension of this wider process. A. Gunder Frank and Immanuel Wallerstein are identified with this mainly marxist interpretation. This accepts the thesis of invasive market relationships but (in parallel with the earlier interpretations of the Industrial Revolution as a social disaster) sees the results as inimical. This trend has also been on the defensive against the ‘optimists’ who see the process of historical and ongoing globalisation as inevitable and - in aggregate, long-run terms - beneficial, while acknowledging the problems of finite resource depletion, ecological deterioration and inequality of income distribution. A process which has produced unprecedented increases

in wealth, rising productivity and progressive technologies will be able to mitigate, if not resolve, these offsets, it is argued, as it has done in large measure for the internal dynamics of economic, political and social change within the industrial economies. This is clearly an ongoing debate for interpretations in ‘mega-economic history’.

Diversification and Social History

Sometimes, it seems that ‘economic history’ as a defined entity in Britain is disappearing beneath a welter of specialisations, increasing in number and sub-dividing exponentially. Social history was always integral with economic history as a subject in Britain, despite the nomenclature. The contents of the Economic History Review from its foundation in 1927, for example, bear testimony to that reality. The radical tradition in British economic history, which saw the Industrial Revolution as disaster, was primarily concerned with the adverse social consequences of industrial and agricultural capitalism. Demographic history, social history in many manifestations (for example, the social history of medicine, family history and the history of childhood), urban history, financial and banking history, business history, transport history, the history of technology and so many other specialisms have
spun off. They become institutionalised on their own terms, growing up as independent adults from a mainly common childhood in economic and social history, with separate journals and societies, conferences and colloquia at regional, national and international forums. The International Economic History Association (formally established at Munich in 1965) has shown the same fissiparous imperative.

This may be regarded as the standard path of evolution of a subject, whether in the sciences, social sciences or the humanities, a momentum of expansion coupled with progressive specialisation, differentiation and ‘hybridisation’. New research adds new knowledge; wider ranges of perception bring new insights, new perspectives, new linkages. In this sense economic history continues to explore new frontiers and makes settlements in territories which formerly belonged to others, while itself being subject to incursions from without.

A brief text of this nature cannot attempt to do justice to the extraordinary growth and diversification of social and cultural history since the 1970s. It prospers from the shrinkage of ‘hard’ economic history, being widely seen (especially by students) as ‘softer’ options, even if the reality is more complex. One, out of many trends, which has become
prominent is that of a new style of socio-cultural history. Economic historians have had a long tradition of concentrating on production rather than consumption: their consciousness has been focussed on the spectrum of themes centring on production. The main themes of the ‘new’ social history reverse this priority: the study of consumption in many aspects covers a different spectrum, and puts relationships in a new perspective. It brings to the fore the study of markets and marketing, with retailing at the fulcrum of supply and demand. Consumption trends have to be explicable in terms of such diverse considerations as disposable incomes, the distribution of income, channels of information about worldly goods for households and persons, family relationships, fashion and aesthetics, the cultural norms of social groups, the demands of emulation and ‘respectability’ in different social contexts, concepts and the operational embodiment of ‘luxury’, how taste is led, and a host of other relationships.

Not all of these trends originated in the progressive commercialisation of relationships or were expressed in a commercialised nexus.

Identifying perceived needs (helping to lead, encourage and persuade, if not actually creating, such trends) was becoming a progressive influence in shaping the path of growth in consumer goods industries from the seventeenth century, if not before. This new focus for explaining the basis of material life in the social and cultural matrix of family relations, social groups, class and culture has also integrated fields of study previously professionally isolated in the fine and applied arts and ‘connoisseurship’, with professional standards as high as, and sometimes higher than, those of social historians. In the latter case, too, in contrast to the labours of most academic social and cultural historians, great potential gains in wealth (or the reverse) rested upon the professional identification of artifacts.

And yet ...

With old-style economic history being invaded by successive waves of new-style theorising, losing students and fragmenting progressively into new hybrids many have assumed that the subject
has been forced onto the defensive and, indeed, that it has lost the battle. Yet, from a broader academic viewpoint, it can also be argued that the economic and social dimensions of change have now penetrated all other aspects of history – military history, the history of science and medicine, political and diplomatic history, technological history, the history of art, etc., – previously almost hermetically sealed within their own methodological conventions, utilising just their own internal criteria. As an optimist for the future of the subject I am tempted to claim that, even if economic history was in danger of losing its own battle, it has now recovered and, on the wider scene, has been winning the war.

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On the eve of the Revolution, 95 percent of the American population lived outside the cities—much to the frustration of the British, who were able to capture the cities with their Royal Navy, but lacked the manpower to occupy and subdue the countryside. Copyright © The Economic History Association 2017.

The importance of residential segregation in explaining modern racial differences in socioeconomic outcomes is well known. There are a variety of studies linking segregation in the United States to schooling and labor market outcomes for African Americans (Kain Reference Kain1968; Cutler, Glaeser, and Vigdor Reference Cutler, Glaeser and Vigdor1999; Cutler and Glaeser Reference Cutler and Glaeser1997; Collins and Margo Reference Collins and Margo2000). We measure segregation by comparing the number of households in an area living next to neighbors of a different race to the expected number under complete segregation and under no segregation (random assignment). Neighbors App Real-Time Crime & Safety Alerts. Amazon Subscription Boxes Top subscription boxes right to your door. PillPack Pharmacy Simplified. Amazon Renewed Like-new products you can trust. Amazon Second Chance Pass it on, trade it in, give it a second life. Conditions of Use. Privacy Notice.