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WHITHER ECONOMIC HISTORY? BETWEEN NARRATIVES AND QUANTIFICATION

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WHITHER ECONOMIC HISTORY?
BETWEEN NARRATIVES AND QUANTIFICATION[1]

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Macroeconomic analysis is not just a game of equations; it is a narrative of the real. We argue in this article for a re-evaluation of the importance of narratives. Because each financial crisis is a unique event, the narrative is the natural form of analysis. In addition, the effects of economic policies can no longer be analysed independently of the narratives appropriated by economic agents (Schiller, 2017) and policy makers (Friedman and Schwartz, 1963). There is a twofold value in adding the historical dimension. Economic history is instructive by multiplying case studies, i.e. by increasing the variety of policy successes and failures analysed. History also loosens the shackles of our preconceptions, since comparing the past and present calls into question the exceptional nature of what we are living.

Key words: economic history, cliometrics, narrative, economic policy.

> *"A glance back at History, the return to a past period or, as Racine would have said, to a distant land, gives you perspectives on your own epoch and helps to clarify your thoughts about it, to see more sharply the problems that are the same or that are different as well as the solutions to them."*
>
> Marguerite Yourcenar

Following the financial crisis of 2007, the demand for economic history has flourished. Historical arguments and narratives that draw on historical precedents dominate major economic policy debates.[2] This resurgence of popularity is global. Not only are publications aimed at a broad audience booming, but so are publications of academic articles in economic history: their number has quadrupled since 1990 in the five major economic journals.[3] Moreover, policy makers consider economic history important for informing their understanding of economic policies during crises. Jean-Claude Trichet, President of the European Central Bank until 2011, noted that "in the face of the crisis, we felt abandoned by conventional tools. ...[W]e were helped by one of the areas of economic literature: historical analysis" (Trichet, 2010). This point of view also resonates on the other side of the Atlantic. Larry Summers, former US Treasury Secretary and head of the National Economic Council during Barack Obama's presidency, said he relied on historical analyses by Bagehot (1873), Minsky (1957a, b) and Kindleberger (1978) to understand the subprime crisis and its consequences.[4]

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[1] The opinions and judgements in this article are exclusively those of the authors and do not in any way reflect those of the Banque de France or Eurosystem. We would like to thank Christophe Chamley, Marc Flandreau, Edouard Jousselin, Simon Ray and an anonymous reviewer of the *Revue* for their comments, without in any way engaging their responsibility.

[2] http://www.economist.com/blogs/freeexchange/2015/04/economics-and-history

[3] This percentage includes articles that appear in the category of economic history i.e. under the code JEL "N" in the journals *American Economic Review, Quarterly Journal of Economics, Journal of Political Economy, Econometrica,* and *Review of Economic Studies* (Abramitzky, 2015).

[4] Cited in Delong (2011).

What makes economic history so useful in terms of economic policy advice? The usual arguments are of course important. The past is replete with all types of natural experiments, whose analysis helps to broaden the range of studies assessing the impact of unconventional policy measures or of rare events (Eichengreen, 2012). By construction, no model can compete with this level of detail and realism, even if consequently history carries the risk of drowning the reader in peculiarities. A more elaborate argument is that research into the causes of the Great Depression of the 1930s sheds light on the fragility of modern economies, and on the dilemmas decision-makers have to confront when extraordinary events occur. This brings up the argument of Friedman and Schwartz (1963), who attributed the depth of the Great Depression to the monetary policy errors the US Federal Reserve committed. They argue that these errors were linked to the decision-makers' desire to remain faithful to their habitual intellectual framework and to the values that guided them in their decision-making process. Policy makers should rather have adapted to the context of the time by forging an informed opinion about the microeconomic dynamics of the banking crisis. Thus, it is understandable why all the prestigious government and business schools in U.S. universities endow a chair of economic history. The study of this type of historical event teaches humility and shows the importance of informing decision-making by historical experience as much as by economic theory.

There is another reason why economic history is instructive. As Jean-Pierre Faye (1972) points out, history is the elaboration of a narrative. To write history is to write a *new* narrative of the real, whose value comes from the originality of the explanation proposed. A historical narrative is distinct from a novel or an essay. Unlike a novel, which focuses on the marginal, a historical narrative is interested in the average, the most common effect (a modal metric as statisticians put it). Unlike an essay, a historical narrative is refutable. In a historical narrative, the facts are stubborn and stand up against the author's best intentions. This is true at the time the narrative is written because the facts often contradict the author's theoretical or political assumptions. It is also true *a posteriori*, once the story is published, as the historian faces the risk that someone else will demonstrate that their story is just a house of cards.

The quality of a historical narrative, which is to be true on average, is thus based not only on its originality but also on the veracity of the facts used to grant credibility to the narrative, thereby rendering the explanation plausible. There is no absolute proof of a historical narrative's veracity. The latter resides in its elegance, which requires providing the reader with quantified facts and logical explanations embedded in a system of rational argumentation. While checking the veracity of the facts is paramount, this will be of little value to the contemporary if the narrative does not shed a different light on the case under consideration. The demand addressed to history is therefore both to verify the plausibility of explanations and to apply a rigorous imagination in the construction of an original narration.

Consequently, economic history belongs as much to historians as to economists. It belongs *in fact* to those who are able, in a single movement, to write the explanation of a phenomenon and to find facts, anecdotes and quantified measurements to support this interpretation. The originality of the historical narrative stems from the fact that history naturally leads the researcher to reason in double differences. The distance between the economic and political stakes of the past and those of the present create the first difference. It is by a thorough reading of the archives aimed at understanding the reactions of the actors and the institutions in the light of her understanding of the contemporary world that the historian builds a model of the past that informs the present. . The second difference on which the historian relies concerns the distance between the theory used to understand a historical period and the legacy of history, that is to say, the archives. The archives here play the role of a bulwark, because they resist the most laudable intentions, and compel a process of going back and forth between the historical reality and the theoretical imagination, between what can be quantified and what must be narrated.

The lessons of history obviously do not reside in its repetition. History instructs through its capacity to imagine reality; through learning to distinguish between the economic and political forces as the origin of change; through paying particular attention to details as disruptive indicators; and through telling the difference between specificities of the historical period and the general features of a story. Separating the important from the negligible details and identifying economic forces requires a solid knowledge of the social sciences, and particularly of economics. Our first section presents the three most commonly used methods for producing a narrative in economic history, using the methods of economics. This leads us to consider the relationship between the methods of producing history and the reasons why historical analyses are called for in our second section.

1. Different strokes for different folks

Organized around its two pillars – the narrative and the proof of its likelihood – there are as many ways of producing economic history as there are people who engage in it or as there are historical case studies. No way of producing economic history is wrong, and everyone can appreciate one or another approach, or all of them. Diversity stems from the fact that the process of creating and proving a narrative requires a theoretical framework to explain the assumptions necessary for constructing the reasoning and interpreting the facts. Three different ways of writing economic history co-exist today, depending on the starting point of their producer. A first way of writing economic history is cliometrics. The starting point of this approach, which appeared in the 1950s, is the postulate that a theory explains a historical phenomenon. In the second method, the historian starts with collecting and processing data. The genealogy of this approach goes back to the *Annales* school. This approach has experienced a marked revival of interest due to the declining cost of digitizing data. Finally, the historian with an affinity for literature seeks to write a historical narrative, that is to say, to create an original analytic narrative.

1.1. Cliometrics

Cliometrics is the application of a specific model of economic theory or econometrics to the study of history. This approach is anchored in the heart of economics. It involves using quantitative techniques to criticize or counter a narrative or to question certain key elements of a pre-existing narrative. The "cliometrics revolution" began in 1957 with the seminar presentation of an article on the quantification of slavery in the United States in the nineteenth century (Godden, 2013). Initiated by former PhD students of Kuznets (Lyons, Cain and Williamson, 2008), cliometrics has won a place in the history of ideas by revisiting two major narratives in American economic history. Cliometricians have reconsidered the role of slavery in the economic model of the American South and have established the railways' marginal contribution to the development of the United States in the nineteenth century, notably because of an inexpensive alternative system of waterways.

The neoclassical model of trade under perfect competition and its conclusions shaped the theoretical structure of the early works. Today, cliometrics still actively generates controversies, but uses more recent models to question established historical narratives. Four reassessments have caused heated debate.

The debate on the origins of economic development was revived by growth models that incorporated simultaneous parental choices regarding the number of children and the latter's level of education. These models thus explained the spectacular development of Western Europe in the 18th and 19th centuries as the product of rational parental choices (see for example Galor and Weill, 1996).

The study of the international monetary system was given new life by demonstrating that the demonetization of silver in 1873 by the United States and France was a "crime" against the stability of the fixed exchange rate system. Milton Friedman (1990) and Marc Flandreau (1995, 1996) have shown that price variations between gold and silver on the various financial markets translated into capital flows that stabilized exchange rates in monetary regimes in which both gold and silver served as reserve currency.

Arthur Rolnick and Warren Weber (1986) have shaken the understanding of the monetary phenomena that were at work before the creation of central banks. The authors explained "Gresham's law" by the importance of imperfect information regarding the quality of money in circulation. The relevance of some of the authors' interpretations has been called into question. Nonetheless, their approach has given birth to a variety of models in which the difficulty of recognizing the quality of money explains either anomalies in monetary circulation or the endogenous emergence of institutions, such as currency exchanges (see Velde, Weber and Wright, 1999; Redish and Weber, 2011; Bignon and Dutu, 2017).

Finally, Harold Cole and Lee Ohanian have reviewed the historiography of the Great Depression of the 1930s in-depth more recently. By using a growth accounting methodology, Cole and Ohanian (2004) explain the depth and duration of the Depression by the unintended effects of Hoover and Roosevelt's counter-cyclical policies encouraging the cartelization of markets.

The main virtue of cliometrics is to create controversy and thus to force a re-examination of existing narratives and their frameworks. The methodology of cliometrics is explicitly teleological. It postulates the raison d'être of a phenomenon (a theory, an explanatory hypothesis), views the story exclusively in this light, and selects only historical facts that are consistent with this explanation. This subjects the narrative to simply establishing consistency between the postulated purpose and the chosen facts. The approach's historical relevance lies in confirming the veracity of the new explanation thus created. The bewilderment regarding the conclusions of certain cliometric studies experienced by specialists is generally a good predictor of the volume of future research on the same question. It also often explains the strangeness felt by the observer when confronted with the themes of certain articles presented at economic history conferences. It follows that cliometrics structures its field of research by multiplying the research currents aimed at testing the historical and archival generality of some initial intellectual speculations. The most emblematic example is the hundreds of articles attempting to measure the railways' impact on economic development.

Cliometrics have been abundantly criticized, including recently (Boldizzoni, 2011). As always, Solow adroitly clarified the issues at stake when he pointed out in 1985 that, in the absence of context, the economic historian is simply an economist who likes dust (Solow, 1985). The foremost risk implied in the rational reconstructions of history proposed by cliometrics is therefore to produce anachronisms. At the same time, the creativity of a historical narrative arises from the reasoned use of anachronisms. By observing the alterations in the context through the prism of a new theory, history is ever changing. The second risk inherent in the cliometric approach concerns the tension between the veracity of the facts recounted by historical research undertaken on primary sources, and notably in archives, and the reorganization compelled by the use of a theory foreign to the period under consideration (Redlich, 1965). Historical analysis observes when the economics assumes. This tension can be extremely fruitful, when the piece of research is respectful of both intellectual traditions. By valuing the facts and the chronologies, this approach questions the theoretical frameworks left by the men and women of the past and allows deducting lessons and conclusions– a fable that illuminates the contemporary.

1.2. The Use of Long Series in Economic History

The growing ease of digitizing historical data is leading to an in-depth renewal of economic history. The decreasing cost of digitizing printed documents and archives, improved digitization techniques and the possibility of outsourcing data entry have rendered the construction and processing of micro-economic and even individual databases easy. In addition, access to previously confidential data and documents is revealing information that was inaccessible to researchers studying the contemporaneous context. The intensified effort to collect original data driven by the decreasing cost of digitization has thus made it possible to revisit major historical questions or to test previously untested economic theories.

Like the *Annales* school, certain researchers have used these greater facilities to build new databases to support intellectual speculation. For example, based on a comparative analysis of European wages in the eighteenth century, Allen (2009) suggested that the high level of real wages in England instigated the industrial revolution by leading to a wave of innovations that permitted the substitution of capital for labour. Pomeranz (2000) initiated another field of data-rich research, arguing that Europe and Asia were characterized by similar levels of development until the early nineteenth century. In the wake of this publication, Shiue and Keller (2007) collected thousands of grain prices to show that grain markets were as integrated in China as in Europe until the eighteenth century; the industrial revolution was accompanied by greater market integration in Europe afterwards.

By contrast to the *Annales* school, the accumulation of long series also makes it possible to give an answer to a clearly formulated testable hypothesis. This type of research does not necessarily require extensive econometrics. Research on inequality in income and wealth provides an example of how data construction can inform contemporary economic debates (Bergeaud, Cette and Lecat, 2016; Garbinti, Pineau-Lebret and Piketty, 2017a, b). Research using long-period data often combines these in panel regressions using difference in differences techniques. This addresses the classic issues of endogeneity and reverse causality. Many studies have for instance revisited the impact of Protestant ethics on the development of capitalism (Becker, Pfaff and Rubin, 2016) and the economic determinants of delinquency (Mehlum, Miguel and Torick, 2006; Bignon, Caroli and Galbiati, 2017).

Economic history's shift towards exploiting the digital revolution began ten years ago in the main foreign central banks, which produced the long series necessary for informed decision-making. Examples include the ALFRED tool of the US Federal Reserve and the statistical series published by the Bank of Norway, the Bank of England, the Bank of Sweden, the Bank of Denmark, and the central banks of Italy, Austria, Romania, Bulgaria and Greece. By increasing the number of available observations, these databases allow identifying regularities, which is of obvious interest for studying the business and credit cycles. Longer series are also more variable. They contain structural changes and are marked by rare and major events.[5]

The digital revolution in economic history is especially pronounced in the United States and England. It has already transformed historical research in macro-finance, orienting this strain of literature towards studying micro-economic mechanisms of shadow financing in the nineteenth century, towards the intervention of lenders of last resort as well as the conflicts of interest prevalent in the financial sector (see Flandreau and Ugolini, 2013; Eichengreen, 2016). In France, this area of research is currently under construction, notably with the building of a database of stock and bond prices traded on the Paris Stock Exchange (Hautcoeur, 2012).

One consequence of the sharp drop in the cost of processing and digitizing historical data has been an increase in the relative price of converting data into relevant and reliable information. Reliability requires an excellent knowledge of the historical context in which the data were originally produced. Contextual knowledge allows for example understanding and treating the institutional changes and the shifts they caused in historical series. Another important issue is the institutional context of data production. Considering these issues is very time-consuming and requires meticulousness. Thus it is sometimes neglected under the pressure to publish or out of affinity for work done quickly. Yet, to treat an interest rate series spanning 200 years as something homogeneous over time neglects major transformations in the economic and financial system: it compares the incomparable.

To produce data for a historical analysis does not amount to piling up series; it consists in writing the historical context in which this quantification of the economy was undertaken (Cartelier, 1990). This approach makes for informed analyses of historical series, but requires both time and a significant investment in historical capital. It is worth the effort, since the declining attention to the quality of data production comes with a rapid backlash. Recent academic history is replete with examples of researchers who (too) hastily drew lessons from Excel worksheets compiled by others. Reinhardt and Rogoff's (2011) study of sovereign defaults provides the emblematic example for this issue, as pointed out by Herndon, Ash and Pollin (2013).

1.3. Analytic Narratives

A third way of writing economic history is by constructing analytic narratives. Economic history here returns to its origins, that of a narrative of a particular episode in history. Based on archival evidence, the narrative constructs an interpretation of reality, and observed facts are interpreted using an analytical framework. Analytic narratives borrow from history the desire to answer the questions "what", "when" and "why" (Redlich, 1965). Reading and critically appraising archival evidence or any other primary source plays a prominent role in assembling the narrative elements.

This type of work pays attention to the literary attachment of economic history. In the following, we defend Jean-Pierre Faye's (1972) point of view. According to the latter, the veracity of a narrative rests on the creation of

[5] See respectively https://alfred.stlouisfed.org/ as well as Thomas, Hills and Dimsdale (2010); Eitrheim, Klovland and Qvigstad (2004 and 2007); Edvinson, Jacobson and Waldenstrom (2014); Albidgren (2017); and SEEMES (2014).

the narrative itself. Put differently, the veracity of the narrative resides in writing an original relation of causality that explains why the facts observed constitute a historical phenomenon. Bates et al. (2000) developed a scientistic version of the concept of analytic narratives. The authors argue that the multiplication of case studies implies the generality of a narrative, ultimately authorizing the construction of an explanatory model of the world. Conversely, the literary point of view on analytic narratives has its source as much in fact, as in beliefs and theories.

Economic theory is one of the most fruitful sources to structure a narrative. Examples are Neal's work (1990) on the growth of financial capitalism since the eighteenth century, or Nye's study (2007) on protectionism inducing England's economic growth and the great Bordeaux wines emerging as a consequence of the trade war waged by England against Louis XIV. Flandreau's (2008) political economy interpretation of the gold standard emerging in England as a means to constrain central bank policy is another example. So is his explanation of the role of anthropology in the production of Latin American rail bonds, which were bought massively by European savers in the 19th century (Flandreau, 2016).

Analytic narratives cannot exclusively rely on economic theory. The latter can lead to misinterpretation when archives are not used to confirm that the hypotheses of the theoretical model actually apply to the case studied. The financial crises under Philip II of Spain in the sixteenth century are a striking example. Based on fiscal data collected by Ulloa (1963) and archival evidence regarding the loan agreements (*asientos*) between Philip II and the Genoese bankers, Alvarez-Nogal and Chamley (2014, 2015) provided a new interpretation of these crises that evolved around the impasse in the Cortes between the central government and the cities. The latter resisted the doubling of the tax for which they were responsible (*encabezamiento*) and which was allocated to the service of the long-term domestic debt (*juros*). Without a tax increase, there was no refinancing of *asientos* in *juros*. In particular, the most important crisis, from 1575 to 1577, was not a sovereign crisis of the kind experienced in the 1980s; it rather resembled the standoff between the US Congress and the Presidency in 2012, with certain government functions suspended for several days. In Castille, the crisis lasted more than two years, froze the credit market and halted the trade fairs. The consequences of this economic crisis forced the cities to accept the doubling of taxes. The settlement with the bankers followed suit immediately.

The researcher has to interrogate the archive in order to write the narrative. Constructing the latter involves defining the counterfactual: an alternative, a hypothetical situation that would have materialized if one had not observed the facts as they occur in the chronology of the archives. This step requires reflecting about the economic and political mechanisms at work in the case studied. The construction of a counterfactual therefore calls for assumptions regarding individuals' rules of action. Economic theory, including the assumption of (weak) market rationality or efficiency, provides a starting point, as it defines a limiting case for constructing hypotheses to interpret the actions or silence of primary sources. This step also allows considering the plausibility of the proposed interpretation. The comparison with similar situations in other countries or times facilitates the construction of the counterfactual. Economic theory and the endogeneity of facts vis-à-vis the economic and political context structure the narrative. The production and evaluation of evidence organizes the sense of causality between the facts observed.

Contrary to history written using long-times series, redacting the interpretation is not primarily data-generated as numbers are only one of potential modalities to convince of the verisimilitude of an explanation. Compiling statistics from the archives, transcribing information stored in hundreds of boxes, does not teach us anything about reality other than the researcher's patience. Contemporary accounts of economic history draw on research on long series in that they analyse reality through the lens of double differences. The first difference corresponds to the gap between the interpretations of the past and present. History isolates the most basic functions performed by very diverse institutions and studies their underlying motivations, in order to understand which institutions of the past correspond to present-day institutions. The second difference resides in analytical creativity. History drives the imagination; it fosters creativity in understanding the world of the past because an explicit analytical framework structures the researcher's reasoning. In this endeavour, economics and political science are not auxiliary to history but serve as a conceptual toolbox (Bignon and Flandreau, 2009).

Because of their inclusive and multidisciplinary approach, and because they lead to generalizable lessons in the same way fables do, analytic narratives inform decision-making. By explicitly considering change, by including social and political institutions and by studying parameters that the economist takes as a given, this type of narrative is also useful to economic theory. As Stigler (1960) suggested, history isolates major and recurrent economic phenomena, those that theory must care about.

2. The supply of economic history and its demands

Our tripolar typology has a heuristic purpose. It highlights the three possible starting points for contemporary works in economic history: the theoretical clarification on which cliometrics insists, the numerical description that long-series history emphasizes, and the story that is at the heart of analytic narratives. Depending on the author's strengths and weaknesses, or their taste, an economic history article or book includes a more or less strong dose of each of these three ingredients. At any point in time, the diversity in qualifications and tastes of researchers in economic history defines the supply available for each type of research. But even if it is possible to individually focus only on one way of doing research, interactions and discussions in economic history lead to the amalgamation of researchers and methods. This culture becomes particularly prevalent during the publication process, because this is the moment when authors encounter their readers.

What explains the increasing demand for economic history? The different types of studies are not uniformly benefiting from the growing demand for economic history. Studies based on long time-series, including articles exploiting natural experiments involving exogenous changes in individual behaviour, benefit from higher demand in academic journals. This type of demand should not be confused with the one emanating from the public or economic policy makers. The type of historical research that public debates call for contains a (strong) narrative dimension related to current political issues, as illustrated by the broad successes of Piketty (2013) and Gordon (2016). Finally, the use of historical analyses in formulating economic policies, especially concerning central banks, is more variable.

The 2007 financial crisis could easily explain economic history's new popularity. Standard economic models had not signalled any risks before the crisis; once the crisis occurred, these same models indicated few solutions. The situation called for other types of reasoning, and historical analogies became fashionable again (Eichengreen, 2012). The 2007 crisis also heightened the demand for frameworks that could be used to explain public policies and that differed from the economic models that practice had invalidated. In a world of unconventional policies, the use of history provided a wealth of case studies. The latter inform about the detailed effects of policies and allow thinking about how to break with the past. The subject of history is change over time, imposing the inclusion of dynamics and structural breaks in the otherwise stationary world of economic models. Incorporating more of the past into an analysis raises the question of how and why institutions and economies evolve over time. *In fine*, a historical approach to economic questions thus needs to discuss how applicable and generalizable assumptions and results of an analysis are.

Historical records and analyses instruct the specificity of cases and their context. The lessons drawn also shed light on the present –with respect to the role of central banks in dealing with a crisis and fulfilling their role as lender of last resort, for example. How important access to the Bank of France discount window was during the phylloxera crisis, which decimated vineyards between 1862 and 1890, teaches us that the central bank's operating procedures can reduce contagion, and hence the cost of financial crises (Bignon and Jobst, 2017). Maintaining a fixed exchange rate or restructuring a public debt overhang is another issue that has been raised recently. Studying the English policy choices at the end of the Napoleonic wars, when the ratio of public debt to GDP was approaching 260%, is informative about the inevitability (or not) of sovereign defaults (Antipa and Chamley, 2017). In other words, it is possible to learn from the specificity of historical analyses, as they highlight economic, political and social issues that may emerge in other times and places (Eichengreen, 2016).

Another reason rendering economic history more attractive resides in a shift from theoretical fictions (models of the economy) to a narrative mode whose hypotheses are chosen to explain a given situation. This shift questions

Milton Friedman's postulate that one should assess the quality of a theory by the accuracy of its predictions rather than by the adequacy between its assumptions and reality. Economic history pays attention to the choice of underlying hypotheses. It carefully considers whether the narrative structure suits the historical materials and is thus enjoying a markedly renewed interest. This may also explain the revived interest in applied theory. Economic history, however, goes a step further by analysing parameters that economists take as given (North, 1997). The contribution of history to economic theory manifests along a third dimension, depth in space and time. By describing how social and political institutions affect economic decision-making, economic history accounts in a different way for the ramifications and interdependencies of the real world. Economic history is thus a joint description of economic and political relations.

A final set of reasons is related to the methodology of history, based on endless back and forth between the past and the present, between the strange and the familiar. In addition, training and discussions of academic work in economic history take place in an ecosystem that creates intellectual plasticity, as it implies acquiring a quasi-encyclopaedic culture of multiple historical precedents for a given situation or policy. No one studies history if their curiosity is not insatiable, and if they are not on the lookout for the latest historical case illuminating the world as it is. The intellectual training implied in the study of economic history demonstrates the need to question existing intellectual frameworks. This is useful when it comes to making an informed but risky diagnosis.

Economic history teaches two kinds of intellectual plasticity

Economic history is a science of observation as much as of supposition. It does not postulate any precise theoretical framework, nor does it impose a methodology. No hypothesis is given. Everything must be verified and tested by studying the archives and by rigorously reasoning, which also implies to treat as variables the parameters that others take as givens. In considering change, including that of social and political institutions, history is interdisciplinary. The scope of the field and the flexibility of an author’s approach are also reflected in the language of economic history, which does not indulge in jargon, even if there is a great risk of refusing to translate a situation into its contemporary equivalent.

On the other hand, economic history is built not around theoretical topics or empirical objects, but around the past. In history, the field is structured in such a way that no one can say, "this does not concern me”, or “this is irrelevant for my research", without the risk of becoming isolated in the field. It follows that the training of an economic historian is based on accepting the heterogeneity in conceptual frameworks, in episodes, facts and cultures, and in his/her ability to explain the relevance and novelty of the case under study for the writing of the world’s history. Neophytes find themselves immediately plunged into the core of a fundamental contradiction bequeathed by the culture of research in economic history, which consists in writing the history merely of one particular case – for example, the history of a central bank. The narrative of this piece of history has however often been told in a similar way for another country, and this must be taken into account to establish the novelty of a study. Researchers thus not only have to correctly narrate a particular episode but also have to explain how this specific narrative is new compared to other existing ones, for other countries or eras. When this approach is implemented seriously, the historian’s contribution consists in teaching cultural and historical relativism as well as the rigor of narrative demonstration. In doing so, history demonstrates the insularism of our preconceptions.

Finally, to reason based on archives allows understanding the traces left by the past and drawing precise, concrete lessons for the present. In a given situation, we often face a choice between several possibilities, several measures, but it is difficult to extrapolate the problems created by each of these solutions. The archive bears witness to a policy’s failure or success. We know, for example, that inflation destroys confidence in currencies and eventually social cohesion. Confronted with high inflation, central bankers have often been tempted – or forced by their governments – to fight inflation by tightening monetary policy or by regulating prices. These price controls have always led to spectacular ways of circumventing the price system. The archives for any of these episodes thus suggest that it is impossible to impose such controls and disqualifies this type of measure as an effective way to fight inflation. This disqualification does not have the status of truth, only that of inevitability. It is in this way that the archives are informative.

3. Conclusion: economic history, a narrative

Economic history is back. Thirty years ago, the field was marginalized in both the public and scientific debate. Renewed interest in historical approaches has marked the last decade. This revival stems from the hybridization of the discipline, which in turn originated in accepting history as a narrative embedded in a theoretical framework that allows structuring the story, most often in economic terms. This is good news, as history stimulates the imagination (McCloskey, 1976) and encourages the creation of new paradigms and interdisciplinarity (Lamoreaux, 2015). Historical analysis forces one to pay attention to institutions, contexts and politics in order to validate the hypotheses of the analytical framework. This leads to a more adequate reading of situations and establishes robustness, which are both essential characteristics for designing economic policies. Reflecting on and conceiving of economic policies in a constantly changing world cannot be done without understanding change over time. This suggests a critical role for the study of economic history (North, 1997).

We argue in this article for the acknowledgement of the importance of narratives, especially in economic history. The conception of economic policy today cannot do without a study of the narratives that economic agents and decision makers act on (Schiller, 2017). A great deal can be learned from case studies or unique events, such as economic and financial crises that reveal the role of preconceptions and psychological and cultural factors in decision-making (Morson and Shapiro, 2017).

From a methodological point of view, the construction of a narrative is the natural form for analysing unique events. There is a twofold value in adding the historical dimension. History expands the extensive margin, since it is an inexhaustible source of possible narratives. Only the number of historians thus limits the shelf length of documented cases. History affects the intensive margin as well. Narratives arise from the interaction between the theoretical concepts used to interpret the facts and the detailed knowledge of the historical context, the available data and the archives. The quality of a narrative instructing the present is therefore limited only by the narrator's toolbox, their imagination or curiosity in terms of theoretical speculation.

This characteristic of economic history was discovered by chance, as a constraint of a discipline that by its nature must be interdisciplinary – borrowing from economics, psychology, sociology and political science – even though the field consisted of few researchers. We have explained how this numerical weakness has created a methodological strength. Analysing macroeconomics through the prism of this method suggests that the generalization of this mode of producing information about the real can contribute to de-insularizing the various subfields of macroeconomics competing to shed light on the way the economy evolves today.

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