#26 in biblio Comments on ~~Eichengreen~~, Phillips, and Kennedy, Journal of Economic History 42 (March '82)

8

Discussion

As the *bête noire* as well as the chairman of this session (though not the organizer: my vanity does not extend that far), I should like to make two points that may be useful to readers of the papers. Before making them, however, I note the amusing cyclicity of academic controversy. The wheel turns, as David Landes and Derek Aldcroft will no doubt observe. A decade ago they were in the position I now occupy, a target for younger students of the Victorian economy. I can only hope to duplicate their grace and their tolerance for the foibles of the young.

It will be hard. The one foible I cannot take with an indulgent smile is William Kennedy's "counterfactual" calculation. He and I have discussed it for some six years, and although it is now more lucidly and handsomely expressed, it still seems to me in substance to be plain nonsense. The intricacies of the argument are only apparent. At bottom it is quite simple. Imagine, if you will, that the British economy was to achieve for its engineering sector a share in 1913 equal to the share of the engineering sector in America. To achieve such a share the sector would have had to grow much faster in the 40 years before. Put the faster growth for this and a few other sectors (the second group in the tables) into an identity that the whole is the sum of the parts, and *never mind from where the resources are to come* for the larger output of machines, chemicals, electricity, construction, and the like. Then conclude that Britain was capable of an economic miracle—a rise of income per head of a quarter or a half over what it actually earned—yet disdained to perform it. Essentially the argument is that 2 + 2 is not 4 because 2 + 3 is 5.

Note that the argument is not that Britain mistook the technologically progressive sectors. Though a trifle mechanical, a calculation that imagined how much more output for given input Britain as a whole could have achieved had it moved into activities with more rapidly rising productivity would be interesting. It is not what Kennedy has done: he has simply appropriated more resources from Erehwon to work in a mysteriously bigger British economy. Note likewise, the concluding paragraphs notwithstanding, that the argument is not that misallocation of capital was of a magnitude to explain a depression of income by 25 or 50 percent. Though open to various objections, a calculation of the returns obtainable from reallocation of savings would be interesting as well (see for instance the note by Crafts cited in the Phillips paper, and the reply following it in the same issue). No calculations appear here, nor do credible ones appear elsewhere in Kennedy's works. We are back to the historiographical position of the 1960s in more ways than one: at the crucial juncture the argument becomes woolly and qualitative, reserving precision and quantity for arguments on the side. And in the present case the argument is not merely on the side, but off the table.

The reader should test for herself whether or not Kennedy's procedure is being fairly described here, by reading carefully the relevant passages in the paper. I realize that it surpasses belief that such arithmetical self-deception would pass the scrutiny of Kennedy's many readers and of Kennedy himself, intelligent and critical as they all are. It is from no great cleverness on my part that I notice it, merely from the close attention that one accords to an invitation to one's own hanging.

The reports of my hanging have been greatly exaggerated, and that is my second point. William Phillips opens his ingenious paper by noting that "several articles. . . have. . . appeared claiming to various degrees the existence of some economic failure in Victorian Britain." So they have. I should like to focus on the words "to various degrees," for they are central to a correct appreciation of what Allen, Berck, Crafts, Lazonick, Webb, and, yes, Kennedy, and now Phillips, have done. All these writers, and especially the gratifyingly large portion who have done original work in the historian's sense, have refined rather than revised the finding so long ago of Edelstein, Floud, Harley, Lindert, McCloskey, Sandberg, and Trace. The finding, you may recall, was that there was no large failure of British industry, no failure so large that it leaps out of the statistical haze in which the truth is shrouded. To listen to the more hysterical of contemporary journalists, or to the more anti-Victorian of the historians following, one would not have been surprised to find gross errors—20 percent differences in productivity below what it might easily have been, say. The point is that no such figure is supported by the facts, whether collected in 1970 or in 1980. When the second generation of revisionists point triumphantly to 4 percent productivity differences, doubtfully inferred from numbers dubious in the second digit of accuracy, the first generation can relax. With such enemies, who needs friends?

If there were failures of some British businesses, then, they were small ones, to be set against successes in finance, insurance, shipping, shipbuilding, agriculture, consumer goods, and others. They were not chasms of opportunity foregone. And that is where we had arrived in this debate around 1972.

DONALD N. MCCLOSKEY, *University of Iowa*