COMMENTS

Conditional economic history: a reply to Komlos and Landes

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Some background may be helpful, since the papers that lead up to the comment by Komlos and Landes were not published in this journal. In 1975 I speculated that the characteristic scattering of plots in open fields was behaviour towards risk.[1] The notion was that English fields were diverse enough that insurance against disaster was achieved by holding plots on the hill and in the valley, in the sands and in the clay. A somewhat later paper presented a good deal of evidence that there was something to the argument.[2] Meanwhile, Fenoaltea criticized the original notion, on the grounds that storage might be possible.[3] As a theoretical possibility, Fenoaltea noted, if you could store grain cheaply you would not need to inconvenience yourself while growing it. Seven years of storage is good insurance against seven years of dearth; scattering would be unnecessary.

Fenoaltea offered little evidence either at the time or later for the low cost of storage (or indeed for his own theory of scattering, that it came from a defective labour market). In 1984 Nash and I undertook to examine the evidence.[4] How costly was storage? If it was very costly, then Fenoaltea's speculation could be set aside, and the insurance theory of scattering would gain in credence. But how to measure the cost of storage? It is of course not possible to construct direct measures by adding up such components as the rate of interest and the rate of rotting: medieval bond rates are difficult to interpret and no one knows how much of the peasant's crop rotted.

But grain *prices* are among the most abundant of medieval statistics. They have been used in long averages to discern the trend of values and in annual averages to detect years of dearth. The *seasonal* movement, too, contains valuable information, hitherto unexploited. The exploitation of the new source in our paper depended on a commonplace of reasoning in agriculture. If a bushel of grain is to be stored from 15 December to 15 January, say, the price must on average rise between the two dates. Stored grain must cover the cost of the storage, and 15 January grain embodied, so to speak, one more month of storage. Therefore one can measure the cost of storage by measuring the

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[1] McCloskey, 'The persistence of common fields.'

[2] McCloskey, 'English open fields'. A more accessible and updated version of parts of this appears as 'The open fields of England'.

[3] Fenoaltea, 'Risk, transaction costs.'

[4] McCloskey and Nash, 'Corn at interest'.

upward march of grain prices after the English harvest (in eighteenth-century China, where the technique has recently been applied, there were two rice harvests and therefore two upward marches). The 'cost of storage' can be all sorts of things—rats, theft, taxes, price risk, barn costs, and, as we noted, what could be earned on other uses of the resources held as grain.

We collected many hundreds of seasonal price rises. That was our main empirical work. It appeared that the cost of storage (whatever its components might have been) was formidable: 30 or even 50 per cent a year. Since scattering of plots could achieve safety at a cost of 15 per cent a year we reckoned that storage was not very useful insurance in medieval England.

The point was to get a rough idea of storage *cost* (not storage *amounts*, although because we started with Fenoaltea's speculations we did talk in a desultory way about the amounts). The implied interest rate in the paper was a residual, an extra dividend from the research, the main point of which was to estimate the cost of storage in total. We conjectured that the sharp drop in storage cost between the fourteenth and the sixteenth century was caused by a fall in interest rates. After all, the storage cost declined dramatically (from 30 to 10 per cent, as an order of magnitude), and it is hard to argue that components other than interest declined *pari passu*. Perhaps they did: we are open to evidence. But the supplementary calculations of the interest rates implicit in animal prices reinforced our conjecture that interest rates declined. Clark has recently examined the evidence of land rentals and prices and comes to a similar conclusion.[5]

But whether or not there proves to have been a great fall of interest rates in late medieval times the main factual point remains: storage cost was high in the middle ages and fell thereafter. Among other factors, the fall in storage cost encouraged English people to move gradually away from open fields.

That is our story.[6] It will be hard for the reader to detect it in Komlos and Landes. Their comment turns on an extraordinary misreading of what the paper argues. They have read the argument backwards.

Komlos and Landes think that we 'deduced' the high cost of storage from high interest rates. They think we moved from observations of interest rates through a deduction to a conclusion about storage cost. We did not. On the contrary, we inferred that interest rates were high from observations on the high cost of storage. We were so startled by their height (30 to 50 per cent a year) that we were led to suspect that interest rates were correspondingly high. The cost of storage was not a deduction from interest rates observed by others; it was a direct observation, made by us, many hundreds of times.

The topsy-turvy reading accounts for many otherwise incomprehensible remarks in the comment. Komlos and Landes make the strange suggestion that the McCloskey-Nash 'argument would have been strengthened had they provided evidence that the *real* interest rate was, indeed, high; [and] fell over time; and . . . correlated negatively with the increase in the amount of grain stored'.[7] They seem to think that we have some source of evidence on

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[5] Clark, 'The cost of capital and medieval agricultural technique,' p. 275.

[6] A fuller account, taken down to the nineteenth century, will appear in McCloskey, *The prudent peasant*.

[7] Komlos and Landes, 'Anachronistic economics', p. 38.

interest rates outside the cost of grain storage; and that we are 'testing' some notion that the amount of grain storage is determined by interest rates. But that is not the direction of argument. It is the other way around. We are not trying 'to ascertain . . . the extent to which grain storage was a function of the interest rate'.[8] That would be an idiotic thing to do, of slight historical interest. If we had run a simpleton's regression of storage 'amounts' (spuriously estimated) on 'interest rates' (equally spuriously estimated) then Komlos and Landes would have every reason to disagree with the paper. Such a project would have been absurd, the sort of positivist nonsense that so blights modern economics. Fortunately, that was not what we did. We were at best tangentially interested in 'the relationship of interest rates to grain storage' (which on the contrary Komlos and Landes repeatedly suggest is our subject). We were not testing economics; we were using it to cast light on medieval history.

The topsy-turvy reading permeates their case. The misreading allows them to present as 'criticisms' the very points I have made in the paper under discussion and elsewhere: such as that the peasants were concerned about starvation; or that there was not a well-functioning money market in medieval England; or that the real interest rate, correcting for changes in the price of grain, is what matters; or that rising yields would make grain storage more desirable; or that the capital markets was segmented.[9] All these points were made, and some were essential to our argument. It is vexing to be told gravely that one's own arguments are so important that they constitute criticisms of one's own arguments. The Komlos-Landes reading of the paper can only be described as zany. Arguing with them is like arguing with the Red Queen. It's a poor sort of argument, they are saying, that only works right side up. For instance, Komlos and Landes criticize our alleged 'implicit assumption that well-functioning money and product markets were characteristic of the medieval economy'.[10] They imply that we believe that the medieval peasant was literally a stockbroker, with a full set of financial instruments available. Such a belief would be ridiculous; but it is not our belief. If the peasant had been literally a stockbroker he would not, of course, have had to worry. It is precisely his justified worry, in a milieu of poorly developed capital markets, that provided the motivation for maintaining the open fields.

The misreading of the direction of our argument shows up in the space Komlos and Landes devote to the 43 per cent limit on usury. The 43 per cent figure was mentioned by us only once; it was a detail on which nothing of importance depended. Our argument depended on the observation of seasonal grain prices, not on one figure of doubtful bearing taken from a law book. Again, they mention the main calculation of our paper only late in their ruminations.[11] Clearly they do not grasp that the calculation has logical priority. To them it is merely an inexplicable supplement in an argument that goes from

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[8] Ibid., p. 43.

[9] Discussion of these five points may be found in McCloskey, 'English open fields', and McCloskey and Nash, 'Corn at interest'.

[10] Komlos and Landes, 'Anachronistic economics', p. 37.

[11] Ibid., pp. 40-1.

interest rates (somehow measured as though copied down from a time series in *Abstract of British historical statistics*) to the amount of storage. But, to say it again, that is the wrong direction of argument.

In his papers on the subject Fenoaltea has offered interesting speculations rather than evidence. Against my various attempts to come to grips with the evidence he has offered what 'would' have been the case: for example, there would have been an incentive to scatter if, contrary to the medieval evidence, markets in labour were absent; there would have been alternative insurance if, contrary to the medieval evidence, storage was cheap. Komlos and Landes have followed Fenoaltea in offering speculation (though less interesting than his) as a reply to factual inquiry. The tactic reflects a confusion about the responsibilities of science. In the face of massed evidence it is not enough to imagine what 'would' have been the case, contrary to fact.

Komlos and Landes believe that an 'historical approach' absolves them from the responsibility to provide evidence in the face of contrary evidence. They presume to instruct us all in 'historical method' and 'empirical tradition' and claim without offering evidence that my argument was 'ahistorical.' But I have presented evidence. Their comment does not. The ahistoricism, one might say, is on the other foot.

Komlos and Landes assert without evidence, for example, that 'the lowest rates *were likely* to have been much closer to the realized returns.'[12] Note the 'were likely'. To our evidence that storage techniques did not improve much they offer mere counterspeculation: 'there *must have been* significant improvements.'[13] Note the 'must have been'. And, again, they advance without evidence the bland assertion that the gestation period on 'real investments, such as drainage, *would not have been* short enough to be considered a close substitute for investment in grain storage.'[14] Note the 'would'.

This is not history. It is not even coherent historical criticism. It is the criticism of fact by recourse to the conditional. Late in their comment it becomes clear what is driving them into such a mood. Their problem is that the facts suggest that medieval people were sensible, but on ideological grounds Komlos and Landes would rather not believe it. And therefore they complain. We, following medievalists like Herlihy and Raftis and using a new source of evidence, make a case that medieval people behaved sensibly in this respect. Komlos and Landes offer in reply a confused miscellany of conditional economics. We offer facts; their reply is a *cri de cœur*.

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[12] Ibid., p. 40.
[13] Ibid., p. 41 (my italics).
[14] Ibid., p. 38 (my italics).

Footnote references
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