
William Kennedy's book raises again some questions about the role of quantitative
methods in economic history. The book is part of the reaction since the mid-1970s on the matter of Victorian economic growth, from the pens of Nicholas Crafts, Robert Allen, Steven Webb, William Lazonick, Bernard Elbaum, Stephen Nicholas, Martin Wiener, Donald Coleman, Christine MacLeod, and others. The claim is that the revolutionaries of 1970 went too far, as revolutionaries often do. Kennedy admits with characteristic grace in his first chapter that the generation of 1970 showed the old industries doing well. The critics have therefore searched for other ways to assume a superior tone towards the businessmen of the age of laissez-faire. Some, like Allen, Webb, and Nicholas, have tried to refine the measures of productivity. They have altered the shading of the picture without changing its subject. Others, like Elbaum, Coleman, MacLeod and Wiener, have merely strode past the quantitative evidence, dusting off the arguments of Duncan Burn and others as if no one had considered such arguments and rejected them in detail. (Kennedy does this a little, too, in his rambling second chapter.) It may be wondered if scholarship can go forward under such rules of argument, perpetually reviving the next-to-last revolution. On the other hand, such treatment serves the revolutionaries of 1970 right. Their standards of argument were higher and their evidence at least novel, but they too didn’t bother to examine all the arguments and evidence.

Still others, such as Crafts, Lazonick, and Kennedy, have looked for a macroeconomic failing to offset the microeconomic success. Kennedy begins by pointing out that the fundamental theorem of mathematical economics offers scant comfort to capitalists. The capitalists could have done well in adopting ring spinning when it was profitable and by-product coking when it was profitable, yet still have lived in an economy doing the wrong jobs. His second chapter details the extent to which he thinks Britain did the wrong jobs during 1870-1913, showing that this might be compared with America the ‘strategic’ sectors (especially engineering) were small. The third chapter turns to the consequences, reaching by way of an impressive set of computer simulations the startling conclusion that Britain could have had in 1913 an output per head 50 per cent higher than it actually did if it had but followed the Kennedy plan. The book then argues that Britain could have sold the implied product and that supply factors would not have constrained the production. The conclusions are again supported by many impressive tables, reporting British exports in various hypothetical worlds to four digits of accuracy.

The question naturally arises why Britain did not gobble up such a delectable free lunch, this 50 per cent and more. Kennedy’s answer, delivered in two concluding chapters of his charmingly elaborate prose, is a return to an earlier, pre-McCloskey, pre-Edelstein convention: investment abroad did it. The financial sector—which some might regard as an instance of Britain’s continued ability to innovate—is cast as the villain.

Good. He may be right. True, the story of British ‘failure’ looks like a story about jostling thoroughbreds, with France a nose ahead, Germany winning by a neck. The more useful storytelling, one would think, would concern itself with the two furlong lead of the industrial pack over the donkeys from the Third World. Britain at the moment may have a little less income per head than Belgium; like France in the 1930s it may be taking its leisure, which is income, too, and biding its time. But Britain has 13 times the income of the Philippines and 39 times the income of India. It seems peculiar to erect grand socio-historical theories of decline on the small differences among industrial nations.

Yet I am willing to be convinced. No doubt any economy can do better, and then the question is the delicate one of whether it can do a lot better or only a little better. The calculation is going to be uncertain, involving much history and much economics. The uncertainties have permitted the bitterness of Strachey, Keynes,
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and others towards their self-satisfied fathers to live on 60 years after it was first expressed.

Kennedy would have made a contribution to the debate if he had shown what the Victorian fathers spurned. The book's numerous minor flaws of fact and logic, especially of logic, are distracting but not fatal to this purpose. Let her among you who is without sin, cast the first stone. The fatal problem, however, is that Kennedy's story rests squarely on a calculation that is nonsense. Many have tried to warn him of this (for instance, Journal of Economic History, 42 (1982), pp. 117-8), but he has taken his own counsel.

Briefly, in the two chapters laying out his main result Kennedy has used as his economics a definition (equation 2.2) saying that total output is the sum of the output of each industry. His argument is that if certain production had grown faster without other production growing slower, then total production would have also grown faster. Unhappily, there is nothing more to the argument. If you watched more television and did not spend less time at other activities, your day would become longer than 24 hours. If you taught twice as much but did not reduce your research, your output as an academic would be larger. The argument is a 'counterfactual' in a somewhat reduced sense from that of Leibnitz and Mill. It does not consider the alternatives to a particular historical contingency; it considers an alternative to the second law of thermodynamics. If more production could come from nothing, then Britain could have been richer. That is good to know, though less good when it is realized that the same result, in any magnitude desired, could be generated by Kennedy's methods for America or Germany or any other actual or imagined economy at any time whatever. But it does not tell us anything about the life chances of the late Victorians.

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