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Forum: Economic Narratives

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Economic Narratives. Edited by Laetitia Lenel and Alexander Nützenadel

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Laetitia Lenel and Alexander Nützenadel

Economic Narratives. Introduction

As we write these lines in mid-March 2023, we continue to be bombarded with news alerts about collapsing banks. European and US bank shares have seen sharp losses in the aftermath of failures at Silicon Valley Bank, Signature Bank, and Credit Suisse. Investors, it seems, are getting nervous.

With fears of 'another full-blown 2008-style disaster' (*Financial Times*) on the rise, banking and government officials remain eager to dispel the panic, assuring markets that the situation is different from 2008. Along these lines, Janet Yellen explained on 16 March 'that our banking system is sound, and that Americans can feel confident that their deposits will be there when they need them.' Assurances like these are also an attempt to diminish the 'serious risk of contagion that could have brought down and triggered runs on many banks', as Yellen admitted. Other economists are rushing to confirm this stance. Paul Krugman has just deemed the 'apocalyptic rhetoric' unjustified 'by the available facts', while Adam Posen has reassured people that 'the damage to the real economy from this is going to be pretty limited.'

Fears of risk of contagion – and the efforts undertaken to assure economic actors that 2023 will not equal 2008 – testify to the crucial role that economic narratives play in shaping economic decision-making. They also highlight the intricate relationship between current and past reconstructions of different past presents: How we perceive current developments is also predicated on past narratives, while attempts of present sense-making reconfigure our reconstructions of the past.[1] Along these lines, the financial crisis of 2008 was evoked to make sense of the developments in 2023, while 2008 prompted analogies between present events and the Great Depression.[2]

One of the few economists pondering this influence is the American Sveriges Riksbank Prize in Economic Sciences laureate Robert Shiller, who recently argued that the trajectory of the economy is tied to the economic narratives of a period. 'If we do not understand the epidemics of popular narratives, we do not fully understand changes in the economy and in economic behavior.'[3] Shiller's intervention stands as a vital reminder of the emotional force of economic narratives, which he classifies according to their 'powerfulness.' And yet, despite all this talk about power, the causal processes and the actors behind this remain surprisingly opaque. Tellingly, Shiller calls the spread of economic narratives 'a random event, like the mutation in a microbe such as a bacterium or virus.'[4]

The reactions to the recent banking failures and their classification within the reference-frame of earlier crises emphasise the influence wielded by economists and economic historians in shaping economic narratives – or at the very least testify to the assumption of such an influence. This, of course, has not always been the case. The influence of economic expertise on policy-making and public imagination is itself the result of earlier crises and attempts of economic sense-making, in particular the Great Depression of the 1930s. Instead of looking for a timeless model that links

1. P.H. Hansen, 'Business History: A Cultural and Narrative Approach', in: *Business History Review* 86 (2012) 4, 693–717.
2. M.D. Bordo / H. James, 'The Great Depression Analogy', NBER Working Paper, 2009; B.J. Eichengreen, *Hall of Mirrors: The Great Depression, the Great Recession, and the Uses-and Misuses-of History*, New York, NY 2015; Y. Cassis / A. Knaps, 'The Memory of Financial Crises: The Great Depression and the Global Financial Crisis of 2008', in: eadem (eds.), *Remembering and Learning from Financial Crises*, Oxford 2021, 18–38; see also the other contributions in: Y. Cassis / C.R. Schenk (eds.), *Remembering and Learning from Financial Crises,* Oxford 2021.
3. R.J. Shiller, *Narrative Economics: How Stories Go Viral & Drive Major Economic Events*, Princeton, NJ 2019, xvii.
4. Ibid., 75.

popular narratives to economic outcomes, we therefore suggest flipping the focus from 'narrative economics' to economic narratives in order to tackle the historically contingent processes behind economic narratives and their assumed effects. How have economic narratives – understood as a format for 'describing development and change through time, with later states unfolding from earlier ones' – been communicated from source to audience and vice versa?[5] How have they structured economic imaginations and acted upon experiences and expectations in the past, and how have economists – including economic historians and economic journalists – functioned, sometimes consciously, sometimes unaware, as narrators?

The essays collected in this Forum section are an attempt to tackle these questions and, in so doing, shed light on the emergence, circulation, and effects of economic narratives and the role of economists in these processes. In his opening essay, Frank Trentmann investigates the use of the economic narrative of 'rise and fall' in political battles since the late 19th century, emphasising the efforts that historical actors have undertaken to convince others of their narrative so as to gain the upper hand in times of conflict. Like Trentmann, Tiago Mata questions Shiller's characterisation of narratives as viruses that spread quasi-automatically. In his article on the American journalist John McDonald, who popularised game theory as a tool for business strategy, Mata argues that stories make audiences. This finding, he suggests, might also help make sense of our current mental confusion as economic sense-making and journalism find themselves in a state of permanent crisis. Laetitia Lenel, meanwhile, studies the emergence and circulation of the narrative of rational expectations since the mid-20th century. In so doing, Lenel unravels the interdependencies between the experience of economic crises and failures, economic sense-making, and economic and political decision-making – interdependencies which we still witness today. Vanessa Ogle then explores how the narrative of economic development and modernisation was instrumentalised to legitimise tax haven activity in British dependent territories during the Cold War, pointing to the economic and political interests at play in the circulation of economic narratives. Alexander Nützenadel investigates the power of the economic growth narrative on historical scholarship and societal self-perception since mid-century, reminding us of the importance to study not only narratives of crises, but also of stability and prosperity. Meanwhile, Trevor Jackson looks at the consequences of the temporal inconsistencies of the concept of capital. As he argues, these inconsistencies sit at the heart of both the narrative of growth and narrative of decline that took its place after 2008, hampering urgently needed democratic imagination and collective action. In his concluding essay, William H. Sewell ponders the effects of capitalism's commodification of the world, which also includes and shapes our knowledge production as scholars. As Sewell argues, a focus on economic narrative might help resolve the entanglements between economics and capitalism, a divorce which he maintains is crucial as global environmental change proves that capitalism's commodification is incompatible with the long-term survival of human civilisation.[6]

Frank Trentmann
Rise and Fall: The Power and Morality of Economic Narratives

Historical narratives played a central role in economic knowledge and statecraft in the late 19th century. Economists' renewed interest in stories in recent years is not only a welcome reminder

5. M.S. Morgan / M. Norton Wise, 'Narrative Science and Narrative Knowing. Introduction to Special Issue on Narrative Science', in: *Studies in History and Philosophy of Science Part A* 62 (April 2017), 1–5, 2.

6. The editors would like to acknowledge that some of the thought and work going into this Forum section has its roots in the collaborative discussions with Jeremy Adelman and a jointly organized workshop at the German Historical Institute in London in 2022 funded by the German Research Foundation (DFG).

of this formative moment, when economics began to take shape as a discipline, but an invitation for historians today to explore the role of narratives across economic life. Narratives do not exist and act by themselves. While they can shape power, they are also shaped by power. Their circulation and resonance depend on political regimes, social movements and everyday life. After the 'linguistic turn', we need to know more precisely what material difference stories make (or don't make) to these domains. This requires historians to examine different scales, from political-economic regimes across particular policies all the way to social norms and individual behaviour.

Rival narratives of 'rise and fall' in imperial Britain

'Growth' and 'crisis' have received particular attention, but the original master narrative was arguably 'rise and fall.' In the late 19th century, at a time when economic history was a cutting-edge method in the emerging field of economics, the 'rise and fall' of imperial power and wealth provided British protectionists with their own glorious past to challenge the free-trade regime in the present. Partly inspired by Gustav Schmoller and his circle in Germany, W. Cunningham, W. J. Ashley and W. A. S. Hewins in Britain traced their country's wealth and development back to the Tudor and Stuart state and active colonial policy in the early modern period. To them, the decline of the Dutch Republic from the late 17th-century onward was a text-book warning of what happened when commerce was allowed to take precedence over might: national 'decline.' The historical lesson, accordingly, was to replace free trade with an imperial regime of tariffs and colonial preferences.

It was a powerful story but not powerful enough to topple the free trade system. Its failure should alert historians to the many dimensions they need to consider in order to assess the influence of narratives. Free traders created an effective counter-narrative of wealth and liberty, in which cheap food and a rising standard of living fused with a vision of peace, civilisation and consumer power, buttressed by a story of popular emancipation in which the Repeal of the Corn Laws in 1846 delivered the nation from the (mythical) 'Hungry Forties.' The two rival narratives recruited mass movements and mobilised old and new channels of communication, including political posters, early film, song and dance, mass demonstrations and sea-side lectures. It is doubtful whether free trade would have been able to defeat the protectionist challenge in the elections of 1906, 1910 and again in 1923 without all this innovation and amplification. Its luck ran out in 1931, when a general tariff was introduced. There were still Liberals who repeated the earlier narrative, but World War I, shortages and inflation, and then unemployment and the world depression had robbed the narrative of free choice and free food of much of its earlier conviction.

The invention of 'fall and rise' in West Germany

In the inter-war years and especially after 1945, economists increasingly embraced mathematics and shed history. It is difficult to point for the post-1945 period to an entire politico-economic system that was shored up by a popular narrative on the lines of free trade earlier in Britain. Still, it is a mistake to think narratives ceased to matter. They have continued to operate one step down from entire systems, in economic policies and institutions. In West Germany, for example, the central bank embraced the narrative of 'fall and rise.' The Bundesbank mobilised the ghosts of the inflationary past and the economic crisis that led to Hitler to justify and defend its independence from government; that the Reichsbank had, in fact, been independent during the earlier hyper-inflation of 1923 did not diminish the strength of this invented history. In that story, 'rise' and reconstruction would naturally follow from monetary stability, exports and wage-restraint. It called on people to save more and consume less.

That the narrative was important for the Bundesbank's self-image lies beyond doubt. Assessing its influence on public life and private behaviour is trickier. On the one hand, the Bundesbank was able to tap into (and reinforce) a pre-existing disdain for excess and glorification of thrift, a moral bedrock of the educated middle-classes (*Bildungsbürgertum*), who had their cultural capital invested in *Kultur* and who felt threatened by consumerism. Savings appeals resonated too with the political imperative of fostering a democratic spirit in the new Federal Republic. Because they were self-reliant, savers helped others as well as themselves, West Germany's first president Theodor Heuss explained on world saving day in 1952. They were no burden on society and had a natural interest in order and stability instead of supporting risky gambles, such as Hitler's. Savings banks in Hesse reached further back into the annals of history to warn that unless Germans rediscovered thrift, they would end up as *helots* (Sparta's slaves), in debt and dependence to the United States and its Marshall Plan. From the late 1950s onwards, governments actively fostered saving and wealth-creation through tax privileges and 'save to build' programmes (*Bausparen*).

On the other hand, public narratives do not automatically move the minds and actions of private actors. A cross-generational study by sociologists found that families took remarkably different lessons from the inflation of 1923, war-time inflation and savings lost in the currency conversion of 1948.[7] For some, their families' losses did nothing to dent their commitment to saving – thrift was good, spending bad and credit fraud. For those individuals, saving also came with a narrative, but it was biographical and moral, not historical. The discipline of thrift promised to preserve personal virtue and integrity at a time of chaos and uncertainty. Its wisdom was timeless, and in that sense a-historical. Chancellor Angela Merkel's invocation in 2008 of the Swabian housewife with her instinctive sense of sound economics was a public articulation of this private belief. Other families, however, took the very opposite conclusion from their losses in past inflations – spend now and enjoy life while you can.

Official discourse and national statistics with their averages of savings rates and other indicators can be deceptive. The moral economy of thrift undoubtedly buttressed German tax policies which encouraged saving. At the same time, it obscured how these policies disproportionately favoured the middle classes, entrenching inequalities. The story of the virtuous saver and the evil debtor were two sides of the same coin. Aggregate data of the average household savings ratio continues to be invoked as evidence that Germans are savers. Beneath it lies a more interesting and diverse multitude of economic lives and stories.

Key words, social norms and everyday experiences

A narrative connects words into a tale of experience. Economics uses particular keywords, such as saving, consumption, credit and investment, and so forth. Surveys have shown repeatedly how large the gulf can be between professional and popular knowledge of basic facts, such as the level of inflation or unemployment. Histories of economic narratives can help to historicise such keywords and explore their meaning in everyday life. School children in West Germany in the 1950s, for example, drew pictures and wrote essays for savings day campaigns in which the virtue of thrift appears in the form of a luxurious fur coat and grandparents taking out a mortgage (something that requires its own form of discipline via regular repayments but is a debt). In other words, people tell each other economic stories but their tales and keywords do not necessarily match the ones used by those literate in economics.

7. T. Heisterhagen / R.-W. Hoffmann, *Lehrmeister Währungskrise?! Drei Familien-Generationen zwischen Gold, Mark und Euro*, Wiesbaden 2003.

Inevitably, historians carry their share of responsibility for economic narratives since they are among the people producing them; the ways in which the reassessment of the Great Crash of 1929 has favoured certain fiscal and monetary responses to recent crises is only the most prominent example. This, it should be stressed, is not a province limited to economic historians but extends to all scholars writing about material life, in one way or another. While few recent colleagues have aimed for radical policy change like the three British economic historians with whose imperialist stories this article opened, historical writing has contributed to how contemporary societies have looked at the economy.

Stories of 'affluence', 'consumerism' and the 'boom' (*das Wirtschaftswunder*, *il miracolo economico*, *les trente glorieuses*) are a good illustration. Most narratives (left and right) have told the story of consumption as one of Americanisation or Westernisation since the 1950s, in which a take-off and new era of growth unleashes a tsunami of goods and desires.

As with all stories, starting points matter and so does narrative structure. Beginning in the 1950s, these narratives leave the impression that today's problems arising from consumption have a short, recent history and, thus, should be relatively easy to fix once we tackle the dynamics that are identified as new to the 1950s, notably the fixation with growth and GDP. The narrative structure tends to be linear: more, more and more stuff. We have only begun to grapple with the problems this narrative leaves behind. Historiographically, it too neatly separates our own hyper-intensive material lifestyles from a much longer history of consumption, and thus obscures more deep-rooted dynamics of demand, desires and habits, which have a history long before GDP arrived on the scene. From an environmental perspective, the 'boom' years are, of course, damaging but they are only one chapter in a longer history of consumption and resource depletion. The linear narrative, moreover, writes out the dialectic relationship between abundance and shortage, as if the former replaced the latter, rather than continuing to interact with it. With climate change, the pandemic and the return of war, that old tale has reached the end of its history.

Tiago Mata
Economic Narratives at Work

In 2019, Robert J. Shiller published *Narrative Economics* to immediate acclaim.[8] Reviewers congratulated the eminent economist for paying attention to a subject that was so dear to the humanities. That early enthusiasm seems now misplaced. Shiller's innovation was to conceive of narratives like viruses, and he took inspiration and tools of analysis from epidemiology. Viruses mutate randomly, and we can't tell causal stories about how specific mutations occur and not others. Without warning or disclaimer, Shiller's metaphor threw the question of how narratives are formed into a black box.

From the epidemiological perspective, what matters is that sooner or later a combination of changes will enhance a virus's fitness to spread. According to Shiller, narratives too have fitness. We measure it by their ability to latch on to human minds and be reproduced in other minds. In the viral account what needs explaining are the patterns of diffusion. Shiller indexes narratives, tagging them with keywords and plotting their frequency. He finds that reoccurring narratives have reoccurring properties and that these properties match the untidy architecture of human cognition. For Shiller, the fundamental questions to ask have to do with audiences: it is audiences' cognitive biases that elect some narratives over others, and social scientists are interested in narratives only if audiences act on them, to buy, sell, invest, save or hold still.

8. R.J. Shiller, *Narrative Economics*: *How Stories Go Viral and Drive Major Economic Events*, New York 2019.

But narratives are not like viruses. Narratives don't mutate randomly, we don't encounter an endless variety of them. We have reasons to complain about the contrary, that hegemonic cultures and editorial controls hold the imagination under duress. In my research I have studied the lives of media professionals to understand their judgments and practices as they wrote for a public. Recently I have been writing about the career of an American journalist who popularised game theory as a tool for business strategy, and what I found gives me a very different insight into how narratives emerge and circulate.[9]

Narrative as engine

John McDonald was born in Detroit in 1906, he studied literature at the University of Michigan and in 1932, the worst year of the Great Depression, he travelled to New York City to pursue a literary career. He hung out at Greenwich Village, was involved in affiliate organisations of the communist party and in 1937 went to Mexico and worked for a few months on the Secretarial Staff of Leon Trotsky. Upon his return to New York he became editor of *Film News*, a monthly of the American Film Center, reviewing and promoting documentary film.

At age 40, McDonald decided he wanted to join *Fortune*, the magazine founded in 1930 by Henry Luce. McDonald had no expertise in business writing. He had no experience with the readership of *Fortune*, which at that time included the nation's executive elite. So he pitched stories about what he knew. He wrote a story on 'the business' of fly fishing because he had taken up the sport. When the story received good reviews from his peers he proposed a series of articles on sports. He was a poker player and he started with poker. Unlike fly fishing this story didn't work as well, it became a romantic history of the game sourced by reading through a collection of rare books on poker held at the New York Public Library.[10] In MacDonald's own words the story had lacked an 'engine.' In frustration he shared his disappointment with a colleague who just happened to be John Kenneth Galbraith, and Galbraith recommended him a book: the 1944 *Theory of Games and Economic Behaviour* by Oskar Morgenstern and John Von Neumann.

In game theory McDonald found his 'story engine.' Stories about firms and industries became contests of wit and chance, and the attention of readers was gripped as they waited to learn of the final score. But the phrase 'story engine' describes best the experience of the writer not of the reader, it speaks of an encounter with the energy of invention, and in McDonald's peculiar case, it speaks of how a creative device carried him into the foreign lands of corporate America.

We don't know how audiences received McDonald's stories and whether they retold them to colleagues, friends and family, infecting them with game theory. What we know is that he kept writing more of them. Those stories were not a rote execution of a formula. Some were surveys of the opinions of businessmen, some were stories about events, others about firms. After five years writing on the big plays of corporate America, McDonald took leave of *Fortune* to ghost write the memoirs of Alfred Sloan, the legendary President of General Motors. *My Years with General Motors*, became an instant classic in business schools, training a new generation of executives to think strategically. By the mid-1960s, McDonald's book with Sloan was creating a public of strategy minded graduates, eager for more stories on the games of business.[11]

9. T. Mata, 'Economics as Story Engine: John McDonald and Business as Game and Gamble', in: *History of Political Economy* 55 (2023) 5, forthcoming.
10. J. McDonald, 'Fly Fishing and Trout Flies', in: *Fortune* (1946) May, 126–133, 150–162; 'Poker: An American Game', in: *Fortune* (1948) March, 128–131, 181–184, 186–187.
11. C.D. Mckenna, 'Writing the Ghost-Writer back in: Alfred Sloan, Alfred Chandler, John McDonald and the Intellectual Origins of Corporate Strategy', in: *Management & Organizational History* 1 (2006) 2, 107–126.

From studying McDonald's career, I learned that stories can make audiences. In the age of digital reproduction, of memes and influencers, we easily overestimate the tyranny of crowds. McDonald needed to fit in at *Fortune* and in business journalism, but he did not let himself be guided by the telos of his readership of executives. Because he didn't, and trusted his intuitions as a writer, a difficult scholarly book written in high mathematics emerged into public life.

Narrative in crisis

'Going viral' is a colloquialism that evokes the mindless, disorderly, and boundless propagation of fragments of text, speech and visuals that has become a hallmark of digital sociability. Memes are too atomised to be narratives, and they feel different too. If the affect of memes is often playfulness, the affect of narratives if often grave. One of the common words of economic narratives is 'crisis.' That word is an apt signifier for a world on the brink: climate catastrophe, global and civil war, pandemic, financial meltdown; and a favourite term of a mass media at a loss for words to express escalating urgency.

The word crisis is a trusted companion to our modern polities. In his classic study Reinhart Koselleck argued that crisis entered political culture through medical discourse as 'a situation presenting decisive alternatives to different actors.' The metaphorical traffic between the sciences of human bodies and the sciences of the body politic was compelling in 2019 as it was in 1719. When Koselleck wrote of 'crisis as a structural signature of modernity', he meant that crises were understood as breaks when the future became unlike the past and forged a new epoch.[12] Because of this word's current ubiquity, we fail to notice the 'crisis in crisis', as Joseph Masco's ironically put it.[13] To appreciate it, I prompt us to think back to 2007/08 when economic narratives dominated everyone's attention.

Between September 28 and December 28 of 2008, the *New York Times* ran a 19-part series on the unravelling of global finance written by over a dozen journalists. This journalistic epic kept up with the breath-taking speed of events and crucially, each piece took readers back in time to key moments and decisions that could have kept the nation and its finances safe from precipitous leverage. The series was shortlisted for a Pulitzer and won a Gerald Loeb Award, the most esteemed award for business journalism.

The title of that *Times* series was 'The Reckoning.' Reckoning evokes both accounting and accountability, the alignment of the financial and the moral, and the word preserves strong associations with the Christian judgment day.[14] But as one reads the *Times* one notices no reckoning in the reckoning series. In the Autumn of 2008 and Winter of 2009, the world's media called on an imagery of the end of the days, but in their itineraries of exotic financial instruments and entangled balance sheets one fails to find directions to a new epoch.

Public policy in 2008/09 was aimed at restoration not transformation. TARP, unconventional monetary policy/quantitative easing, Basel III, recapitalised financial institutions and nationalised their losses. With the exception of Ponzi-schemer Bernie Madoff, those who might have been held responsible simply faded from public life, and got no time in the court of print or in a brick and mortar courthouse. The financial crisis of 2007/08 remains the most significant event in the economic history of the 21st century, but it was not a crisis in the modern sense because it was not a

12. R. Koselleck, *Critique and Crisis: Enlightenment and the Pathogenesis of Modern Society,* Cambridge, MA 1988, and R. Koselleck / M.W. Richter, 'Crisis', in: *Journal of the History of Ideas* 67 (2006) 2, 357–400.
13. J. Masco, 'The Crisis in Crisis', in: *Current Anthropology* 58 (2017) S15, S65–S76.
14. J. Soll, *The Reckoning: Financial Accountability and the Rise and Fall of Nations*, New York, NY 2014.

rupture in historical time. The financial crisis led to the next crisis, to a Great Recession and on to a sovereign debt crisis, and on, and on.

Faced by a reckoning that wasn't, some lamented that the media had failed them, and a few cried out mendacity and a cover up for the powerful.[15] The media should not be blamed for their false advertising. To me something more difficult and more narrative is going on.[16] Crisis/reckoning is a floating signifier of our collective endangerment. We live *in a state* of perpetual crisis/es, overlapping and sequential, barely discernible in their outer edges. Crisis/reckoning is also a bundle of narrative assumptions that urge us to see some *events* as catalysts for change, in that definition it is like a vestigial organ, left over from a different body in time. It has become a source of mental confusion that we expect change and that it does not come.

To conceive, as Shiller does, of economic narratives as vessels of beliefs conquering minds as they go along, loses sight of why we look for narratives and what we do with them. Rather than squint our eyes and turn narratives into 'dummy variables' in an econometric equation, we should get closer to them. Once we do, we will realise that narratives are tools to think time ('engine'). Narratives originate of our demands for knowledge and action and aid us in scanning our past and future. Sadly, they come with no guaranty of enlightenment. They don't always bring us clarity, they as easily lead us to puzzlement and deadlock ('crisis'). To make sense of narratives at work we must at the same time look in depth and in breadth, and we need history to accomplish that feat.

Laetitia Lenel
Economic Narratives and Economic Crises

The financial crisis of 2008 has prompted, among other things, the circulation of new or rather long forgotten economic ideas. Economists began to tackle the 'human' factor in economic development, pointing to the importance of the psychological element in economic decision-making. This line of thinking has been directed against one of the core tenets of macroeconomics: the idea of rational expectations. One of the most prominent voices to challenge the assumption of rational expectations has been that of Robert Shiller, who, together with George Akerloff, returned to Keynes' idea of 'animal spirits' after 2008 and argued for the importance of narratives in economic decision-making.[17] Shiller's argument about economic narratives as a driving force of economic activity has since become ubiquitous. And yet, the causal processes behind the emergence, circulation, and effects of economic narratives have yet to receive proper attention. Interestingly, Shiller's account of the contagion of narrative has become a story in its own right, making clear the role of economists as storytellers.

In this essay, I want to tackle economists' role in these causal processes. To this end, I trace the emergence and circulation of the narrative of rational expectations and, in so doing, unravel the interdependencies between the experience of economic crises and failures, economic sense-making, and economic and political decision-making. While Shiller does not offer a definition of narrative, I understand narrative as a causal explanation that links different elements in time. My account sheds light on a process that can be observed time and time again: how new economic narratives

15. L. Basu, *Media Amnesia: Rewriting the Economic Crisis*, London 2018; D. Starkman, *The Watchdog that Didn't Bark: The Financial Crisis and the Disappearance of Investigative Journalism*, New York, NY 2014.
16. For a deep analysis of the semantic field marshalled by 'crisis', see J. Roitman, *Anti-Crisis*, Durham, NC 2014. The book documents further instances kin to the 'The Reckoning' series, to argue that crisis has become a 'blindspot for the production of knowledge', as an observation that is not observed.
17. G.A. Akerlof / R.J. Shiller, *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*, Princeton, NJ 2009; R.J. Shiller, *Narrative Economics: How Stories Go Viral & Drive Major Economic Events*, Princeton, NJ 2019.

emerge in times of crisis and shattered assumptions, enter the sphere of policy-making, and in so doing help enable these narratives to adequately describe the economy.

The survey as forecasting tool

As part of my research on the history of business forecasting in the 20th century, I discovered how the concept of rational expectations first emerged out of a certain forecasting tool: the survey. In the 1940s, in the context of the war and the fear of another post-war slump, American journals introduced polls among business executives. After World War II, this new technique was taken up by academia. In the late 1940s, the Munich-based ifo Institute began to poll business representatives about their expectations concerning the future course of the economy and their own plans and intentions. Around the same time, the American economist Joseph Livingston began to regularly inquire with economists from the academy, banking sector, Federal Reserve and government institutions regarding their expectations for the economic future. As economies struggled with serious deficits in economic statistics, the survey technique was to provide economic and political decision-makers with up-to-date information on the latest market developments.

At first, economists on both sides of the Atlantic were confident that the survey results presented reliable, 'objective' knowledge about the economic future. Repeated comparisons between the expectations suggested by the survey results and the actual future outcomes as indicated by official index numbers of the same period, however, challenged these initial assumptions. Pondering the predictive quality of his respondents, Joseph Livingston began to understand economists as 'captives of a trend' who 'cannot lift themselves out of the world they're in, mentally or physically, any more than goldfish can swim out of their bowl.'[18] Meanwhile, at the ifo institute, studies on survey data revealed that entrepreneurs were not only wrong in their predictions of future demand and other variables beyond their control. Instead, their predictions of even their own behaviour – for instance, of the quantities they intended to produce in the near future or the prices they intended to charge for their goods – turned out to be wrong, too. As several subsequent studies in the 1950s suggested, divergences between the respective survey results and actual future outcomes were not haphazard but could be explained by changes in executives' market anticipations.[19] Executives, from this perspective, continually modified and updated their expectations in light of new information. This finding, which most economists called 'difficult to believe' in the mid-1950s, was confirmed by subsequent studies on entrepreneurial and economic behaviour in Europe and the United States.

The concept of rational expectations

This eventually led economists to rethink their ideas about expectation formation. While it was formerly presumed that economic agents base their expectations solely on past experiences, expectation formation now came to be understood as a continuous and interactive learning process characterised by a double contingency: agent A made her behaviour contingent upon the behaviour of agent B, and agent B sought to base her decisions on agent A's behaviour, which explained why economic agents continually revised their expectations on the basis of

18. J.A. Livingston, 'Business Outlook. Economists Say Upturn Has Started, Wall Streeters Least Optimistic', June 1958, Box 159, Folder 30, Joseph A. Livingston Papers, SPC MSS 015, Special Collections Research Center, Temple University Libraries, 2; Joseph A. Livingston, 'Draft of an Article', n.d., Box 157, Folder 2, Joseph A. Livingston Papers, SPC MSS 015, Special Collections Research Center, Temple University Libraries, 8.
19. W. Marquardt, 'Unternehmungsvoraussagen und Unternehmerverhalten im Spiegel des Konjunkturtests. Ausgangspunkt, Methode und bisherige Ergebnisse der Verhaltensforschung mit Konjunkturtest-Daten', in: *ifo-Studien* 4 (1958), 1–34.

new information.[20] One step further in this formulation converted economists to a new understanding of the process of expectation formation under uncertainty, with economic agents basing their decisions on all the available information at hand and adjusting their expectations to the structural environment they inhabit.

However, while the economist John Muth proposed this new understanding of economic expectations as early as 1961, it was not until the 1970s that the new concept of rational expectations, as it was soon known, came to occupy a central place in macroeconomic theory. In the early 1970s, Robert Lucas extended the hypothesis to macroeconomic models and to the analysis of economic policy. Lucas argued that, since agents constantly update their expectations in response to economic policy change, model parameters derived from prior economic policies and data were no longer applicable. Parameters therefore had to be reevaluated with each policy change. With this, Lucas presented a new view on how modelers could compare the effects of different economic policies. But he did more than that: Lucas also managed to coin a narrative out of Muth's intervention. While Muth had offered a new understanding of expectations (as being 'essentially the same as the predictions of the relevant economic theory'),[21] Lucas presented a narrative of how different actions were linked in time: In this picture, economic policy decisions today change the economic environment of tomorrow. Economic agents of tomorrow will therefore no longer behave as they do today. Policymakers are thus unable to systematically fool agents, as people adjust their expectations and actions in line with the likely effects of the policy change. This also offered a compelling narrative to explain the stagflation of the 1970s and thus the breakdown of the economic belief in a permanent trade-off between inflation and unemployment.

Beginning in the late 1970s, Robert Lucas and his colleagues Thomas Sargent and Neil Wallace published numerous articles in Federal Reserve outlets, in which they laid out the implications of the rational expectations hypothesis for monetary policy, namely, in the words of Lucas, 'to provide a stable, predictable environment for the private sector of the economy.'[22] This proved fruitful in the context of other crises. In the years following the stock market crash of 1987, central banks across the world began to announce and explain policy moves well in advance, thus increasing policy predictability.[23] In so doing, they established the conditions which made the formation of rational expectations possible in the first place.[24] They enabled economic agents to base their decisions on all the available information at hand and to adjust their expectations to the structural environment they inhabited, and specifically to changes in policy, as described by the rational expectation hypothesis.

Emergence, circulation and effects of economic narratives

How do economic narratives emerge and circulate, and how do they come to influence economic and political decision-making? In this episode, a mundane economic knowledge practice adopted in times of crisis, namely surveying, led to disappointments about the deviations between forecasts

20. E. Grunberg / F. Modigliani, 'The Predictability of Social Events', in: *Journal of Political Economy* 62 (1954) 6, 465–478.
21. J.F. Muth, 'Rational Expectations and the Theory of Price Movements', in: *Econometrica* 29 (1961) 3, 315–335, 315.
22. R.E. Lucas, 'Rules, Discretion, and the Role of the Economic Advisor', in: S. Fischer (ed.), *Rational Expectations and Economic Policy*, Chicago, IL 1980, 199–210, 210.
23. See G.R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance*, Cambridge, MA 2012, 114–129.
24. G.K. Ingham, *The Nature of Money*, Cambridge, UK, Malden, MA 2004, 149; B. Braun, 'Governing the Future: The European Central Bank's Expectation Management during the Great Moderation', in: *Economy and Society* 44 (2015) 3, 367–391.

and actual future outcomes, prompting economists to revisit economic ideas on how the economy works. In the context of the crises of the 1970s, the concept of rational expectations took on a central place in macroeconomics, offering a convincing narrative to explain the crises. Academic economists like Sargent and Wallace, who also worked as advisers to the Federal Reserve, helped circulate the narrative. After the stock market crash of 1987, this proved successful, prompting central banks across the globe to adopt greater transparency and thus create the conditions for the narrative to realistically describe the workings of the economy. Since 2008, we have witnessed once more the contestation of old ideas in response to economic crisis, as other narratives have come around claiming to better explain the crisis, such as George Akerloff's and Robert Shiller's rediscovery of Keynes's animal spirits and the role of expectation shocks.

The apparent inevitability of crises and failures for developments in economic narratives about the working of the economy seems to confirm the Kuhnian account of scientific change, but we might want to be careful with such explanations. After all, Thomas Kuhn's account itself, published in 1962, was influenced by contemporary notions of change which business cycle researchers had shaped since the 1920s.[25] Economic narratives and economic crises are not only interdependent, with crises transforming our narratives and narratives playing a causal role in their unfolding, but our notions of crises are themselves the product of earlier economic attempts of sense-making. Tackling the interdependencies between economic knowledge production and economic experience therefore seems an endeavor every bit as worthwhile as it is challenging.

Vanessa Ogle
Narratives of Development and Growth

'Developer' is typically understood to mean software developer today. Tech companies post ads looking for developers, and the usage of the term as reduced to this particular type of developer has spilled over into media and other areas outside the world of tech. Only occasionally are we reminded of more stayed notions of development and developers. The devastating earthquake that hit Turkey and Syria in February 2023 briefly brought into focus the role of property developers who had made a quick buck building shoddily constructed houses that buried thousands when collapsing all too easily during the quake.

Property developers are much closer to perhaps the most important historical meaning of 'development' and developers. At the beginning of the Cold War, American officials began to think of the struggle against communism no longer in purely just military terms. Instead, the provision of what would come to be termed foreign aid was meant to prevent societies in poorer, often post-colonial countries from falling prey to the lures of communism. Such economic, technical and other expertise and aid was thought to raise living standards by fostering economic development and growth in vulnerable countries. A full stomach would surely help America win the war for the hearts and minds of the so-called third world.

Such foreign aid programs were grounded in the ideology and narratives of economic development and modernisation theory and growth. Broadly, such thinking assumed that all societies moved through different stages of development characterised by similar features, and that the process of modernisation could be steered and accelerated. Poor, 'backward' countries could be turned into prosperous, modern ones. One model thus fit all.

Development and modernisation politics soon found adherents beyond the United States. In Europe, former and ongoing colonial powers like the United Kingdom offered aid to their

25. T.S. Kuhn, *The Structure of Scientific Revolutions*, Chicago, IL 1962.

still-existing colonies as well as countries that had recently achieved independence. But the goal behind such policies was always to make past and present dependent territories economically self-sufficient enough to be removed from Britain's foreign aid budget.

The narrative of economic development profoundly shaped decisions related to the emergence of tax havens in British Caribbean colonies as well as in other smaller island territories. Today, places like the Bahamas, the Cayman Islands, and the British Virgin Islands are probably first and foremost associated with turquoise waters, white beaches, palm trees and abundant sun. But they are also notorious tax havens. Most importantly, they were turned into tax havens while under British rule. To understand why officials in London allowed a sprawling system of offshore tax havens to emerge on its doorstep, when it was clear that especially in the early phase, the taxes that were dodged with the help of tax havens were often British, we have to turn to development and modernisation narratives as part of the explanation.

Tax havens in modernisation stories

By the second half of the 1960s, officials at the British Inland Revenue (the country's main direct revenue authority) became increasingly concerned about mounting evidence of tax dodging activities in some British–Caribbean dependencies. Yet upon approaching their counterparts at the Colonial Office, the Foreign and Commonwealth Office and the Ministry of Overseas Development with such worries, they were met mostly with indignance or in some cases, outright rejection. Tax dodging business, it was argued, was the only path for places such as the Bahamas and the Caymans to attract foreign capital and achieve economic development and growth. While surely it was not ideal that such business stood to damage the British state by siphoning off revenue, given the absence of natural resources in these small island territories, the classic path to industrialisation, growth and development was simply not available.

There was certainly some truth in such arguments although they ignored the fact that tourism has always been the main source of revenue for most tax haven territories. The assumption that Caribbean islands needed to be given opportunity to jumpstart economic development with the help of attracting tax haven business would become so dominant that by the mid-1970s, it was largely accepted that tax havens existed in British dependent territories, that the clock could not be turned back on the emergence of these sites as officials sometimes put it, and that the only possible action consisted of damage control and preventing the worst excesses of tax evasion and shady business from taking hold.

In Caribbean tax havens, the development and modernisation narrative and mindset that prevailed in London gave rise to a very different version of development. Tax haven territories were increasingly approached by individuals with often questionable reputations and expertise, with proposals to carry out 'development' projects in the islands. Such proposals were ostensibly couched in the language that the development narrative drew on, offering not only to build hotels but also to construct roads, harbours and other public utilities. In exchange, such 'developers' often demanded wide-ranging privileges that ceded important government functions and powers to private interests, demanding for example 99-year guarantees for tax-free operations for all aspects of envisioned development, the right to incorporate trust and other companies, and even to control immigration, among others.

The Ur-development project that prefigured many later such efforts took place in the Bahamas in the mid-1950s. In those years, Wallace Groves, a US citizen with a checkered past that included time spent in prison, approached British authorities in the islands with a proposal to dredge a deep water harbour, build an airstrip and provide other public utilities in exchange for a considerable amount of land. The concessions he demanded in return made the project an unusual

'development' effort: the Grand Bahama Port Authority, controlled by Groves and co., would run a free port out of the newly built harbour, a tax haven within a tax haven, an enclave with even less possibility for government powers to interfere and exert control than in the rest of the colony.

The Grand Bahama Port Authority, run by Groves and his associates, obtained the right to license companies to operate in 'Freeport' on Grand Bahama or simply to register there. Such operators were guaranteed an exemption from taxes for 30 years (later to be extended several times). Customs duties on goods imported into the tax haven-within-a tax haven of Freeport were waived for 90 years. In the 1960s, the development agreement was amended to include the construction of hotels and an 'oriental bazaar', once described as an unholy mix of Chinese streets giving onto English mews, a Copenhagen square and a 'soupçon of Montmartre.' Freeport soon became synonymous with the casinos it hosted and with allegations of corruption and bribery as well as involvement of the US mafia. Groves sought to control everything from the local police force to licensing and immigration into Freeport.

Similar proposals soon reached authorities in other Caribbean colonies. In the Turks and Caicos Islands, another US financier promised to construct public buildings, roads, an airstrip and hotels, in exchange for an exemption from all taxes for 35 years for all operators under his aegis, as well as freedom from taxes for trusts registered in the Islands for 99 years. In the British Virgin Islands, the island of Anegada was leased for 199 years to a 'developer' who, in exchange for building roads, received exemption from income and profit taxes, estate duties, and import duties for 199 years. The investor behind the plan was already active in the tax haven business in the Bahamas and was now looking to expand. Similar schemes were offered for Barbuda, a satellite island of Antigua.

By 1969, officials even at the generally more open Foreign and Commonwealth Office had turned wary of these 'developers' and their goals. Officials therefore drafted a circular to be sent to authorities in potential and existing tax haven territories, warning of the dangers associated with some of the activities already ensuing. 'In recent years', the guidance circular stated, 'a number of dependent territories had concluded agreements with property developers and other commercial organizations who have been offered tax and other concessions in return for their undertaking to carry out certain developments in the territory.' It warned, 'some commercial organizations which approach Governments offering to undertake development projects are primarily interested in acquiring facilities for 'brass plate' companies which would be set up to enable tax to be avoided in other countries.' The memo further warned that governments in relevant territories should retain their freedom of action and not surrender functions and responsibilities to developers. The right to register companies should remain with governments, and developers should not be permitted to bypass immigration control procedures and rules.

The belief in the lack of alternatives

These examples of so-called development initiatives were only the most extravagant and far-reaching ones, similar scenarios can be found in other British colonies where tax haven activity expanded during these years. In their justifications for green lighting such schemes, officials pointed out again and again that most potential tax haven sites had very little resources 'capable of development' and that attracting outside investors constituted the 'only source of growth potential.' Others were convinced that an uptick in other service industries such as banking, legal services and accounting, would bring different business into the islands. Tourism would follow the tax haven industry. More substantial economic development would eventually grow out of this.

There was generally no master plan behind London's attitude towards tax havens in the Caribbean, no effort to prop up a declining empire and build a 'second', financial one, as it has been suggested. Decisions taken in London about individual island's efforts to turn themselves into tax havens moreover often hinged on highly specific assessments and circumstances. Yet the influence of

development and growth-thinking was undeniably strong. The power of economic narratives lies in making people believe there is no alternative. In the case of tax havens, the consequences of this powerful narrative grip on past decision-making are visible to this day. The benefits of tax haven activity in places such as the Bahamas and Cayman Islands have been reaped primarily by a small set of expatriate financial and legal professionals rather than by native Bahamians and Caymanians or immigrant labourers from poorer countries. In the Bahamian case, tourism became the most important source of revenue independent of the tax haven industry. Tax havens are moreover afflicted by what observers have called the 'finance curse:' oriented towards the interests of international elites, with a weakened capacity for providing public services and institutions to native populations, resulting in a lack of social cohesion, political instability and inequality.

Alexander Nützenadel
Narratives of Modernity: The 'Golden Age' of Economic Growth

On 11 December 1971, on being awarded the Nobel Prize in Economic Sciences of the Swedish Riksbank, Simon Kuznets delivered a speech entitled 'Modern Economic Growth. Findings and Reflections.' In his lecture, Kuznets summarised the main findings of economic growth theory, which he himself had shaped since the 1930s. Born near Minsk, Kusznets had studied Economics at the University of Kharkiv before emigrating to the United States like many other Russian economists after the revolution. He continued his studies under the guidance of Wesley C. Mitchell at Columbia University in New York before joining the National Bureau of Economic Research in 1927. Kuznets' main scientific achievement was to combine the theory of growth with empirical methods. He developed new statistical techniques and laid the foundations for a national accounting system with aggregates such as national income, investment and gross national product. For the OECD, Kuznets directed a collaborative project to reconstruct historical data going back to the 19th century. These data collections provided the basis for empirical research in the measurement of economic growth.

Economic development had reached a turning point by the time of Kuznets' 1971 speech. That very year had witnessed the U.S. unpeg the dollar from gold, marking the end of the Bretton Woods fixed exchange rate system. While balance of payments deficits increased, the exceptional growth cycle of the postwar era came to an end, accompanied by rising inflation rates and high volatility in international capital markets. Exogenous shocks – such as the oil price crisis of 1973, banking failures and international conflicts – only worsened the economic situation.

In the following essay, I will argue that the narrative of the post-war era as the *Golden Age* of economic growth shaped not only contemporary debates, but also framed historical analysis and the discursive construction of modernity from the 1950s. The idea that growth was a specific feature of „modern societies' was generally shared among economists, social scientists and historians. At the same time, new forms of economic forecasting and planning emerged to ensure growth in the long run. This optimistic vision of technocratic intervention went hand in hand with popular narratives on growth and stability – embedded in a general feeling that a new era of prosperity had begun. These narratives, however, have been overlooked in recent debates. Although economists have discovered textual data, news and stories as important sources of analysis, they are mainly concerned with explaining crises, while periods of stability and growth have been largely neglected.

Towards a new paradigm

Economic growth had been a marginal topic for economists in the decades leading up to World War II. The great economic voices of the 18th and 19th century – including Adam Smith, David Ricardo

and Karl Marx – had paid great attention to the historical evolution of growth and prosperity. However, this changed radically with the onset of the neoclassical revolution of the late 19th century. Economists now preferred to explore the utility function of households or the price mechanisms on a microlevel, more interested in market equilibria than dynamic change over time. Even though macroeconomic reasoning returned with the crisis of the 1920s, this was mainly about explaining short-term fluctuations. Nothing illustrates this better than Keynes' famous dictum – 'In the long run, we are all dead.'

While the triumph of Keynesian models continued after World War II, the focus shifted to long-term growth and structural changes in the economy. Economic history established itself as an independent discipline and found its way into many economic debates. New ideas of development – such as Walt Rostow's legendary stage theory – were based on historical scenarios, although designed to solve current problems. Growth was meticulously linked to social change and interpreted as part of a larger modernisation process.

In this period, economic growth theories took different paths. In a Keynesian tradition, Roy F. Harrod and Evsey Domar modelled growth as an unbalanced process that required macroeconomic policies to guarantee a high level of savings and investments. In contrast, Robert Solow's neoclassical theory emphasised growth equilibrium and the role of capital accumulation. Solow's model was mathematically very simple and therefore found its way into many other theories. Since it assumed a decreasing marginal productivity of capital, countries with a low capital stock were expected to grow very strongly at the beginning, while the growth curve was to flatten out in more developed countries. This would lead to a convergence of rich and poor countries in the long run. As is well known, this optimistic expectation has not always been confirmed by reality, and many development economists such as Albert O. Hirschman would go on to criticise this approach. Hirschman argued that disequilibria were detrimental to stimulating growth in underdeveloped countries where an efficient allocation of resources was often not realisable. Rather than a 'big push', these countries required support for local initiatives and domestic models of development. With decolonisation and the emergence of the Global South, narratives of growth became more diverse – and controversial.

Moreover, research on economic growth professionalised. It became a core field of economics, combining mathematical models with econometric methods. New research institutes and think tanks dedicated to the study of growth and development emerged in many countries as well as at the international level, disseminating their findings through media and policy advice. Economic forecasts promised to predict not only cyclical fluctuations but also long-term trends. The complex econometric forecasting models of the 1960s and 1970s used historical data to estimate variables. This method, however, presumed a high stability of economic parameters, a presumption which would prove to be unrealistic in view of the crises and exogenous shocks of the 1970s.

The caveat of history

Still, some voices warned that the end of the growth cycle was soon to come. In his book, *The Costs of Economic Growth* (1967), Ezra Mishan predicted a rapid decline of human welfare and environmental conditions. Two years later, the Hungarian economist Ferenc Jánossy published his study on *The End of the Economic Miracle*. He portrayed the post-war period as an exceptional growth cycle in which the war-damaged countries had simply returned to their former growth path. Moreover, it became apparent that the Bretton Woods monetary system was not sustainable, given the growing balance-of-payments disparities between countries. Keynesianism and macroeconomic management lost its appeal as monetary and fiscal policy proved to be a blunt weapon against the stagflation of the 1970s. In view of the global shocks of the 1970s, the 'national' approach of a characteristic

Keynesian economic policy was no longer an option. The falling growth rates in the Western industrialised nations and the simultaneous rise of Japan and other Asian economies suggested – beyond a mere short-term cyclical dip – an apparent global shift.

The debate about the end of the 'miracle' raised with it the more fundamental question of whether a quantitative concept of growth was meaningful in the first place – triggered not least by the search for more sustainable economic models and taxonomies. Experts of the OECD and other international agencies discussed alternative concepts to better capture economic prosperity and social well-being.

New narratives addressed the structural causes of the decline of Western capitalist economies. In this regard, Mancur Olson's *The Rise and Decline of Nations* (1982) was a landmark. Olson argued that stable societies experience growing 'institutional sclerosis' over time because interest groups and distributive coalitions become more powerful. His radical model of political economy aimed to provide a counter-narrative against the liberal post-war consensus. Not collective welfare, but the egoistic interest of social groups was thus the major driver of economic evolution. His theory seemed empirically plausible as it was able to explain why, for example, Germany or Italy had grown so rapidly after 1945, while countries that had not experienced any political ruptures grew at a slower pace. The result was a cyclical picture of nations and economies that almost inevitably entered a phase of decline after a period of prosperity.

In many respects, the post-war boom provided a foil for the crisis diagnoses of different academic and political currents. In Germany, Burkhardt Lutz' *Der kurze Traum immerwährender Prosperität* (1984) gained much attention, while *The Fading Miracle: Four Decades of Market Economy in Germany* (Herbert Giersch et al., 1994) introduced a neoliberal perspective into the debate. In these and other studies, the post-war decades were identified as a distinct historical epoch. A landmark was Jean Fourastié's celebrated book *Les Trente Glorieuses, ou la révolution invisible de 1946 à 1975* (1979). The author praised the post-war decades as a period of extraordinary social and economic progress based on extensive state planning which he had himself shaped as advisor to the Commissariat du Plan and director of the European Coal and Steel Community. Economic historians now began to treat the post-war period as a 'natural experiment' for testing different growth theories. In addition to Jánossy's reconstruction scheme, new models of growth stressed the endogeneity of knowledge, education and human capital. Comparing different growth experiences became a popular exercise. Economists such as Moses Abramovitz or Ludgar Lindlar could show that the high post-war growth in Europe and Japan was essentially a process of catching up with the technological leadership of the United States.

'In the end, we are all dead'

Historians debated the caesura of the 1970s and depicted a new era 'after the boom', which often moved rather unimaginatively in the prefabricated tracks of contemporary diagnoses provided by the social and economic sciences. However, by the 1990s, the post-war 'miracle' became embedded in the larger historical trends of the 20th century. Eric Hobsbawm's *Age of Extremes* (1994), for example, portrayed the 20th century as a succession of ascending and descending experiences. In this narrative, the 'catastrophic age of world wars' was followed by the 'golden age', in which the Keynesian welfare state had tamed capitalism and levelled social inequality. Subsequently, since the mid-1970s Hobsbawm had observed a 'landslide.' It was 'the story of a world that has lost its bearings and slid into instability and crisis.' The 'foundations of the Golden Age' were now 'irretrievably destroyed.'

The eschatological terminology that Hobsbawm used to frame his historical interpretation of the 20th century was no exception. Ironically, it had been social and economic historians who had led the way in reviving the narrative of the 'Golden Age' from its origins in Greek mythology. Now, they were applying refined statistical and econometric methods to test different models and theories of growth on the ground of the postwar experience.

In his famous theory of historical semantics, Reinhart Koselleck argued that modernity engendered new descriptive categories for historical change and thus allowed a general ‘temporalisation’ of our political and social vocabulary. According to Koselleck, prognostic instruments are here of decisive importance in overcoming the increasing divergence between the ‘space of experience’ and the ‘horizon of expectation.’ Scientific forecasts thus replaced religious concepts of time and historical change. But perhaps this interpretation was itself too optimistic, as eschatological narratives indeed continue to play an important role in both scientific and popular discourses on the economy. Narratives themselves must therefore be analysed by historians as important aspects of economic evolution.

Trevor Jackson
Technocratic Melancholia and the Temporal Problem of Capital

In the 1948 first edition of his canonical *Economics* textbook, Paul Samuelson wrote (with his own italics) that ‘The bulk of all economic activity is directed toward the future. By the same token, the bulk of current economic consumption is the consequence of past efforts. *It is the primary role of current productive efforts to produce for the future, so as to repay the past for present consumption*.’ Despite the fundamentally temporal character of consumption and production, savings and investment, and indeed economic life in general, the nomothetic and mathematised edifice of economics has mostly tried to eliminate time. The central concepts of supply and demand, market clearing, rational choices, revealed preferences, opportunity cost and comparative advantage are all posited as transcendental concepts, and taught in models which either have no time, or through comparative statics that have only two: the T-1 of the eternal *now*, and the T-2 of a predicted but never realised future. There is a similar split in the neoclassical synthesis that has been at the heart of the economics discipline since Samuelson: market imperfections happen in the short run, but economies reach equilibrium in the long run. Like economic activity in general and capital in particular, narratives are emplotments in time, and the discordant temporal imaginary of the economics discipline shapes the many different narratives that economic thinkers produce.

This gap between the methods of economics and its object of study is most sharply revealed in the concept of capital itself. Since the 1890s, there have been at least three ‘capital controversies’ in the history of economic thought. The last one, inaugurated by Joan Robinson in the 1950s, hinged exactly on the temporal problem. For economists from Cambridge, Massachusetts, usually called ‘neoclassical’, capital was a factor of production, meaning a homogenous component of growth theory, the part of the Cobb-Douglas production function that is not labour. It receives back its just return, in the form of profit, while labour gets its fair share in terms of wages, both determined by their respective relative scarcity and marginal productivity. For economists from Cambridge, England, usually called ‘heterodox’ and sometimes ‘post-Keynesian’, capital was not homogenous and not a separate productive force that just happens to appear in an economy. Robinson argued that the homogenous theory of capital was fundamentally flawed because it had no independent unit of measurement. Heterogeneous capital goods (i.e., a government bond, a Picasso, and a pizza oven) have no unifying physical measurement, so they have to be valued in some other way. They can be valued from past costs or expected future profits, but both of those are some capitalisation of money over time, meaning a rate of interest, which is itself presupposed by a capital value, thus making the measurement of capital into a circular operation. In that sense, capital is not only a factor of production or a tradeable asset or a social relation: it is a form of narrativity, because like narratives, capital is a conceptual organisation of time – a point that continues to be made by scholars like Jens Beckert or Stavros Tombazos.

The Cambridge Capital Controversy was never resolved. The Massachusetts Cantabridgians thought the solution would be found through better *measurement*, while the British ones thought it was a problem of *meaning*. But it was also a conflict over narrative, whether capital is the outcome of historical processes, whether distribution is the outcome of present politics, whether time can be a homogenous numeraire for establishing value without also allowing a return of the labour theory of value, which was historically expressed through a struggle over the allocation of the working day. The narrative of capital is one of continuity and duration, on a time scale that exceeds human lifespans, because capital is potentially immortal, either in corporate form or embodied in the physical environment. Governments come and go, social movements rise and fall, and the long-run rate of return on capital sails serenely along, majestically indifferent.

Ongoing capital controversies

The tension at the heart of capitalist temporality can be apprehended by the different meanings of the word 'secular.' It can mean 'not religious', deriving from the Latin *saeculum*, which was a period of time equivalent to a human lifespan. In that sense, secular things were worldly human things, as opposed to timeless divine things. By contrast, economists use the word to refer to trends or processes that last a long time, across many cycles or periods of fluctuation. For an economy, a human life is a very long time; for a religion, it is almost no time at all. The temporality of capital lies somewhere in between, rendering its history very difficult to narrativise. Thus the gap: capital can be understood timelessly, as a factor of production, or as a conceptual organisation of time beyond a human lifespan.

The temporal problem of capital specifically is recapitulated at the level of capitalist economies generally. From at least the 1990s onward, the promise of economic growth has served as the general source of meaning in the future orientation of capitalism. As a concept, economic growth entails an idea of future progress. It can give meaning to past suffering: the loss of jobs, industry, and livelihoods was in fact 'creative destruction.' It can unify the personal and the social: personal wealth and national wealth alike are signs of providence, salvation, and worth, or hard work and efficiency. It is at once a goal of government action, a subject of political contestation, and a tool for rendering judgment.

In the 1950s and 1960s, the projected endpoint of economic growth was an 'affluent society' or 'high mass consumption', but since 2008, many observers have been losing faith in the redemptive future of economic growth, and they express their doubts with new narratives of the past. Wolfgang Streeck argues that the accumulation, profit and productivity mechanisms of the global economy have been broken since the 1970s, and since then capitalists have been 'buying time' with a series of short-term fixes. Robert Gordon argues that essentially all American economic growth corresponded to the one-time adoption of technological improvements in the 'special century' of 1870–1970. Barry Eichengreen argues that in the 1970s, Western Europe never solved the problem of transition from extensive post-war growth to intensive technological growth. Since 2012, Lawrence Summers and his coauthors have produced a wave of publications on the idea of 'secular stagnation', which now also features in worried studies by the IMF and the Federal Reserve. Secular stagnation is a claim that the 'natural rate of interest' has approached zero or even turned negative, due to insufficient demand leading to excess savings and an absence of productive investments caused by decreased capital intensity in key industries. As a result, market forces are permanently insufficient to return an economy to full employment and full potential output. The relationship between capital accumulation and economic growth has come unmoored. A 2021 McKinsey report found that 'the historic link between the growth of wealth of net worth, and the value of economic flows such as GDP no longer holds.' From Solow onward, the theory of

economic growth has been predicated on increases in productivity driven by capital accumulation. If the link between capital and growth is broken, what is the imaginable economic future?

These are narratives of general economic decline, rooted in narratives about the specifically declining effectiveness of capital. They also reveal a version of what the intellectual historian Peter E. Gordon calls 'the normative deficit of modernity.' He uses the term to describe the anxieties of Walter Benjamin, Theodor W. Adorno, and Max Horkheimer, as each confronted the failure of the redemptive proletarian revolution to arrive and each moved into different, pessimistic forms of theology in a search for meaning. Benjamin especially rejected the allure of what he called 'left-wing melancholia', a morbid obsession with revisiting the narrative terms of the past instead of confronting the new forms of the social order. The technocratic melancholia of the economists is found in the incommensurability of the material future with the conceptual temporal requirements of capital. It is clear that permanent economic growth and a global society of 'high mass consumption' are impossible given climate change and resource constraints. Whether secular stagnation is real or not, markets have now spent decades persistently misallocating capital, producing neither productivity growth nor stability, and despite trillions of dollars in quantitative easing, somehow generated an environment of what the U.S. Council of Economic Advisers calls 'persistent underinvestment.' Both politically and economically, ours is an age confronted by enormous challenges demanding collective action, but the politics of collective action have been undercut by a 40-year project of converting democratic imaginaries into economic logics that hinged on the assumption of future growth. And now, those economic logics are proving to be either insufficient or actively hostile to collective action, even for the purposes of their own preservation. Without an agential force, a thinkable redemptive future, and a credible theory of change, the remaining options for the assignment of meaning and construction of economic narratives are melancholia, stagnation and decline.

William H. Sewell, Jr.
Economic Narratives in a Commodified World

As Karl Marx pointed out at the beginning of Volume 1 of *Capital,* the capitalist economy is composed of commodities of all descriptions, each of which has a monetary price, or 'exchange value.' Turning this statement around, we can say that anything that can be assigned a price becomes a commodity and therefore becomes subject to the fundamentally numerical laws of commodity exchange. I believe that this simple and seemingly obvious fact about the capitalist economy has very far-reaching consequences for economic life, for modern social life in general, and therefore for the fashioning of economic narratives.

In pre-capitalist economies, people satisfied most of their wants by means of their own labour or that of their immediate community. They frequently engaged in exchange, but the value of the goods exchanged either was not specified by money prices or constituted only a small portion of the goods produced and consumed. But once the bulk of a given population is absolutely dependent for the perpetuation of their social and physical lives on the purchase and/or the sale of commodities, including the sale of that peculiar commodity known as 'labour', we have a capitalist economy. In a capitalist economy, every commodity is automatically commensurated with every other commodity by means of its monetary price. This universalising price system produces incentives that, over time, have had the effect of increasing the general level of wealth. It has done so above all by incentivising economic innovations.

In a competitive capitalist economy, all producers of commodities, whether goods or services, are incentivised to innovate by lowering their cost of production and/or improving the quality of their product. When they do so successfully, they gain market share and/or enhance their rate of

profit, enabling them to accumulate capital. The innovator's rising profits will also incentivise competitors to copy the innovation, or attempt a counter-innovation, which will increase supply and, eventually, drive down the initial innovator's profit margins. The net result of such a cycle of innovation and counter-innovation will be an increased supply of superior products, perhaps at a reduced price, and a significant accumulation of capital by the successful innovators. This process, going on simultaneously across the economy, leads to real economic expansion, that is, to sustained growth in income per head.

As demand for the more efficiently and abundantly produced good reaches its limits and profit rates fall, the capital accumulated by the innovators will be encouraged to seek new outlets, in new industries or in geographically more distant markets not yet touched by the latest innovations. (David Harvey calls this move into distant markets a 'spatial fix.') Capitalist spatial fixes require investment in new infrastructures for transportation, production, finance and marketing – and in turn generate enhanced profits. The process of capitalist production of commodities is, hence, both intensively and extensively expansive, both deepening capital investment and expanding its geographical reach. The generalisation of this dynamic, guided by the commodified economy's price system, has the overall effect of increasing the aggregate efficiency of production, causing real economic expansion – that is, an increase in real income per capita over an increasing geographical range. By a succession of such innovations and spatial fixes, capitalist dynamics have, over the past two or three centuries, expanded over virtually the entire globe.

This universality of the commodity form, with its automatically generated system-wide web of arithmetic equivalences, forms a Hayekian cybernetic system, one that has, so far, been a net benefit to the human species. Modern humans, not only in the word's rich countries, but even in the poor countries, live much longer and healthier lives and have significantly taller, heavier and stronger bodies than their forebears of several generations back. This is true even though the world's population has increased roughly ten-fold in the past three hundred years. On the whole, capitalism, with its partner modern science, has revolutionised and greatly improved humans' physical lives.

Creative destruction

However, capitalism's fundamentally expansive system of universal numerical equivalences has also had some distressing economic features. Business cycles, bubbles and an endless progression of spatial fixes result from the constant churning that is a distinctive temporal signature of capitalist economies. The constant and relatively accurate numerical signalling intrinsic to a commodity-dominated world has rendered all existing economic institutions susceptible to clear but ever shifting monetary incentives: to invest in new and more profitable products, technologies and new forms of organisation of production or distribution. This results not only in economy-wide fluctuations like business cycles, but also rises and falls of particular industries, cities, regions and nations as the waves of innovation and investment create new goods, new social environments, new occupations, new spatial fixes and new modes of life – but also wipes out, impoverishes, depopulates and deskills existing forms of economic and social life. The capitalist era is not only one of remarkable overall improvement in longevity and physical well-being, but one of endemic localised social disruption and widespread cultural despair. Capitalism's inherent dynamism ineluctably generates geographically and industrially specific waves of social and moral disruption as the inevitable underside of progress – and has done so from the brutal decline of the English hand-loom weavers in the early 19th century to that of the steel-workers of Youngstown and Cleveland in the late 20th century. In such places, all that was solid certainly melted into air.

Another effect of the universal monetary equivalence of commodities is the ever-increasing invasion of the commodity form into all spheres of social life as innovative capitalists figure out

new profitable schemes and devices. This feature goes back very far into the history of capitalism: early capitalism commodified not only physical items like cloth, lumber, ships, books and porcelain, but fashion, news, theatre, music or the café experience. The current onrush of commodification associated with the internet has reached very far into social existence. The virtual universality of smart phones, the dating websites, the digital management of service workers' schedules to maximise profits, the emergence of the 'influencer' as a career category, image management of all sorts and the absolute saturation of the world by advertisement: modern virtual capitalism threatens to usurp and to reshape in its own image (that is, to commodify) the whole of social life – including, obviously and ominously, political life.

Capitalism's ability to stamp so much of the world with the commodity form, to make virtually everything into a source of numerically expressed exchange value, faces its ultimate challenge in global environmental change. Rising carbon emissions; the growing threat of micro-plastics to marine life; the destruction of forests to make space for soy bean or oil-palm cultivation or beef raising; the drastically shrinking insect and bird populations and the development of superweeds as a consequence of pesticide use: all of these and more are consequences of the rampant and increasingly unsustainable commodification of the world. The climate crisis seems to demonstrate that commodification of the world for the production of monetary gain, in spite of its overall positive effects on human life to date, is in fact incompatible with the long-term survival of human civilisation. Can the scientific knowledge that has grown up in a mutual embrace with capitalism emancipate itself from the commodity form? Is there anything we can do in our project on economic narratives that might help to bring about that necessary divorce? If so, our project has a powerful reason for existence.

A commodified thought-world

However, we also must recognise that we ourselves – yes, even we critically aware scholars – are powerfully formed by the ubiquity of commodity relations. Only the increasing affluence of the world has made it possible for ever more people to earn a comfortable living by devoting their lives to research scholarship. More fundamentally, the structure of modern thought is itself closely intertwined with the numerically structured world that capitalism has created. Modern science, which has grown up in a complex interdependent relationship with capitalism, has also been based from the beginning on the cultivation of a numerical mode of thought and an assumption that knowledge is not fixed but ever-advancing and ever self-transforming. There is, moreover, a longstanding interdependence between capitalist technical progress and scientific advance. The social sciences, too, have made enormous and fruitful use of quantitative methods, and are constantly searching for methodological novelty and intellectual progress. We must recognise that even such a 'soft' social science as history is deeply penetrated by the progressive, innovation-seeking mentality spawned by a capitalist world. That obviously includes us, in our exploration of economic narratives and their effects.

The economics profession, by far the most influential of the social sciences in our contemporary world, has developed in an especially tight embrace with the commodity form. Economics has become a mathematised discipline, one whose methods and rhetoric probably have more in common with physics than with sociology, geography or political science, not to mention anthropology or history. Contemporary economics doesn't just use statistics; it produces theories that are stated as sets of mathematical equations. On reflection, the reason for this extreme mathematisation is obvious: economists' object of study is the production, exchange and consumption of economic goods – processes that are themselves fundamentally structured by the numerical character of the commodity. Economists have found, not surprisingly, that mathematical methods afford a

privileged grasp of a field of activity that is essentially structured by the production and sales of numerically priced commodities.

But economic life is necessarily intertwined with social, political, moral, administrative and legal relations that are not readily graspable in mathematical terms. Although many of the intellectual specialists who study them have been affected to a greater or lesser degree by the prestige of mathematical thinking, these aspects of life are largely structured by verbal, gestural, authoritative and emotional relations, and lack the intrinsically mathematical structures and process that dominate economic life. This poses interesting conceptual issues about how relations between such differently structured but deeply interdependent social facts should be conceptualised. But most economists are so enthralled by the scientific allure of mathematical method that they rarely consider these issues. Otherwise put, economics as an intellectual undertaking lacks critical distance from its object of study, accepting as the true nature of things that anything of value has an intrinsic numerical price. Many economists, following the example of Gary Becker, believe that price theory is an adequate basis for the understanding of the entirety of social life.

The conceptual gulf between historians' narrative methods and instincts and economists' mathematical mind-set obviously poses a challenge to a project on economic narratives. It seems to me a fascinating challenge, and one eminently worth taking up. After all, commodity based economic life is actually deeply structured by a system-wide web of arithmetic equivalences, which have become a defining fact of the social world of the capitalist era. How to treat such arithmetic social facts with simultaneous recognition and critical distance seems to me an absolutely vital problem for a project on economic narratives.