

## Rejoinders

TO THE EDITORS OF THE JOURNAL OF ECONOMIC HISTORY:

In Mr. Nussbaum's review of *War and Prices in Spain* he concedes that the data are extensive and reliable, but says "the text" adds little to "the figures" except from "official acts of governmental organs and . . . legislation." Anyone who looks for himself will see there are "additions" from contemporaneous periodicals, memoirs, books of travel, economic classics, central-bank records, ecclesiastical documents, colonial dispatches, and diplomatic correspondence. In range and variety these are exceptional, if not unique, in basic price history. Furthermore, my most frequent citation is *Alcaldes de Casa y Corte* documents, which Kany, a literary historian, also used most often in his *Life and Manners in Madrid*. Mr. Nussbaum says prices "for some ninety different products" are listed for 1651-1800, and "some of these are reduced to price-index form." More than 94 per cent are. I did not indicate the length of my day or week collecting data, but merely stated how long "it was generally possible to work" in hospital archives (Dean Haskins was restricted to one hour a day at Toledo [*Mediaeval Science*, p. 229], where the only limit in the hospital archives was one's physical endurance).

I did not "hint" but clearly stated that the marked lag of wages behind prices in 1751-1800 stimulated economic development through profit inflation, incentive to invest, and capital formation. Data for Spain, England, and France support my thesis. Mr. Nussbaum contends "it would be just as correct to say that low wages limited the market of the . . . capitalist and that bad social conditions limited" productivity. If low wages had "limited the market," to the injury of capitalists in general, prices necessarily would have *fallen*. They could not have *risen*, as they did. Since I spoke (p. 223) of "the decrease in efficiency [in England] resulting from . . . the lower standard of consumption accompanying the fall in real wages," Mr. Nussbaum's observation concerning "bad social conditions" is hardly original. But if they limited productivity sufficiently to obstruct capital formation, why have both Soviet Russia and the British Labour government kept real wages from rising in an effort to develop their industries?

I did not say (THE TASKS OF ECONOMIC HISTORY, Vol. IV) that "in patterns . . . wherein change is of the essence, the price symbol loses all integrity . . ." or anything resembling that. By pointing out that estimates of price movements over the longest possible periods "in terms of any specific monetary unit or price system" are "valuable" (*ibid.*, p. 50), I said the opposite. The justification for not extending price series over too long a period, which Mr. Nussbaum could not see, can be found in any standard work on index numbers. He asks whether a political state is "in any sense valid as a unit for . . . price history." Since states have independent monetary systems, obviously they must be taken separately in basic research. The price histories of most countries, written from primary sources, embody more than twenty-five years' work. Is life expectancy great enough for anyone to tackle even three countries? By using my index, Mr. Nuss-

baum could easily have seen that the "one pregnant sentence neither repeated nor developed" is by no means the only place I consider the interdependence of monetary disorder and economic decadence. Also he would have seen how closely my "story" is related to economic and political history and to economic thought and how "communicative" I was in regard to what the "data mean" to me. My serious errors in saying "prices" lagged behind "wages" (p. 223, lines 6-7) instead of the reverse, and "seventeenth" instead of eighteenth (p. 54, line 2), Mr. Nussbaum did not catch. Incidentally, two of his three page references to my work are wrong.

Mr. Nussbaum's omissions rival his inaccuracies. He overlooked wages and price control (to which entire chapters are devoted), effects of wars on prices (particularly the insignificant influence in 1651-1700 and the tendency for prices to *fall* during conflicts with strong naval powers in most of the eighteenth century and to *rise* after their close), secular and cyclical movements, changes in price relationships of groups and commodities, beneficial results of monetary stability, catastrophic consequences of alternate inflation and deflation (the worst possible type of monetary behavior), and riots resulting from violent price changes. These are fundamental.

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TO THE EDITORS OF THE JOURNAL OF ECONOMIC HISTORY:

As space for rejoinder is properly limited, I wish to restrict myself to three points. 1. In his article on "The Use and Misuse of Price History," Mr. Hamilton says that if price index numbers are properly made and "if they are limited to spans not exceeding, say, fifty years, with the base near the middle of the period, they can indicate the time and the direction of change in the purchasing power of money with precision and measure the magnitude of change with sufficient accuracy to meet a wider variety of historical needs than any scholar can now visualize or foresee." I take it that this means that the connection between prices at one end and another of a long period is at best uncertain and, in the case of some social disruption, meaningless except as arithmetic.

2. Turgot said long ago that to understand economics, it is necessary to ignore national boundaries. Sombart, completing *Der Moderne Kapitalismus*, said, "Now that the economic history of Europe has been written, it is possible to write the economic history of England, France, etc." Spain was integral with Europe, and all the connections, import and export, exchange, travel, migration, and the like are relevant to the price situation. By Mr. Hamilton, they are only slightly noticed.

3. Mr. Hamilton's index guides the reader to several expressions about "the interdependence of monetary disorder and economic decadence" that do not cohere—among others, "Economic decadence aggravated . . . depreciation" (p. 4); inflation was "at once a result and a fundamental cause of the economic decline" (p. 37); "chaotic price behavior not only perturbed economic life but ranked as an important factor in Spanish decadence" (p. 134); "It was scarcely fortuitous that extraordinary stability of commodity prices accompanied the economic revival."

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