

Robert Fredona and Sophus A. Reinert

Italy and the Origins of Capitalism

Keywords: early capitalism, economic theory, Italy, Great Divergence, Harvard Business School, Werner Sombart, Max Weber, Frederic C. Lane, Robert S. Lopez, Raymond de Roover

Capitalism does not seem like a concept in danger of disappearing.¹ At the Fourth Congress of the International Economic History Association, which met in Bloomington, Indiana, in September 1968, however, the term itself was under siege. The association's president, Frederic C. Lane (Figure 1, left), a historian of Renaissance Venice's shipping and shipbuilding industries who by that time had also become one of American economic history's foremost impresarios, noted that some of the Congress's participants found the very term "offensive or at least distasteful" and he set about trying to avert a "semantic battle."² In an

William Caferro, Richard Goldthwaite, Julius Kirshner, Reinhold Mueller, John Najemy, Erik S. Reinert, Daniel Lord Smail, and Francesca Trivellato helped us to think more rigorously about the ideas in this essay; Elizabeth Leh provided additional expert assistance, especially in obtaining photographic reproduction rights; we thank them, and we also thank Geoffrey Jones and Walter Friedman of Harvard Business School's Business History Initiative for their continuing support and capacious vision of what business history can be.

¹ Though see, for the record, Daron Acemoglu, "Capitalism," in *Economic Ideas You Should Forget*, ed. Bruno Frey and David Iselin (Cham, Switzerland, 2017), 1–3.

² Frederic C. Lane, "Meanings of Capitalism," in "The Tasks of Economic History," ed. Frederic C. Lane, special issue, *Journal of Economic History* 29, no. 1 (1969): 5–12. A number of items by Lane were reprinted in Lane, *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises* (Albany, 1979); Lane appears to have had in mind this short "memo" (reprinted as chapter 5) when he expressed discomfort with calling all of the items "essays." See Lane to William D. Eastman, 23 Mar. 1979, MS-O381, series 2, box 7, Frederic C. Lane Papers, John Hopkins University Libraries (hereafter Lane Papers). Worth noting also, in the same folder, are Lane's early extensive notes on the stadial theories of the German Historical School, notes that found their way into the important introduction of *Profits from Power*, 1–11. For further details on the controversy in Bloomington, see Lane, "Introductory Note," in "The Tasks of Economic History," 1–4. The title of the 1969 special issue of the *Journal of Economic History* was recycled in honor of Edwin F. Gay, who had entitled his inaugural lecture as first president of the Economic History Association "The Task of Economic History"; see supplement, *Journal of Economic History* 1, no. S1 (1941): 9–16; on Gay's lecture, see Sophus A. Reinert, "Historical Political Economy," in *The Palgrave Handbook*

Business History Review 94 (Spring 2020): 5–38. doi:10.1017/S0007680520000057

© 2020 The President and Fellows of Harvard College. ISSN 0007-6805; 2044-768X (Web).



Figure 1. *Above left*, Frederic C. Lane; *above right*, Arthur H. Cole. (Sources: Lane photograph, Image #14963, Ferdinand Hamburger Archives, Sheridan Libraries, Johns Hopkins University; Cole photograph, 1956, © Yousuf Karsh, courtesy of the Estate of Yousuf Karsh.)

attempt to find common ground, Lane circulated a memorandum, entitled “Meanings of Capitalism,” before the Congress and solicited early comments from a small group of leading economic and business historians. The document bore the clear marks of Lane’s long-term interest in sociology. Already in 1940, Lane had invited Talcott Parsons to lecture at Johns Hopkins University. Parsons, a Harvard sociologist close to both the epochal economist Joseph A. Schumpeter (Figure 5, left) and the first dean of Harvard Business School (HBS), Edwin F. Gay (Figure 3, left), had received his PhD in Heidelberg, appropriately, with a dissertation titled “Capitalism in Sombart and Max Weber,” and he published the first English-language translation of Weber’s *Protestant Ethic* in 1930.³

of Political Economy, ed. Ivano Cardinale and Roberto Scazzieri (Basingstoke, 2018), 133–69. On Lane, see the biographical sketch by Reinhold C. Mueller, “Frederic C. Lane, 1900–1984: Un profilo, con bibliografia aggiornata,” *Ateneo veneto* 171 (1984): 269–75; for more detail on Lane as impresario of American economic history, see Giuliana Gemelli, “Leadership and Mind’: Frederic C. Lane as Cultural Entrepreneur and Diplomat,” *Minerva* 41, no. 2 (2003): 115–32; for Lane’s thoughts on the origins of capitalism, see Melissa Meriam Bullard, S. R. Epstein, Benjamin G. Kohl, and Susan Mosher Stuard, “Where History and Theory Interact: Frederic C. Lane on the Emergence of Capitalism,” *Speculum* 79, no. 1 (2004): 88–119.

³ Lane’s interest in sociology long preceded, for example, the founding by Sylvia Thrupp in 1958 of the pathbreaking journal *Comparative Studies in Society and History*, in which Lane published. A copy of Talcott Parsons’s doctoral thesis, “Der Kapitalismus bei Sombart und Max

Even in 1968, for Lane, the conceptual vocabulary of “capitalism”—accumulation, rationalism, traditionalism, and so on—seemed indelibly marked by the interventions during the first decade of the twentieth century of Weber and Werner Sombart, who both, in their own ways, offered correctives to Karl Marx’s purely materialist explanatory mechanisms.

One large insurgent group in Bloomington, made up of “orthodox economists” and numerous economic historians, hoped to replace “capitalism” with “growth,” which they regarded as the “dominant concept of our discipline, its determining standard of relevance.”⁴ Another group, a self-described “band of infidels,” challenged “capitalism” and called for its “abandonment” from the strategic high ground of entrepreneurship and entrepreneurial history. Arthur H. Cole (Figure 1, right), long-time professor-librarian of HBS’s Baker Library, and organizer of the Harvard Research Center in Entrepreneurial History, active from 1948 to 1958 and influential long after, presented the case in a critical comment later published alongside Lane’s memorandum.⁵

Cole invoked historians including Fritz Redlich, Thomas Cochran, and Alfred D. Chandler who “place explanation of economic change upon business management—broadly interpreted—rather than upon any magic in the operations of capital” and who give “prime importance” to administration among the many factors affecting economic production.⁶ In this, they echoed their friend Schumpeter’s critique of the “pedestrian view that it is the accumulation of capital *per se* that propels the capitalist engine.”⁷

Weber,” is in box 1, HUGFP 42.8.2, Papers of Talcott Parsons, Early Papers, Harvard University Archives. Parsons taught in the Harvard economics department from 1927 until 1931, when a department of sociology was finally formed. On Parsons and Schumpeter, see Richard Swedberg, “Schumpeter and Talcott Parsons,” *Journal of Evolutionary Economics* 25, no. 1 (2015): 215–22. In his latter years, Parsons reminisced: “Another very important figure, for me, was the economic historian Edwin F. Gay. Gay had been trained in Germany. He got his doctorate with [Gustav] Schmoller in Berlin and he knew the background that I had been exposed to in Germany, whereas most of the Harvard economists hadn’t the slightest idea of what that stuff was all about. And most of them, not knowing anything about it, knew it was bad!” See “A Seminar with Talcott Parsons at Brown University: ‘My Life and Work’ (in Two Parts), Saturday, March 10, 1973,” in “Talcott Parsons: Economic Sociologist of the 20th Century,” ed. Laurence S. Moss and Andrew Savchenko, special issue, *American Journal of Economics and Sociology* 65, no. 1 (2006): 1–58, quotation at 8.

⁴ Lane, “Introductory Note,” 3.

⁵ On Cole in the years of this entrepreneurial insurgency, see Robert Fredona and Sophus A. Reinert, “The Harvard Research Center in Entrepreneurial History and the Daimonic Entrepreneur,” *History of Political Economy* 49, no. 2 (2017): 267–314.

⁶ Lane, “Meanings of Capitalism,” 12, quoting Cole’s comment on the memorandum.

⁷ Joseph A. Schumpeter, *A History of Economic Analysis*, ed. Elizabeth Boody Schumpeter (Oxford, 1954), 468.

The rejection of “capitalism” did achieve a modicum of success in limited disciplinary areas. In a well-known 1999 *New York Times* profile of the heterodox economist Robert Heilbroner, for example, the fact that the word *capitalism* “no longer appears in popular textbooks for Economics 101” was decried as a symptom of the abandonment of the goal of modeling “all the complexities of an economic system—the political, the sociological, the psychological, the moral, the historical,” an encompassing goal that had once defined the work of Heilbroner’s beloved “worldly philosophers.”⁸ But in academia writ large, especially since the economic crisis of a decade ago, “capitalism” has made a remarkable comeback and is (along with slavery) occasioning much of the most vibrant historical scholarship being done today, though what precisely one is to understand by the term remains open for debate.⁹

We raise the case of 1968’s semantic battle over “capitalism,” then, not as a mere historiographical curiosity but to stress that questions about the origins and development of capitalism remain—fifty years on—largely questions of, in Lane’s words, the “meanings of capitalism.” Another of the historians who replied to Lane’s memorandum was Jacques-François Bergier, a Swiss student of Fernand Braudel, perhaps now best known for drafting Switzerland’s controversial 2001 report on its wartime complicity in Nazi crimes.¹⁰ Bergier too stressed the requisite role of entrepreneurs—“in the sense,” he clarified, “that Schumpeter gives the term”—to capitalism, but he added an important observation: “Jacques Coeur [and] Cosimo de’ Medici were capitalists, but neither the France of Charles VII nor the Florence of the Medici were nations where capitalism was dominant.”¹¹ Whatever we make of this particular judgment, Bergier’s

⁸ Louis Uchitelle, “Robert Heilbroner: An Economic Pioneer Decries the Modern Field’s Narrow Focus,” *New York Times*, 23 Jan. 1999; Robert Heilbroner, *The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers*, 7th ed. (New York, 1999).

⁹ Jennifer Schuessler, “In History Departments, It’s Up with Capitalism,” *New York Times*, 6 Apr. 2013. For a foundational example of this recent trend, see Sven Beckert and Christine Desan, eds., *American Capitalism: New Histories* (New York, 2018) and the historiographical tradition to which it speaks. For an insightful definitional discussion, see Nancy Fraser and Rahel Jaeggi, *Capitalism: A Conversation in Critical Theory* (Cambridge, U.K., 2018). The so-called new history of capitalism is only one strand in this story, but for an enlightening discussion of one of its predominant themes, see John J. Clegg, “Capitalism and Slavery,” *Critical Historical Studies* 2, no. 2 (2015): 281–304, 282n2 (which also identifies finance as the field’s other main theme). For a more critical approach, see Eric Hilt, “Economic History, Historical Analysis, and the ‘New History’ of Capitalism,” *Journal of Economic History* 77, no. 2 (2017): 511–36. And for a broader picture, from a different and salutary perspective, see Walter A. Friedman, “Recent Trends in Business History Research: Capitalism, Democracy, and Innovation,” *Enterprise & Society* 18, no. 4 (2017): 748–71.

¹⁰ On Bergier as historian, see the introductory material in François Walter and Martin H. Körner, eds., *Quand la montagne aussi a une histoire: Mélanges offerts à Jean-François Bergier* (Bern, 1996), 1–24.

¹¹ Lane, “Meanings of Capitalism,” 11–12, quoting Bergier’s comment (here translated from the French). As Werner Sombart once argued, “nothing could be more absurd than populating

point speaks to something important. Just as Steven L. Kaplan, the historian of bread and French political economy, has written of the defining difference between a society with markets and a society governed by the “market principle,” so we might ask whether it is useful to think of the difference between societies, as it were, with capitalists and capitalist societies.¹² From the perspective of the contemporary global economy, a key insight of the literature on “emerging markets” highlights precisely the degree to which self-identified “capitalists” can operate in jurisdictions that are far from “capitalist,” while officially “capitalist” regimes similarly exist where large numbers of people do not organize their lives in such terms at all. Even in the twenty-first century, people continue to be “socialized” into “capitalism,” and there is no reason to believe that societies were more neatly compartmentalized around marketization in the past than they are in the present.¹³ As the Canadian science-fiction writer William Gibson, best known for his 1984 novel *Neuromancer*, famously quipped, “The future is already here—it’s just not very evenly distributed.”¹⁴ Might we say the same of capitalism in the France of Charles VII and Medici Florence? Of capitalism across history? Even of capitalism today? This was certainly the stance of the Danish socialist politician and historian Gustav Bang. In 1902 he straightforwardly equated “the modern condition” with “the age of capitalism,” the roots of which stretched “far back into the Middle Ages,” but he rightly warned that it was “impossible to draw sharp chronological lines around it,” because it appeared “with different strengths in different countries at different times” and its “transition” anyway was “gradual” and “not simultaneous in all areas.”¹⁵

the Middle Ages with economically sophisticated merchants, imbued with a capitalist mentality.” Sombart, “Medieval and Modern Commercial Enterprise,” in *Enterprise and Secular Change: Readings in Economic History*, ed. Frederic C. Lane and Jelle C. Riemersma (Homewood, IL, 1953), 25–40, at 27.

¹² Steven L. Kaplan, *Provisioning Paris: Merchants and Millers in the Grain and Flour Trade during the Eighteenth Century* (Ithaca, 1984), 23–40. See also, for the intellectual reverberations of this transition, Kaplan and Sophus A. Reinert, “The Economic Turn in Enlightenment Europe,” in *The Economic Turn: Recasting Political Economy in Enlightenment Europe*, ed. Kaplan and Reinert (London, 2019), 1–35. On the absurd extremes to which the “market principle” has been taken today, see Michael J. Sandel, *What Money Can’t Buy: The Moral Limits of Markets* (New York, 2012).

¹³ See, for example, the analysis of “institutional voids” in Krishna G. Palepu and Tarun Khanna, *Winning in Emerging Markets: A Road Map for Strategy and Execution* (Boston, 2010), 13–26; and Sophus A. Reinert, *The Academy of Fisticuffs: Political Economy and Commercial Society in Enlightenment Italy* (Cambridge, MA, 2018), 393.

¹⁴ William Gibson, *Neuromancer* (New York, 1984). On the books’ timeliness, see, among others, Fredric Jameson, *Archaeologies of the Future: The Desire Called Utopia and Other Science Fictions* (London, 2005), 93. Though others may have expressed similar formulations before, Gibson, in conversation with David Brin, described this as something he has often said. Gibson and Brin, “The Science in Science Fiction,” *Talk of the Town*, National Public Radio, 30 Nov. 1999, <https://www.npr.org/2018/10/22/1067220/the-science-in-science-fiction>.

¹⁵ Gustav Bang, *Kapitalismens gennembrud* (Copenhagen, 1902), 1–6.

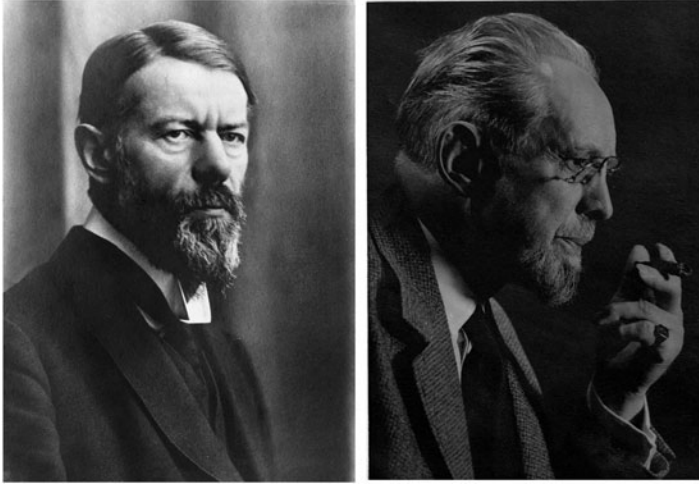


Figure 2. *Above left*, Max Weber; *above right*, Werner Sombart. (Sources: Weber photograph courtesy *Encyclopædia Britannica*, accessed 27 Feb. 2020, <https://www.britannica.com/biography/Max-Weber-German-sociologist/images-videos#/media/1/638565/32320>; Sombart photograph courtesy of Erik S. Reinert.)

Weber and Sombart

The very rubric under which this special issue is presented, “Italy and the Origins of Capitalism,” will seem, to many nonspecialists, first and foremost an affront to the so-called Weber thesis, which in its vernacular form posits Protestantism—or a “protestant ethic” emerging both from Luther’s notion of calling and from the this-worldly asceticism of Calvinism—as a prerequisite for capitalism and its “spirit” to take form. But Weber (Figure 2, left) himself resisted drawing one-way causal connections between the two terms of his title, between Protestantism and capitalism. Instead, he rigorously employed an alchemical or chemical term well known in German literature: “elective affinity,” a topos signifying a kind of kinship or convergence marked by both reciprocal attraction and mutual reinforcement.¹⁶ And, as such, in Weber (especially in the Weber of the decade after the initial publication of the *Protestant Ethic* in 1904–1905) the sixteenth century is advanced not as a strict *terminus post quem* for capitalist practices per se but for a particular type of *modern rational capitalism*. In 1910 Weber clarified this point in a pointed reply to his critic Felix Rachfahl, who had

¹⁶ Michael Löwy, “Le concept d’affinité élective chez Max Weber,” *Archives de sciences sociales des religions* 127 (2004): 93–103.



Figure 3. Above left, Edwin F. Gay; center, N. S. B. Gras; above right, Wallace B. Donham. (Sources: Gay photograph, Schlesinger Library, Radcliffe Institute, Harvard University; Gras photograph, HBS Archives Photograph Collection: Faculty and Staff [olvwork375033]; Donham photograph, HBS Archives Photograph Collection: Faculty and Staff [olvwork399909].)

published a sprawling, ninety-page review the previous year. Stressing that “large-scale capitalist development” was “known throughout history,” Weber noted that the “non-ascetic” type of capitalist had, in fact, “been around since the Pharaohs’ time.” In order to clarify his position, Weber turned, not surprisingly, to premodern Florence:

The merchant of the Florentine early Renaissance did not feel at one with his actions. Here is not the place to analyse the deep inner conflict running through the most serious men of those days, despite all their overflowing energy and apparent inner unity. These men’s restitution of property gained usuriously is just one phenomenon that fits this picture, and certainly a rather superficial one. But fit this picture it certainly does. I—and indeed anyone at all impartial—can only see in such means of self-appeasement one of the many symptoms of tension between “conscience” and “action,” of the incompatibility of the ideals of the serious-minded Catholic and the “*Deo placere non potest*” [he, i.e., the merchant, cannot please God] with “mercantile” striving for profit—an incompatibility unsurmounted even by Luther. One can understand those men’s countless practical and theoretical “compromises” precisely as “compromises.”¹⁷

¹⁷ Weber’s reply to Rachfahl appeared in the *Archiv für Sozialwissenschaft und Sozialpolitik* 30 (1910): 176–202; it has since been translated by Austin Harrington and Mary Shields in David Chalcraft and Austin Harrington, eds., *The Protestant Ethic Debate: Max Weber’s Replies to His Critics, 1907–1910* (Liverpool, 2001), 61–88, quotations at 69, 73–74. Weber’s thoughts on this controversy were partly incorporated in his revised edition of *The Protestant Ethic* (the edition translated into English by Parsons), especially in the famous footnote on Leon Battista Alberti, which also served as a response to Sombart (pp. 194–98). On the

Weber's psychological phraseology—deep inner conflict, feelings of oneness (or not) with one's actions, compromises of conscience, self-appeasement—is striking, as is his willingness to reduce the mental universe of the Florentine merchant to two existentially conflicting motivations: striving for profit, on one side, and a “serious-minded” Catholicism, on the other. Rachfahl—appropriately, we think—suggested that Weber's conception of the “spirit of capitalism” is, in this way, much too narrow because it excludes other motivations: honor, respect, well-being for one's family and kin, clientelism, power, or even service to the city-state or nation.¹⁸ And, importantly, for the same reasons, so is Weber's radically circumscribed view of Catholicism as it was practiced in a Mediterranean context bound by long-term traditions concerning family, shame, honor, and power. Perhaps more to the point, although it was easy enough for Weber to find quotations like “the merchant cannot please God” (found in the so-called *Opus imperfectum*, a commentary on the Gospel of Matthew, once attributed to fourth-century church father John Chrysostom), the merchant was anything but a wholly dishonorable figure in the city-states of late medieval Italy.¹⁹ In Florence, and other communes, membership in merchant guilds was an essential gateway to civic honors and a requisite for political office holding.²⁰ Though not a “calling” in Luther's sense, being a merchant was, for the jurist Baldo degli Ubaldi, in (likely) the first ever legal treatise on the subject of merchants, a *professio*, a professing or profession, a word with its own strongly religious overtones. And because merchants are men of “upright living and proven credibility and legality,” he could write without running afoul of any Catholic ethic in fourteenth-century

restitution of usury in medieval and Renaissance Italy, which remains a vibrant area of research, see the classic articles of Armando Sapori, “L'interesse del denaro a Firenze nel Trecento (dal un testamento di un usuraio),” in *Studi di storia economica (secoli XIII, XIV, XV)*, 3rd ed., vol. 1 (Florence, 1955), 223–43; and Florence Edler de Roover, “Restitution in Renaissance Florence,” in *Studi in onore di Armando Sapori*, vol. 1 (Milan, 1957), 773–90, which is based on material in the Selfridge Collection of Medici business records at Baker Library; Giovanna Petti Balbi, “Fenomeni usurari e restituzioni: La situazione ligure (secoli XII–XIV),” *Archivio storico italiano* 169 (2011): 199–220; and Sylvie Duval, “L'argent des pauvres: L'institution de l'*executor testamentorum et procurator pauperum* à Pise entre 1350 et 1424,” *Mélanges de l'École française de Rome – Moyen Âge* 125, no. 1 (2013), <https://doi.org/10.4000/mefrm.1157>. For a larger legal-philosophical-theological background, see the important work of Lawrin Armstrong on usury and restitution, especially *The Idea of a Moral Economy: Gerard of Siena on Usury, Restitution, and Prescription* (Toronto, 2016).

¹⁸ For a similar debate, see also Sophus A. Reinert, “The Way to Wealth around the World: Benjamin Franklin and the Globalization of American Capitalism,” *American Historical Review* 120, no. 1 (2015): 61–97.

¹⁹ It was also cited in Gratian's extraordinarily influential compilation, *Decretum Gratiani*, p.1, d.88. c.11, which lay at the heart of medieval canon law.

²⁰ On the contours of guild-based office holding in medieval Florence, see John M. Najemy, *Corporatism and Consensus in Florentine Electoral Politics, 1280–1400* (Chapel Hill, 1982).

urban Italy, “their account books are presumed to be correct and true and faithful.”²¹

Weber was rightly and explicitly uneasy about drawing a clean or bright line between the “traditionalistic” and “acquisitive” economies, but as he became more comfortable with speaking of “Ancient capitalism”—as in his long 1909 dictionary entry on “Agrarian Conditions in Antiquity”—he also became more insistent that his subject in the *Protestant Ethic* was “modern capitalism” rather than capitalism in some essential and transhistorical sense, just as “modern capitalism” had been the great subject of his friend and rival Werner Sombart (Figure 2, right), a student of Gustav von Schmoller and perhaps the most famous social scientist of his age, whose unfortunate politics traversed an unsteady arc from Marxism to national socialism.²² In chapter 20 of the heavily revised 1916–1917 edition of his *Modern Capitalism*, Sombart described the “spirit of capitalism” with heightened drama:

Capitalism came from the profound depths of the European soul. . . . It is the spirit of earthliness and worldliness, a spirit with a tremendous power for the destruction of old, natural creations, old constraints and barriers, but also a strong power for the reconstruction of new forms of life, of artificial and artistic creations, serving a purpose. . . . It is the Faustian spirit: the spirit of commotion and restlessness that now animates man.²³

For Sombart, the acquisitive economy is a “whirlpool,” a maelstrom, and men of enterprise—those “unafraid men, non-enjoying men”—are engaged in a ceaseless struggle. Theirs is a spirit of “creative destruction” that foreshadows Schumpeter and participates, explicitly, in a Nietzschean “will to power.”²⁴

Though a vocal critic of Sombart, the eminent German economist and social reformer Lujo Brentano, a leading member of the so-called

²¹ Vito Piergiovanni, “Un trattatello sui mercanti di Baldo degli Ubaldi,” *Atti della Società Ligure di Storia Patria* n.s. 52 (2012): 987–1003, 997 and 999n31. See also, on Baldo and merchant writings, Maura Fortunati, *Scrittura e prova: I libri di commercio nel diritto medievale e moderno* (Rome, 1996), 29–41.

²² Weber, “Agrarverhältnisse im Altertum” (1909), reprinted in Weber, *Gesammelte Aufsätze zur Sozial- und Wirtschaftsgeschichte*, ed. Marianne Weber (Tübingen, 1924), 1–288. On Weber’s own perceived development on this point, see *The Protestant Ethic Debate*, 75n34.

²³ Werner Sombart, *Der moderne Kapitalismus* (Munich, 1916), xx, 1, 327–30, 327. Erik S. Reinert kindly provided this translation from an in-progress translation of the 1916 edition of *Modern Capitalism*. On Sombart, see the important three-volume collection edited by Jürgen G. Backhaus, *Werner Sombart (1863–1941): Social Scientist* (Marburg, 1996).

²⁴ Hugo Reinert and Erik S. Reinert, “Creative Destruction in Economics: Nietzsche, Sombart, Schumpeter,” in *Friedrich Nietzsche (1844–1900): Economy and Society*, ed. Jürgen G. Backhaus and Wolfgang Drechsler (Dordrecht, 2006), 55–85.

Kathedersozialisten, or “Socialists of the chair,” addressed the origins of capitalism in similar terms. “Today we live in the age of capitalism,” Brentano lectured to the Bavarian Academy of Sciences on March 15, 1913, and while “the word capitalism” was “a monstrosity for many,” it remained that a large number of the very same people practiced “capitalism without even realizing it.” But what was capitalism, really? In a number of seminal essays on the topic, Brentano essentially identified “capitalism” with what Enlightenment writers had called “commercial society,” namely, a growth-oriented economy anchored in “money” rather than “land,” in which “no one consumes only what they themselves have produced.” Like Weber and Sombart, he believed there had been many “capitalist” eras, but he was always resolute in tracing what he called “new capitalism” or “modern capitalism” to the city-states of early medieval Italy, where one could observe how “the mentality of the merchant made its way into all other aspects of life.”²⁵ His deepest disagreement with Sombart resulted from the question of when, precisely, human beings began to seek a real “surplus.” Sombart’s “fundamental error” had been to follow Marx in locating this impulse for “infinite wealth” only in more recent times *after* the advent of capitalism, whereas, for Brentano, it was evident from the example of “the Medici,” and, indeed, much earlier, that “the desire for unlimited profit” was “something extremely personal, profoundly rooted in human nature, and in the desire, of all men of all races and of all peoples, to excel over others and dominate them. It did not first appear in the period of the capitalist economy but is rather common to this as to all preceding ones.” Capitalism had simply given this instinctive “desire a new direction,” in a context where it was “money, and not, as before, land, which conferred dominion over others.”²⁶ Though Brentano, too, would invoke the emotive power of Goethe’s *Faust* to convey the spirit of capitalism, his emphasis on humanity’s instinct for domination led him to formulate a pregnant, if exaggerated, critique of Sombart and earlier theorists of the phenomenon. By focusing so much on “the economy” as such, he observed polemically, his predecessors had “entirely forgotten he who, with his wit and will, first gives life to capital,” to the point of “not mentioning the entrepreneur

²⁵ Lujo Brentano, “Die Anfänge des modernen Kapitalismus,” read in 1913 but published in Brentano, *Der wirtschaftende Mensch in der Geschichte* (Leipzig, 1923), 204–60, quotes from 204, 209–13, 259. On Brentano, see James J. Sheehan, *The Career of Lujo Brentano: A Study of Liberalism and Social Reform in Germany* (Chicago, 1966). Brentano is, curiously, sometimes falsely said to have been awarded the 1927 Nobel Peace Prize for his antimilitarism. See, for an example, Antonio Giolitti, “Avvertenza,” in Lujo Brentano, *Le origini del capitalismo*, ed. Antonio Giolitti (Florence, 1968).

²⁶ Lujo Brentano, “Handel und Kapitalismus,” in *Der wirtschaftende Mensch*, 301–62, esp. 353n, 358–60.

[*Unternehmer*] even once.” As such, he concluded, there was every reason to return to the “more acute” Saint Antonino of Florence, who had been archbishop at the time of Cosimo de’ Medici the Elder and who, in his widely read *Summa*, had argued that “money is in itself only minimally lucrative, nor can it multiply itself, but it becomes lucrative due to the industry of merchants through their commerce.”²⁷

Business History

However tempting it may have been to cast a Jacques Coeur or a Cosimo de’ Medici, or, for that matter, a Rockefeller, as a Faustian entrepreneur, Sombart’s and Weber’s theories are theories inextricably embedded in the historical moment that created them. This has been true of every generation that surveyed the history of premodern capitalism, of us and of the pioneering group that, on the foundation laid by this earlier tradition, launched the field of “business history” at HBS in the 1920s and 1930s.

While Gay, Cole, and N. S. B. Gras (Figure 3, center) may have disagreed (as Weber and Sombart, and Sombart and Brentano, had) over how much attention should be paid to entrepreneurs, firms, states, and the environments in which they operated, none of them doubted the pertinence of contextualizing economic history in light of the lives and times

²⁷ Brentano, “Handel und Kapitalismus,” 361, citing the Catholic theologian Franz Xaver von Funk, “Über die ökonomischen Anschauungen der mittelalterlichen Theologen: Beiträge zur Geschichte der Nationalökonomie,” *Tübinger Zeitschrift für die gesamte Staatswissenschaft* 25 (1869): 125–175, 151n1, in turn citing Antonino’s *Summa*. For the original version of the quotation, see *Sancti Antonini archiepiscopi Florentini ordinis praedicatorum Summa theologica in quattuor partes distributa*, Pars secunda (Verona, 1740), facsimile reprint, ed. Pietro Ballerini (Graz, 1959), tit.1, cap.7, par.16, at col.99: “Pecunia ex se sola minime est lucrosa, nec valet seipsam multiplicare: sed ex industria mercantium fit per eorum negotiationes lucrosa.” The text quoted by Xaver and Brentano has “mercationes” instead of “negotiationes” with minimal or no change of sense. The sentiments of Antonino, the sterility of money in itself and the value of merchants in producing both profit and socially useful goods, were already commonplace a century earlier. When Brentano was writing, the economic thought of Antonino and his contemporaries was becoming a more and more popular subject. See, for example, the work of Carl Ilgner, *In S. Antonini Archiepiscopi Florentini sententias de Valore et de Pecunia Commentarius* (Breslau, 1902). Raymond de Roover, who is discussed below, declared St. Antonino to be one of the “two great economic thinkers of the Middle Ages” in a small volume in a series overseen by Arthur H. Cole. De Roover, *San Bernardino of Siena and Sant’Antonino of Florence: The Two Great Economic Thinkers of the Middle Ages*, Kress Library of Business and Economics Publication No. 19 (Boston, 1967). In his recent dissertation, working from autograph manuscripts of the *Summa* held at the Convent of San Marco in Florence, Jason Brown has prepared a critical edition of Antonino’s section “On merchants” (*Summa* 3.8.1, *De mercharioribus et artificibus per modum predicationis*). See Brown, “St Antonin of Florence on Justice in Buying and Selling Introduction, Critical Edition, and Translation” (PhD diss., University of Toronto, 2019), 304–18. On Antonino, see David S. Peterson, “Archbishop Antoninus: Florence and the Church in the Earlier Fifteenth Century” (PhD diss., Cornell University, 1985).

of business actors.²⁸ History had been a cornerstone of HBS's mission and pedagogy from its origins—indeed, Gay, its first dean, was a medievalist and America's first “economic historian”—but, under the direction of dean Wallace B. Donham (Figure 3, right), the late 1920s saw a concerted push to truly make the institution the world's premier site for studying the history of business. This meant the building of Baker Library's collections and the appointment of Gras, the so-called father of business history, as Isidor Straus Professor of Business History (the first such professorship) in 1927. Gras had been Gay's favorite student and, like Gay, was a medievalist steeped in the German historical tradition, from which he took a keen interest in stadial models of economic change and the notion that the history of individual firms should form the building blocks of a business-inflected economic history.²⁹

Although Gras's influence on the field of business history remains well known, the crucial part he played in the origins of Renaissance economic history is little remembered. Nearly sixty years ago, and much closer to the events, the Canadian-American historian and historiographer Wallace K. Ferguson in a historiographical essay on Renaissance economic history stressed the important role played by Gras and by business history. What distinguished business history from economic history more broadly was its source material, to be found “not in guild

²⁸ See, for an example that also highlights the group's surprisingly broad influence, Julius Kirshner to Frederic C. Lane, 8 Mar. 1971, 1r, series 2, box 7, Lane Papers. Kirshner notes, “Five years ago I was a fellow in economic history at the Harvard Business School and discussed this problem with Redlich and Coles [sic]. In many ways, they argued in the same vein as you have—that is, one must view the businessman in the context of his own operation—in order to appreciate the rhythm of entrepreneurial development. I have kept that lesson in mind.”

²⁹ For context, see Fredona and Reinert, “Harvard Research Center”; Barry E. C. Boothman, “A Theme Worthy of Epic Treatment: N. S. B. Gras and the Emergence of American Business History,” *Journal of Marketing* 21, no. 1 (2001): 61–73; and Gras, *Development of Business History up to 1950: Selections from the Unpublished Work of Norman Scott Brien Gras*, ed. Ethel C. Gras (Ann Arbor, 1962), 185–87. Gay and Gras clashed over the editorship of the short-lived HBS *Journal of Economic and Business History*, because of Gras's increasingly proselytic devotion to “business history” as a discipline distinct from economic history, but they also disagreed about stadial models in economic history. Already in 1907, Gay was very critical of Karl Bücher's stages of economic development, stressing that all generalizations must be approached with caution: “My attitude with regard to stages,” he said, “may perhaps be summed up in what Meredith somewhere says of a proverb. A proverb is like an inn; an excellent halting place for the night but a poor dwelling.” Gay, “Some Recent Theories Regarding the Stages of Economic Development,” and, responding to points raised by others at the 1906 meeting of the AEA, “Stages of Economic Development: A Discussion,” *Publications of the American Economic Association* 8, no. 1 (1907): 125–136, quotation at 136. Gras, on the other hand was deeply informed by the theory of stages. Henrietta Larson, Gras's protégée, who perhaps knew his vision for business history better than anyone, noted that Gras took “the early inspiration for his concept of economic stages” from “the theorist Von Thünen and the genetic economist Bücher,” though as he turned toward business history explicitly and away from economic history, it was the “writings of Werner Sombart and of George Unwin [that] made a deep impression on him.” Larson, “Business History: Retrospect and Prospect,” *Bulletin of the Business Historical Society* 21, no. 6 (1947): 173–99.

regulations, city ordinances, state legislation, or treatises on the conduct of business, but in the records of individual business men, partnerships, and firms—in account books, diaries, partnership agreements, notarial records, correspondence, and all the detailed evidence of the way in which a particular business actually operated.” For Ferguson, business history, “in the sense in which Professor Gras envisaged it,” encompassed works including the pathbreaking studies of the Bardi, Peruzzi, and del Bene firms by Armando Sapori (Figure 6, right); most of the work of Raymond de Roover (and, we would add, that of his wife Florence Edler de Roover) (Figure 4, left); Lane’s biography of the merchant Andrea Barbarigo; and even Iris Origo’s *Merchant of Prato*.³⁰ Gras also had a knack for creating new concepts and coining new terms, which he then imbued with momentous significance in his theoretical works, such as the defining figure of the stage of “mercantile capitalism”: the so-called sedentary merchant, who managed his business from home, using correspondence and intermediaries, in contrast to the earlier “traveling merchant,” who accompanied his own goods to trade fairs, such as the famous Champagne fairs. In the first decades of Renaissance economic history in the United States, in a testament to Gras’s impact, the “sedentary merchant” regularly appeared in the field’s most important work.³¹

³⁰ Wallace K. Ferguson, “Recent Trends in the Economic Historiography of the Renaissance,” *Studies in the Renaissance* 7 (1960): 7–26, 13–14. On Raymond de Roover, see Paola Ortelli, “Vita e opere di Raymond de Roover,” in “La Società,” special section, *Etica ed economia* 1 (2011): 9–51; see also Richard A. Goldthwaite, “Raymond de Roover on Late Medieval and Early Modern Economic History,” and Julius Kirshner, “Raymond de Roover on Scholastic Economic Thought,” both in Raymond de Roover, *Business, Banking, and Economic Thought in Late Medieval and Early Modern Europe*, ed. Julius Kirshner (Chicago, 1974), 1–14, 15–35; a full list of Raymond de Roover’s works appears on pp. 367–75. A list of works by his wife and scholarly partner, Florence Edler de Roover, may be found in Edler de Roover, *L’arte della seta a Firenze nei secoli XIV e XV*, ed. Sergio Tognetti (Florence, 1999), xxi–xxiii.

³¹ Of Gras’s sedentary/traveling merchant, Wallace K. Ferguson noted that the distinction “has since been generally accepted” in Renaissance economic history. Ferguson, “Recent Trends,” 17. Shortly after Gras’s 1939 book *Business and Capitalism* came out, his protégée Florence Edler de Roover wrote Gras from Paris: “Your book should make the use of the differentiating terms, ‘petty capitalism,’ ‘mercantile capitalism,’ etc., common. . . . I can now classify my merchants better and fit them into the picture of mercantile capitalism. . . . Last summer we spent a good part of our evening with Marc Bloch trying to find French expressions for many of your business terms that are well expressed by one or two words in English, but have no short equivalents in French or Italian.” Edler de Roover to Gras, 13 Aug. 1939, box 1, Florence Edler de Roover Papers, University of Chicago Library. Frederic Lane’s book *Andrea Barbarigo, Merchant of Venice, 1418–1449* (Baltimore, 1944) was explicitly described as a study of a “sedentary merchant” in Gras’s mold. Reinhold C. Mueller has also, more generally, noted the influence of Gras’s business history group on Lane. See Mueller’s entry “Lane, Frederic Chapin” in *The Oxford Encyclopedia of Economic History*, vol. 3, ed. Joel Mokyr (Oxford, 2003), 277–78. Raymond de Roover called attention to the “sedentary merchant,” expressly invoking Gras, throughout his chapter in *The Cambridge Economic History of Europe* and Robert S. Lopez, in his chapter, used the term some nine times. De Roover,



Figure 4. *Above left*, Raymond and Florence Edler de Roover; *above right*, Robert S. Lopez. (Sources: De Roovers photograph courtesy of Kathleen Edler Allison; Lopez photograph, Office of Public Affairs, Yale University.)



Figure 5. *Above left*, Joseph A. Schumpeter; *above right*, Jacob Viner. (Sources: Schumpeter photograph, HUGBS 276.90, [olvwork351238], Harvard University Archives; Viner photograph, Special Collections Research Center, University of Chicago Library.)

“The Organization of Trade,” in *The Cambridge Economic History of Europe*, vol. 3, *Economic Organisation and Policies in the Middle Ages*, ed. M. M. Postan, E. E. Rich, and Edward Miller (Cambridge, U.K., 1963), 42–118, esp. 74; Lopez, “The Trade of Medieval Europe: The South,” in *The Cambridge Economic History of Europe*, vol. 2, *Trade and Industry in the Middle Ages*, ed. M. M. Postan and E. E. Rich, 2nd ed. (Cambridge, U.K., 1952), 306–401. De Roover, who received his HBS MBA in 1938 under Gras’s guidance, dedicated his first book on the subject, *The Medici Bank: Its Organization, Management, Operations, and Decline* (New York, 1948), “to N. S. B. Gras, whose teaching inspired this study of one of the most famous business firms in history” (p. v; see also xiv). We are currently completing a biography of Florence Edler de

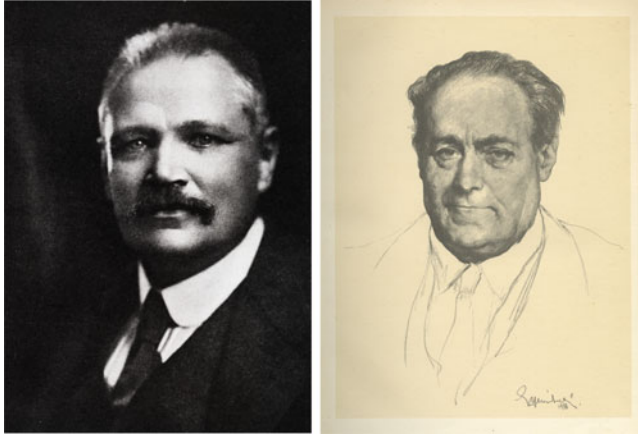


Figure 6. *Above left*, Michael Rostovtzeff; *above right*, Armando Sapori. (Sources: Rostovtzeff photograph, courtesy of the University of Wisconsin-Madison Archives [ID X251709]; Sapori photograph, courtesy of the Baker Old Class Collection, Baker Library, Harvard Business School; image from *Studi in Onore Di Armando Sapori*, vol. 1, [Milan, 1957], frontmatter.)

A unifying aim of the early group of economists orbiting HBS was explicitly to make the study of business and capitalism proper more historical and to push the field of inquiry, and the “roots” of “modernity” as such, deeper into the past. In 1941, Gras delivered a paper entitled “Capitalism—Concepts and History” at the American Historical Association’s annual meeting, positing “capitalism” as a “basically psychological concept,” behind which there was a “will to save, to plan, to advance, to accumulate, and to attain security.” In short, he argued, against Weber’s more focalized definition, “the essential element in the system of capitalism is administration.”³² At the time, Gras asked de Roover

Roover, which will address in detail the de Roovers’ debts to Gras. Not everyone, of course, was convinced about the “sedentary merchant”: Shepard B. Clough, for example, found “extravagant” Gras’s claim “that economic history for the period 1200–1800 has to be rewritten because of his discovery of the sedentary merchant.” Clough, review of *Business and Capitalism*, by Gras, and *Casebook in American Business History*, by Gras and Larson, *Political Science Quarterly* 55, no. 2 (1940): 273–75.

³² N. S. B. Gras, “Capitalism—Concepts and History,” *Bulletin of the Business Historical Society* 16, no. 2 (1942): 21–34, at 68; Raymond de Roover, “Discussion by Raymond de Roover,” *Bulletin of the Business Historical Society* 16, no. 2 (1942): 34–39. Of course, the idea of a “commercial revolution” was not new. Lane, for example, had published “Venetian Shipping during the Commercial Revolution,” *American Historical Review* 38, no. 2 (1933): 219–39, but this revolution occurred in the transition from the fifteenth to sixteenth century, or around then (p. 219). Ed Muir has described this article as “the earliest example of extensive research by an American in an Italian archive.” Muir, “The Italian Renaissance in America,” *American Historical Review* 100, no. 4 (1995): 1095–1118, 1106n45. De Roover expressly rejects a sixteenth-century “commercial revolution” in his discussion, in a section boldly titled “No Commercial Revolution in the Sixteenth Century” (p. 37), directed

to provide the perspective of medieval history as a discussant; de Roover's short discussion, which evidently was inspired by Saporì's earlier work and built upon Gras's interest in "forms of business and problems of management," did nothing less than posit a new paradigm for medieval capitalism at odds with the views of both Sombart and Weber: a "commercial revolution" occurring in Italy in the late thirteenth century.³³ This view, and later versions such as that of the Italian émigré and Yale economic historian Robert S. Lopez (Figure 4, right) (whom Gras had helped settle in the United States)—in his famous 1971 book *The Commercial Revolution of the Middle Ages*, which pushed the revolution further back and expanded its space to the wider Italian Mediterranean—soon became the dominant paradigm in premodern economic history concerning the origins of capitalism.³⁴ But what did it matter, really, when "capitalism" emerged?

Already in an internal business school memo of 1928, Nathan Isaacs, professor of business law at HBS, had argued,

The Medici did not belong to a different business civilization, a different dynasty, so to speak, from ours—our methods are built on theirs. The system of bookkeeping prevailing in the modern world today is still known as "Italian." The capitalist regime was not only foreshadowed—the Medici were the first great capitalists in the modern sense.

not at Lane but at those who associated this revolution with England's rise to prominence on the global commercial stage.

³³ Though Sombart had argued that "medieval trade" was "instrumental in the development of capitalist forms of organization," he nonetheless maintained that it "had nothing in common with modern capitalism." See Sombart, "Medieval and Modern Commercial Enterprise," 34–35.

³⁴ Robert Lopez's *The Commercial Revolution of the Middle Ages, 950–1350* was published by Prentice-Hall in 1971 and by Cambridge University Press in 1976 and subsequently reprinted many times. In 1945, when Lopez was hired by Yale University, he wrote Gras to thank him: "I think with both remorse and deep gratitude of the amount of letters you must have had to write on my behalf before my pilgrimage could end." Lopez to Gras, 20 Nov. 1945, box 3, folder 2, Norman S. B. Gras Papers, Baker Library Special Collections, HBS (hereafter BLSC). Lopez's library contained a number of Gras's works, including at least one autographed offprint; see box 23, folder 13, Robert S. Lopez Collection, Arizona State University, Tempe. Unsurprisingly, Lopez himself favored the *longue durée*. As he wrote to Eric Cochrane upon hearing Cochrane had embarked on his *Florence in the Forgotten Centuries, 1537–1800* (Chicago, 1973), "Best of luck on your history of Florence from 1530 on, a much needed job, for on the whole the history of Tuscany falls into the doldrums after 1530. . . . I am glad that at long last the Society for Italian Historical Studies faces up to the fact that the history of Italy begins somewhat before 1815, but even so, I think it would be bolder and more useful to give admission to the whole run of Italian history, from Neanderthal to Neanderthal (Mussolini). Surely there are problems that run through the history of the country." Lopez to Cochrane, 15 Feb. 1963, MS 1459, series 1, box 3, folder 50, Robert Sabatino Lopez Papers, Yale University Archives (hereafter RSLP). For a very brief sketch of Lopez's career, see Archibald R. Lewis, Jaroslav Pelikan, and David Herlihy, "Robert Sabatino Lopez," *Speculum* 63, no. 3 (1988): 763–65. Lopez's publications are listed in Harry A. Miskimin, David Herlihy, and A. L. Udovitch, *The Medieval City: In Honor of Robert S. Lopez* (New Haven, 1977), 329–34.

However the solutions may have differed, problems of their business life were not unlike ours. . . . The problems are different but the differences are instructive.³⁵

And when he lectured in Turin in 1974 on the rise of modern business, almost half a century later, Chandler made a similar point: “The American merchants of the nineteenth century and the Italian merchants of the thirteenth century used the same form of partnership or joint ventures, sold in the same way on consignment and commission, and used the same type of double-entry bookkeeping.”³⁶ What ultimately and meaningfully would change, for Chandler, was, of course, the scale and scope of firms. Where the Medici bank in 1470 had only seven branches and 57 employees at its main branch, “the BayBank where I have my checking account,” he noted, “operates over 200 branches, has close to 5,000 employees, some 300 managers, and daily clears 1.25 million checks.”³⁷ All of Isaacs’s and Chandler’s specific points can certainly be problematized, but their confidence in the comparative relevance of pre-modern business outlines the backbone of a venerable tradition of engaging with the phenomenon. If, as the case method they championed often implicitly or explicitly assumes, judgment is developed by knowledge gained through practice, then history remains our most valuable store of such experience by proxy.³⁸ It was in this spirit that Gras, in his first HBS lecture on business history, on September 27, 1927, told his students that history “should give a man a perspective. It should give him suggestions. It should provide an interpretation of factors and situations.”³⁹ In effect, as Gras wrote only half-jokingly to then HBS dean Donham in 1929, he was simply being more transparent about the historical nature of the case method as such: “It does not seem extravagant to hold that all of the other courses in the School of Business are recent

³⁵ N. I. [Nathan Isaacs], “Memorandum for Mr. Eaton re. The Medici Collection,” 25 Apr. 1928, 4; the memo was revised on May 16, 1928, and incorporated into “The Florentine Merchant and the Law’s Delays,” Harvard Business School Arch GA41, box 1, folder “Medici Collection at Baker Library 1928,” Nathan Isaacs Papers, 1915–1941, BLSC. On the Selfridge collection of Medici manuscripts donated to HBS, which inspired Isaacs’s musings, see, for now, the entry in Seymour De’ Ricci, *Census of Medieval and Renaissance Manuscripts in the United States and Canada*, vol. 1 (New York, 1935), 1052–53.

³⁶ Alfred D. Chandler, “The Rise of Large-Scale Business Enterprise” (lecture, Fondazione Giovanni Agnelli, Turin, Italy, 14 Mar. 1974), box 150, folder 15, Alfred D. Chandler Jr. Papers, BLSC.

³⁷ The comparison of the scale of the Medici and BayBank is in Chandler, “The Beginnings of the Modern Industrial Corporation,” *Proceedings of the American Philosophical Society* 130, no. 4 (1986): 382n1. For Chandler’s interest in the scale and scope of business, see, of course, his *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, MA, 1994).

³⁸ See, generally, C. Roland Christensen, David A. Garvin, and Ann Sweet, eds., *Education for Judgment: The Artistry of Discussion Leadership* (Boston, 1992); and Reinert, “Historical Political Economy.”

³⁹ Gras, *The Development of Business History up to 1950*, 180–81.

business history. I say this, of course, with my tongue in my cheek, but still I believe there is a good deal of truth in it.”⁴⁰ The history of capitalism, in short, was relevant for Gras and his followers as a repository of experience from which to derive knowledge and, ultimately, with which to refine one’s judgment. Yet, even for insiders within this group, the question of how to relate to such historical dynamics across the centuries could be vexing.

The Roots of Modernity

In de Roover’s classic 1958 *Business History Review* article, “The Story of the Alberti Company of Florence, 1302–1348, as Revealed in Its Account Books”—almost the Platonic form of an ideal business history in the mold of Gras: the history of a firm, based on its books—the Belgian-American accountant and historian noted, in a footnote to a discussion of how Leon Battista Alberti’s *Della famiglia* was “only one among several treatises on household management after the manner of Xenophon,” that “one of these treatises, that of Benedetto Cotrugli (*Della mercatura e del mercante perfetto*), written in 1459, but published only in 1573, actually has a chapter entitled ‘L’uomo economo’ (The Economic Man). Of course, this expression does not have the same meaning as that attached to it by economists today: it refers simply to an efficient household and business manager.”⁴¹ De Roover had been interested in the Ragusan merchant and humanist Cotrugli for some time and discussed him, among others, with the great Chicago economist Jacob Viner (Figure 5, right).⁴² In a 1956 letter reminiscing about one of their encounters, de Roover recounted how, “in the course of the conversation, I mentioned a book of the XVth century in which I found a chapter actually entitled ‘l’Uomo economico’ (The Economic Man).” The book in question was, of course, Cotrugli’s *Della mercatura*, and, de Roover went on, “as for the chapter on the ‘Economic Man,’ it is by no means an economic man in the modern sense, but an efficient administrator of his private household in the same sense of Xenophon’s economics.”⁴³ This was, almost

⁴⁰ N. S. B. Gras to Wallace B. Donham, 19 Oct. 1929, in series I (Correspondence), carton 1, folder 53 (Donham, Wallace, 1927–1947), Norman S. B. Gras Papers, BLSC.

⁴¹ Raymond de Roover, “The Story of the Alberti Company of Florence, 1302–1348, as Revealed in Its Account Books,” *Business History Review* 32, no. 1 (1958): 17–18n15.

⁴² For Viner and his thoughts, see Jacob Viner, *Essays on the Intellectual History of Economics*, ed. Douglas A. Irwin (Princeton, 1991).

⁴³ Raymond de Roover to Jacob Viner, 15 June 1956, 1r, Jacob Viner Papers (MC #138), box 8, folder 12 (de Roover, Raymond, 1940–1967), Seeley G. Mudd Manuscript Library, Princeton, NJ (hereafter Viner Papers). The *editio princeps* of Cotrugli’s *Della mercatura e del mercante perfetto* (Venice, 1573) to which de Roover refers actually includes a chapter entitled “Dell’huomo Economo,” rather than “economico,” but the shorthand *economico* for *uomo*

verbatim, the insight he soon would publish in his article on the Alberti, neatly differentiating household and economy, ancient and modern, alien and familiar.

The following year, however, after discovering Bartolomeo Frigerio's 1629 *L'Economista prudente* in the catalog of HBS's Kress Library, Viner wrote de Roover to ask whether he was familiar with it, noting that, because it similarly was devoted to the "arte infallibile [*sic*] d'acquistar, e conseruar la robba' [the infallible art of acquiring, and conserving *la robba*]," it "seem[ed] close to your item."⁴⁴ De Roover's reply is worth quoting at some length:

No, I did not know about Frigerio, Bartolomeo, *L'Economista prudente*, but I shall look it up on my first [by which he meant next] visit to the Kress Library. Many thanks for the reference. This Kress Library is a treasure trove. Yet the Economics Department at Harvard scarcely [*sic*] knows of it! No professor ever works there and rarely a graduate student. I was the first to have one or two classes each year in the room of the Kress Library. I am now working on Cotrugli, but I have not gotten very far. . . . *Roba* (one b in modern spelling) has a variety of meanings: stock, merchandise, inventories, wealth. Of course the economic man of these early economists was an efficient manager of the household, but he became more and more an efficient business man. In any case, the accent is on efficiency in the management of worldly affairs. This is not so very different from the modern economic man, though the concept was more concrete and less abstract.⁴⁵

economico appears repeatedly in the text (e.g., pp. 85–86). The recent critical edition based on the earliest known manuscript of 1475 (ms. 15, National Library of Malta, Valletta) and others refers to the chapter in question as "De lo yconomio" and uses the phrases "yconomio," "homo yconomio," "vivere yconomico," and even "virtù icognomiche." See Benedetto Cotrugli, *Libro de l'arte de la mercatura*, ed. Vera Ribaudo, with an introduction by Tiziano Zanato (Venice, 2016), 157, 162. The recent English edition conservatively translates the chapter title as "On Man as Administrator of His Household," discussing "the administration of the life of a household" by an ideal "administrator." See Benedetto Cotrugli, *The Book of the Art of Trade*, trans. John Francis Phillimore, ed. Carlo Carraro and Giovanni Favero (Cham, Switzerland, 2017), 145–46. For Xenophon's work and the tradition it took part in, see Xenophon, *Oeconomicus: A Social and Historical Commentary*, ed. Sarah B. Pomeroy (Oxford, 1994). On the relationship between micro and macro in this tradition, see Sophus A. Reinert, "Authority and Expertise at the Origins of Macro-Economics," in *Antonio Serra and the Economics of Good Government*, ed. Rosario Patalano and Sophus A. Reinert (Basingstoke, 2016), 119.

⁴⁴ Jacob Viner to Raymond de Roover, 3 June 1957, 1r, box 8, folder 12, Viner Papers. The book in question, Kress Catalogue No. 464, is Bartolomeo Frigerio, *L'economista prudente: Nel quale con l'autorità della sacra scrittura, d'Aristotile, e d'altri graui scrittori si mostra l'arte infallibile d'acquistar, e conseruar la robba, e la riputatione d'vna famiglia, e d'vne corte* (Rome, 1621). As the full subtitle suggests, the work is indicative of the transition from the economy of families to that of courts and eventually states; see Reinert, "Authority and Expertise."

⁴⁵ Raymond de Roover to Viner, 5 June 1957, 1r, box 8, folder 12, Viner Papers.

De Roover would never publish this bolder, more adventurous meditation on the relationship between economic men past and present, perhaps in emulation of Frigerio's prudence, but his insight that modernity was somehow related to an "accent" on "efficiency in the management of worldly affairs" certainly informed his work more broadly, as is evident from the opening phrase of his magnum opus, *The Rise and Decline of the Medici Bank*: "Modern capitalism based on private ownership has its roots in Italy during the Middle Ages and the Renaissance."⁴⁶ Historians are rightly torn about how, exactly, to engage with such "roots," simultaneously distant and pertinent, deep and shallow. The past may be a foreign country, but where exactly is it located? How near or far away? On a different continent? Or planet, perhaps? How related are we to our past, and how far can it, really, refine our judgment?

A Usable Past

The problem is, as Gras, de Roover, and Lane all realized, particularly acute with regard to concepts such as "capitalism," which are habitually considered "modern" by default, however difficult to define in a durable fashion, and which are frequently engrossing *precisely* because of their perceived connection to present and future concerns—whether with progress, sustainability, or social justice. As Henrietta M. Larson put it in her own comment to Gras's seminal 1941 talk on "Capitalism," a historical approach to business administration "is to us no mere academic concern."⁴⁷ The historical profession may today be increasingly challenged to prove its "relevance" in modern academia, but the anxieties surrounding this are old. Marc Bloch, himself no stranger to the question of the "use of history," felt there was something uniquely American about Gras's program.⁴⁸ Writing in 1929 about the ambitious plans at HBS to patronize work on the economic and business history of the Italian Renaissance, Bloch noted, "Faith in the practical utility of research about the past, confidence in the economic expansion

⁴⁶ Raymond de Roover, *The Rise and Decline of the Medici Bank, 1397–1494* (Cambridge, MA, 1963), 2. See also, earlier, Armando Saporì, "The Culture of the Medieval Italian Merchant" (1937), trans. Raymond de Roover and Florence Edler de Roover, in Lane and Riemersma, *Enterprise and Secular Change*, 65. For a similar notion of when "modernity" began, chosen from among many possible examples, see Istvan Hont, *Jealousy of Trade: International Competition and the Nation-State in Historical Perspective* (Cambridge, MA, 2005), 1–9, drawing on David Hume's meditation on when "trade" first became "an affair of state," in Hume, "Of Civil Liberty," in *Political Essays*, ed. Knud Haakonssen (Cambridge, U.K., 1994), 52.

⁴⁷ Henrietta M. Larson, "Discussion by Henrietta M. Larson," *Bulletin of the Business Historical Society* 16, no. 2 (1942): 39–42, at 41.

⁴⁸ Marc Bloch, *The Historian's Craft*, trans. Peter Putnam (New York, 1953), 3.

of the United States of America, inheritors and imitators in a much larger world of Italian pre-capitalism, these feelings . . . are worthy . . . of focusing the thoughts of historians.”⁴⁹ Needless to say, not everyone agreed on the virtue or necessity of such a functional approach to the past, and traditions differed internationally.

In a 1947 letter to the Venice-based medieval economic historian Gino Luzzatto suggesting they collaborate on a book in English, for example, Lopez tried to explain that “it will be necessary to consider the mentality and methods of the Americans. Great interest in statistics and in the *‘what for,’* which is to say: what use is it to study this? What lesson can we draw from the past?” Unless one took this realization to heart, the danger was that “an American student or professor would be left disoriented.”⁵⁰ And the case of Lane is here, again, instructive. Following in the footsteps of Italian pioneers like Luzzatto, Lane was a groundbreaking archival historian. But Lane, in an often remarkably open way, squeezed his prodigious archival findings into a politicized schema according to which America inherited and ultimately uplifted the traditions, especially the republican traditions, of Venice. The most striking artifact of Lane’s politicized historiography is his 1965 presidential address at the American Historical Association’s annual meeting in San Francisco, later published under the title “At the Roots of Republicanism.” Lane’s long-time friend Lopez accurately summarized its contents in a congratulatory letter to Lane early the next year: “I have just read your masterly presidential speech and I could not agree more: republicanism was more important than capitalism as a peculiar trait of the Italian medieval town, and that is why the Renaissance is not a surprise.” In another letter, somewhat in jest, written seven years later, Lopez described his and Lane’s shared politics: “Like you I am a

⁴⁹ Marc Bloch, “Nouvelles scientifiques. De Florence à Boston: Les vicissitudes d’un fonds d’archives commerciales,” in *Annales d’histoire économique et sociale* 1, no. 3 (1929): 418.

⁵⁰ Robert Sabatino Lopez to Gino Luzzatto, 22 Sept. 1947, 1r, MS 1459, series 1, box 7, folder 148, RSLP (translation ours). Lopez himself spoke of “Florentine capitalists” and was transparent in wishing to understand “the slow process by which the small, isolated, self-sufficient economies of the late Middle Ages evolved into the modern world economy”; see Lopez, “Small and Great Merchants in the Italian Cities of the Renaissance” (1931), in Lane and Riemersma, *Enterprise and Secular Change*, 4, 45. Over time, however, he came to feel more wary about such strong statements, admitting that “I have lost, by force of habit, the courage of making a generalization without many qualifications, a probable statement without the warning that it is a mere conjecture, a personal judgment without some hint that it may be wrong and it is open to challenge.” The cost, for Lopez, was ironically high even in terms of historical understanding, as “too many footnotes and ‘perhapses’”—for example, in a new biography of Benedetto Zaccaria, the Venetian “admiral, merchant, industrialist, writer, diplomat, crusader, [and] pirate”—would ultimately fail “to bring out the incredible maverick he was while the Middle Ages was at its peak.” See Lopez to Eric Cochrane, 17 Nov. 1978, MS 1459, series 1, box 3, folder 50, RSLP. A final irony, of course, is that Lopez gained fame not as a meticulous scholar but as a great generalizer, associated with major revisionist claims.

republican . . . and a moderate anarchist of the Genoa–New England type.”⁵¹ Lane’s magnum opus, *Venice: A Maritime Republic*, published the next year, was met with uniform praise from Venetianists, but two younger American historians of Florence, Eric Cochrane and Julius Kirshner, published a scathing review. For them, Lane’s *Venice* was a “work of political ideology intended to remind us of our *usable past*.”⁵² And for Lane, they argued, the task of defending this American ideology fell upon historians and, in particular, American historians since so much European history had been infected by Marxism. The late British economic historian Stephan R. Epstein defended Lane from Cochrane and Kirshner’s criticism, stressing the extent to which Lane’s central theoretical insight—that is, the positive effect of systematic violence on economic development—emerged from the traditions of the German historical school, and in particular Schmoller and Sombart, and was at odds with (at least the public face of) the twentieth century’s “American ideology” in the economic (or political-economic) sphere.⁵³

⁵¹ Frederic C. Lane, “At the Roots of Republicanism,” *American Historical Review* 71, no. 2 (1966): 403–42; Lopez to Lane, 31 Jan. 1966, and Lopez to Lane, n.d. [1973], both in series 2, box 7, Lane Papers. Lane and Lopez alike almost certainly had in mind an imperial republic and not a benign Ciceronian one.

⁵² Eric Cochrane and Julius Kirshner, “Deconstructing Lane’s Venice,” review of *Venice: A Maritime Republic*, by Frederic C. Lane, *Journal of Modern History* 47, no. 2 (1975): 334, emphasis added. Albeit from a different ideological stance, Renzo Pecchioli made a similar and wider case about Venice and America in his *Dal “mito” di Venezia all’“ideologia americana”*: *Itinerari e modelli della storiografia sul repubblicanesimo dell’età moderna* (Venice, 1983). J. G. A. Pocock replied, noting that Pecchioli “describes [him], along with Hans Baron, William J. Bouwsma, and the late Frederic C. Lane, as conducting an offensive against Marxist historiography which must necessarily serve the interests of American ruling classes, and in which the thesis of a continuity of republican political values passing from Italy to England and the United States plays a leading part.” Pocock, “Between Gog and Magog: The Republican Thesis and the *Ideologia Americana*,” *Journal of the History of Ideas* 48, no. 2 (1987): 325; for further discussion of Lane and Cochrane and Kirshner’s critique, see pp. 328, 332. See also Pocock’s fascinating retrospective, “The Machiavellian Moment Revisited: A Study in History and Ideology,” *Journal of Modern History* 53, no. 1 (1981): 49–72, which discusses “Deconstructing Lane’s Venice” on p. 55; at the time, Kirshner was one of the editors of the *Journal of Modern History*. For a different argument about the role of American ideology at work in Italian Renaissance historiography, see Anthony Molho, “The Italian Renaissance, Made in the USA,” in *Imagined Histories: American Historians Interpret the Past*, ed. Anthony Molho and Gordon S. Wood (Princeton, 1998), 263–94. We do not wish to judge here the merits of the Cochrane–Kirshner–Pecchioli criticisms of Lane, but the following should be noted: friends of Lane describe him as having been a “left liberal”; he firmly defended his Hopkins colleague Owen Lattimore against Joseph McCarthy’s charge that he was a Soviet agent, writing that “[Lattimore] has not followed the Communist line . . . [and] I never had any reason to think him a Communist or to doubt his good faith and loyalty”; and, during his long tenure as editor of the *Journal of Economic History*, Lane regularly acted as an intermediary between, as it were, both sides of the Iron Curtain and had many productive contacts among Marxist historians. Lionel Stanley Lewis, *The Cold War and Academic Governance: The Lattimore Case at Johns Hopkins* (Albany, 1993), 101, 295n6.

⁵³ Stephan R. Epstein, “Lane and Theory,” in Bullard et al., “Where History and Theory Interact,” 97–106, esp. 103–4.

Both Epstein's and Cochrane and Kirshner's cases have merits, but the debate about Lane's *Venice* and his American ideology raises a more fundamental question for historians: whether uncovering or creating a "usable past"—as in Cochrane and Kirshner's disparaging phrase—is something that they can do and should do. Indeed, in a sort of critical obituary for Raymond de Roover, Kirshner himself warned that "the flight from Anachronism should not lead to Antiquarianism," but, without ever explaining precisely what that might mean, it remains up for debate exactly where said flight should lead and by what standards one can be deemed to err toward one extreme or the other.⁵⁴ In light of the tempestuousness of academia, nihilism and pusillanimity seem to remain the safe harbors of choice.

Historiographically, in short, we are still seeking the right course to navigate between the Scylla of presentism and the Charybdis of irrelevance, between the philistine and antiquarian impulses that, to differing degrees in different practitioners, inspire historical inquiry. And, often, we have gone to extremes. The decidedly cyclical (even generational) trajectories taken have ranged widely, from the purposeful deployment of historical chimeras as political weapons to what Quentin Skinner has called an "aesthetic response" to the past, whereby the historian becomes a "redeemer of lost time."⁵⁵ Among the more wonderful examples of the former category, it may be worth remembering the Russian émigré Michael Rostovtzeff (Figure 6, left), who in light of his experiences during the October Revolution recreated a veritable bourgeoisie already operating a "capitalistic" system of trade and industry across the Mediterranean basin in the fifth and fourth centuries before the common era: "to the Hellenistic period, then, we are indebted for many of the economic phenomena which now form the basis of our own economic life."⁵⁶ Tragically, however, that golden age had fallen at

⁵⁴ Kirshner, "Raymond de Roover," 36. Incidentally, Lane himself once asked, "Is there no way in which to draw the line, then, between history and antiquarianism?" He ultimately concluded, "I do not think there is any general universally valid answer." Lane, "Conclusion," in Lane and Riemersma, *Enterprise and Secular Change*, 534.

⁵⁵ Quentin Skinner, *Liberty before Liberalism* (Cambridge, U.K., 1997), 107.

⁵⁶ Michael Rostovtzeff, *The Social and Economic History of the Hellenistic World* (Oxford, 1941), 100, 304; Rostovtzeff, "Presidential Address Delivered before the American Historical Association at Chattanooga on December 28, 1935," *American Historical Review* 41, no. 2 (1936): 231–52, at 252. For a critique, see Peregrine Horden and Nicholas Purcell, *The Corrupting Sea: A Study of Mediterranean History* (Oxford, 2000), 31–32. The debate over whether the "ancient economy" was "modern" or "primitive" continues unabated, but see, for powerful contrasting views, M. I. Finley, *The Ancient Economy*, with a foreword by Ian Morris (Berkeley, 1999); and Edward Cohen, *Athenian Economy and Society: A Banking Perspective* (Princeton, 1992). For one of the earliest salvos in the debate, see August Böckh, *Die Staatshaushaltung der Athener*, 4 vols. in 2 bks. (Berlin, 1817). The debate really took on a life of its own during the controversy between Eduard Meyer, a "modernist" who saw in Ancient Greece the womb of modern capitalism, and the "primitivist" Karl Bücher, who did not. See

the feet of the marauding Alexander the Great, much, Rostovtzeff warned, as the “capitalist” world of the 1930s might give way to Nazism and Communism. At the opposite extreme, one cannot but mention Carlo Ginzburg’s influential work (particularly in the historiography of early modern Italy) emphasizing the radical otherness of a past that is “really dead”—“totally forgotten and completely irrelevant to the present.”⁵⁷ Though positions similar to these two extremes always coexist in the almost infinitely variegated halls of academia, the broader historiography itself can be seen to shift back and forth across the spectrum. As Adam Smith once recalled, “if the rod be bent too much one way, says the proverb, in order to make it straight you must bend it as much the other.”⁵⁸ A trend in the historical scholarship on capitalism since the 2008 crisis has undeniably aimed at being more “usable,” though the how and why of this utility remains a matter of intense dispute.

Continuing Relevance

It may be best not to formalize a definitive answer to the conundrum, as historical inquiries are too diverse for easy codification, nor to simply fall back to prudently writing with our proverbial cards close to our vests, never letting our readers really know how we secretly connect our argumentative dots to whatever it is that we argue about in the present. Rather, we would suggest actively probing the ways by which historical scholarship can be both methodologically rigorous *and* relevant to current concerns. And few fields of historical investigation are more

Paul Cartledge, “Trade and Politics’ Revisited: Archaic Greece,” in *Trade in the Ancient Economy*, ed. Peter Garnsey, Keith Hopkins, and C. R. Whittaker (Berkeley, 1983), 1–15, at 1.

⁵⁷ Keith Luria and Romulo Gandolfo, “Carlo Ginzburg: An Interview,” *Radical History Review* 35 (1986): 89–111, at 105. The phrase “totally forgotten and completely irrelevant to the present” appears in Edward Muir, “Introduction: Observing Trifles,” in *Microhistory and the Lost Peoples of Europe*, ed. Edward Muir and Guido Ruggiero (Baltimore, 1991), vii–xxviii, at xii. This is, of course, not the only way of writing a microhistory; Francesca Trivellato’s self-described “global history on a small scale” is the most important example. Trivellato, *The Familiarity of Strangers: The Sephardic Diaspora, Livorno, and Cross-Cultural Trade in the Early Modern Period* (New Haven, 2009), 7; see also Trivellato, “Is There a Future for Italian Microhistory in the Age of Global History?” *California Italian Studies* 2, no. 1 (2011), <http://escholarship.org/uc/item/oz94n9hq>. For other, very different studies that establish the global import of the small scale, see Paul Cheney, *Cul-de-Sac: Patrimony, Capitalism, and Slavery in French Saint-Domingue* (Chicago, 2017); and Michael Kwass, *Contraband: Louis Mandrin and the Making of a Global Underground* (Cambridge, MA, 2014). John Brewer has elegantly sketched some of the differences between different national microhistorical traditions, in “Microhistory and the Histories of Everyday Life,” *Cultural and Social History* 7, no. 1 (2010): 87–109.

⁵⁸ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, vol. 1, ed. Edwin Cannan (Chicago, 1977), 183.

promising for such approaches than that vast expanse represented by the interconnected historiographies of the new history of political economy, ranging across business history, the history of capitalism, economic history, intellectual history, legal history, and environmental history, to name only a few.⁵⁹

Since the time of Sombart, the “origins” of “modern” economic conditions, alternatively identified with “capitalism” or even “the economy” as such, have been located not only in Rostovtzeff’s Hellenistic period but also in medieval Italy, in the early modern Low Countries, in the Britain of the Industrial Revolution, and in nineteenth-century America.⁶⁰ Though studiously avoiding the term “capitalism,” Michael McCormick recently pushed the Lopez thesis about the European commercial revolution even further back in time, arguing that “the decisive advance of the European commercial economy started in the eighth, not the tenth or eleventh centuries” and that already then “the basic pattern for the commercial development of the European economy over the next half-millennium was set.”⁶¹ The history of Europe’s “decisive advance” and “development” has, in recent years, been increasingly related—sometimes explicitly, sometimes obliquely—both to the origins of capitalism and to the issue of the Great Divergence, that is, the question of why it was that Europeans initiated contact with, and eventually dominated, the rest of the world rather than the other way around. Or, as Samuel Johnson put the question in his 1759 *Rasselas*, “By what means . . . are the Europeans thus powerful; or why, since they can so easily visit Asia and Africa for trade or conquest, cannot the Asiaticks and Africans invade their coasts, plant colonies in their ports, and give laws to their natural princes? The same wind that carries them back would bring us thither.”⁶² Did Europe conquer the world because it was more

⁵⁹ On the importance of adding legal history to this mix, see Robert Fredona, “Angelo degli Ubaldi and the Gulf of the Venetians: Custom, Commerce, and the Control of the Sea,” in *New Perspectives on the History of Political Economy*, ed. Robert Fredona and Sophus A. Reinert (London, 2018), 29–74.

⁶⁰ See, for example, Jan de Vries and Ad van der Woude, *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500–1815* (Cambridge, U.K., 1997).

⁶¹ Michael McCormick, *Origins of the European Economy: Communications and Commerce, AD 300–900* (Cambridge, U.K., 2002), 780, 794, 797.

⁶² Samuel Johnson, *The History of Rasselas: Prince of Abissinia*, originally published as *The Prince of Abissinia: A Tale* (London, 1759), quote at 73. The character Imlac’s original answer to the question was, for the record, “because they are wiser; knowledge will always predominate over ignorance.” The quote plays a significant role in Niall Ferguson, *Civilization: The West and the Rest* (London, 2011). For a parallel, see Yali’s question—“Why is it that you white people developed so much cargo and brought it to New Guinea, but we black people had little cargo of our own?”—which inspired Jared Diamond, *Guns, Germs, and Steel: The Fates of Modern Societies* (New York, 1999), 14.

“developed,” or did it “develop” because it conquered the world? And where, not to mention why, did this process first start?

In order to begin to answer these questions, it may be worth being more specific about what we are seeking to understand. Terms such as “capitalism” and “socialism” remain endlessly protean, and scholars often operate with “looser,” “less precise,” and even conflicting conceptions of them.⁶³ And, as Lane rightly observed, even by stricter standards “capitalism is a matter of degree: it is hard to find a society 100 percent capitalistic or 0 percent capitalistic.”⁶⁴ Given this, it may be worth specifying what we mean when we write about “Italy and the Origins of Capitalism.” As we have tried to make clear already, we are more interested in “capitalism” and its meanings over time than in actually finding “origins,” if such a thing were even possible, except insofar as thinking about “origins” was a remarkably productive way of thinking about pre-modern capitalism for our intellectual forebears and remains a compelling heuristic.⁶⁵ In a recent synthesis, Larry Neal has suggested that “capitalism . . . can be defined usefully as a complex and adaptive economic system operating within broader social, political, and cultural systems that are essentially supportive,” highlighting private property, enforceable contracts, responsive markets, and supportive governments as its central “four elements.”⁶⁶ By this incredibly capacious definition, “capitalism” is both older and vaster than many would have suspected, and the next question may be what, exactly, we want the term to do for us. What, really, do we want to learn? This is, needless to say, not

⁶³ This is hardly a new observation; see R. H. Hilton, “Capitalism—What’s in a Name?” *Past & Present* 1, no. 1 (1952): 32–43, at 32. See also Reinert, *Academy of Fisticuffs*, 400–1.

⁶⁴ Frederic C. Lane, “Economic Growth in Wallerstein’s Social Systems: A Review Article,” in *Profits from Power: Readings in Protection Rent and Violence-Controlling Enterprises* (Albany, 1979), 66–71, at 70. This is not to say that Lane and de Roover always shared common interests. See, for example, Lane’s statement that “in medieval bookkeeping we met on common ground, but his [de Roover’s] concern with the scholastics grew out of elements of his background which are not part of mine.” Frederic C. Lane to Julius Kirshner, 21 Jan. 1974, 1r, series 2, box 6, Lane Papers.

⁶⁵ However, it may be best to separate the productivity of this heuristic from the ideologies and insecurities that brought it about. It was in their search for disciplinary purpose and pertinence, as Daniel Lord Smail shows, that medievalists over the last century have found in the European Middle Ages the “origins” of a wide range of phenomena with more or less unquestionable present-day relevance, including “civil society, the state, commerce and trade, banking, cities, individualism, universities, the modern nuclear family, scientific method, law and justice, human rights, citizenship, colonialism, fashion, and . . . even persecution.” Smail, “Genealogy, Ontogeny, and the Narrative Arc of Origins,” *French Historical Studies* 34, no. 1 (2011): 21–35, at 31–32, esp. 32n33. As Tim Carter and Richard Goldthwaite rightly observe, “All history is about continuity and change, and which dynamics gets emphasized depends on the objective of the historian.” Carter and Goldthwaite, *Orpheus in the Marketplace: Jacopo Peri and the Economy of Late Renaissance Florence* (Cambridge, MA, 2013), 348.

⁶⁶ Larry Neal, “Introduction” to *The Cambridge History of Capitalism*, vol. 1, ed. Larry Neal and Jeffrey G. Williamson (Cambridge, U.K., 2014), 1–23, at 2–4. This extraordinary anthology opens with a chapter on Babylonia in the first millennium BCE.

the first time this question is asked. Lane himself suggested, in his “Meanings of Capitalism,” that the real purpose of understanding the origins of “capitalism” might lay in “finding the causes of ‘modern economic growth’” (i.e., what Simon Kuznets defines as “rates of growth in per capita income rang[ing] mostly from 10 percent to over 20 percent per decade”) and why it first emerged from the “conditions and institutions . . . in Western Europe rather than elsewhere.” For, “whether the institutions are called capitalism or not, the problem remains.”⁶⁷ From this perspective, the purpose of triangulating the “origins of capitalism” really becomes that of discovering how humanity escaped the so-called Malthusian trap by achieving growth in output fast enough to allow for simultaneous demographic and economic development. This has been described as “the most important event in world history,” but few agree on how, why, and where it first happened.⁶⁸

It is in this spirit that we suggest that Italy indeed plays a foundational role in the development of “capitalism,” of “modern economic growth,” and thus of any “modernity” understood in such terms. Kenneth Pomeranz broke crucial new ground in these debates, but we would suggest that the subsequent scholarly insistence on comparing eighteenth-century Britain to parts of China as a means of periodizing the Great Divergence begins the stories of modern economic growth

⁶⁷ Lane, “Economic Growth in Wallerstein’s Social Systems,” 99. The review is largely even handed, as evident also in a letter from Goldthwaite to Lane: “I also want to thank you for the review of Wallerstein’s book. I thought you were remarkably generous and restrained in your criticisms. Personally, the book enraged me, for its style, for its shoddy use of materials, for its simplistic schematization of things. . . . I learned more from your review than I learned from the book”—to which Lane added the laconic marginal note “Problem of syntheses.” Goldthwaite to Lane, 9 Mar. 1977, 1v, series 2, box 6, Lane Papers. For Kuznets’s definition, see Simon Kuznets, *Economic Growth and Structure* (London, 1965), 18; on this, see, among others, Robert William Fogel, Enid M. Fogel, Mark Guglielmo, and Nathaniel Grotte, *Political Arithmetic: Simon Kuznets and the Empirical Tradition in Economics* (Chicago, 2013). For a similar (though not explicit) emphasis on discovering the sources of growth rather than the definitions of “capitalism,” see Joel Mokyr, *A Culture of Growth: The Origins of the Modern Economy* (Princeton, 2016).

⁶⁸ Deirdre McCloskey, “You Know, Ernest, the Rich Are Different from You and Me’: A Comment on Clark’s *A Farewell to Alms*,” *European Review of Economic History* 12, no. 2 (2008): 138–148, at 141. For overviews of these debates, see Peer Vries, *The Escape from Poverty* (Vienna, 2013); and Sophus A. Reinert, “The Great Divergence: Europe and Modern Economic Growth” (Harvard Business School Case 715-039, Boston, 2015). On the “Malthusian trap,” see Gregory Clark, *A Farewell to Alms: A Brief Economic History of the World* (Princeton, 2007), 19–40. For a critique of Clark, see Karl Gunnar Persson, “The Malthus Delusion,” *European Review of Economic History* 12, no. 2 (2008): 165–73. Note that even the causes and contexts of the Industrial Revolution remain uncertain. See, for example, recent salvos in the important and continuing debate about Allen’s “high wage” thesis: Robert C. Allen, “Real Wages Once More: A Response to Judy Stephenson,” *Economic History Review* 72, no. 2 (2019): 738–54; Judy Z. Stephenson, “Mistaken Wages: The Cost of Labour in the Early Modern English Economy: A Reply to Robert C. Allen,” *Economic History Review* 72, no. 2 (2019): 755–69. Its world-changing importance, though, is undeniable.

and subsequent global dynamics much too late.⁶⁹ As the best scholarly estimates indicate, in terms both of assumed output and of corollaries such as life-expectancy and literacy rates, the real story of per capita *development* in human history begins not in Enlightenment Britain but in medieval and Renaissance Italy, and this—as de Roover, Lopez, David S. Landes, and others intuited—is one place where we ought to focus our efforts. Why was Italy the region that first escaped the Malthusian trap in a sustainable manner (understood on a secular rather than millennial scale)? Why did it forge ahead to diverge, not only from the trajectories of other countries and regions but indeed from the material baseline of human history up to that point?⁷⁰ (Figure 7) And what can we learn from this deeper history of business, capitalism, and political economy? The point is of course not to follow Rostovtzeff's example or, as Martha C. Howell recently warned, to make past actors “into infantile—and not very bright—versions of ourselves,” but we may have to risk being less prudent than de Roover was willing to be. For though Howell's point is well taken, it seems facile to simply conclude, as she does, that “economic systems are historically specific sociocultural systems” and that this is as far as we get in terms of history's “implications for the contemporary global economy.” Based on her focus on the Low Countries, Howell concludes that,

like the people in fifteenth-century Bruges or Antwerp, people in Delhi, Lagos, or Beijing today . . . are confronting a world where property is changing form and place with astonishing and unprecedented speed. As it does, their sense of themselves and their relationship with others will change, but just how the changes occur, and what kind of changes they may be, will depend as much on how these people have traditionally used and understood material goods as on any logic inherent in “economic laws.” Unless we understand those traditions, we cannot hope to predict the future. However, we can be sure that these places will experience no “transition” to the kind of capitalist market society that defines the modern West, for

⁶⁹ Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton, 2000).

⁷⁰ See Maddison Project Database, version 2018, by Jutta Bolt, Robert Inklaar, Herman de Jong, and Jan Luiten van Zanden, “Rebasing ‘Maddison’: New Income Comparisons and the Shape of Long-Run Economic Development” (Maddison Project Working Paper 10, Groningen Growth and Development Centre, University of Groningen, Jan. 2018), <https://www.rug.nl/ggdc/historicaldevelopment/maddison/releases/maddison-project-database-2018>. Again, this basic argument has a long pedigree; see, for example, the literature surveyed in Michael Postan, “Bibliography: Studies in Bibliography,” *Economic History Review* 4, no. 2 (1933): 212–27 (“I. Mediaeval Capitalism”). On the sustainability of this moment, see Sophus A. Reinert, “Lessons on the Rise and Fall of Great Powers: Conquest, Commerce, and Decline in Enlightenment Italy,” *American Historical Review* 115, no. 5 (2010): 1395–425.

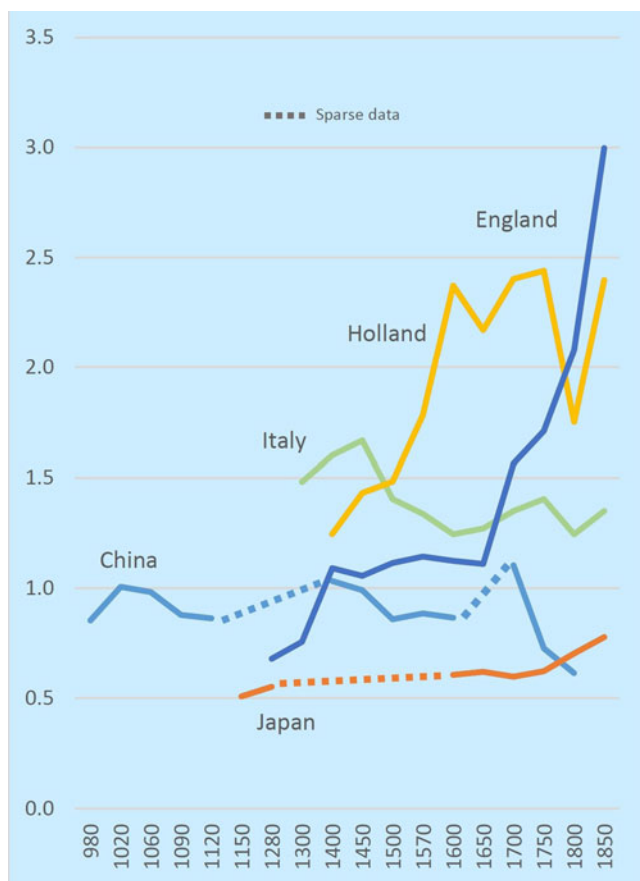


Figure 7. Earlier and later divergences. Note: GDP per person in thousands of 1990 international dollars. (Sources: Modeled on “A great leap, for some,” graphic in “China has been poorer than Europe longer than the Party thinks,” *The Economist*, 15 June 2017, which is based on an early draft of Stephen Broadberry, Hanhui Guan, and David Daokui Li, “China, Europe and the Great Divergence: A Study in Historical National Accounting, 980–1850,” *Journal of Economic History* 78, no. 4 [2018]: 1–46.)

they belong to a world economy that looks very little like Europe of 1600.⁷¹

Yet, may we learn more from the past than simply its alterity? After all, if that truly were the case, we would really not need more than a single

⁷¹ Martha C. Howell, *Commerce before Capitalism in Europe, 1300–1600* (Cambridge, U.K., 2010), 300–2.

example of a different past to do the trick, and then only a collector's impulse could justify a historical profession that undertakes the Sisyphean task of completing a kind of Linnaean catalog of historical moments. Development is by necessity path dependent, but the historical record is replete with cases of more or less deliberate decisions to change tracks, whether out of experimentation or emulation.⁷² And though a lot of ink has rightly been spilled "provincializing" the European experience, showing the multiple and entangled threads to the present, the problem remains that in the end there seem to be certain ways of "developing," of "forging ahead" and "catching up" in Moses Abramovitz's vocabulary.⁷³ With the still dubious examples of a select number of petro-states, the *only* truly successful stories of economic development understood as rapid and sustained increase in output and human welfare outside of the Western tradition remain China, Korea, Japan, Singapore, and Taiwan, all of which essentially followed or are following a playbook—based on a conscious emphasis on high-value-added industries and "Western" modes of business—codified and theorized already in Renaissance Italy and quite purposefully and explicitly emulated by the Low Countries, Britain, Germany, the United States, and practically everyone else since.⁷⁴ This does not mean that any of them looked anything "like Europe in 1600" or, for that matter, the Europe of the 1950s when they embarked on their new trajectories, but it does suggest that there are economic activities and ways of organizing them that are more conducive to development than others, that these can be purposefully and successfully emulated on the basis of historical examples, and that there ultimately may be limits to how far we can fruitfully provincialize the European experience in global history or, for that matter, stress the uniqueness and incommensurability of our pasts.⁷⁵

Indeed, though different sorts of questions demand different periodizations, and studies of all kinds can—and should—contribute to our

⁷² Sophus A. Reinert, *Translating Empire: Emulation and the Origins of Political Economy* (Cambridge, MA, 2011), 287. For a useful meditation on this problem, see Geoffrey M. Hodgson, *How Economics Forgot History: The Problem of Historical Specificity in Social Science* (London, 2001).

⁷³ See, importantly, Dipesh Chakrabarty, *Provincializing Europe: Postcolonial Thought and Historical Difference* (Princeton, 2007); and Moses Abramovitz, "Catching Up, Forging Ahead, and Falling Behind," *Journal of Economic History* 46, no. 2 (1986): 386–406.

⁷⁴ For different yet (in important matters) aligned perspectives on this issue, see, among others, Alice H. Amsden, *The Rise of "the Rest": Challenges to the West from Late-Industrializing Economies* (Oxford, 2003); Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton, 2003); and Erik S. Reinert, *How Rich Countries Got Rich . . . and Why Poor Countries Stay Poor* (London, 2008).

⁷⁵ For just how far back this is true, see Tim Flannery with Luigi Boitani, *Europe: The First 100 Million Years* (London, 2018), 1–2, 28.

historical understanding, there are questions that can *only* be answered over long time periods. Thomas Piketty's identification of what he calls "the central contradiction of capitalism: $r > g$," for example—in other words, that the rate of return on capital is higher than the rate of economic growth over the long term, with powerful consequences for income inequality—by definition demanded observations *over the long term*.⁷⁶ Similarly, though repeatedly presented as an impossibility in theory (with the right assumptions, after all, anything can be argued), the age-old question of whether governments can and should regulate economic life looks ever more curious in light of global economic history over the last millennium. After all, the visible hands of guilds, princes, and governments have been integral to all stories of economic "development" (understood in Kuznetsian terms) since the Middle Ages, from Florence to Britain and the United States to Singapore—indeed, even to the ostensibly "libertarian" Hong Kong.⁷⁷ This is, of course, not to say that interventions and regulations are by necessity *good*, but it does suggest that it may be more fruitful to ask what sorts of interventions are successful for what purposes in different contexts than to maintain a sterile Manichean opposition between "regulation" and "laissez-faire" as such.⁷⁸ Again, a long-term view of the ebbs and

⁷⁶ Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge, MA, 2014), 571.

⁷⁷ Douglas Irwin has dismissed this line of argument on the grounds that it suffers from "selection bias" by cherry-picking examples of development that coincided with purposeful industrial policy. See his review of *Kicking Away the Ladder: Development Strategy in Historical Perspective*, by Ha-Joon Chang, EH.net (Apr. 2004), https://eh.net/book_reviews/kicking-away-the-ladder-development-strategy-in-historical-perspective/. Milton Friedman, in *Free to Choose: A Personal Statement* (New York, 1990), 33–34, forwarded the shibboleth of Hong Kong as a capitalist paradise, but see, for a corrective, Manuel Castells, "Four Asian Tigers with a Dragon Head: A Comparative Analysis of the State, Economy, and Society in the Asian Pacific Rim," in *States and Development in the Asian Pacific Rim*, ed. Richard P. Appelbaum and Jeffrey William Henderson (Newbury Park, CA, 2012), 33–70. More generally on this point, see Sophus A. Reinert, "State Capitalisms Past and Present: The European Origins of the Developmental State," in *The Oxford Handbook of State Capitalism*, ed. Geoffrey T. Wood, Anna Grosman, and Mike Wright (Oxford, forthcoming).

⁷⁸ See also Bernard Harcourt's essential *The Illusion of Free Markets: Punishment and the Myth of Natural Order* (Cambridge, MA, 2011). As libertarian Peter T. Leeson has shown, after all, anarchy may be preferable to certain kinds of predatory regulatory regimes. See Leeson, "Better Off Stateless," in *Anarchy Unbound: Why Self-Governance Works Better Than You Think* (Cambridge, U.K., 2014), 170–196, at 194. More specifically, the fact that similar but not identical import-substitution policies in Nigeria and South Korea in the 1960s had such incredibly divergent consequences for the respective countries suggests that it may be more enlightening to evaluate policies in their contexts than to pass judgment on policies as such. Compare, say, M. Daly, *Development Planning in Nigeria* (Ibadan, 1977), and Michael Adebayo Adejube, "Industrialization, Distortions and Economic Development in Nigeria since 1950," in *Industrialization, Urbanization and Development in Nigeria: 1950–99*, ed. Michael Adebayo Adejube (Lagos, 2004), 325–54, esp. 334–35, to Alice H. Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (Oxford, 1989).

flows of human history can uniquely inoculate us from theoretical and ideological excesses. It can, as Gras declared, provide “perspective.”⁷⁹

This is not to say that long-termism somehow is inherently superior to other forms of historical inquiry—far from it—and we could not agree more with William Caferro that “important ideas and relevance may also be found in the small scale.”⁸⁰ What we are suggesting is that our understanding of capitalism and economic development today *does* benefit from an awareness of their deeper histories. And we are in the middle of a veritable Renaissance for scholarship about these matters. This is, admittedly, less a “turn” than a “re-turn,” for, as so often before in the wake of crises, the enduring financial collapse of 2008 renewed interest in the histories of economic phenomena.⁸¹ The “history of capitalism” is today one of the most flourishing subfields of the profession, and related historiographical sectors like “economic history,” “business history,” and “the history of political economy” have similarly experienced a notable resurgence in recent years.⁸² We would argue this is a propitious moment to bring together these different perspectives—drawing also on the more nuanced ways of engaging with sources developed during the linguistic turn and historiography’s move toward anthropological and cultural history—to recast and enrich our understanding of the historical dynamics of economic life.

Beneath—or beyond—these cycles of attentiveness to the issues in question, the long-term trajectory of scholarship has, of course, never entirely lost interest in the foundational questions of *when*, *where*, and *why* this thing we have come to call “capitalism” emerged, a mainstream historiography that students and laymen alike continue to trace back to Weber’s 1904–1905 *The Protestant Ethic and the Spirit of Capitalism*.⁸³ Weber may, as Daniel Lord Smail recently observed, have been “spectacularly wrong in his argument that the seeds of capitalism lay in an ascetic denial of consumption in favor of capital accumulation,” but

⁷⁹ Gras, *Development of Business History*, 180–81. For a related recent argument for the “relevance” of a “historical dimension,” see Umberto Eco, “C’era una volta Churchill,” in *Pape Satàn Aleppe: Cronache di una società liquida* (Milan, 2016), 60–62.

⁸⁰ William Caferro, *Petrarch’s War: Florence and the Black Death in Context* (Cambridge, U.K., 2018), 178. See also Robert Fredona’s review of this work in *Business History Review* 92, no. 4 (2018): 749–53.

⁸¹ On the relationship between economic crises and historically informed economic inquiries, see Reinert, “Historical Political Economy.” For a history of this most recent crisis, see Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (New York, 2018).

⁸² For the lattermost, see, among many possible works, the essays in Fredona and Reinert, eds., *New Perspectives on the History of Political Economy*, as well as the volume’s introductory essay, Fredona and Reinert, “Introduction: History and Political Economy,” xi–xxxii.

⁸³ Max Weber, *Die protestantische Ethik und der Geist des Kapitalismus*, ed. Dirk Kaesler (Munich, 2013); on this, see Peter Ghosh, *Max Weber and “The Protestant Ethic”: Twin Histories* (Oxford, 2014).

crucially no single explanation, or even influential narrative, has arisen to take its place.⁸⁴ Indeed, as scholarship becomes ever more nuanced and specialized, the professional tolerance for grand narratives seems to have diminished. Already in his 1982 *The Economist as Preacher*, Nobel laureate in economics George J. Stigler noted a central “paradox” in the life of most economists, whereby “the influence of an economist’s work and the popular (non-professional) esteem in which he is held are most likely to be *negatively* correlated,” a dynamic that may be expanded to include a number of popular scholars in contemporary academia.⁸⁵

The essays in this special issue of *Business History Review* are eminently aware of the deeper historiographies of their inquiries and can all, in different ways, be read as critiques of the overly simplifying grand narratives that continue to dominate the historiography of our economic lives and ideologies. Though they all engage with real and durable transformations that occurred in medieval and Renaissance Italy, and many adumbrate their longer-term consequences for European and indeed world history, together they also show that we are in a moment of historiographical exploration, in which new research opens rather than closes fields of inquiry that are perceived to be pertinent, adding rather than removing nuance. Indeed, the essays suggest that what we ultimately call the constellation of activities and institutions that initiated the Great Divergence may in the end be less interesting than what we can *learn* from it and that its successful exploration undoubtedly must straddle the habitually separated subfields of business history, economic history, the history of capitalism, and the history of political economy. As this special issue shows, the city-states of medieval and Renaissance Italy remain (as the pioneers of business history argued almost a century ago) good places to begin such a deeper inquiry, which undoubtedly will matter to different people for different and eminently justifiable reasons. On our end, though methodologically and temperamentally ecumenical, we would venture to suggest that these histories matter also for the reasons they mattered to Gay and to Gras, to Schumpeter and to the

⁸⁴ Daniel Lord Smail, *Legal Plunder: Households and Debt Collection in Late Medieval Europe* (Cambridge, MA, 2016), 17. This is not to say that no new explanations have been proposed. As Richard Goldthwaite wrote to Frederic C. Lane, “Conspicuous consumption did lead to investment—investment in crafts and in taste, and I think that this may be a much neglected aspect of the economic history of Europe.” Goldthwaite to Lane, 12 Nov. 1973, series 2, box 6, Lane Papers. Goldthwaite might be read in relation to Lopez’s infamous 1952 lecture (published in 1953) at the Metropolitan Museum of Art, “Hard Times and Investment in Culture.” Goldthwaite himself later developed this theme in *Wealth and the Demand for Art in Italy, 1300–1600* (Baltimore, 1993).

⁸⁵ George J. Stigler, “Do Economists Matter?” in *The Economist as Preacher and Other Essays* (Chicago, 1982), 57–67, at 67.

de Roovers, to Lopez and to Lane, to Isaacs and to Chandler, to mention only some of the early titans of our fields, and that is by virtue of shedding light on one of the greatest challenges that we collectively face: that of enhancing our judgment regarding the natures, pasts, and possible futures of worldly improvement.

. . .

ROBERT FREDONA is the Marie Skłodowska-Curie Research Fellow at the York Management School, University of York, U.K. He is coeditor of *New Perspectives on the History of Political Economy* (with Sophus Reinert: 2018) and author of numerous articles about Renaissance Italy and business history.

SOPHUS A. REINERT is professor of business administration at Harvard Business School. He is author recently of *The Academy of Fisticuffs: Political Economy and Commercial Society in Enlightenment Italy* (2018) and of numerous books and articles on the history of political economy.