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‘Rise and Fall: The Power and Morality of Economic Narratives’

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Historical narratives played a central role in economic knowledge and statecraft in the late nineteenth century. Economists’ renewed interest in stories in recent years is not only a welcome reminder of this formative moment, when economics began to take shape as a discipline, but an invitation for historians today to explore the role of narratives across economic life. Narratives do not exist and act by themselves. While they can shape power, they are also shaped by power. Their circulation and resonance depends on political regimes, social movements and everyday life. After the “linguistic turn”, we need to know more precisely what material difference stories make (or don’t make) to these domains. This requires historians to examine different scales, from political-economic regimes across particular policies all the way to social norms and individual behaviour.

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

It was a powerful story but not powerful enough to topple the free trade system. Its failure should alert historians to the many dimensions they need to consider in order to assess the influence of narratives. Free traders created an effective counter-narrative of wealth and liberty, in which cheap food and a rising standard of living fused with a vision of peace,

civilization and consumer power, buttressed by a story of popular emancipation in which the Repeal of the Corn Laws in 1846 delivered the nation from the (mythical) “Hungry Forties”. The two rival narratives recruited mass movements and mobilised old and new channels of communication, including political posters, early film, song and dance, mass demonstrations and sea-side lectures. It is doubtful whether free trade would have been able to defeat the protectionist challenge in the elections of 1906, 1910 and again in 1923 without all this innovation and amplification. Its luck ran out in 1931, when a general tariff was introduced. There were still Liberals who repeated the earlier narrative, but the First World War, shortages and inflation, and then unemployment and the world depression had robbed the narrative of free choice and free food of much of its earlier conviction.

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

That the narrative was important for the *Bundesbank*’s self-image lies beyond doubt. Assessing its influence on public life and private behaviour is trickier. On the one hand, the *Bundesbank* was able to tap into (and reinforce) a pre-existing disdain for excess and glorification of thrift, a moral bedrock of the educated middle-classes (*Bildungsbürgertum*), who had their cultural capital invested in *Kultur* and who felt threatened by consumerism. Savings appeals resonated too with the political imperative of fostering a democratic spirit in the new Federal Republic. Because they were self-reliant, savers helped others as well as themselves, West Germany’s first president Theodor Heuss explained on world saving day in 1953. They were no burden on society and had a natural interest in order and stability instead of supporting risky gambles, such as Hitler’s. Savings banks in Hesse reached further back into the annals of history to warn that unless Germans rediscovered thrift, they would end up as *helots* (Sparta’s slaves), in debt and dependence to the United States and its Marshall Plan.

From the late 1950s onwards, governments actively fostered saving and wealth-creation through tax privileges and “save to build” programmes (*Bausparen*).

On the other hand, public narratives do not automatically move the minds and actions of private actors. A cross-generational study by sociologists found that families took remarkably different lessons from the inflation of 1923, war-time inflation and savings lost in the currency conversion of 1948.<sup>1</sup> For some, their families’ losses did nothing to dent their commitment to saving – thrift was good, spending bad and credit fraud. For those individuals, saving also came with a narrative, but it was biographical and moral, not historical. The discipline of thrift promised to preserve personal virtue and integrity at a time of chaos and uncertainty. Its wisdom was timeless, and in that sense a-historical. Chancellor Angela Merkel’s invocation in 2008 of the Swabian housewife with her instinctive sense of sound economics was a public articulation of this private belief. Other families, however, took the very opposite conclusion from their losses in past inflations – spend now and enjoy life while you can.

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

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

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<sup>1</sup> (Tilman Heisterhagen and Rainer-W. Hoffmann, *Lehrmeister Währungskrise?! Drei Familien-Generationen zwischen Gold, Mark und Euro* (Wiesbaden, 2003).

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

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

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

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