

K. Christ / History of Economic Thought

1: Introduction to the History of Economic Thought

Outline

I. Introductory comments

As a social science, economics is part of a broad field of inquiry into the workings of societies. History, anthropology, sociology, political science, and even psychology investigate some of the same issues as economics, but the methods of economics tend to distinguish it from those other disciplines. A fundamental assumption of this course is that an understanding of the genealogy of those methods, and current and past debates over them can improve our ability to evaluate knowledge claims made by economists.

Two broad introductory questions:

- Most of us learned history as the study of events, so for many of us a systematic study of ideas may represent a new type of history. Are there peculiarities to the study of ideas?
- In an essay entitled “Revolutions in economics” (1976), Sir John Hicks said “Economics is more like art or philosophy than science, in the use that it can make of its own history.” If this is true, what are the implications for the standing of economic knowledge?

II. An over-simplified, sweeping history of economic thought (just to get things started)

- The Greeks were among the first to examine the complexities of social organization, and in so doing, they touched upon ideas that today we recognize as “economic” in nature. The Romans, being excellent administrators, produced many fine laws that regulated commerce, but added little to a systematic analysis of how societies work.
- The period of history from the decline of the Roman Empire until the Renaissance – a 700 to 900 year period – saw little true economic analysis in the modern sense of the word. In the centuries leading up to the Renaissance, the Scholastics dominated European thought in the area of moral philosophy.
- The rise of nation states, coinciding with Western Europe’s voyages of discovery, caused some people to begin thinking about how nation states could best generate wealth for their citizens (or at least for their ruling elites). Such ideas, generally having to do with importation of raw materials (or precious metals) and exportation of finished goods became known in later times as *mercantilism*.
- During the 18th century, perhaps as a consequence of that ferment of ideas known to us today as the *Enlightenment*, there arose a set of ideas about markets that looked to the individual, not the government, as the prime player. In France, a group of thinkers calling themselves the *Physiocrats* even developed a model of an economic system with different sectors. In Scotland, a small group of moral philosophers were thinking about personal liberty and its role in an organized, well-functioning society. Adam Smith, a moral philosopher, was a product of this *Scottish Enlightenment* period. His book, *The Wealth of Nations* (1776), is often thought of as the first modern treatise on economics.
- In the mid to late 19th century, the major task of the first generation of professional economists (still European) was to work out the mechanics of the system that Smith and his followers had eloquently put forward. In the early part of the century, political economists began thinking of themselves as scientists instead of philosophers, and economics began separating itself from moral philosophy. This transition toward a more scientific form of analysis accelerated in the 1870s with a movement that is sometimes referred to as the *marginalist revolution*. Eventually this movement evolved into a *neoclassical orthodoxy* that constituted the mainstream in economic thought in the early part of the 20th century.
- In general, a faith in uninhibited markets prevailed until after World War I. The 1920s in Europe, however, was a period of economic disruption, and beginning in late 1929, western societies in general began to suffer through what we know today as *The Great Depression*. In England, John Maynard Keynes developed a set of ideas about the macro economy that, among other things, reintroduced a significant role for the government in a private market economy. *Keynesian economics* became very influential in the post-war years, but fell out of favor in the 1970s.
- The history of economic thought since World War II is one of increasing professionalization, specialization, and abstraction. Economics today is divided into subfields – macroeconomics, monetary theory, game theory, econometrics, industrial organization, labor economics, etc.

III. Studying the evolution of economic thought

- The “representative writers” approach and “schools of thought”
- “Absolutism” vs. “Relativism” (Landreth and Colander, 2002)
- Orthodoxy vs. Heterodoxy
- Philosophy of science, paradigm shifts, etc.
- A few more important questions:
 - (1) Are there economic “laws”?
 - (2) Is the development of an “economic body of knowledge” a continuous process?
 - (3) What is the role of ideology in economics?

IV. Reading and analyzing historical texts

An important component of the study of ideas is careful consideration of original sources. As we read historical texts as part of an effort to increase our understanding of how economic analysis has progressed (or evolved), here are some useful questions to keep in mind:

- What is the historical background of the text?
- What are the theoretical precursors / unanswered questions?
- What modes of reasoning / rhetorical strategies has the author employed? How does this matter to our understanding of the text?
- What have others said about the work? How have interpretations of its importance changed over time?
- What is its place in / contribution to economic analysis today? (And how does this differ, if at all, from its place in economic analysis at the time it was written?)