In one semester we will go through a great deal of material. I am interested in the history of economic thought and have developed my own way of looking at things. To get you as quickly as possible past the stage of trying to figure me out and to the stage of developing your own ideas, I am providing the following eight introductory pages. Please read these before the first day of class (Thursday, January 16).

I. What Is Economic Thought?

Historians of thought will vary on what is or is not economic thought. Josef Schumpeter preferred to think of economic analysis, in the sense of deductive reasoning about economic phenomena, and found that very little existed before the Modern era. The first Greek writers on ὀικήματα (household management) wrote on the best way in which to manage a household (what we would think of as a family farm or estate). Probably these writings simply reflected peasant conventional wisdom. Peasants arguably have a large stock of knowledge about economic phenomena: they know how and when to plant crops; and they know what is their due from family, neighbors, and strangers. In other words, they know much about production and exchange, and some of this knowledge will be abstract and some of it will be “positive” (as opposed to “normative”). An example of a positive statement in peasant economic thought might be “everyone in the market tries to get a good bargain.” The normative content of peasant economic thought will contain injunctions to increase efficiency (“plant on the first dry day after the rains begin”), increase fairness (“do not muzzle the threshing ox”), and placate the supernatural (“do not eat the meat of the pig”).

It appears that there is little difference between peasant economic thought and that of medieval clerics (Scholasticism)—except perhaps that the latter is even more normative, and the normative content is much less concerned with increasing efficiency. But Scholastic thought represents a “high” cultural tradition and peasant thought a popular or “low” cultural tradition, so we—the academic bearers of today’s high cultural tradition—are more likely to study the Scholastics and ignore the peasants.

Peasant life goes back about 10,000 years, with the beginnings of agriculture. Before that, foraging peoples certainly had something recognizable as economic thought. But no foraging people recorded their economic thought in writing, and even written peasant thought is rare—Hesiod being one of the most noteworthy examples. By necessity, scholars limit their inquiries to written texts, and the most important requirement for inclusion into the canon of economic thought is that the thought be written.

II. Try to Understand the Past—Not Judge It

One cannot easily prescribe the correct way to do history of economic thought, but one can relatively easily describe several wrong ways of doing it. Two quick examples:

- Quentin Skinner (1969) discusses prolepsis, in which the historian examines the thought of the past in order to find “anticipations” of the thought of the present. Elements of past thought that appear similar to current ideas are seized upon, while elements that have no relation to current thought are ignored. The result is a distorted view of past thought.

- Eff (1989) discusses ceremonial genealogy, in which the historian constructs a set of relationships among past thinkers in such a way as to sanitize the pedigree of present-day economics. For example, the influence of thinkers that today are highly regarded (such as Charles Darwin) is exaggerated, while the influence of thinkers that today are condemned (such as the “Social Darwinists” or the proponents of “Racial Anthropology”) is elided.

These two examples are similar in that they both point out the problem of examining the past from the standpoint of the present. Poorly executed history of thought often suffers from this problem. Josef Schumpeter’s History of Economic Analysis, for example, arrogantly points out the errors of past thinkers—errors that are really nothing more than a failure to come up with the same ideas Schumpeter himself believed to be true. Good history of thought tries to understand the past, not judge it.

Most persons who study history of economic thought are economists, not historians specializing in intellectual history. As economists, they typically have a strong interest in understanding the origins of present-day economic thought (whereas historians would have a stronger interest in relating past economic thought to its intellectual and social context). As economists, then, they are likely to commit the sin of
examining the past from the standpoint of the present. Henry William Spiegel, the author of our principal textbook (Spiegel 1991), does this quite often. When a pre-Neoclassical thinker expresses an idea similar to the subjective theory of value, or when a pre-Keynesian thinker expresses an idea similar to that of John Maynard Keynes’ view of inadequate aggregate demand, Spiegel takes note—even if that idea played an insignificant part in the thinker’s writings. Spiegel’s selective treatment is perhaps especially evident in a few cases where he fails to discuss thinkers whose ideas are at odds with current economics, even when they were widely read by contemporaries (e.g., John Ruskin).

Why study history of economic thought? We are economists, and are interested in how our current ideas emerged. Hence the approach of Spiegel is reasonable. But, as Quentin Skinner (1969) argues, we can have a better understanding of how ideas change if we try not to view the past from the perspective of the present. The present state of economics, after all, is not the inevitable culmination of a quest for truth; it is not the result of sticking rigorously with a correct “methodology”; it is not even necessarily “progress.” Like all evolutionary processes, the development of economics is full of accidents; like all ideas, the ideas of economics are created by humans who have personal agendas—agendas on which the desire for truth certainly appears, but never alone and perhaps seldom at the top of the agenda.

From Methodology to the Sociology of Knowledge

Thirty years ago, most economists interested in history of economic thought were also interested in “Methodology”—the branch of the philosophy of science which prescribes correct scientific procedure. Today, though, philosophy of science is less important than the sociology of knowledge in explaining the evolution of science. Some significant thinkers in the movement from philosophy to sociology are listed below:

1. David Hume: “problem of induction.” Inductive reasoning amounts to little more than a superstition that the future will resemble the past.
2. Charles Sanders Peirce: “Science is that which the community of scientists eventually come to accept.” Natural selection of ideas: a successful scientific idea is one which scientists accept. Raises question: what makes an idea more or less likely to lodge in the mind of a scientist?
3. Karl Popper: Science can’t “verify” theory, can only "falsify" it.
4. Thomas Samuel Kuhn: Science develops as a series of “paradigm shifts.” “Normal Science” conducts experiments within a paradigm, leading to the accumulation of anomalies. A paradigm’s core assumptions are eventually attacked by a new generation of scientists.
5. Imre Lakatos: Science develops as series of movements to new "scientific research programs.” These contain "hard core" of metaphysical assumptions—essentially articles of faith—defining topics and methods of research. Attractive scientific research programs are able to produce more new facts than those less attractive.
6. Paul Feyerabend: There are no methodological rules that scientists actually follow. Science will progress more quickly with “methodological anarchism” than with rigid rules.
7. D. McCloskey: The conversations of economists are governed not by methodological rules, but by rules that can be described as the "rhetoric of economics."

Economics consists of the ideas that economists have in their minds; economics changes as new ideas enter economists’ minds and old ideas leave. Today, there is a fairly widespread view that the processes governing the entry and exit of ideas are psychological and sociological; the processes are not governed by philosophical recipes for correct science.

An Ethnographic Approach to Economic Thought

Understanding how and why economic ideas change requires that one apply perspectives from psychology and sociology. This application of social science perspectives, however, needs to be done in such a way that one avoids judging the past. In this sense, history of economic thought resembles ethnography. Ethnographers study humans from foreign cultures, taking care to avoid ethnocentrism (judging other cultures by the standards of the ethnographer’s own culture). Ethnographers use the terms emic and etic to describe the kinds of perspectives they apply to other cultures. Emic perspectives view phenomena from the standpoint of the foreign culture, while etic perspectives explain phenomena using social science. Historians of economic thought should read a
past work *emic ally*, that is they should try to understand a past work on its own terms, as the author intended that the work should be understood. Then, historians should try to interpret past work *etic ally*, that is they should apply social science perspectives to explain why the author wrote as he did.

One example of an etic perspective would be Georg Simmel’s mechanism of fashion (Simmel 1957). High status groups seek to differentiate themselves from low status groups, and they do this through cultural productions, whether of apparel, visual arts, music, manners, or speech. Low status groups seek to emulate high status groups. Those high status cultural productions which the low status successfully emulate no longer serve to differentiate the high from the low, and high status groups will therefore adopt a new cultural production. This change in cultural productions provides the mechanism of fashion. Economic thought often exhibits elements of fashion, and ideas often spread because they are associated with high status groups. For example, physics may be considered the most prestigious science, and the emergence of neoclassical economics, as well as the increasing mathematical content of economics, is partly the result of economists’ efforts to emulate physics (Mirowski 1984).

### III. Etic Perspectives on Economic Thought

There are several salient shifts in economic thought, and etic perspectives should be employed to explain these. One can speak of three clear shifts in Western economic thought:

- **The shift from Medieval thought to Mercantilist thought in the early Modern period.** Medieval thought was normative, Christian thought, written by clerics, describing how humans should conduct economic activity to please God. Mercantilist thought explains how to organize economic life in order to increase the power of the state.

- **The shift from Mercantilist thought to Liberal economic thought in the 18th century.** Liberal thought explains how to organize economic life in order to make individuals as well off as possible.

- **The shift toward an increasingly abstract, deductive, and mathematical economics, beginning with the work of David Ricardo.**

**The Audience**

In trying to understand the origin and spread of an idea, it is important to understand the audience for which a thinker crafts the idea. Only in the last hundred years or so has economic thought been primarily a production by academic economists for an audience of academic economists. Before that, academic economists were of little importance. During the Medieval period, only the clergy were literate, and writings on economics tended to assume an ecclesiastical audience. During the early Modern period, most writers were trying to influence national economic policy, and were writing for an audience of policy-makers, mostly nobles and gentry, though also lawyers and rich merchants. In early 17th century Britain, nobles were seen “as men whose duty it was to stand round the King and be his advisors” (Notestein 1954: 37). The gentry were, if anything, even more important in policy-making:

> “For nearly two and a half centuries up to the late nineteenth century the country gentlemen were the leaders of English politics and life. For at least three centuries before the Local Government Act of 1888 they were the kings of the countryside. They constituted the bulk of the membership of the House of Commons and supplied most of its leadership. In the shire they were the justices of the peace and had their fingers in many pies. More than any other group they set the standards and developed the codes of the English. They were not the men who made England rich and imperial, but they did the job of building good government and creating a humane and enlightened society.” (Notestein 1954: 45)

Writers of the early Modern period typically appeal to the self-interests of landowners (their intended audience of gentry and nobles), but routinely treat workers and peasants as chattel— their interests are never considered, but their management is. Beginning with the Enlightenment, however, a much wider reading public emerged (Muller 2002)—to the extent that, by the mid-18th century, even London shoe-shine boys would read the daily papers (Picard 2000: 68)—and writers began to write for the wider public, rather than simply for the land-owning elite. The widening of the audience may well have prompted the shift toward Liberal economics.
Casting about in the literature, one can find many ideas from the sociology of knowledge that provide etic perspectives on the salient shifts in economic thought. Following are two examples, each providing an etic view that helps explain the increasingly abstract nature of economics.

**Occupational Boundaries: Andrew Abbot**

Andrew Abbot has written one of the best books on the sociology of occupations (Abbot 1988). Early in the twentieth century economics became a recognized profession, and many of Abbot’s insights can explain phenomena of this period (though not of earlier centuries). He presents a view similar to that of Simmel’s Differentiation/Emulation mechanism, arguing that high prestige occupational groups “emphasize clarity of jurisdictional boundaries toward subordinates [lower prestige occupational groups], while subordinates emphasize assimilation.” High prestige occupational groups control theory much more than they control practice, and therefore emphasize the importance of theory to maintain jurisdictional boundaries:

“…the central public argument against workplace assimilation holds that subordinates lack the theoretical education necessary to understand and use what they know by assimilation. This is often a fiction, since the theoretical education in the dominant profession is often irrelevant to practice. The practicing physician has no use whatever for his fading knowledge of biochemistry, any more than practicing lawyers have for theoretical training in constitutional law. Practice is in fact made up of …formulaic problems… and training for it is usually conducted on the job, in internship, residencies, and associateships.” (Abbot 1988: 67-68).

The deductive, theoretical secular trend in economics thus could be related to the professionalization of economics and the professions it supports: business, the law, and engineering. By providing theory, economics assists these related professions in establishing prestige and legitimacy. By emphasizing theory, academic economics drives a wedge between itself and the phalanx of unaccredited people in government and business doing economics.

**Intellectual Networks: Randall Collins**

Randall Collins’ book (Collins 1998) is an impressive work of scholarship, examining the social networks of philosophers from a large number of cultures and time periods. He attempts to derive general patterns in the nature of philosophical thought from general patterns in network size and structure. The book is a rich store of ideas, and only a few will be mentioned here.

Contacts between philosophers are of various kinds: student/teacher relationships, colleague relationships, and rivalrous relationships. Cultural capital is passed through personal contact, and philosophers tend to be located in circles sharing common descent through teacher relationships. The periods of greatest creativity are those

“when several rival circles intersect at a few metropoles of intellectual attention and debate… Chains of oppositions create the inner content of philosophies; new ideas unfold by negating the major points of rival positions on a shared topic of argument and a common level of abstraction… Not zeitgeist but structured rivalries constitute the successive moments of intellectual history.” (Collins 1998: 379-380)

Thus rivalry is the motor of creativity, though

“the law of small numbers sets upper and lower limits to these oppositions. The number of contemporaneous creative schools successfully propagating their ideas across the generations is between three and six… When external conditions enforce a single orthodoxy…, creativity dries up… When the law of small numbers is violated by too many rival positions… skeptics attempt to reduce the cacophony by a stance of epistemological plague on all houses, and synthesizers emerge who reduce the number of contenders by constructing systems.” (Collins 1998: 380)

Collins argues that there is a “long-term tendency of an active intellectual community… to raise the level of abstraction and reflexivity” (Collins 1998: 787). Reflexivity is “the self-consciousness of intellectual operations” (Collins 1998: 788). Collins maintains that these tendencies are a function of the increased number of persons in the intellectual network, and their increased diversity:
“As Durkheim held, abstraction develops so as to maintain unification across diverseness. As more members are included in the intellectual network, its collective consciousness is strained to encompass their distinctiveness. G. H. Mead’s generalized other, which plays the part of the audience for the internalized conversation of individual thinkers, increases in scope. Ideas are emblems of group membership; to keep up the sense of membership across the generations, under conditions of repetitive creativity, the collective consciousness becomes more abstract… Reflexivity can be explained as a further consequence of expanding the scope of the generalized other. The mind of a ‘sophisticated’ intellectual, heir to a historically complex network of oppositions and changes in level, internalizes an invisible community of diverse viewpoints, unified by looking on them from a yet more encompassing standpoint. Reflexiveness grows more intense as there is more history of the network to incorporate.” (Collins 1998: 790-791)

These passages from Collins suggest that the increasing abstraction of economics is to be expected from an intellectual network that has grown (through repeated syntheses) to include thinkers from many different cultural backgrounds and many different theoretical perspectives.

**Intellectual Movements**

Many scholars would contest Randall Collins’ (1998: 379) assertion that “not zeitgeist but structured rivalries constitute the successive moments of intellectual history.” Historians of ideas often speak of *zeitgeist*—of movements in art, literature, and political thought. The Enlightenment gives way to Romanticism, which in turn yields to Realism and Naturalism, which give way to Modernism. Each of these movements can be understood primarily as a reaction to the previous movement, in the same way as a pendulum swinging too far in one direction must react by swinging back in the opposite direction. Economic thought to varying degrees shared in these movements. David Hume and Adam Smith were leading figures of the Enlightenment, while Robert Malthus and much of the German Historical School can be viewed as part of the Romantic zeitgeist. Karl Marx seems to be part of Modernism. The boundaries between movements are not clearly delimited, however, and some thinkers are difficult to place—Jean-Jacques Rousseau, for example, is both an Enlightenment figure and a forerunner of the Romantic movement.

Major catastrophic events affect the intellectual climate. The French Revolution and the subsequent Napoleonic Wars were in large part responsible for the shift from the optimistic, cosmopolitan, reason-loving Enlightenment to the pessimistic, nationalistic, tradition-loving Romantic period. World War I and the failures of Bolshevism appear to have led to similar waves of intellectual pessimism and nationalism.

The pendulum swings represented by intellectual movements may mostly be based on generational dynamics. As John Maynard Keynes and Josef Schumpeter both pointed out, economists tend to find their most important ideas in their twenties, and to spend the rest of their life developing those ideas. If the mind is only able to absorb a new worldview during youth, then one can understand why older scientists doggedly continue with an old paradigm. Imre Lakatos maintains that young scientists are eager to make a name for themselves, and will therefore embrace “scientific research programs” with plenty of unanswered questions, shunning the already mined-out scientific research programs of their teachers. History is full of examples of students reacting to their teachers by moving in the opposite direction. The relationship between Aristotle and Plato is most famous, but one sees similar dynamics between other students and teachers, including Robert Malthus and his father. Perhaps the most striking example is J.B. Clark, the prominent Neoclassical economist who studied under Karl Knies, an important member of the German Historical School. His son, J.M. Clark became a leading member of the American Institutionalist School.

An influential way of describing what I call “pendulum swings” is as a “dialectic.” An idea (called a “thesis”) gives rise to a rival idea (its “antithesis”), and the two ideas are then reconciled into a new idea (the “synthesis”). The synthesis then gives rise to an antithesis, and so on. The idea of thought as a dialectical process can be found in the ancient Greeks, but was further developed by late 18th century German philosophers such as Fichte and Hegel. In economic thought one could say, for example, that the abstract, deductive approach of Ricardo gave rise to the antithesis of the inductive English Historical School; their synthesis was accomplished by John Stuart Mill.
**Political Consequences of Economic Thought**

Economic ideas are framed by political ideas and have political consequences. Perhaps the most important political consequence of intellectual movements has to do with their view of the feasibility of remaking society. The optimistic thinkers of the Enlightenment thought that humans should cast away tradition and employ reason to remake society. Romantic thinkers such as Edmund Burke believed that tradition represents the accumulated wisdom of generations of ancestors, and that it is pure folly to think that reason can improve on tradition. A long line of important economists have shared Burke’s pessimism—Pareto and Hayek are two of the more prominent names—and their works have served as the intellectual underpinnings of conservative thought. Other economists have had a much more optimistic view. Marx can be considered an optimist, of course, but so can Adam Smith.

To lodge in a large number of minds, a particular economic idea must be in harmony with pre-existing culture. In large part, a culture evolves as a series of adaptations enabling a social group to solve the problems of maintenance and of survival. Spiegel (1991: 532) points out that each party to the *Methodenstreit* took a position that was in harmony with their national values. The German Historical School espoused a study of specific economic institutions, grounded in ethnic history. In Germany, where the vast majority of the inhabitants were of German ethnicity, such an approach would promote unity—German scholars focused on that which all Germans had in common, and which made them different from non-Germans. In Austria, however, studies of ethnic economic institutions “would have been divisive,” since the Austrian empire consisted of numerous (and restive) ethnicities. The abstract, deductive economics of the Austrian School focused on what was the same for all humans, and thus served to promote the unity of the Austrian polity.

One might argue from this example that economic thought—in order to be widely held—must always be in harmony with “the national interest.” In addition, economic thought must usually be in harmony with the interests of the patrons (government, universities, businesses) that pay economists for their services. And of course, once economics exists as a profession, economic thought must be in harmony with the interests of economists.

**Problem Solving**

Economics, more than other social sciences, is directed toward policy. In an unchanging world, policy is routine and requires no thought. But when problems emerge, and old policy is no longer seen as effective, economic thought attempts to provide guidance. For example, the work of Aquinas can be viewed as the attempt to define Church policy toward the emerging urban economies of the 13th century; mercantilist thought provided guidance for the problem of endemic warfare; John Maynard Keynes developed ideas to address the problem of the Great Depression.

Economic thought will therefore be colored by the particular problems of the time. In addition, thought that provides particularly good handles for addressing problems will tend to be more popular among economists than thought with few good handles. For example, Josef Schumpeter’s ideas of “creative destruction” were developed about the same time as John Maynard Keynes’ ideas of inadequate aggregate demand. The logical government policy from a Schumpeterian perspective is *laissez-faire*; the Keynesian perspective suggests that government manipulate tax rates and government spending to increase well-being. One perspective says “do nothing,” the other offers economists an exalted role as guardians of the economy. Which do you think would be more popular among young economists?

**Innate Values**

Humans usually act first, then invent the reasons for their actions; these invented reasons are then communicated to other humans. One might say that policy occurs first, then thought. Among economists, one occasionally finds fairly broad agreement on a policy, but a variety of different reasons given for supporting that policy. Perhaps the best example would be the “Poor Laws” of 18th and 19th century Britain. Adam Smith, Robert Malthus, and others were alike in their opposition to the Poor Laws, but differed in the reasons given—they agreed in policy, but differed in thought. The explanation might be that humans have an unconscious and innate propensity to disapprove of people who get something for nothing. Values in this case are a datum, and thinkers must invent rational ideas that make the values appear rational. The invented ideas are arbitrary, except that they should be plausible to the intended audience.
Are there innate, pan-human values that economists must treat as given? Great economists of the past often based their work on assumptions about human behavior. Adam Smith, for example, derived most of his conclusions from a human “propensity to truck and barter,” while Thorstein Veblen maintained that humans possess the “instinct for workmanship,” causing them to value efficiency and quality. In recent years, Neoclassical economists have treated human behavior in an extremely abstract form, but there still are some behavioral assumptions: humans maximize self-interest (however defined); more of something is usually better than less of something; more choices are better than fewer choices. During the past two decades economists have shown an increased interest in human evolutionary psychology and cognitive science, a development which may lead to a less abstract (and more scientifically grounded) view of human nature.

From the perspective of evolutionary psychology, there are three bases to sociality: nepotism, reciprocity, and coercion (van den Berghe 1987: 6-11). Evolution favors nepotism (altruistic acts to the benefit of close kin) since kin share genes, and a gene that encourages assistance to kin would likely become increasingly prevalent in future generations (Hamilton 1963). Reciprocity (mutual cooperation) would be favored by evolution if the benefit received by one party is greater than the cost incurred by the other, and if there are no free riders (Trivers 1971). Coercion would also at times increase fitness, especially when males can use coercion to produce more offspring. Of these three bases to sociality, reciprocity (or “reciprocal altruism”) has attracted the most interest from social scientists. There is a significant literature arguing that human intelligence evolved to regulate reciprocity in large groups, and particularly to detect free riders.

It appears that economic thought in all ages condemns free riding. Stark (1956) maintains that the Medieval sin of usury is nothing more than the sin of “getting something for nothing.” Today, we condemn activities such as insider trading, or rent seeking, for similar reasons. Part of the appeal of Marx and the Ricardian socialists may have been their use of the labor theory of value to show that capitalists get something for nothing.

Are there other innate values regulating economic thought? This could be a productive research question, one which could be addressed by studying cognitive science. The only example that occurs to me (other than the stigma placed on free riding) is that humans have an innate propensity to value clear distinctions and shun fuzzy boundaries. This is seen clearly in “tribal” thought, where items that fail to fit into any specific category are declared taboo. The Bible, for example, declares taboo the pig (has cloven hooves but does not chew a cud), the hyrax (chews a cud but does not have cloven hooves), flying creatures without feathers, and swimming creatures without scales (Douglas 1966). In today’s economy, there exist many regulations that appear to reflect this desire for a world with clear distinctions. Zoning regulations and regulations on the location and timing of alcohol sales are some obvious examples—perhaps the Glass-Steagall Act is another.

IV. Summary and Conclusions

We adopt a very inclusive approach to economic thought: including both normative and positive ideas about how the economy functions, and considering ideas from both high and low cultural traditions. Nevertheless, we have one important restriction: economic thought is written. We should approach economic thought as an ethnographer approaches a foreign culture: the goal is to understand, without judging. Past works should be read emically—with as much empathy as one can muster—and social science perspectives should be used in etic explanations of why past thinkers wrote as they did.

As economists, it is valuable to know something about where our ideas come from, and we learn that by learning something about the content of past thought, by reading emically. But the content of past thought is less important than understanding why thought changes. Etic perspectives help us understand why thought changes. Etic perspectives should be able to explain the macro-historical shifts in economic thought: the shift from Medieval to Mercantilist thought, from Mercantilist to Liberal thought, and the increasingly abstract and deductive nature of economic thought.

In developing an etic perspective, it is valuable to know the network in which a thinker is located: who is the intended audience, who were his teachers, who were his colleagues, who were his rivals? One should also know something about the self-interest of the thinker and his audience. What economic problems were addressed and what were the political consequences? These considerations can help us understand how
particular ideas managed to spread and lodge themselves in the minds of many persons during a particular time period.

V. References


