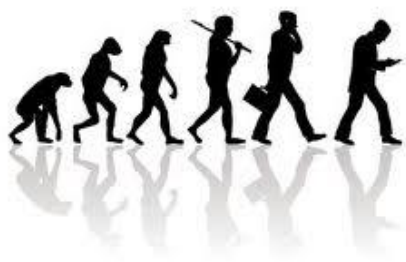


History of Economics – Methodological concerns

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The history of economics is about the history of attempts to understand economic phenomena. It is essential to cover the stories of the economists. It is also necessary to look at the larger picture – the histories of philosophy, religion, mathematics and science. This is because economics is always interdisciplinary, therefore never independent from other disciplines. The ideas posited by an economist are always affected by his/her preconceptions and ways of thinking – which are formed by the culture in which they are writing. While looking at history we can see that this is true for all disciplines ranging from art to literature. This implies that there are certain assumptions and axioms of a certain era upon which different economic ideas are built. For instance, the economics of Europe in the middle ages is heavily influenced by the ethical principles from the Bible, while the economics of modern ages is influenced by the Enlightenment thought. Therefore, one must analyse economics with all those other factors in the background for an unbiased analysis.



Two questions naturally arise: What comes within the purview of economics; and when does its history begin?

It is not easy to draw a line between what constitutes ‘proper’ or ‘real’ economics and what does not. The economic discussions of the medieval period vastly contains theological arguments about ethics in commercial activities and also about just-price theories. These arguments may seem obscure by the present-day standards – but they certainly cannot be discarded. This is because those ideas are still relevant in trying to locate the origins of modern economics. Furthermore, much of the economic analysis we do today may seem to us as ‘positive analysis’, but they certainly contain inherent assumptions which are seldom explicitly pointed out in textbooks of economics.

For example, the concepts of consumer surplus and producer surplus are seen as an ideologically neutral analysis (positive analysis). But through a closer look, we can realise that the market demand curve used in this analysis is derived by summing up the utilities of all the individuals – from the person who has the highest willingness to pay to the person with the lowest. Note that we are giving same value to the richest and poorest individual’s utility. This is essentially ‘utilitarianism’. Therefore when economists opine that a particular policy “ought” to be implemented, the debates that follow is essentially about conflicting

worldviews – and this was exactly the nature of discussions in the medieval period. We can sum up by saying that economics does not have a beginning or a ‘founder’; people have always thought about the questions that we now consider part of economics.

In a postmodern worldview, the emphasis is to stress on the historical relativity of ideas and to never look at the past through the lens of the present. How much ever this may be desirable, it is almost impossible to completely escape out of our preconceptions while looking at history. Therefore it is better to state these preconceptions as explicitly as possible. Here lies the importance of the tools of liberal arts – which liberates the individual from his/her faulty thinking. But unfortunately the diversification of disciplines in the modern era has obstructed this necessary component. On the other hand, to approach the past from the present may result in faulty histories. There are attempts by certain economists to view history of economics as a progression of ideas, and that now we have finally arrived at the ‘truth’. The path for arriving at the present-day economic ideas involve historical accidents, vested interests and prejudices. On the other hand, there are economists who glorify the ideas of the past by belittling the ideas of their own generation – which is again problematic.

So what methodological nuances should be looked at? As opposed to the conventional canon of organizing economic history around ‘great figures’ of the past, discussions should start with a historical context and proceed to economic ideas. The emphasis on economic, political and intellectual history should vary as required. The historical context is very important when we discuss about the

periods before the 19th century when economics was not made into an academic subject; and thus was less distinguishable from other disciplines. In the periods that followed, discussions were mostly happening inside the discipline – therefore little emphasis is required about such peripheral aspects. Therefore, the necessary amount of emphasis on communities and circumstances is required for different time periods.

When we look at economic history in such a way, it is possible to place people in an appropriate position – which may result in giving emphasis to individuals and ideas that are not conventionally regarded as ‘great’. For instance, the role of the Islamic civilization in the medieval period, the Hobbesian challenge to 17th century economics, viewing Adam Smith and Malthus not only as economists, but primarily as moral philosophers. The list could be continued.

But why does methodology matter at all?

In an interesting paper, Peter Temin points out the decline of economic history as a research topic at universities. While this is true in many cases, there has been a minor revival since the financial crisis. Most scholars now believe that a better understanding of economic history would have helped to avoid the worst of the recent crisis. However, in the present world of proliferating economic schools of thought, appraising the past from the perspective of the present becomes much more difficult. This is because economists often try to create biased and partially correct histories in order to justify and explain what they and their colleagues are doing. Here, the role of a professional historian becomes much more important. Amidst improvements in mathematical rigour, data and statistical techniques

available to economists, there have also been fundamental changes to the meanings that have been attached to certain central concepts. For example, the word 'competition' for Adam Smith and his contemporaries were vastly different than its present meaning. This again shows the importance of proper methodology to be followed by the historian.

In order to investigate the different historical claims of economists over various issues, the active contribution of historians is desperately needed. Economic history, thus must be alive, armed with a rigorous methodology in order to face its complex challenges.