1 Introduction: The History of Economic Thought and Its Role

> To understand the others: this is the historian's aim.
> It is not easy to have a more difficult task.
> It is difficult to have a more interesting one.
> (Kula 1958, p. 234)

1.1 Why the History of Economic Thought Is Considered Useless: The Cumulative View

The history of economic thought (HET) is essential for anyone interested in understanding how economies work. Thus – I maintain – economists, precisely as producers and users of economic theories, should study and practise the history of economic thought. This thesis is opposed to the now prevailing consensus. Most contemporary economists are convinced that HET is not necessary for the progress of research, which, rather, requires work on the theoretical frontier.

This anti-HET attitude relies on a *cumulative view* of the development of economic thought, according to which economic analysis displays a progressive rise to ever higher levels of understanding of economic reality. The provisional point of arrival of today's economists – contemporary economic theory – incorporates all previous contributions.[1]

The cumulative view is connected to positivism or, more specifically, to a simplified version of logical positivism, the so-called *received view*, which found a considerable following as from the 1920s: scientists work by applying the methods of logical analysis to the raw material provided by empirical experience. To evaluate their results, objective criteria for

[1] An illustrious and indeed radical example of this position is offered by Pantaleoni 1898. According to him, the history of thought must be 'history of *economic truths*' (ibid., p. 217): 'its only purpose . . . is to relate the origins of true doctrines' (ibid., p. 234); a clear-cut criterion for judging the truth or falsehood of economic theories is available: 'There has been a troublesome search for hypotheses that are both *clear* and *in conformity with reality* . . . Facts and hypotheses have then been used, and what could be deduced from them has been deduced. The theorems have also been checked on empirical reality' (ibid., p. 217).

acceptance or rejection can be established. *Analytic statements*, concerning abstract theoretical reasoning, are either tautological, i.e. logically implied in the assumptions, or self-contradictory, i.e. they contain logical inconsistencies; in the former case, the analytic statement is accepted, in the latter rejected. Similarly, *synthetic statements*, concerning the empirical world, are either confirmed or contradicted by evidence and hence accepted or rejected for objective reasons. All other statements for which no analogous criteria of acceptance or rejection can be found are termed *metaphysical* and are considered external to the field of science.

This view has come in for severe criticism, discussed in the following section. Nevertheless it remains the basis for the cumulative view of economic science, namely the idea that successive generations of economists contribute new analytic or synthetic propositions to the common treasure of economic science, which – as a science – is univocally defined as the set of 'true' propositions concerning economic matters. New knowledge is thus added to that already available, and in many cases – whenever some defect is identified in previously accepted accounts – is substituted for it. Hence, the study of economics must be conducted on the theoretical frontier, taking into consideration the most up-to-date version and not the theories of the past. However, the latter may deserve some attention: as Schumpeter (1954, p. 4) says, studying economists of the past is pedagogically helpful, may prompt new ideas and affords useful material on the methods of scientific research in such a complex and thought-provoking field as economics, on the borderline between natural and social sciences.

Among adherents of the cumulative view, Viner (1991, pp. 385 and 390) proposes a subtle defence of the history of economic thought, pointing to the importance of 'scholarship', defined as 'the pursuit of broad and exact knowledge of the history of the working of the human mind as revealed in written records'. Scholarship, although considered inferior to theoretical activity, contributes to the education of researchers, being 'a commitment to the pursuit of knowledge and understanding': 'once the taste for it has been aroused, it gives a sense of largeness even to one's small quests, and a sense of fullness even to the small answers ... a sense which can never in any other way be attained'. Education in research thus appears to be a prerequisite for informed application of analytical tools.[2] Thus, even if the history of economic thought is

[2] Schumpeter (1954, p. 4; italics in the original) says something similar when stating that the history of economic thought 'will prevent a sense of *lacking direction and meaning* from spreading among the students'.

considered to be of little use in learning modern economic theory, an important role is attributed to it in the education of the researcher.

1.2 The Competitive View

Over the past few decades a number of economists have referred to Kuhn's (1962) 'scientific revolutions' or Lakatos's (1978) 'scientific research programmes' in support of the idea that it is impossible to choose among competing theoretical approaches with the objective criteria indicated by logical positivism (logical consistency, correspondence of assumptions to empirical reality).

First of all, some criticisms concern the clear-cut dichotomy between analytic and synthetic statements. Analytic statements, if interpreted as purely logical propositions, are devoid of any reference to the real world; as a consequence, they are empty from the point of view of the interpretation of real-world phenomena. Synthetic statements, in turn, necessarily embody a large mass of theoretical elements in the very definition of the categories used for collecting the empirical data and in the methods by which these data are treated; as a consequence, the choice of accepting or rejecting any synthetic statement cannot be clear-cut but is conditioned by a long series of theoretical hypotheses that cannot, however, be subject to separate evaluation. Thus, there are no univocal objective criteria for evaluating analytic and synthetic statements.

Another important critique of the criterion for accepting or rejecting synthetic statements – their correspondence or non-correspondence to the real world – is developed by Popper (1934). No matter how many times a synthetic statement is corroborated by checking it against the real world, says Popper, we cannot exclude the possibility that a contrary case will eventually crop up. Thus, for instance, the statement that 'all swans are white' may be contradicted by the discovery of a single new species of black swans in Australia. The scientist cannot pretend to verify a theory, that is, to demonstrate it to be true once and for all. The scientist can only accept a theory provisionally, bearing in mind the possibility that it may be falsified, or in other words shown to be false by a newfound empirical event contradicting it. In a subsequent book (1969), Popper maintains that the best method for scientific research consists precisely in the formulation of a potentially never-ending series of 'conjectures and falsifications'. In other words, the scientist formulates hypotheses and then, rather than looking for empirical confirmation – which in any case could not be definitive – seeks out refutations. These, by stimulating and guiding the search for better hypotheses, contribute to the advancement of science.

The influence of some historians and philosophers of science, such as Kuhn, Lakatos and Feyerabend, then contributed, in the last decades of the twentieth century, to abandonment of the positivistic methodology in the field of economic theory.

According to Kuhn, the development of science is not linear but can be subdivided into stages, each with its own distinctive characteristics. In each period of 'normal science', a specific point of view (paradigm) is commonly accepted as the basis for scientific research. On such a basis, an ever more complex theoretical system is built, capable of explaining an increasing number of phenomena. This process of growth of normal science, however, is accompanied by the accumulation of anomalies, phenomena either that are unexplained or that require for explanation an increasingly heavy load of *ad hoc* assumptions. The result is a growing malaise prompting a 'scientific revolution', or in other words proposal of a new paradigm. This marks the beginning of a new stage of normal science, within which research proceeds without calling into question the underlying paradigm.

Kuhn does not consider the succession of different paradigms as a logical sequence characterised by a growing amount of knowledge. The different paradigms are considered as not commensurable among themselves; each of them constitutes a different key for interpreting reality, necessarily based on a specific set of simplifying assumptions, many of which remain implicit. No paradigm can encompass the whole universe in all its details. Strictly speaking, it is incorrect to say either that the earth goes round the sun or that the sun goes round the earth, since there is no fixed point within the universe. Each of the two hypotheses requires the choice of a fixed point as reference for the study of the universe or, better, concentrates on a part of the universe that is in continuous movement relatively to any other possible fixed point. Since both the earth and the sun move in space, those of Copernicus and Ptolemy are but two alternative theoretical approaches that explain in more or less simple terms a greater or smaller number of phenomena. We may also recall that a heliocentric view had already been proposed by Aristarchus of Samos in the third century BCE, nearly five centuries before Ptolemy: paradigms do not necessarily follow each other in a linear sequence but can reappear as dominant after even long periods of eclipse.

Kuhn's 'scientific revolutions' are intended more as description of the paths followed by the different sciences than as a normative model of behaviour for scientists. On the other hand, Lakatos adopts a normative attitude (1978) with his 'methodology of scientific research programmes', consisting in a set of working rules for both critique and

construction of theories (negative and positive heuristic), organised around a 'hard core' of hypotheses concerning a specific set of issues and utilised as foundations for constructing a theoretical system. The hard core remains unchanged even when anomalies arise, thanks to a 'protective belt' of auxiliary hypotheses; it is abandoned only when the scientific research programme is clearly recognised as 'regressive', i.e. when going ahead with it appears a waste of time and effort. Thus Lakatos sees acceptance or rejection of a scientific research programme as a complex process, not an act of judgement based on well-defined, univocal, objective criteria.

Thus interpreted, Lakatos's view is not very different from – although less radical than – the approach proposed by Feyerabend (1975) with his 'anarchistic theory of knowledge'. Feyerabend stresses the need for open-mindedness towards the most disparate research approaches; at the same time, he guards against unqualified application of his own motto: 'Anything can go'. Critique of the idea that there exist absolute criteria of truth (or better of acceptance and rejection of theories) coexists with the idea that rational debate between different, even conflicting, points of view is practicable. Obviously, when debating the different viewpoints one should not use the criteria of judgement based on one's own worldview but rather try to understand and adopt the rival viewpoint and possibly to criticise it from inside. We are thus confronted with a procedure for scientific debate analogous to that commonly followed in legal proceedings, where prosecutor and defence each bring argumentations in support of their positions.

Feyerabend's views were brought into the economic debate by McCloskey (1985), albeit with some changes. McCloskey speaks of a 'rhetorical method of scientific debate' that rejects neat, monodimensional criteria for the evaluation of theories and stresses, in contrast, the role of their relative power of persuasion.[3] This does not mean denying any value to the theoretical debate: far from it, the main message is the need for tolerance in the face of different views of the world and hence of different theoretical approaches. We may also recall that, thus interpreted, the rhetorical method in economics can be traced back to Adam Smith's *History of Astronomy* (Smith, 1795).

[3] Within the field of the natural sciences, experiments performed in controlled conditions (that is, keeping *ceteris paribus*) as a rule constitute decisive proof of the superiority of one theory over other theories. In the field of the social sciences, however, such experiments are practically impossible. Hence the greater complexity in this latter field for comparison between different theories.

In the case of Kuhn, Lakatos and Feyerabend alike, economists are led to recognise the existence of alternative approaches, deduced from the succession of different paradigms or from the coexistence of different scientific research programmes. It is here that the history of economic thought comes into play. Those who accept a competitive view of the development of economic thought and participate in a debate between contending approaches are induced to investigate the history of such a debate, seeking out the points of strength and weakness that account for the dominance or decline of the different approaches.

In particular, those who support approaches competing with the dominant one may find HET very useful. First, analysis of the writings of economists in the past often helps in clarifying the basic characteristics of the approach proposed and the differences between it and the dominant one. Second, HET helps in evaluating theories based on different approaches, by bringing to light their worldviews, the concepts and hypotheses on which they are based. Often this helps in retrieving the notes of caution and the qualifications originally accompanying the analysis and subsequently forgotten. Third, recalling illustrious cultural roots sometimes serves a tactical purpose, namely to shake up the inertia that constitutes such a strong advantage for the prevailing mainstream.

The competitive view implies neither equivalence between competing approaches nor absence of scientific progress. What the competitive view specifically rejects is the idea of a mono-dimensional process of scientific advance. There can be progress both within each approach (where indeed it is the general rule, in terms of both greater internal consistency and higher explanatory power) and along the historical sequence of research paradigms or programmes. In the latter case, however, the idea of progress is more imprecise and greater caution is required. An undeniable element of progress is provided by the increasing number of ever more sophisticated analytical tools made available by developments in other fields of research (new mathematical tools, better and more abundant statistical material, higher computing power with the new computers). But between successive research paradigms or programmes there are commonly crucial differences in the underlying worldview. Some aspects of reality are given greater prominence, others less, so that there are differences in the set of (explicit or implicit) assumptions on which theories are built and hence in the domain of applicability of the theories. Analytical variables or concepts (such as the market, competition, natural price, profit, rent), although indicated by the same name, take on different meanings when used within different theories. We thus

need to analyse the conceptual foundations of the different theories, and the changes in the meaning of the concepts when inserted in different theoretical frameworks, as part of theoretical research work.

1.3 The Stages of Economic Theorising: Conceptualisation and Model-building

Schumpeter (1954, pp. 41–2) stresses the importance of analysing the conceptual foundations by subdividing economic research into three stages. First, we have the 'pre-analytic cognitive act', or 'vision', which consists in locating the problem to be dealt with and suggesting some working hypotheses with which to start analysis, the aim being to arrive at, if not a tentative solution, then at least the way to tackle the problem. Second, we have the stage where the aim is 'to verbalize the vision or to conceptualize it in such a way that its elements take their places, with names attached to them that facilitate recognition, or manipulation, in a more or less orderly scheme or picture': what we can call the stage of conceptualisation. The abstract system of concepts thus obtained isolates the elements of reality that are considered relevant to the issue under consideration. Finally, the third stage concerns the construction of 'scientific models'.

As we saw in the preceding section, the debate between contending approaches is above all a matter of choosing the conceptual system to be used in representing economic reality. HET plays a decisive role in this respect. It is impossible to provide an exhaustive definition of a concept: the best way to analyse it is to study its evolution over time, examining the different shades of meaning it acquires in the writings of different authors and occasionally in the different writings of the same author. This is the common experience of all studies in the humanities, from philosophy to politics.

Furthermore, by utilising HET for analysis of a concept (and of a conceptual system) we can investigate two basic issues: first, whether it is possible to adapt the content of concepts to the continuous changes in the reality to be explained; second, how the mechanism of interaction between the conceptualisation stage and the stage of model-building operates. The first point – the interaction between economic history and economic theory – is a well-known issue. The second point is rarely considered but is crucial: the difficulties that arise in the stage of model-building and the analytical solutions to those difficulties often imply modifications in the conceptual foundations of the theories, and such modifications may imply a flight from reality into purely utopian worlds.

The systems of concepts underlying any theory are thus changing continuously, which makes it impossible to conceive evaluation of economic theories on a mono-dimensional scale. Theoretical advances may constitute scientific progress under certain aspects but not under others. Most importantly, the steps forward continuously made in the direction of a higher logical consistency and a growing use of more advanced analytical techniques do not necessarily imply a higher explanatory power: they may call for further restrictions to the meaning of the variables under consideration, excluding crucial aspects of reality from the field of applicability of the theory. When we are confronted with this problem HET, by focusing attention on the shifts in the meaning of the concepts used in the theory, can help in evaluating the multifaceted path followed by economic research.[4]

1.4 Economics and the History of Economic Thought

Economics is an investigation of society, with two main characteristics. First, it is a scientific investigation, which follows specific methodological rules (although not necessarily unchangeable or univocal). Second, it considers society in a particular, but fundamental, aspect: the mechanisms of survival and development of a society based on the division of labour. In such a society each worker is employed in a specific activity, collaborating in the production of a specific commodity, and has to obtain from other economic agents, in exchange for (part of) the product, the commodities required as means of production and subsistence. These mechanisms consist in institutions, habits, norms, knowledge and preferences, which constitute constraints and behavioural rules. Economists investigate the results, both individual and collective, of specific sets of constraints and behavioural rules.

As investigation of society, political economy is a social science, with a historical dimension. As a science, it implies adhesion to the methodological criteria prevailing in the economists' working environment. Hence we have a tension between the scientific rules of logical consistency and the nature of economics as a social science. HET helps to achieve a positive resolution of the previously mentioned tension, by bringing to the fore the historical dimension in economic enquiries and, simultaneously, by referring to both criteria – logical precision and empirical relevance – in selecting and evaluating the theories on which to focus attention and in locating a connecting line of development.

[4] For an illustration of the recent debate on the topic, cf. D'Ippoliti and Roncaglia 2016.

A fairly clear answer to the question we started from thus emerges. HET is useful not only and not simply on the didactic level or to provide a sense of direction to economic research or material for epistemologists. It is an essential ingredient both of the theoretical debate between contending approaches, since it helps to clarify the differences and modifications in their representations of the world, and of the theoretical work within each approach, since it contributes to developing the conceptual foundations and clarifying the changes intervening in them in response to theoretical difficulties and evolving realities.

HET also constitutes an education in democracy, in the sense indicated by Kula, quoted at the beginning of this chapter, by educating to the exchange of ideas, also thanks to the effort it involves in understanding the ideas of others, the perception it fosters of the complexities of the worldviews underlying the different theories and determining their potentialities and their limits and the links it reveals with other fields of human knowledge and action.

'There are more things in heaven and earth, Horatio, than are dreamt of in your philosophy': HET, with its own various research strategies, is of great help in keeping economists fully aware of the truth of Hamlet's observation. Not least for this reason, it is a field that every economist should explore.