In Defence of Defending the History of Economic Thought: Why HET Needs More Support from Economists

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My Defending the History of Economic Thought was written for a specific reason. There are many efforts that have been made to explain the benefits to a student of economics that come from studying HET. No HET text, going over the past history and development of economics, fails to provide an introductory chapter on the value, to the student of economics, that comes from studying the history of their subject. This book was not, however, written with that aim particularly in mind.

The book was written almost entirely for another purpose. It was written because the very subject is under threat, and not just from outsiders but from major scholars in HET, from a number amongst those who are in executive positions within HET societies across the world, and from economists in general. Each grouping has motivations of its own, but the convergence of views has created a very great danger for the ongoing study of the history of economics by economists. And while it may not seem like much of an issue to those who have not been paying attention to the events of the past few years, the combined efforts of those who sought this change were nearly able to end the study of the history of economics as being a recognised component of the study of economics itself. It is a contest that unfortunately continues.

The desire to shift HET from within economics to the history and philosophy of science has been the aim of a number of leading historians of economic thought. What turned this vague aim into a genuine possibility was the ambiguous statement in the OECD Frascati Manual which is the international framework created by the OECD for the classification of academic subjects. The result was the first in Australia and then in Europe, those who designed the classification systems made the initial decision to interpret the Frascati Manual as requiring this shift of the history of economic thought from the social sciences category under economics to the humanities category under the history and philosophy of science. And while consultation took place with economists in general about the advisability of the shift, it was not until these decisions became known amongst historians of economics that a reversal of those decisions was achieved.

Unfortunately, the problem is much deeper than just the classification system. There remain others within the HET hierarchy who wish to shift HET into the history and philosophy of science, and there are still others who would like to see the end of the study of HET within economics. And while there is a large overlap between these groups, they are not entirely the same and the motivations are often appear to be different, but who can really tell.
But what is clear is that the current disagreement is in large part concerned with the nature of economic theory itself. Is economics social physics, a mathematical study based on examining those hidden forces that are only revealed through statistical time series and manipulation. Or is economics also part of the humanities, with much in common with politics and philosophy.

And there is a third strand, at least, and that is whether HET ought to continue as it now is, the crossroads of the profession where the various heterodox strands of economic theory are able to meet on a common playing field. Each one of the heterodox traditions values its own history. HET has therefore become the ground on which these differences are often discussed. A discussion of monetary policy can include Marxists, monetarists, post-Keynesians, Austrians and others where the roots of the differences between the groups can be investigated. Whether this is accurate or not, it does appear that some of the impetus for removing HET from within economics is to deny a platform of the various heterodox traditions within mainstream economics.

**Does HET belong in Economics**

The study of the history of economic thought has been on a downwards trajectory since the end of World War II. It is now observable that for the mainstream of the economics profession, there is no history of their own subject that is worth so much as a semester of a student’s time nor are such courses even made available to students who might themselves wish to study HET if such an option were made available. There are a number of reasons for this trend but the one that will be discussed below is the active hostility of the mainstream to the study of history of thought, not in spite of the fact that students will come upon other theories that conflict with mainstream views but because of it. HET is now seen as a preserve for the heterodox tradition and therefore filled with older ideas that have been, in their view, rightly discarded. But in studying the history of thought much of what is studied consists of the very beliefs and ideas held by the mainstream of the economics profession at an earlier time.

They are thus a potentially plausible alternatives to contemporary approaches to economic thought. Where once one could teach HET as a kind of Whig history, as a story of progress from more primitive levels of understanding towards greater scope and depth, this is no longer the case. The heterodox tradition now contains theoretical structures as deep and plausible as anything found in the mainstream. The war on the history of economic thought is in many respects an attempt by the mainstream to protect its monopoly position on the study of how economies operate in the modern world.

The central issue of this paper is whether the History of Economic Thought is an integral part of the study of economics and thus part of the social sciences or whether it is an element of the history and philosophy of science and therefore a part of the humanities. This is no minor issue to historians of economics. The confluence of the attempt by the OECD to tidy up its classifications codes with the desire by some historians of economics, aided by many in the economics mainstream, to see HET
removed from the economics classification and become part of the history and
philosophy of science, has created a moment of serious dangers the future of the study
of HET, and indeed to the future of economic theory itself.

The argument presented in this paper is that the History of Economic Thought is part
of the social sciences. An economist in studying the History of Economic Thought is
doing the work of an economist and is contributing to the study of economics.
Economic theory is improved and deepened because of the work that Historians of
Economic Thought undertake.

**Fighting the Classification Wars of 2007 and 2011**

The first serious challenge to the presence of the history of economic thought as an
integral part of economic theory occurred in Australia in 2007. The Australian Bureau
of Statistics (the ABS) took it upon itself to shift the History of Economic Thought
from within the economic theory classification to a new grouping, which it called,
History, Archaeology, Religion and Philosophy. This decision came out of the blue so
far as the HET community was concerned, even though the proposal had been
previously vetted by a series of committees that had included many economists. In an
important sense, the entire episode can be traced back to the decision by the OECD to
separate out the study of social sciences, which it placed in one section of its
recommended academic classification scheme, and the history of sciences, which it
placed in another.

This is probably a reasonably sensible approach to take with most subject areas. The
study of physics and the study of the history of physics are almost entirely separate
areas of research with little overlap in who undertakes such work and almost no
overlap at all in relation to what the actual issues are. A historian of physics does not
attempt to advance the study of physics but has an interest that is more in keeping
with the sociology of knowledge. And while this division might be appropriate for
most subject areas, it is completely inappropriate for economics.

Importantly in understanding these events, the formal mechanism for the
classification system in each national system is not determined nationally but is based
on an international standard. The classification systems used in every country are
designed around what is called the “Frascati Manual” which has been issued by the
OECD (see OECD 2013). The Manual is not intended to influence the structure of
research but merely reflect the underlying reality. Nevertheless, to have placed the
History of Economic Thought outside of economics, as it did in 2007, caused national
statistical agencies to view the History of Economic Thought as part of the
humanities.

In Australia, the ABS attempted to reclassify the History of Economic Thought into
its new category, “History, Archaeology, Religion and Philosophy”, which, in its
view, would have brought the Australian classification system into conformity with
their interpretation of the Frascati Manual. We historians of economics in Australia
believed that their interpretation was incorrect (see Kates and Millmow 2007a, 2007b,
which was confirmed by the success of what turned out to be an extraordinarily intense lobbying effort that involved economists at every level of the domestic economic structures – particularly economists in the public sector and schools of economics. In this, there was virtual unanimity amongst economists that the history of economic thought was an integral element of economic theory. When confronted with the submissions that descended upon the ABS, that isolating the History of Economic Thought from the Economics classification was wrong in both principle and practice, it reversed its earlier decision and reinstated the history of economic thought within the economics classification.

Four years later, in 2011, this issue came up again, this time through a similar initial decision by the European Research Council (ERC) to place the History of Economic Thought in a social sciences category which they had proposed to call, “The Study of the Human Past: Archaeology, History and Memory”. Again after a series of submissions in relation to this decision that explained how inappropriate this shift in classification would have been, the ERC reversed its original decision and retained the History of Economic Thought within the Economics classification.

HET as a Special Case

Why then is the History of Economic Thought a special case that must be understood separately and differently from the history of natural sciences? These have been discussed in a book of mine that arose out of the two attempts at reclassification. Titled, *Defending the History of Economic Thought* (Elgar 2013), the arguments presented below elaborate the perspective presented in the book.

- The word “history” in the “history of economic thought” has a long history of its own. Because the word “history” is found in the subject name is no reason for assuming HET can be subsumed into other forms of actual historical study which HET is not.

- Economists have been using historical doctrine as a focal point for new directions in economic theory since at least the time of Adam Smith who built the arguments of *The Wealth of Nations* around his criticisms of Thomas Mun and mercantilist doctrine which was, by then, more than a century old.

- The first histories of economics were contained as part of actual economics texts. J.R McCulloch’s 1825 textbook on economic theory is titled, *The Principles of Political Economy: With Sketch of the Rise and Progress of the Science* and does indeed begin with a thirty page discussion of the history of economic theory to that point. Similarly, John McVickar, the author of the first economics text published in the United States, *Outlines of Political Economy* (also 1825), commences his text with an extended discussion of the history of economic theory to that point.
• The history of economic theory provides essential guidance to the meaning of the theory. Without an appreciation of the way in which theory had developed, it is more difficult to understand what the theory means in practice.

• Economic theory is frequently taught in an historical setting. Both the Marginal Revolution and the Keynesian Revolution are part of the education of every economist along with other discussions of how theory became what it is. There is less emphasis than in the past so far as the mainstream goes, but for all non-mainstream traditions, from Austrian to Marxist, the historical development of the theory is an essential part in providing an understanding of the theory.

• Virtually all studies of the history of economic thought are undertaken by economists. Unlike the histories of the natural sciences, which is dominated by the philosophy of science and not natural scientists themselves, historians of economics are economists working within economic departments of their universities. Virtually every paper published in a history of economic thought journal has been written by an economist. Virtually the only readers of papers on the history of economic thought are other economists. This is a literature written by economists for other economists. There are, of course, exceptions to this but they are few. Studies in the history of economic thought are by and for economists.

• The history of economic thought is a prerequisite for the development of economic theory. Unless economists are to continue to chase their tails, going over old ground and repeating old arguments as if they were fresh and new, there needs to be an appreciation within the profession of that old ground that had been gone over. Not that this should necessarily be a deterrent from going over this ground and in many cases may even provide a valuable alert. The Keynesian Revolution was influenced by and possibly even inspired by John Maynard Keynes’s 1932 reading of Malthus’s *Principles* which had been published in 1820.

• Studying the history of economic thought deepens an economist’s understanding of textbook theory. It helps to define terms and clarify arguments. There are many examples where discussions of what an economists might or might not have meant have been important means of thinking through the theoretical developments that had been initiated. Keynesian economics is notorious for its “what did Keynes really mean? discussions. But this is far from unique as the debate over the proper interpretation of the Coase Theorem, first stated in 1960 or perhaps even in 1937 (with even the date controversial), has not yet subsided.

• Having a pool of historians of economic thought within the profession provides a stimulus to others. Not everyone needs to be a scholar in these areas but it helps all economists if such specialists are around who enter into such debates. To reclassify the history of economic thought as a separate study beyond the area of economics will deter individual economists from taking up such studies and therefore the pool of historians of economic thought within economic theory will diminish. It will therefore weaken the actual study and development of economic
theory since the pool of historically knowledgeable economists within school of economics will be diminished both in number and in stature.

- The issue of stature is important. While in some ways the system of classification may be seen as nothing more than a minor issue, the authority of historians of economics in providing both guidance and critique on economic issues will be diminished and therefore their ability to influence the direction of the subject matter will be diminished. The classification system is intended to be a neutral element that does not influence the scope or standing of any forms of research but to remove historians of economic thought from within the economics classification must with certainty do this.

- Properly crafted classification systems are designed to promote productive study. The classification system should therefore follow the contours of these studies, not define them in an unnatural way relative to the nature of the subject. If classification schemes are not flexible enough in their design to permit the kind of exception that economic theory requires, amendments should be made that do not induce classification agencies, which typically do not have expertise in the subject areas, to introduce classification schemes that have a perverse effect on the nature of the study itself.

- Historians of economic thought recognise the specific nature of their area of study that many economists without this expertise often fail to appreciate. The following was written by the editor of the *History of Political Economy* during a 2013 controversy in Australia about how to rank economic journals in relation to their impact. The editor wrote:

  “The field of history of economics, although the specialty of a relative small number of scholars, is nearly as old as economics itself. It is a serious, vibrant, and international field with national and international professional associations, frequent conferences, and international scholarly exchanges. Through its history, its luminaries have included not only specialists known primarily to other specialists, but also such distinguished economists as Lionel Robbins, who first penned the standard definition of what economics is (“Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.”), Joseph Schumpeter, Jacob Viner, Don Patinkin, and the Nobel laureates Paul Samuelson, George Stigler, John Hicks, and Amartya Sen.”

- Some of the most illustrious names in economics including Nobel Prize winners have devoted many years of serious scholarship to the study of history of economic thought and in doing so thought of themselves as working entirely within the field of economics. They did not step out of their role as economists in undertaking this work but saw themselves as contributing to scholarship within economics as economists.
You would therefore think that the history of economic thought was on reasonably safe ground since it ought to be apparent that pretty well every economist would see its significance and defend its role as part of the study of economics.

Yet HET has its Enemies

The history of economic thought, nevertheless, has its share of critics within economics itself. The problem was highlighted by Roy Weintraub in his article on what he called, the “Economic Science Wars”:

“In economics departments in the U.S., doing the history and methodology of economics came to be seen as doing no economics at all. It was even worse, of course, for those doing history and methodology of economics were generally seen as critics, often hostile critics, of mainstream economics.

“This last point is the crucial one.” (Weintraub 2007: 277)

Historians of economics, not all but many, in their studies of the history of economic theory come upon alternative perspectives on economic issues that are quite different from the views and approaches of the mainstream. If historians of economics were a harmless lot who looked only at various philosophical and methodological matters that had no implications for the practice of economics, the kinds of hostility Weintraub points to would not exist. And while mainstream economists might consider such studies irrelevant to their own concerns, they would feel no hostility.

Among economists, approximately half of those who take an interest in the history of their subject, are critics of the mainsteam. Historians of economics are almost entirely already economists. They are economists with a heightened interest in their own field of study which has taken them into some area of historical research. Journals of the history of economic thought are entirely populated by members of schools of economics as are conferences on the history of economic thought. Indeed, the level of knowledge one must have to comment sensibly on just about any theoretical economic question can only be attained by someone who has studied the subject to a reasonable depth. Moreover, looking from the other side of the ledger, there are few beyond economics who would actually be interested in what an historian of economic thought might write. HET is a specialist area of economics in which economists write for other economists.

But many of those who study the history of economic thought are not part of the mainstream but are its critics. This is noted by Weintraub who sees this division as the central part of the problem now affecting the history of economics:

“There are a variety of impulses that lead professional economists to ‘take up’ the history (and methodology) of economics. It cannot be surprising that many historians who begin as critics of mainstream economics link their historical projects with critical appraisals of modern economics. . . . This association of heterodoxy with history of economies is real; a quick examination of the program
of any History of Economics Society meeting will locate two dominant poles: work on ‘old’ economics (Physiocracy, Adam Smith, etc.), historically engaged in contextualization, and the work on issues treated in mainstream economics today, in which there is a critical component, heterodox economics if you will.” (Weintraub 2007: 277-278)

With such a large proportion of HET specialists critical of mainstream analysis, in the fight for scarce academic resources, all historians of economics, both the traditional and heterodox, were driven from the field. Nothing official. “Economists simply appropriate[d] without public comment or notice the faculty positions and tenure lines of retiring historians and use[d] those resources for more ‘mainstream’ work” (ibid.: 279). In Weintraub’s view the right approach would be for historians of economics to withdraw from within economics departments and go elsewhere.

“If historians of economics can shed their professional identification with the community of economists and thus refuse to take sides in the mainstream-heterodox controversies, their return to history, to constructing narratives of context, might brighten their institutional future. . . The history of economics needs to locate academic sites in North America that can provide more support than do research departments of economics. Since a number of historians of economics have intellectual affinities to the science studies community broadly understood, that realization can lead to their evolving connection with a potentially more welcoming scholarly community.” (ibid.: 279-280)

And thus we have a convergence of the views of an influential segment from among historians of economic thought with parts of the mainstream who would therefore follow the recommendations of the Frascati Manual, not because it is good for the development of economic theory but because it would help preserve economic theory as it now is from criticisms by other economists who are not mainstream in their perspectives.

Conclusions

In the Frascati manual at present, economics is classified as a social science while the history of economics is classified as part of the humanities. That is, the two areas are completely distinct with no overlap of any significance. And while this may make sense in regard to other sciences, it is completely wrong when applied to the study of economics. But wrong as it may be, it led to two attempts by classification agencies, the first in Australia in 2007 and the second in Europe in 2011, to remove the history of economics from the economics classification. In Australia we were able to persuade the ABS not to make the change. In Europe, the change was actually made. The ERC removed HET from the economics classification. The effort was therefore devoted to asking the ERC to reverse a decision that had already been made which was ultimately successful. This is from the original ERC decision. The concern referred to – our concern – is that HET would be removed from the economics classification:
“Addressing your concern, “history of economics” is divided between SH1 and SH6 (“The study of the human past: archaeology, history and memory”).”

Anyone who believes that because they are historians of economic thought that they are economists undertaking economics work, and who therefore believe that they would find it unproblematic to explain the importance of their work to their head of department in a school of economics, when the official classification has then listed as working in an area described as “the study of the human past: archaeology, history and memory” (and in Australia the classification would have been, “History, Archaeology, Religion and Philosophy”), can only be seen as an optimist. And to the extent that they could get funding for their work, these would have been the panels they would have needed to apply to.

These, moreover, are not battles won. These are battles historians of economics remain in the midst of. The history of economics has its enemies within the ranks of economists who will sideline the study of HET if they can. The history of economic thought makes economics a better subject and makes economists better economists. Below is a summary of the reasons why this is so:

- economists looked at individually have a stronger grasp of economic theory and therefore make better economists if they have studied the history of economic thought,
- economics as a discipline looked at as a collective enterprise is much improved by the existence and work of such historians of economics,
- economic theory is improved by the work of historians of economics who are able to bring insights from the work of economists of the past into the current conversation,
- economic theory is improved if economists generally actively look amongst the work of economists of the past for a theoretical understanding of contemporary issues,
- it improves the skills and abilities of the community of economists as economists if they collectively and individually have a greater understanding of economic theory’s past and the different perspectives it provides,
- the history of economics as a subject area must remain part of economic theory, recognised as such by both economists and the official classification agencies of government.

There remains work to do to defend the history of economic thought but there is even more work needed to promote its importance to economists. The importance is subtle and often imperceptible. Economists widen their perspectives and see other possibilities than the narrow range provided by whatever mainstream view may happen to exist at any moment in time. That is only one part of the value the history
of economic thought provides to economists but it is surely important enough to ensure such threats do not become a reality.
Bibliography


