

## Rediscovering the history of economic thought

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Mark Blaug, probably the most well-known historian of economics from the 1960s to the 1980s, once predicted that, after the millennium, the study of the history of economic thought in the second half of the twentieth century would suddenly open up. There was no logical reason why this should happen, but he believed that the changing of the calendar would have a psychological effect, suddenly moving the whole twentieth century into the past, making it a subject fit for historical inquiry. His forecast has turned out to be correct.

In the latest issue of *Oxford Economic Papers*, we use the fiftieth anniversary of the British History of Economic Thought Conference to reflect on this change. The first conference, organised at Sussex in 1968 by Donald Winch, took place when the history of economic thought was predominantly concerned with what might be thought the classics of the subject: Adam Smith, David Ricardo, Karl Marx and other economists long departed from any economics syllabus. John Maynard Keynes was studied, but little historical attention was paid to his contemporaries or close predecessors, and there was little interest in what happened after the Keynesian revolution. Keynes was therefore something of an exception to a general rule that made 'history of economics' a matter of the eighteenth and nineteenth centuries. In so far as there was a rationale for this (such things are often the result of historical accident) it was presumably the view that once we have marginalist microeconomics (around since the 1870s) and Keynesian economics (since the 1930s), the key elements of modern economics are in place. In addition, there was, in 1968, still much work to be done unearthing the materials needed to undertake proper historical study of the classics. Unpublished materials by even well-studied economists such as Smith and Marx were still coming to light, and the massive task of editing Keynes's economic writings, sponsored by the RES, was not completed until the 1980s.

The special issue of *OEP* to which our paper is the Introduction is the outcome of the fiftieth anniversary conference, held at Balliol College, Oxford, in 2018. It covers topics as diverse as macroeconomics in the 1960s and 1970s, environmental debates in the 1970s, the strategies adopted by experimental economists to get their work accepted, public finance theory and other topics far from the traditional canon. In place of Smith, Marx and Keynes we have Leijonhufvud, Hahn, Plott, Coase, Jensen and Meckling, Hoyt, Reid and Kyrk. There has clearly been a change, but beyond a change in attitudes, what has happened to make this possible?

The history of economic thought has a more marginal place in Anglo-American economics than was the case fifty years ago. No longer do the world's leading economists, such as Joseph Schumpeter, Maynard Keynes, Jacob Viner, Lionel Robbins, Paul Samuelson or Kenneth Arrow, study and teach the subject. It has been progressively excluded from economics journals and from the curriculum. One can argue that, irrespective of whether it is worthwhile for economics students to study it, this is understandable, because it is history rather than economics. However,

the field has thrived. One reason is that, as economic ways of thinking have increasingly permeated public discourse, historians – and here we mean scholars with a training in history, or based in history departments, rather than economists who have turned to history – have taken an interest in the field. Another is that in some countries, notably France, Italy and Japan, the history of economic thought has been institutionally protected in a way not true in Britain or the United States. The field has also been sustained in business schools and in departments focused on political economy. This association of the field with “heterodox” economics has been a problem, for there is a tension between those who are hoping to change economics and those who see themselves as historians whose goal is understanding how it has developed, but the interest shown by “heterodox” economists has increased the size of the market, helping the field survive and even to thrive. Economics journals may devote fewer pages to history but there has been a proliferation of specialist journals and, as is generally the case in history, where arguments need to be developed across more pages than most journals allow, books remain very important.

However, the existence of a critical mass of scholars has been no more than a necessary condition for the field to develop. Clearly, studying the history of recent economics requires careful reading of economists’ publications, but to understand those publications it is usually necessary to go behind them. One development that has made this possible is the creation of archives of material such as economists’ unpublished drafts, their correspondence and other documents. Through their potential to reveal the way economists reached their published results, including their wrong turnings, advice provided by colleagues, and other points that do not make it into the published record, we can get a fuller picture of how published work was created.

We are also beginning to learn a lot more about the institutional context in which economic ideas have been developed. Organisations such as the National Bureau of Economic Research, the Brookings Institution, the Centre for Economic Policy Research, the National Institute for Economic Research have been important, and understanding their history is can help us understand why certain ideas were successful when they were. It ought to go without saying that certain academic institutions -- notably certain departments -- have played important roles. This raises the question of what it was about, for example, the University of Chicago, the Massachusetts Institute of Technology, or the London School of Economics, that enabled their economists to achieve the prominence that they achieved. Such work is in its infancy, in that whilst there has been considerable work in writing the history of Chicago economics, there has been less on the history of MIT, LSE, Stanford, Carnegie-Mellon, Michigan, Rochester and the other universities that became important centres of economic research in the past fifty years or so. We are also learning more about the role of economists in government and other official agencies such as the International Monetary Fund, the World Bank, the Federal Reserve and the Bank of England.

Students complaining about the current economics curriculum often ask that there be space in the syllabus for the history of economic thought. Many economists resist this because they see calls for pluralism and history of economic thought as a barely covert appeal for the inclusion of approaches that they consider a waste of time (the inclusion of “History of economic thought, Methodology and Heterodox approaches” under the same *Journal of Economic Literature* code will be taken by many economists as a warning that this may be the case). Such an attitude can

reflect an implicit assumption that the history of economic thought will be concerned with topics very different from those studied elsewhere in the curriculum. For example, Paul Krugman has argued that the history of economic thought provides a source of ideas that can be used as the basis for developing new theories, and Paul Samuelson claimed that unorthodox approaches (he had in mind Marxist economics) should exist in the discipline, just in case they turned out to have some merit.

It is true that, for those who see modern economics as complacent and narrow, readings from the past can seem to offer a corrective. But we see a further and quite distinct case for the renewed and broader study of the history of the discipline. Because of the way the field has changed in the past fifty years, there is now a case for the study of the history of economics which should have much more appeal as an aspect of the education of mainstream economists at any level.

One significant change is that the integration of the history of economic ideas into the history of the institutions in which economics is done makes it possible to show students more of what it is like to be an economist. Students can be shown how economic ideas were developed: for example, seeing Keynes's struggles to develop a theory that would explain the depression makes it clear that ideas do not normally emerge fully formed: developing new ideas and new practices that work takes time. The history of the Arrow-Debreu existence proofs, which involved co-operation and rivalry between three very different personalities, Kenneth Arrow, Gérard Debreu, and Lionel McKenzie, shows how personal struggles lie behind even the most abstract of economic theorems. For research students, the insights made available should be instructive, and exciting

Changes that have taken place in economics also make the history of economics potentially more interesting. In 1968, much in economics seemed to be settled. Marginalism and Keynesian macroeconomics seemed so much to set the framework for research in economics that it involves only a little exaggeration to say that there was not much for *history* to consider aside from the origins of these ideas, and how the erroneous ideas which had preceded them came to be rejected. This was perhaps particularly true of Keynesian macroeconomics, since it was treated as originating in a single, revolutionary book. There, the preceding mistakes and confusions seemed to have been swept aside with a single stroke. So, the jibe, attributed by Blaug to A. C. Pigou, that the history of economics consisted in studying the wrong ideas of dead men resonated with the way economists viewed their field. The likelihood of finding rejected but valuable ideas or altogether different approaches that could turn out to be better than those of the moderns, naturally enough, seemed slight.

In 2018 the situation was very different. It had become much easier to see that the Keynesian revolution itself is the result of much more than a single book: there was therefore scope to explore how and why different interpretations of Keynes came to be accepted. Both the content of the practical Keynesianism of the 1960s and 1970s, and the reasons for its rejection by the mainstream of economists needed to be described and explained. Especially after the Global Financial Crisis, the origins of today's consensus framework in macroeconomics should be the subject of historical inquiry. That macroeconomics certainly does not have just a single source of the standing of *The General Theory* but stems from a number of sources, including the work of

Phelps, Lucas, Sargent, Barro, Prescott, Stiglitz, Taylor and many others. The work of all of these authors can be, and is being, studied as history of economic thought.

The same is true when we turn to microeconomics. The emergence of game theory, principal-agent theory, satisficing, asymmetric information, mechanism design, behavioural and experimental economics and other approaches mean that microeconomics is *much* more than the marginalism of Walras and Marshall. For example, many economists, we conjecture, know little about Herbert Simon, Thomas Schelling, Elinor Ostrom, or about the way game theory emerged as a thoroughly interdisciplinary field, spanning not just economics but psychology and biology. We may think we know someone like Paul Samuelson, but in addition to being perhaps the archetypal mathematical economist of the postwar era, someone very different emerges from the pages of his introductory textbook, his policy advice and his voluminous publications in newspapers. (And, for reasons of space, we have not even mentioned the rich history of econometrics.) The history of economic thought can therefore have a broader appeal than was possible fifty years ago.

If, like Krugman, one were to think that there might be good ideas that were discarded in the past, it would seem much more likely that one would find them in these more recent developments than in Smith, Mill or Marx. For example, given that the Lucasian revolution was as much a matter of approach as well as content, and that it stirred up so much discussion, it seems very likely that historical study might turn up ideas of value which do not appear in the course of a normal undergraduate or graduate education in economics. Those who are active in developing such ideas today may have a broad idea of where ideas came from, but it is detailed knowledge that is more likely to turn up overlooked possibilities. That kind of study requires that, as far as possible, one understands the mindset of earlier generations of economics, which involves more than simply evaluating earlier texts in the light of modern ideas.

The study of past thought can also reveal different ways of thinking about problems, and sometimes their value is enhanced when it is recognized that confidently held beliefs about the past are mistaken. For example, the widely believed idea that Friedman was the first to take account of expectations in studying the relationship between inflation and unemployment turns out not to be true. The recognition of that point makes the study of analyses of inflation and unemployment before 1968 much more interesting. It may be unlikely to provide a revolutionary new theory (there may be good reasons why it would be absurd to try to wind the clock back) but learning about ways of conceiving the problem that are basically reasonable, but very different from our own might nonetheless provide new ideas.

Student interest in the history of economic thought is linked to unrest at the character of modern economics, and it might be that the study of recent economics would help to quell that unrest. If historically constructed accounts were taught, the students might see much to appreciate in the character of modern work which is otherwise invisible.

None of this, of course, detracts from the historian's goals and ambitions. To see those, one must adopt the values of the historian. That economists might be more tolerant of those values is a hope. But the way that the history of economics has developed in fifty years, and in particular the

way in which it has in a certain sense, come up to date, opens the door for its profitable study – whether by students or professionals – whose goals, quite properly, lie elsewhere.

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