

## HISTORY AND PHILOSOPHY OF ECONOMICS

### Defending the History of Economic Thought

**Steven Kates**

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Against what does the history of economic thought (HET) need to be defended? Against an increasing tendency on the part of public funding bodies to exclude HET from the subject field of “economics”—with disastrous unintended consequences for those who make their living through research and teaching HET in universities. Steven Kates is one of these, but he also had many years’ experience as a lobbyist in Australia (106) and has employed his skills to successfully reverse two recent adverse decisions: in 2007 by the Australian Bureau of Statistics and in 2011 (assisting Cristina Marcuzzo) by the European Research Council. He has now given us a lobbyist’s handbook that reports and reflects on those episodes, which amplifies the case he has made for continuing to treat HET officially as economics.

I must declare at the outset that I am Kates’s friend and was an ally in his first campaign. I know that his impassioned polemic in this book is motivated by genuine conviction, not merely by professional self-interest. Therefore, my occasional critical comments must be seen as an attempt to improve his arguments. Where bureaucrats are intelligent and disinterested (as in the English-speaking world and in Western Europe we may assume they generally are) lobbying will only be successful in the long run if it is based on genuine facts and sound reasoning.

Kates wishes to affirm *first*, that HET is “a crucial element in the education of an economist” and *second* that it is “a necessary component of economic theory in and of itself” (viii). A strong case can be made for each of these propositions, especially if we suppress the adjectives. Before examining that case we must be clear about what we mean

by HET, and here Kates lays himself open to objection. The history of economic thought (HET), he tells us, is “not a sub-discipline of economics, it is economics” (viii; see also 68; cf. 35 where he admits that it *is* a “sub-branch” after all). Yet the *H* in HET stands for *history*, and history is not economics. What can we make of this?

I wish to suggest that HET is a catchall that contains at least two completely different heuristic enterprises: (1) the history of economic analysis (HEA) and (2) the intellectual history (IH) of economic ideas. Mark Blaug’s well-known textbook, which Kates greatly admires (see ix–x), is almost a paradigm of the former; Donald Winch’s *Riches and Poverty* (Cambridge, 1996) is a perfect example of the latter. Winch’s IH is very decidedly “history,” though his subject matter in this case is the “political economy” of Adam Smith and his successors. However HEA, or “economic theory in retrospect,” as Blaug accurately labeled his textbook, is just as decidedly *not* history. Winch used *historiographic method* to describe the social, religious, political, and intellectual context of economic thought in order to trace the filiation of ideas and to explain or at least to illuminate agreement and disagreement among the principal authors. Blaug used the *method of economic theory* to elucidate the formal structure of the implicit analytical models employed by his cast of great predecessors. This latter is an example of the process by which “the history of a science becomes an inseparable part of the science itself . . . essential for its further development as well as giving content to the theories it contains at any particular moment” (P. Feyerabend, *Against Method*, 21). When seen in this light, Kates’s insistence that HET *is* economics (or at least a subbranch of it) would have made sense had he recognized that HET is far too capacious a subject for that compliment. That subset of HET that we may call HEA is not history, but it certainly is economics. But the subset IH is not economics; it aspires to be history. Had Kates recognized this distinction, almost everything else in his book would be clearer and more convincing.

Why is HET an “element in the education of an economist”? Kates lists nine considerations (21), most of which are subsumed under the last: “an alternative pathway for teaching economic theory and its applications.” Obviously we are talking about HEA here, and indeed this seems to be Kates’s chief concern in this book. My own experience is relevant. My fourth-year honors students in HET invariably reported that when they arrived at graduate school they were much more at home with undergraduate economic theory than were their contemporaries from other universities. But—and this is an important “but” that affects much of what Kates has to say about the pedagogic value of HET—my students were not allowed to enter my course until they had mastered second- and third-year theory. History of economic thought (HET) was not an “alternative pathway.” It was a means of pulling all their previous theoretical studies together and making sense of them. They could not have analyzed the theoretical content of the classical and neoclassical masters without an abundance of prior technical training.

More fruitfully, Kates reminds us that HET can be “a conversation with economists of the past on contemporary questions.” Now we are talking IH, the opportunity cost of which needs to be justified. In my opinion, the value of IH to the apprentice economist depends on what kind of economist we are training. There is a large demand in both the private

and public sectors for skilled technicians in essentially subordinate positions. Intellectual history (IH) is of no more professional importance to them than Shakespeare or Mozart. If we are training high-status economists—the Krugmans and Stiglitzes of this world, who play a large part in public affairs and in elite universities—then we must encourage a wide and humane culture: literary, philosophical, historical, artistic, and scientific. Intellectual history certainly belongs in the mix here. The great Paul Samuelson was a better economist (of this kind) for his “conversations”—often quite disputatious—with Quesnay, Hume, Adam Smith, Thünen, and Marx. At his Nobel Prize banquet he listed among the conditions for academic success in economics, “You must read the works of the great masters.”

How is HET “a component of economic theory”? By the fact that HEA is part of the process of scientific investigation described by Feyerabend in the passage quoted above. No individual can think creatively without memory. Communities also must have “collective memory” if they are to create ideas. History of economic analysis is the collective memory of the community of economic scientists, and Kates is justified in calling it “necessary.” However, IH has little or nothing to do with this.

Because Kates’s most important claim is that HET (by which he ought to mean HEA) is, or is part of, *economics*, it may be relevant to consider what we should mean by that word. Kates tells us that “economics is a policy science” (20 *et passim*) that has “the aim of framing economic policies” (20). Now, most would agree with Keynes that economics is not a body of knowledge but a method of thought. In his world-famous textbook, Paul Heyne called that method *The Economic Way of Thinking* (Chicago, 1973), which he defined as “the presupposition that all social phenomena result from interactions among the choices that individuals make after calculating the expected benefits and costs to themselves” (Paul Heyne, “Limitations on the Economic Way of Thinking,” *Religion & Liberty* 8, no. 4 [July/August 1998]: 8).

Kates’s concept is not incompatible with Heyne’s, but the latter is far richer and is more helpful in defending HET. If economics is viewed as a method of thought, then HEA is the use of that method in interpreting our collective memory. In addition, IH is a conversation with the most successful practitioners of that method in the past from whose skill and achievements we may learn much. To be sure, “the economic way of thinking” can be taught, as Heyne himself taught it, entirely by the analysis of local and contemporary social and political problems. Because he was an intimate friend during the last two decades of his life during which we often argued about these matters, I am confident in saying that he would cordially have agreed, first, that HEA is a use of that method, and second, that IH can be a valuable way of learning it.

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