

MPhil (Econ.) & MSc (Political Economy)

Dept. of Economics

National and Kapodistrian University of Athens



History of Economic Thought

Lecture 1: Introduction to HET

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Lecture Outline

- The objective of the History of Economic Thought
- The role of the HET in the education of economists
- Methodology of economics
- A brief overview of the course of economic thought from antiquity to the 20th century





Introduction to the History of Economic Thought

The objective of the History of Economic
Thought



The objective of the HET

- One of the objectives of the HET is to help students grasp how different economic theories originated and developed.
- Students should be able to comprehend how the economic theory they are currently taught came about in order to understand it better through the “early concepts” and by examining the reasoning that created them.
- They will be able to learn alternative views of mainstream economics and examine why scientific theories in the social sciences are dominant or marginalised.
- They should also be able to adopt a critical stance towards the different doctrines of economic thought





The objective of HET

- The approach of the course is historical and analytical. The evolution of economic thought is presented as a successive series of changes in the perception and view of the nature of the socio-economic process. These changes in the “vision” (Schumpeter) of the dominant version of economic thought entail the construction of new analytical concepts and categories and a new theoretical model for their articulation.
- The course, therefore, emphasises the historical character of economic theories and how actual socio-economic phenomena shape the development of economic theory.





The objective of HET

- Students will, therefore, be able to understand that the production of science is a social process which is related to
 - the logical consistency and internal coherence of each theory and its ability to examine social and economic phenomena, but also
 - its relationship with its economic, social, political, and ideological environment





Introduction to the History of Economic Thought

The role of the HET in the education of
economists



The role of HET in the education of economists

- In recent years, there has been a growing tendency in most universities, particularly in the Anglo-Saxon world, not to include the teaching of HET in their undergraduate and postgraduate curricula.
- In the USA, the major universities, except for Duke, have stopped teaching it in economics departments. The same is true in the UK.





The role of the HET in the education of economists

- Retiring professors are seeing the courses they taught discontinued. At the same time, the major economics journals have stopped accepting articles on the HET, which now has specialised journals that are not even highly ranked.
- The reason provided for this neglect of the HET is that there is only one "correct" theory: mainstream neoclassical economics.
- Therefore, there is no reason to 'burden' students with learning "false and outdated" theories of the past. They have "more important" techniques to learn, e.g., financial econometrics.





The role of HET in the education of economists

- There is, of course, a counterargument. Students of economics should learn the history of economic thought for three reasons:
 - Pedagogical: We can better understand existing theories if we know how they were formed (Gordon)
 - Creating research culture: We gain a better understanding of how the human mind works and generate a commitment to knowledge acquisition (Viner)
 - We get ideas of how to solve current problems by knowing how great minds of the past had faced similar issues [log room] (Schumpeter)





The role of HET in the education of economists

- I believe that the most crucial reason for the exclusion of HET from the curricula of modern economics departments is that the dominant orthodoxy has associated HET with alternative "heterodox" theories (such as Marx, Keynes, and Sraffa) and can thereby exclude pluralism from universities without having to confront alternative approaches scientifically.
- Since mainstream theory has been incapable of predicting and explaining the current economic crisis, it is inappropriate, to say the least, to try to exclude alternatives to its doctrines.





Introduction to the History of Economic Theory

Methodology of Economics



Methodology of Economics

- What is the subject-matter of economic science?
- How does economics differ from other sciences?
- How does science progress?
- What are the criteria for accepting or rejecting scientific theories?
- Questions that we will deal with in this course



What is the subject of economic science?



John Stuart Mill
(1806-1873)

ESSAYS
ON
SOME UNSETTLED QUESTIONS ON THE DEFINITION OF POLITICAL ECONOMY; AND ON
THE METHOD OF INVESTIGATION PROPER TO IT.
OF
POLITICAL ECONOMY.

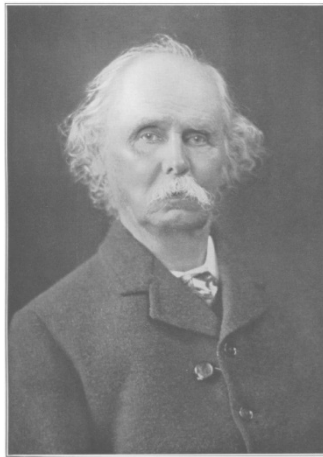
ESSAY V.

The definition of a science has almost invariably not preceded, but followed, the creation of the science itself. Like the wall of a city, it has usually been erected, not to be a receptacle for such edifices as might afterwards spring up, but to circumscribe an aggregation already in existence. Mankind did not

1844

What is the subject of economics?

- Alfred Marshall: "Political economy, or economics, is a study of man's actions in the "ordinary business of life." It inquires how he gets his income and how he uses it. Thus it is on the one side a study of wealth and on the other, a more important side, a part of the study of man."



ALFRED MARSHALL, 1921. *Frontispiece.*

Alfred Marshall
(1842-1924)

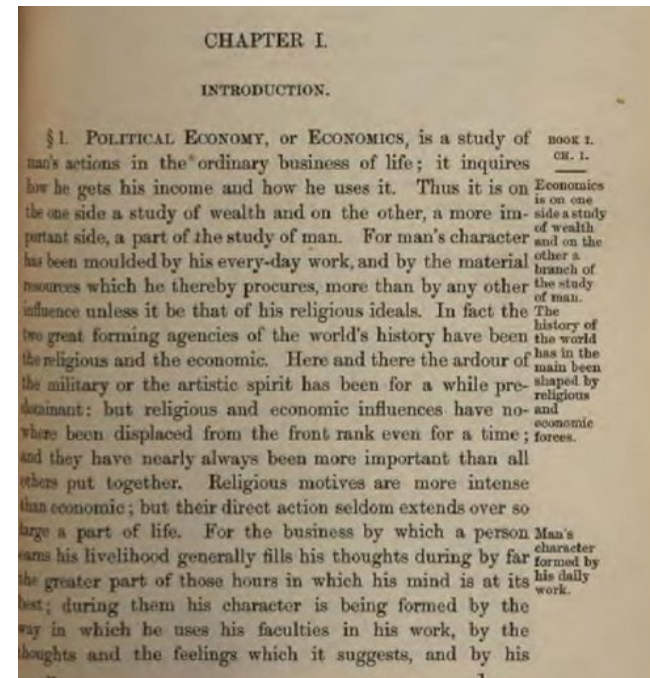
PRINCIPLES
OF
ECONOMICS
BY
ALFRED MARSHALL,
PROFESSOR OF POLITICAL ECONOMY IN THE UNIVERSITY OF CAMBRIDGE;
FELLOW OF ST JOHN'S COLLEGE, CAMBRIDGE;
SOMETIME FELLOW OF BALLIOL COLLEGE, OXFORD.

VOL. I.

Natura non facit saltum.

London:
MACMILLAN AND CO.
AND NEW YORK.
1890

[All Rights reserved]



First page from *Principles of Economics* 1890

What is the subject of economics?

- Definitions are not always “neutral”. They often prejudge the theoretical view of the author.
- Thus, Richard Whately, in 1831, in his *Introductory Lectures on Political Economy*, wanted to call political economy "Catallactics, or the 'Science of Exchanges'".
- One hundred years later, Lionel Robbins, in his *Essay on the Nature and Significance of Economic Science* (1932), defines economics as “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses”.



Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.¹



What is the subject of economics?

- Roger E. Backhouse and Steven G. Medema in their article on the definition of economics state that there is no single definition. In modern textbooks the definition is related to “the study of the economy, the study of coordination, the study of the effects of scarcity, the science of choice and the study of human behavior.”
- They conclude that: “Modern economists do not subscribe to a homogeneous definition of their subject. At a time when economists are tackling subjects as diverse as growth, auctions, crime, and religion with a methodological toolkit that includes real analysis, econometrics, laboratory experiments, and historical case studies, and when they are debating the explanatory roles of rationality and behavioral norms, any concise definition of economics is likely to be inadequate”
- Jacob Viner: "economics is what economists do".
- The definitions reflect the direction the authors want the science to go.

Roger E. Backhouse and Steven G. Medema. 2009. "Retrospectives: on the Definition of Economics." *Journal of Economic Perspectives*, 23(1): 221-33.

<https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.23.1.221>





How does economics differ from the sciences?

- Economics is a social science.
- Distinction between humanities/social sciences and natural sciences
Geisteswissenschaften vs Naturwissenschaften
- The scope of economic science is changing. Is this a reason for different scientific categories, or is there a universality of scientific economic laws?
- Relative impossibility of experiment.
- Distinction between positive and normative economics. Freedom from value judgments. Is it feasible?
- Values enter into the formation of even the most technical issues, even if scientists are not consciously committed to a political ideology. [Experiments with economics students]
- Economic theory influences the behavior of economic actors.



How does science progress?

Criteria for acceptance or rejection

- ❑ Two fundamental alternative conceptions of the progress of science:
 1. The cumulative view
 2. The competing view
- ❑ According to the **cumulative view**, each new generation of scientists corrects the errors of the previous generation and adds to the accumulated pool of knowledge. We stand on the shoulders of giants but see beyond their horizon. It is like a snowball that gathers more snow as it descends the slope. According to this logic, the history of a scientific field does not help to understand it better.
- ❑ This concept is related to the interwar **Vienna Circle** and **positivism**.
- ❑ Difference between **analytical** (*a priori*/mathematical) and **synthetic** (*a posteriori*/scientific) propositions.
- ❑ Any proposition that cannot be empirically verified is **metaphysical**.





How is science progressing?

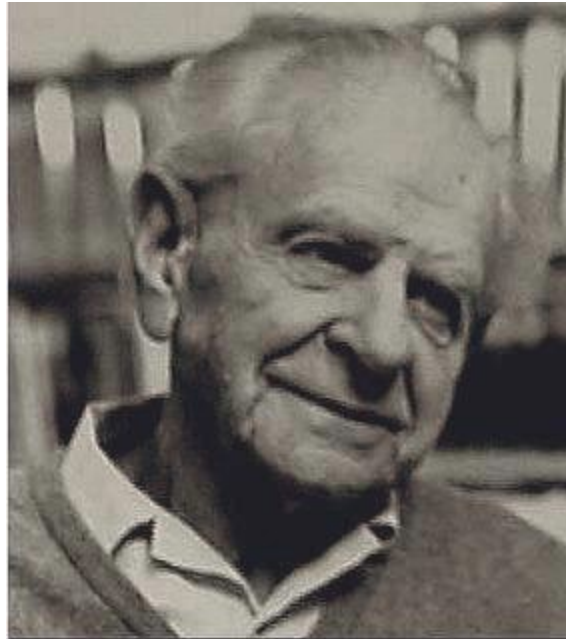
Criteria for acceptance or rejection

- The problem with positivism is that scientific propositions cannot be **verifiable**.
- The problem of **induction**.
- **Karl Popper's** critique.
- Scientific propositions can only be **falsifiable**.
- Scientists should express their propositions in a way that can be empirically tested.
- If a scientific hypothesis is disproved, a new hypothesis is formulated.
- However, the theory at the core cannot be falsified because we can always make new propositions from the same theory by changing the auxiliary assumptions.



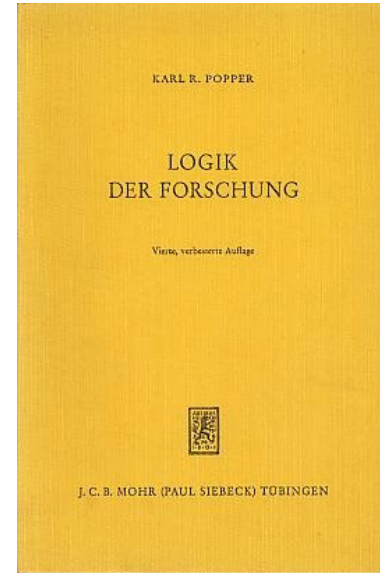
How does science progress?

Criteria for acceptance or rejection



Sir Karl Popper (1902-1994)

Karl Popper
(1902-1994)



Logik der Forschung, Vienna: 1935
The logic of scientific discovery

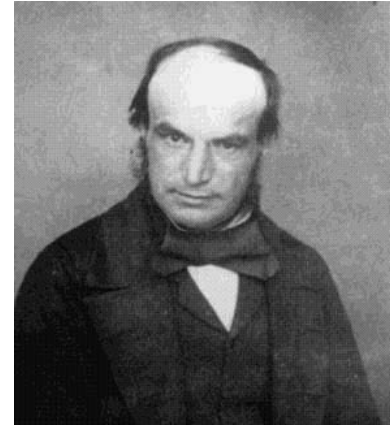
Example

The discovery of the planet Neptune from observing the orbit of the planet Uranus in the mid-19th century.

Newton's theory was not disproved, a new hypothesis was made that there is another planet influencing the orbit.



Urbain Le Verrier
(1811-1877)
French astronomer who
discovered Neptune



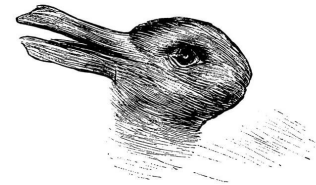
John Couch Adams
(1819 -1892)
English astronomer who
independently made the
same discovery



How does science proceed?

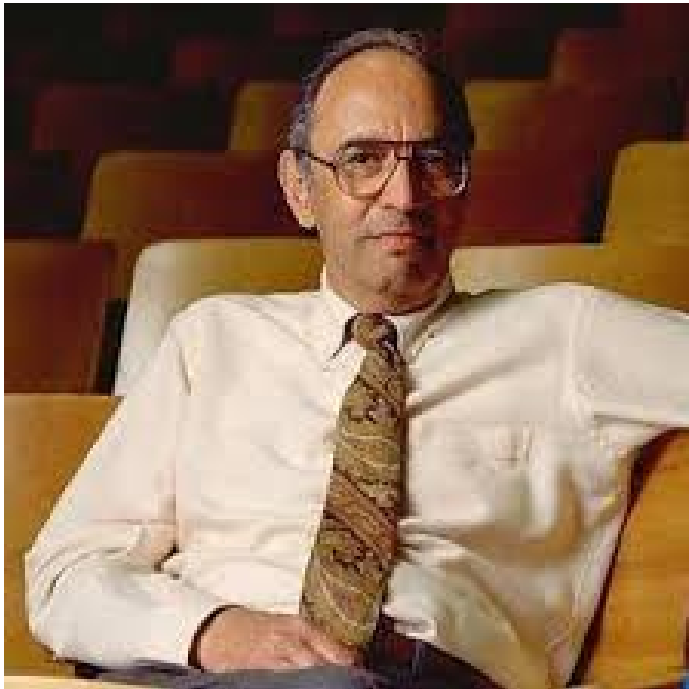
Criteria for acceptance or rejection

- **The competing view**
- Science proceeds not by accumulating new knowledge but by formulating alternative theories that are in conflict.
- The predominance of a theory depends on its ability to explain phenomena better and on the organization of the scientific community
- Thomas S. Kuhn (1922-1996): *The structure of scientific revolutions* (1962).
- Differences in theoretical **paradigms**
- **Normal science, puzzle solving, anomalies, Gestaltswitch**

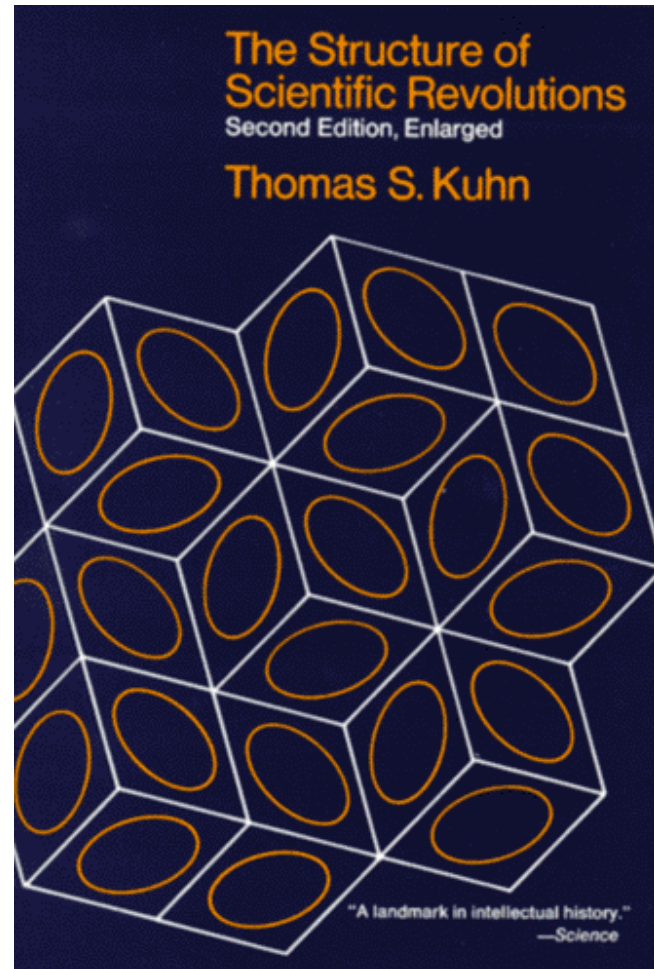


How does science proceed?

Criteria for acceptance or rejection



Thomas S. Kuhn
(1922 – 1996)

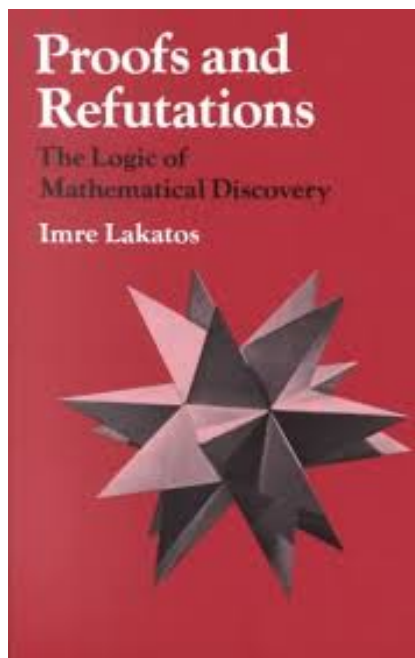


How does science proceed?

Criteria for acceptance or rejection

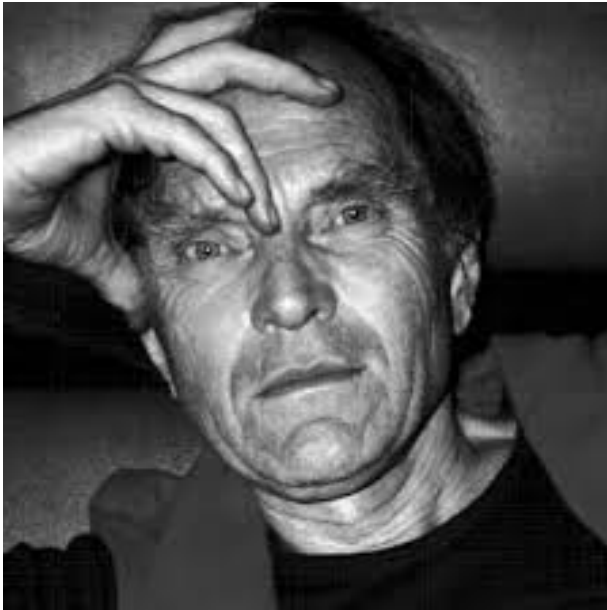


Imre Lakatos
(1922 –1974)

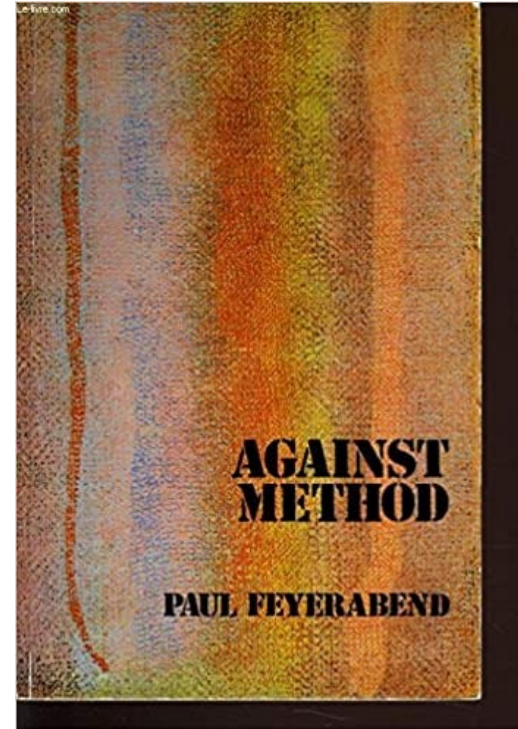


History of Economic Thought | How & How NOT
to Do Economics with Robert Skidelsky
<https://www.youtube.com/watch?v=x4Y4DvpUilo>

How does science proceed? Criteria for acceptance or rejection



Paul K. Feyerabend
(1924–1994)

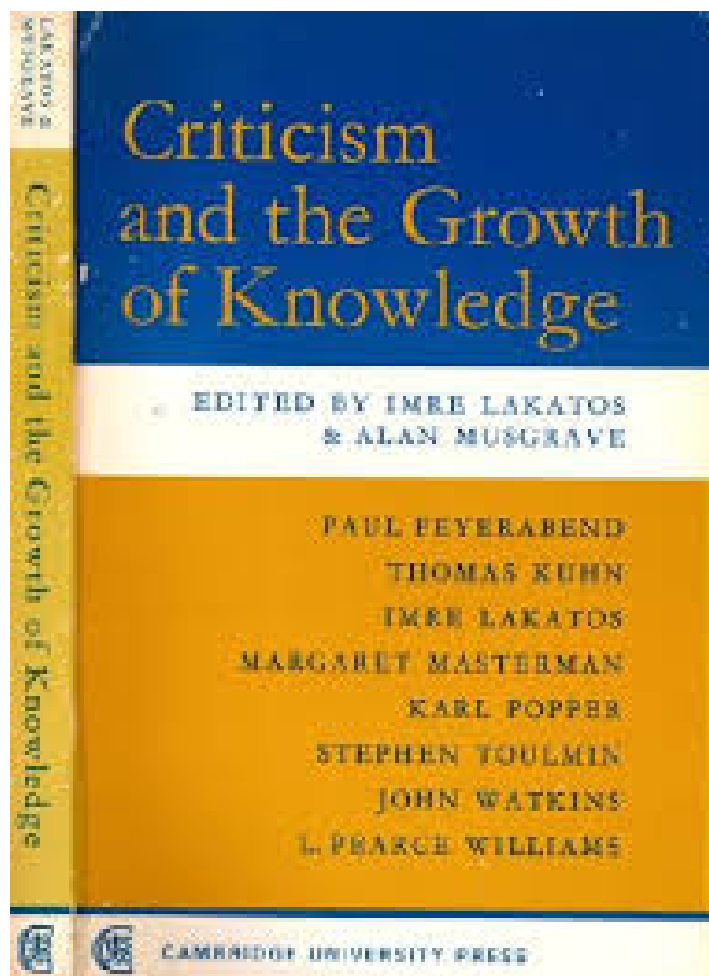


*Against Method: Outline of an
Anarchistic Theory of
Knowledge*



How does science proceed?

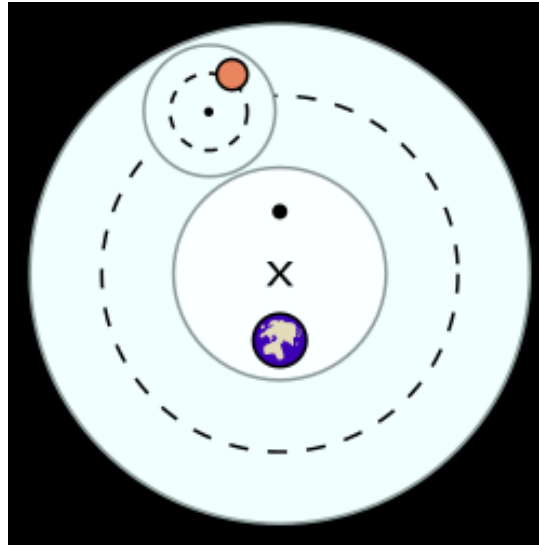
Criteria for acceptance or rejection



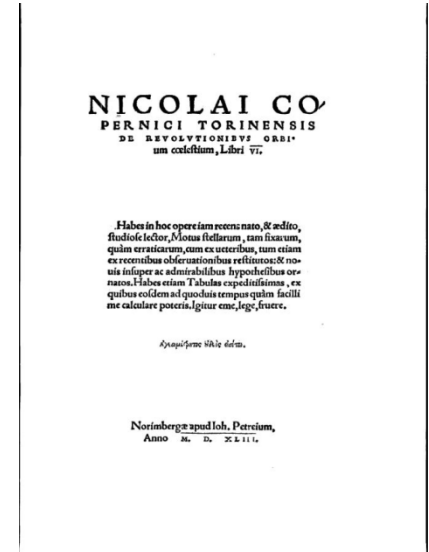
Example

Difference between Ptolemaic (geocentric) and Copernican (heliocentric) systems.

The prevalence of the heliocentric system was not immediately accepted



Deferents and epicycles in the geocentric system



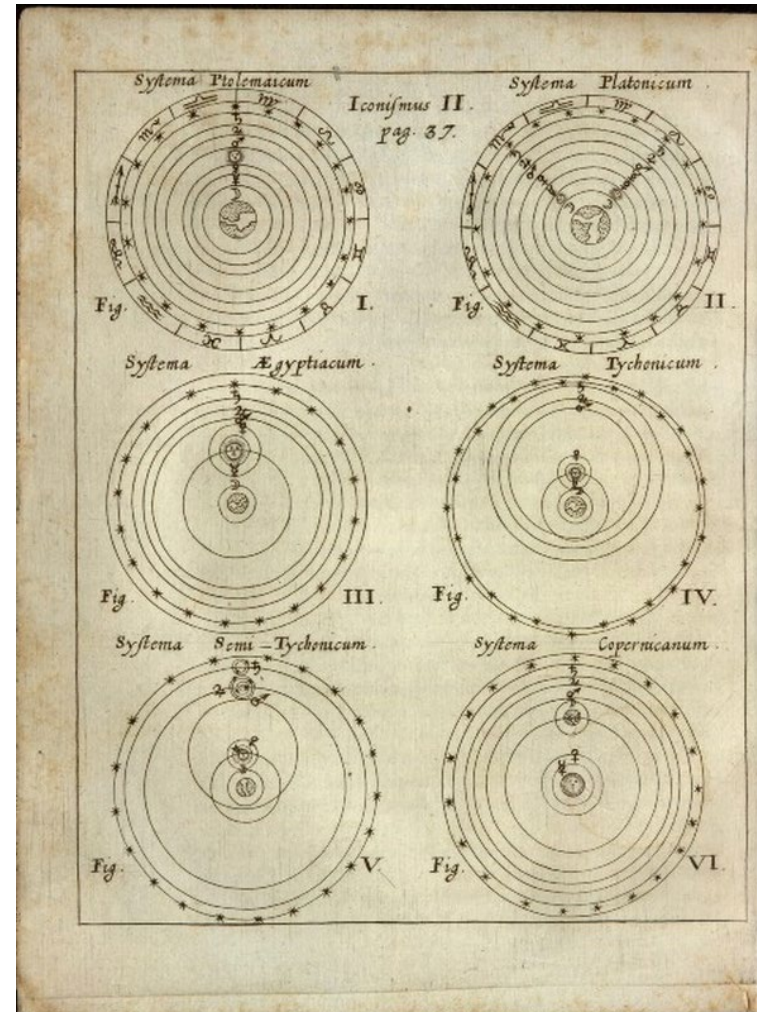
Copernicus' book
On the Revolutions of the Heavenly Spheres
1543



Example

Alternative models
of the planetary
system

Athanasius Kircher,
*Iter exstaticum
coeleste* [Ecstatic
journey to heaven],
1660.





How does science proceed?

Criteria for acceptance or rejection

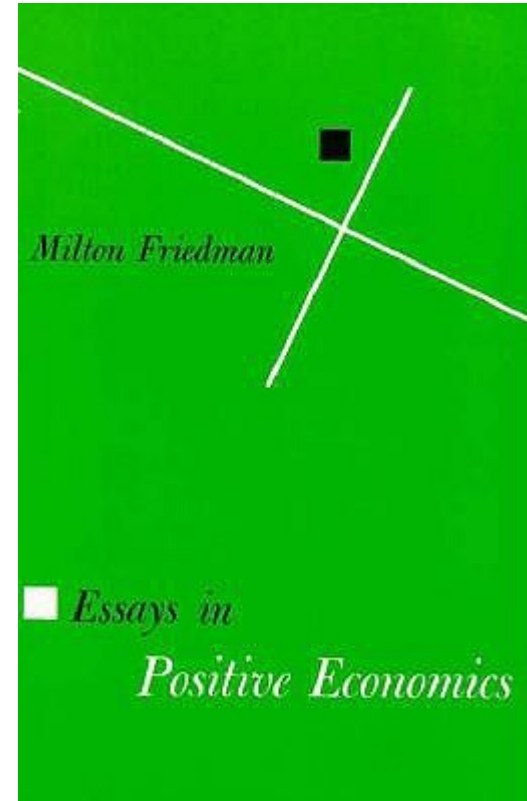
- **The competing point of view**
- Imre Lakatos (1922-1974)
- Research projects
- Milton Friedman (1912-2006), [*Essays in Positive Economics*, "Part I - The Methodology of Positive Economics", University of Chicago Press (1953), 1970, pp.3-43]
- It is not the plausibility of the hypotheses that matters, it is the ability of the theory to predict phenomena.



How does science proceed? Criteria for acceptance or rejection



Milton Friedman
(1912–2006)





How does science proceed?

Criteria for acceptance or rejection

The view of Joseph A. Schumpeter (1883-1950)

History of Economic Analysis, 1954.

Economic research goes through three stages.

1. “Vision”: Pre-analytic cognitive act
2. Conceptualization “to express the vision in words and to capture it in such a way that the elements take their places, are named so that they can be recognized and manipulated into a more or less shape or picture that has some order”.
3. The creation of scientific models





Issues that will concern us

- Methodological individualism
- Individuals or classes or institutions?
- Unintended consequences
- History of economic laws and construction of economic categories
- Relationship of individuals to each other or to goods (subjectivity)
- Concept of equilibrium
- Concept of value
- Harmony of the economic system



Oikonomia,
political economy,
economics

The word economic [oecconomic] (οἰκονομικός) or economy [oecconomy] (οἰκονομία) comes from the word οἶκος [*oikos*] and the root νεμ- [*nem-*]

οἶκος + νεμ-> οἰκονομ-ία
οἰκονομ-ικός

In Greek *oikos* means the house, but also the autarkic, or self sufficient, economic unit or household, while the verb *nemo* means to dispense, divide, assign, administer

See entries in *The Liddell, Scott, Jones Ancient Greek Lexicon* (LSJ)

οἰκονομία <https://lsj.gr/wiki/%CE%BF%E1%BC%B0%CE%BA%CE%BF%CE%BD%CE%BF%CE%BC%CE%AF%CE%B1>

οἶκος <https://lsj.gr/wiki/%CE%BF%E1%BC%B6%CE%BA%CE%BF%CF%82>

νέμω <https://lsj.gr/wiki/%CE%BD%CE%AD%CE%BC%CF%89>



In ancient Greek the word *economy* [*oikonomia*] had a different meaning, as can be seen from its definition in the *Liddell-Scott-Jones Lexicon*



οίκονομ-ία , ή,

A. management of a household or family, husbandry, thrift, Pl.Ap.36b, R.498a, X.Oec.1.1, Arist.EN1141b32, Pol.1253b2 sqq. : pl., Pl.R.407b ; households, Arist.GA744b18.

2. generally, direction, regulation, Epicur.Ep.1p.29U. ; esp. of a State, administration, αὶ κατὰ τὴν πόλιν οἱ. Din.1.97 ; principles of government, Chrysipp.Stoic.2.338 ; τῶν γεγονότων Plb.1.4.3 , al. ; πολιτική οἱ. Phld.Rh. 2.32 S. ; ἡ τῆς ἀρχῆς οἱ. Hdn.6.1.1 ; of a fund, SIG577.9 (Milet., iii/ii B.C.).

3. arrangement, ἡ περὶ τὸν νοσέοντα οἱ. Hp.Epid.6.2.24 ; ἡ περὶ τῶν ὠνίων οἱ. market, fair, SIG695.35 (Magn. Mae.) ; οἰκονομῖαι proceedings, IG9(1).226 (Drymaea) ; τίνα οἰκονομῖαν προσαγγήγοχας what steps you have taken, PCair.Zen.240.10 (iii B. C.) ; αὐτῆ φύσεως οἱ. Plb.6.9.10 ; of a literary work, arrangement, ἡ κατὰ μέρος οἱ. D.S.5.1 , cf. D.H.Pomp.4, Comp.25, Sch.Od.1.328 : pl., Plu.2.142a.

4. in Egypt, office of οἰκονόμος, PTeb.24.62 (ii B.C.), al.

5. stewardship, LXX Is.22.19, Ev.Luc.16.2.

6. plan, dispensation, Ep.Eph.1.10, 3.2.

7. in bad sense, scheming, M.Ant. 4.51.

II. public revenue of a state, BMus.Inscr.897.14, al. (Halic., iii B.C.).

III. transaction, contract, or legal instrument, CPR4.1 (i A. D.), BGU457.10 (ii A. D.), etc.

IV. magical operation or process, PMag.Par.1.161,292,2009.

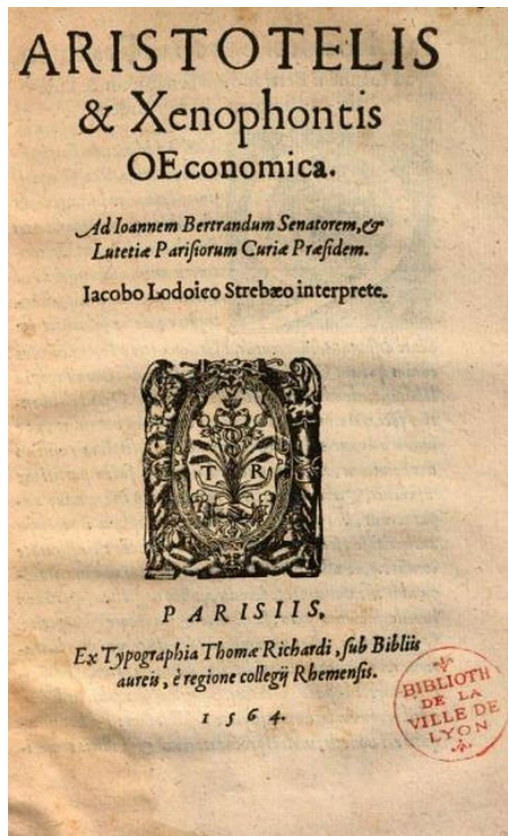
οίκονομ-ικός , ή, όν,

A. practised in the management of a household or family, opp. πολιτικός, Pl.Alc.1.133e, Phdr.248d, X.Oec.1.3, Arist.Pol.1252a8, etc. : Sup., [κτημάτων] τὸ βέλτιστον καὶ-ώτατον, of man, Phld.Oec.p.30 J. : hence, thrifty, frugal, economical, X.Mem.4.2.39, Phylarch.65 J. (Comp.) : ὁ οἱ. title of treatise on the duties of domestic life, by Xenophon ; and τὰ οἱ. title of treatise on public finance, ascribed to Aristotle, cf. X.Cyr.8.1.14 : ἡ -κή (sc. τέχνη) domestic economy, husbandry, Pl.Plt.259c, X.Mem. 3.4.11, etc. ; οἱ. ἀρχή defined as ἡ τέκνων ἀρχή καὶ γυναικός καὶ τῆς οἰκίας πάσης, Arist.Pol.1278b38 ; applied to patriarchal rule, ib.1285b32. Adv.-κῶς Ph.2.426 , Plu.2.1126a ; also in literary sense, in a well ordered manner, Sch.Th.1.63.

Henry George Liddell. Robert Scott. *A Greek-English Lexicon*. revised and augmented throughout by Sir Henry Stuart Jones with the assistance of Roderick McKenzie. Oxford. Clarendon Press. 1940.

Thus, *economics* [οἰκονομική] is the art or practice of managing the *oikos*, the household, in other words, what we would call *estate management*.





Combined edition of the
economic books of Aristotle and
Xenophon in Latin, Paris, 1564

The *Oeconomicus* of Xenophon is rendered as *de administratione domestica* in Greek and Latin in the edition of Ambroise-FirminDidot.

<https://archive.org/details/xenophontisscri00dbgoog/page/n10/mode/2up>

ΞΕΝΟΦΩΝΤΟΣ
ΤΑ ΣΩΖΟΜΕΝΑ.
ΞΕΝΟΦΩΝΤΙΣ
SCRIPTA QUÆ SUPERSUNT.

GRÆCE ET LATINE
CUM INDICIBUS NOMINUM ET RERUM
LOCUPLETISSIMS.



PARISIIS,
EDITORE AMBROSIO FIRMIN DIDOT,
INSTITUTI REGII FRANCIE TYPOGRAPHO;
REVIZORIBUS ET STYLI
FIRMIN DIDOT FRATREM. I. MATHIE ET SOCIIS.
VIA JACOB, 56. VIA TARDESSAC, 26.
M DCCC XXXVIII.

ΞΕΝΟΦΩΝΤΟΣ
ΟΙΚΟΝΟΜΙΚΟΣ.

ΚΕΦΑΛΑΙΟΝ Α.

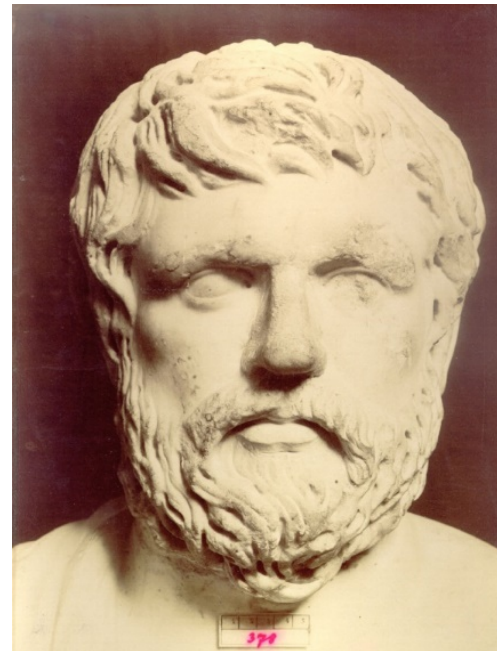
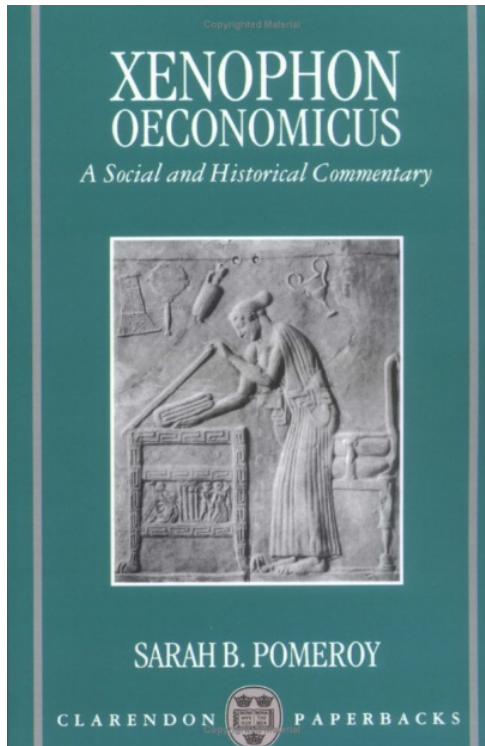
Ἦκουσα δὲ ποτε αὐτοῦ καὶ περὶ οἰκονομίας τοῦδε διαλεγομένου. Εἰπέ μοι, ἔφη, ὁ Κριτόβουλε, ἕρα γὰρ ἡ οἰκονομία ἐπιστήμη καὶ τῆς θομᾶ ἐστιν, ὥστε ἡ ἰατρικὴ καὶ ἡ χαλκουργικὴ καὶ ἡ τεκτονική; Ἔμοιγε δοκεῖ, ἔφη ὁ Κριτόβουλος. (α) Ἦ καὶ ὥστε τοῦτων τῶν τεχνῶν ἔχομεν ἂν εἰπεῖν ὅτι ἔργον ἐκείνου, οὗτος καὶ τῆς οἰκονομίας δυναίμεθ' ἂν εἰπεῖν ὅτι ἔργον αὐτῆς; Δοκεῖ γοῦν, ἔφη ὁ Κριτόβουλος, οἰκονομίου ἀγαθοῦ εἶναι εὖ οἰκεῖν τὸν ἑαυτοῦ οἶκον. (β) Ἦ καὶ τὸν ἄλλου δὲ οἶκον, ἔφη ὁ Σωκράτης, εἰ ἐπιτρέποι τις αὐτῷ, οὐκ ἂν δύνατο, εἰ βούλοιο, εὖ οἰκεῖν, ὥστε καὶ τὸν ἑαυτοῦ; ὁ μὲν γὰρ τεκτονικὴν ἐπιστάμενος ἰσοῦς ἂν καὶ ἄλλω δύνατο ἐργάζεσθαι ὅτι καὶ ἑαυτοῦ, καὶ ὁ οἰκονομικὸς γ' ἂν ἀσάτεος. Ἔμοιγε δοκεῖ, ὁ Σωκράτης. (γ) Ἔστιν ἄρα, ἔφη ὁ Σωκράτης, τὴν τέχνην ταύτην ἐπιστάμενος, καὶ εἰ μὴ αὐτὸς τῶν ἰσχυρῶν ἔχων, τὸν ἄλλου οἶκον οἰκονομοῦντα ὥστε καὶ οἰκονομοῦντα μισθοφορεῖν; Ἦ Δία καὶ πόλιν γε μισθῶν, ἔφη ὁ Κριτόβουλος, φέροντ' ἂν, εἰ δύνατο οἶκον παραλαβὸν πελεῖν τε ὅσα δεῖ καὶ περιστάσειν ποῦν αὐτῶν τὸν οἶκον. (δ) Οἶκος δὲ ὅτι δόκει ἡμῖν εἶναι; ἕρα ὥστε οἶκος, ἡ καὶ ὅσα τις ἐξω τῆς οἰκίας κέκτηται, πάντα τοῦ οἴκου αὐτὰ ἐστιν; Ἔμοιγ' οὖν, ἔφη ὁ Κριτόβουλος, δοκεῖ, καὶ εἰ μὴδ' ἂν τῇ αὐτῇ πόλει εἴη τῶν κειμένων, πάντα τοῦ οἴκου εἶναι ὅσα τις κέκτηται. (ε) Οὐκοῦν καὶ ἐχθροὺς κέκτηνται τινες; Ἦ Δία καὶ πολλοὺς γε ἔνοι. Ἦ καὶ κτήματα αὐτῶν φέρομεν εἶναι τοὺς ἐχθροὺς; Γελῶσιν μανθῶν εἴη, ἔφη ὁ Κριτόβουλος, εἰ δ' τοὺς ἐχθροὺς αὐτῶν προσέτι καὶ μισθῶν τοῦτου φέροι. (ς) Ὅτι τοῖς ἡμῖν ἐδόκει οἶκος ἀνδρῶς εἶναι ὥστε κτήσι. Ἦ

XENOPHONTIS
ADMINISTRATIO DOMESTICA.

CAPUT I.

Audi vi Socratem aliquando de administratione rei familiaris hujusmodi quendam disserentem: Dic mihi, Critobule, inquit, estne rei familiaris administratio scientia alienius nomen, ut ars medendi, ut cerariorum, ut fabrilis? Mihi quidam esse videtur, ait Critobulus. An etiam ut de his artibus singulis dicere possumus, quod sit opus cuiusque; sic etiam quod domestico administrationis opus sit, indicare possumus? Videtur, ait Critobulus, boni patrisfamilias esse, domum suam recte colere. An non etiam alterius domum, inquit Socrates, si quis hanc ei committat, et velit ipse, recte colere perinde possit, ut suam? nam qui artem fabrillem tenet, etiam alii possit elaborare, quod sibi; idemque de administrationis familiaris perito dici potest. Ita mihi quidem, mi Socrates, videtur. Ergone peritus aliquis artis hujus, etiamsi facultates ipse nullas habeat, domum alterius administrando, perinde ut aedificando, pro mercede operam suam locare potest? Ita certe, ait Critobulus, atque mercedem amplam accipere possit, si domum sibi traditam perficiendo quae possit usus, et uberem rerum coriam efficiendo augere queat. Quid vero nobis videtur esse domus? num idem quod domicilium, an vero etiam illa omnia, quae extra aedes suas quis possidet, domus appellatione veniunt? Mihi sic videtur, ait Critobulus, omnia domo comprehendi, quae possidet aliquis, etiamsi non sint in eadem civitate, in qua possessor. Igitur etiam hostes aliqui possident? Etiam multos profecto nonnulli. Num igitur etiam hostes possessionem eorum dicemus? Ridelicetum fuerit, inquit Critobulus, si quis hostes augendo, praeterea mercedem eo nomine accipiat. At nobis videbatur, idem esse domum alienius, et possessionem. Quidquid

In English the term *Oeconomicus* is rendered as *Discourse on the skill of estate management* in the modern edition of Sarah B. Pomeroy





German version of the *Oeconomicus* of Xenophon,
Hamburg, 1734

In Aristotle's *Oeconomica* we find a reference to four types of economies: royal, satrapic, political, and private

ARISTOTLE

B

- 1345 b I. Τὸν οἰκονομεῖν μέλλοντά τι κατὰ τρόπον τῶν τε τόπων, περὶ οὓς ἂν πραγματεύηται, μὴ ἀπέριως ἔχειν, καὶ τῇ φύσει εὐφύῃ εἶναι καὶ τῇ προαιρέσει φιλόπονον τε καὶ δίκαιον· ὅ τι γὰρ ἂν ἀπῆ τούτων τῶν μερῶν, πολλὰ διαμαρτῆσεται περὶ τὴν πραγματείαν ἣν μεταχειρίζεται.
- 10 Οἰκονομίαι δὲ εἰσι τέσσαρες, ὡς ἐν τύπῳ διελέσθαι (τὰς γὰρ ἄλλας εἰς τοῦτο ἐμπιπτούσας εὐρήσομεν), βασιλικὴ σατραπικὴ πολιτικὴ ἰδιωτικὴ.
- 15 Τούτων δὲ μεγίστη μὲν καὶ ἀπλουστάτη ἡ βασιλική, . . .¹ ποικιλωτάτη δὲ καὶ βρέσθη ἡ πολιτικὴ, ἐλαχίστη δὲ καὶ ποικιλωτάτη ἡ ἰδιωτικὴ. ἐπικοινωνεῖν μὲν τὰ πολλὰ ἀλλήλαις ἀναγκαῖον ἐστίν· ὅσα δὲ μάλιστα δι' αὐτῶν ἐκάστη συμβαίνει, ταῦτα ἐπισκεπτέον ἡμῖν ἐστίν.
- 20 Πρῶτον μὲν τοῖνυν τὴν βασιλικὴν ἴδωμεν. ἔστι δὲ αὕτη δυναμένη μὲν τὸ καθόλου, εἶδη δὲ ἔχουσα τέσσαρα, περὶ νόμισμα, περὶ τὰ ἐξαγώγιμα, περὶ τὰ εἰσαγώγιμα, περὶ τὰ ἀναλώματα.
- Τούτων δὲ ἕκαστον [μὲν] περὶ . . . τὸ νόμισμα



OECONOMICA, II. I

BOOK II

I. Right administration of a household demands in the first place familiarity with the sphere of one's action²; in the second place, good natural endowments; and in the third, an upright and industrious way of life. For the lack of any one of these qualifications will involve many a failure in the task one takes in hand.

Of such administrations there are four main types, under which all others may be classified. We have the administration of a king; of the governors under him; of a free state; and of a private citizen.

Of these, that of a king is the most extensive, yet at the same time the simplest. A governor's office is also very extensive, but divided into a great variety of departments. The administration of a free state is again very varied, but it is the easiest to conduct; while that of a private individual presents the like variety, but within limits which are narrowest of all. For the most part, all four will of necessity cover the same ground; we will, however, take them in turn, and see what is especially characteristic of each.

Taking first the royal administration, we see that while theoretically its power is unlimited, it is in practice concerned with four departments, namely currency, exports, imports, and expenditure.

Taking these severally, I assign to that of currency



“Political economy” [*politike oikonomia*] is the administration of the free city state, the *polis*

ARISTOTLE

1345 b λέγω¹ ποῖον καὶ πότε τίμιον ἢ εὖνον ποιητέον, περὶ δὲ τὰ
25 ἐξαγωγήματα καὶ εἰσαγωγήματα πότε καὶ τίνα παρὰ τῶν σατραπῶν
ἐν τῇ ταγῇ ἐκλαβόντι αὐτῷ λυσιτελήσει διατίθεσθαι, περὶ δὲ τὰ
ἀναλώματα τίνα περαιορέτεον καὶ πότε, καὶ πότερον δότεον
νόμισμα εἰς τὰς δαπάνας, ἢ ἂ τῶ νόμισματι ὄνια.
Δεύτερον δὲ τὴν σατραπικὴν. ἔστι δὲ ταύτης εἶδη ἕξ τῶν
30 προσόδων, ἀπὸ γῆς, ἀπὸ τῶν ἐν τῇ χώρᾳ ἰδίων γινομένων, ἀπὸ
ἐμπορίων,² ἀπὸ τελῶν, ἀπὸ βοσκημάτων, ἀπὸ τῶν ἄλλων.
Αὐτῶν δὲ τούτων πρώτη μὲν καὶ κρατίστη ἡ ἀπὸ τῆς γῆς
(αὕτη δὲ ἔστιν ἢν οἱ μὲν ἐκφόριον οἱ δὲ δεκάτην
προσαγορεύουσιν), δευτέρα ἡ ἀπὸ τῶν ἰδίων γινομένη, οὗ μὲν
35 χρυσίον, οὗ δὲ ἀργύριον, οὗ δὲ χαλκός, οὗ δὲ ὅποσα δύναται
1346 a γίνεσθαι, τρίτη δὲ ἡ ἀπὸ τῶν ἐμπορίων,³ τετάρτη δὲ ἡ ἀπὸ τῶν
κατὰ γῆν τε καὶ ἀγοραίων τελῶν γινομένη, πέμπτη δὲ ἡ ἀπὸ τῶν
βοσκημάτων, ἐπικαρπία τε καὶ δεκάτη καλουμένη, ἕκτη δὲ ἡ
5 ἀπὸ τῶν ἄλλων, ἐπικεφάλαιόν τε καὶ χειρωνάζιον
προσαγορευομένη.
Τρίτον δὲ τὴν πολιτικὴν. ταύτης δὲ κρατίστη μὲν πρόσσδος
ἡ ἀπὸ τῶν ἰδίων ἐν τῇ χώρᾳ γινομένων, εἶτα ἡ ἀπὸ τῶν
ἐμπορίων³ καὶ διαγωγῶν,⁴ εἶτα ἡ ἀπὸ τῶν ἐγκυκλίων.

OECONOMICA, II. I

the reasonable regulation of prices; to imports and exports, the profitable disposition, at any given time, of the dues received from provincial governors; and to expenditure, the reduction of outgoings as occasion may serve, and the question of meeting expenses by currency or by commodities.

The second kind of administration, that of the governor, is concerned with six different classes of revenue; those, namely, arising from agriculture, from the special products of the country, from markets, from taxes, from cattle, and from other sources.

Taking these in turn, the first and most important of them is revenue from agriculture, which some call tithe and some produce-tax.^a The second is that from special products; in one place gold, in another silver, in another copper, and so on. Third in importance is revenue from markets, and fourth that which arises from taxes on land and on sales. In the fifth place we have revenue from cattle, called tithe or first-fruits; and in the sixth, revenue from other sources, which we term poll-tax, or tax on industry.

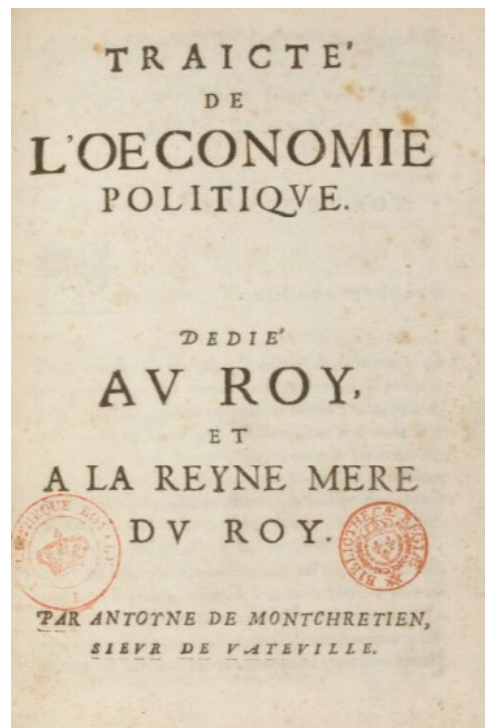
Of our third kind of administration, that of a free state, the most important revenue is that arising from the special products of the country. Next follows revenue from markets and occupations; and finally that from every-day transactions.^b



In fact, *political economy in Aristotle* is what we would call today *Public Economics* and it examines the economic management of the the free city-state, the *polis*.

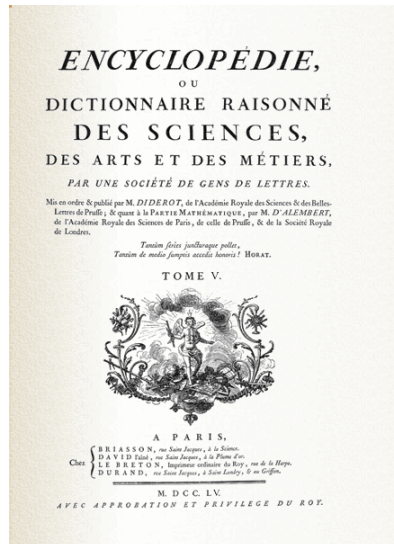
[*polis* (city state) > politics]

The term "*political economy*" would appear in European languages much later, as late as 1615, in the work *Traicté de l'oeconomie politique : dédié en 1615 au Roy et à la Reyne mère du Roy* by Antoyne de Montchretien, Sieur de Vateville



<http://catalogue.bnf.fr/ark:/12148/cb12198421g>
<http://catalogue.bnf.fr/ark:/12148/cb12198421g>

While even in the 18th century the use of the term *economy* and *economic* remains Aristotelian, the distinction between *private* (or domestic) economy and *political* economy is important. Thus, Jean-Jacques Rousseau (1712-78) in his entry "political economy" for Diderot's *Encyclopaedia* writes:



ECONOMIE ou ŒCONOMIE, (Morale & Politique.)

ce mot vient de oikos, *maison*, & de nómos, *loi*, & ne signifie originairement que le sage & légitime gouvernement de la maison, pour le bien commun de toute la famille. Le sens de ce terme a été dans la suite étendu au gouvernement de la grande famille, qui est l'état. Pour distinguer ces deux acceptions, on l'appelle dans ce dernier cas, *économie générale*, ou *politique*; & dans l'autre, *économie domestique*, ou *particulière*. Ce n'est que de la première qu'il est question dans cet article. Sur l'*économie domestique*, voyez PÈRE DE FAMILLE.

ECONOMY OR OECONOMY, (Ethics & Politics). This word is derived from *oikos*, *house*, and *nomos*, *law*, and originally meant the prudent and lawful management of the house, for the common good of the whole family. The meaning of this term was then extended to the management of the great family which is the state. In order to distinguish between these two concepts, we call the latter case the *general* or *political economy*, while the other case we call it the *domestic* or *private economy*. In this article we will consider only the first concept. For the *household economy*, see. See FATHER OF THE FAMILY.

<https://artflsrv04.uchicago.edu/philologic4.7/encyclopedie0922/navigate/5/1278>

https://www.files.ethz.ch/isn/125495/5020_Rousseau_A_Discourse_on_Political_Economy.pdf

ÉCONOMIE (*é-ko-no-mie*) s. f.

1. Bon ordre dans la conduite et l'administration de tout établissement qui s'alimente par la production et la consommation.

J. B. SAY., *Traité*, 1841, p. 455: L'économie est le jugement appliqué aux consommations

J. B. SAY., *ib.*: L'économie ne veut rien consommer en vain ; l'avarice ne veut rien consommer du tout

Économie domestique ou privée, administration d'un ménage privé, d'une maison.

J. J. ROUSS., *Hél.* IV, 10: C'est une erreur dans l'économie domestique, ainsi que dans la civile, que....

J. B. SAY, *Traité*, 1841, p. 453: L'économie privée nous enseigne à régler convenablement les consommations de la famille

Économie rurale, l'ensemble des règles et des moyens qui font obtenir de la terre la plus grande somme de produits, aux moindres frais, et pendant un temps indéterminé, ainsi que les principes qui doivent guider dans l'emploi de ces produits.

Économie politique, science qui traite de la production, de la distribution et de la consommation des richesses. *Traité d'économie politique.*

VOLT., *Lett. Morellet*, 14 juillet 1769: Il a quitté la théologie pour l'histoire, comme vous pour l'économie politique

J. B. SAY, *Cours*, 1840, t. II, p. 510: L'économie politique regarde les intérêts de quelque nation que ce soit, ou de la société en général

J. B. SAY, *ib.* t. I, p. 1: L'économie politique n'est pas autre chose que l'économie de la société

Traité d'économie politique, par A. DE MONT-CHRESTIEN, Rouen, 1615: L'économie politique paraît avoir désigné anciennement la politique théorique, ce qui a rapport à la constitution intérieure et extérieure des États

Économie publique ou nationale, observations et règles qui concernent les intérêts d'une nation considérée en particulier.

Économie sociale, l'ensemble des conditions morales et matérielles des sociétés. Se dit aussi pour économie politique.

Économie industrielle, l'ensemble des moyens et des règles de la production industrielle.

J. B. SAY, *Cours*, 1840, t. I, p. 34: L'économie industrielle, qui n'est que l'application de l'économie politique aux choses qui tiennent à l'industrie

Économie charitable, étude des règles pratiques de la charité et de l'organisation des institutions de bienfaisance.

The word "economy" in Émile Littré's French dictionary,
Dictionnaire de la langue française, (1872-1877)

The term “economics” was not unknown before the 19th century, although it had the meaning of home economics (Oxford English Dictionary)

- 1535 W. MARSHALL tr. Marsilius of Padua *Def. of Peace* iii. f. 12^v, [Aristotle's] oeconomykes [L. *Iconomia*], wherin he treateth of the gouernynge and ordrynge of an howse or howsholde.
- 1560 J. KNOX et al. *Buke Discipline* in J. Knox *Wks.* (1848) II. 214 In the secound colledge, in the first classe, one reader onlie in the ethicques, oeconomicques and politiques.
- 1584 T. COGAN *Hauen of Health* ii. 14 Aristotle · in his Oeconomikes · biddeth us to rise before day.
- 1620 M. FOTHERBY *Atheomastix* (1622) II. xiv. §2. 356 Morall Philosophie · hath three parts: Ecclesiasticke, Oeconomickes, and Politickes.
- 1661 J. GLANVILL *Vanity of Dogmatizing* xvii. 166 The more practical ones of Politicks and Oeconomicks.
- 1701 P. WARWICK *Disc. Govt.* 104 A Princes Politicks will be as improsperous as his Oeconomicks are, who loves to spend freely, and yet never to look upon an account.
- 1770 J. LANGHORNE & W. LANGHORNE tr. Plutarch *Lives* (1879) II. 586/2 Economics, so far as they regard only inanimate things, serve only the low purposes of gain; but where they regard human beings they rise higher.

Sir William Petty 1623-1687



A
TREATISE
OF
Taxes & Contributions.

Shewing the Nature and Measures of

(Crown-Lands.	(Penalties.
Assesments.	Monopolies.
Customs.	Offices.
Poll-Moneys.	Tythes.
Lotteries.	Raising of Coins.
Benevolence.	Harth-Money.
	Excize, &c.

With several intersperst Discourses and Digressions concerning

(Warres.	(Beggars.
The Church.	Ensurance.
Universities.	Exportation of ^{Money.} Wool.
Rents & Purchases.	Free-Ports.
Usury & Exchange.	Coins.
Banks & Lombards.	Housing.
Registries for Con- veyances.	Liberty of Con- science, &c.

*The same being frequently applied to the pre-
sent State and Affairs of*
IRELAND.

London, Printed for N. Brooke, at the Angel in Cornhill. 1662.

not better to draw over a number of their choice Workmen, or send our most ingenious men thither to learn ; which if they succeed ; it is most manifest that this were the more natural way, then to keep that infinite clutter about resisting of Nature, stopping up the windes and seas, &c.

4. If we can make Viſtual much cheaper here then in *Holland*, take away burthensome, frivolous, and antiquated Impositions and Offices.

I conceive even this were better then to perswade Water to rise out† of it self above its natural Spring.

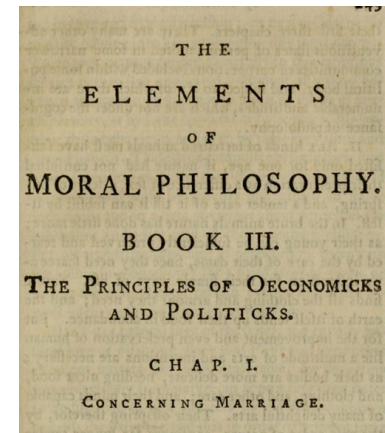
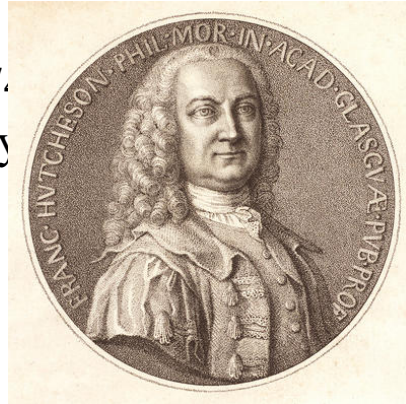
5. We must consider in general, that as wiser Physicians tamper not excessively with their Patients, rather observing and complying with the motions of nature, then contradicting it with vehement Administrations of their own ; so in Politicks and Oconomicks the same must be used ; for

Naturam expellas furcâ licet usque recurrit^a.



Reference to the word *Oconomicks* in William Petty's
Treatise of Taxes, 1662

Francis Hutcheson (1694-1746)
Professor of Moral Philosophy
University of Glasgow
Teacher of Adam Smith



1742 *Philosophiae moralis institutio compendiaria, ethices et jurisprudentiae naturalis elementa continens*, Robert Foulis, Glasguae **Ars oeconomica**

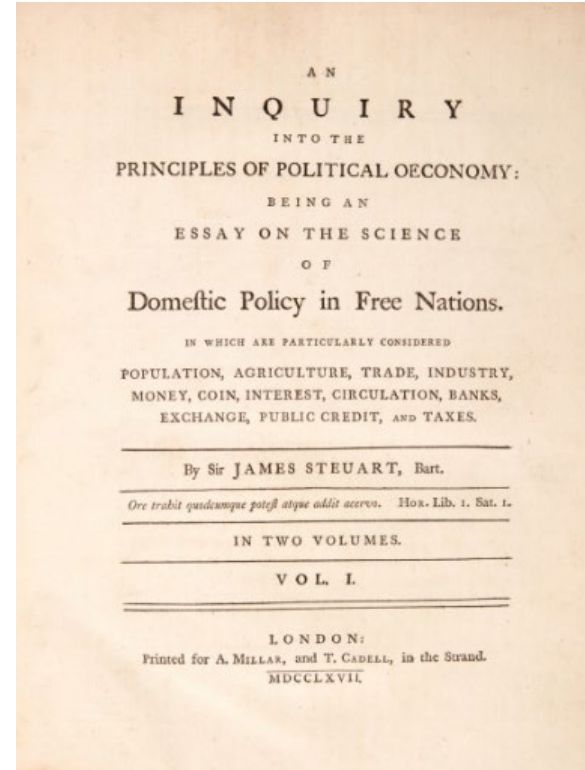
1747 *A Short Introduction to Moral Philosophy: In Three Books, Containing The Elements of Ethics and the Law of Nature*, Robert & Andrew Foulis, Glasgow ["**Oeconomicks** treat of the rights and obligations in a family,"]

In Francis Hutcheson's *Short Introduction to Moral Philosophy* [Latin 1742, English posthumous edition 1747] we find the words *Ars oeconomica* [economic art] and *Oeconomicks*. The distinction he makes in this work between the three parts of economics is identical to Aristotle's distinction in *the Politics*: the master-slave (servant) relationship [*despotike*], the relationship between spouses [*gamike*] and the relationship between father and children [*teknopoietike*].

The investigation of everything should begin with its smallest parts, and the primary and smallest parts of the household are master and slave, husband and wife, father and children; we ought therefore to examine the proper constitution and character of each of these three relationships, I mean that of mastership, that of marriage (there is no exact term denoting the relation uniting wife and husband), and thirdly the progenerative relationship (this too has not been designated by a special name) (Aristotle, *Pol.* 1253b5-10)



Sir James Stewart,
(1712 –1780)



First book in English with 'Political Economy' in the title



AN
I N Q U I R Y
INTO THE
Nature and Causes
OF THE
WEALTH OF NATIONS.
By ADAM SMITH, LL. D. and F. R. S.
Formerly Professor of Moral Philosophy in the University of GLASGOW.
IN TWO VOLUMES.
VOL. I.

LONDON:
PRINTED FOR W. STRAHAN; AND T. CADELL, IN THE STRAND.
MDCCLXXVI.

[138]

BOOK IV

Of Systems of political Oeconomy

INTRODUCTION

- 1 POLITICAL œconomy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects; first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the publick services. It proposes to enrich both the people and the sovereign.
- 2 The different progress of opulence in different ages and nations, has given occasion to two different systems of political œconomy, with regard to enriching the people. The one may be called the system of commerce, the other that of agriculture. I shall endeavour to explain both as fully and distinctly as I can, and shall begin with the system of commerce. It is the modern system, and is best understood in our own country and in our own times.

Adam Smith's use of the term

Political Economy becomes Economics

Hence Economics is the very best term that could be selected to denote the science which treats of the exchanges of property. It is also preferable to Political Economy, because it shows that it has nothing whatever to do with politics, but only with property. It may be called the science of exchanges, the philosophy of commerce, or the theory of value; they all mean precisely the same thing. I myself have offered this definition, to show its relation to other physical sciences—

Economics is the science which treats of the laws which govern the relations of exchangeable quantities.

And M. Michel Chevalier has done me the honour to say that he thinks that the best definition of the science which has yet been proposed.

H. D. MACLEOD.

3 P 2

H.D. MacLeod, “What is Political Economy?”, *Contemporary Review*, Vol. 25, May 1875, pp. 871-893

Peter Groenewegen, “‘Political Economy’ and ‘Economics’”, in J. Eatwell, M. Milgate, and P. Newman, eds., *The New Palgrave: A Dictionary of Economics*, Vol. 3, London: Macmillan, 1987, pp. 904–907

THE ECONOMICS OF INDUSTRY

BY
ALFRED MARSHALL,
PRINCIPAL OF UNIVERSITY COLLEGE, BRISTOL;
LATE FELLOW OF ST JOHN'S COLLEGE, CAMBRIDGE;

AND
MARY PALEY MARSHALL,
LATE LECTURER AT NEWNHAM HALL, CAMBRIDGE.



London:
MACMILLAN AND CO.
1879

[The Right of Translation is reserved.]

1879

PRINCIPLES
OF
ECONOMICS

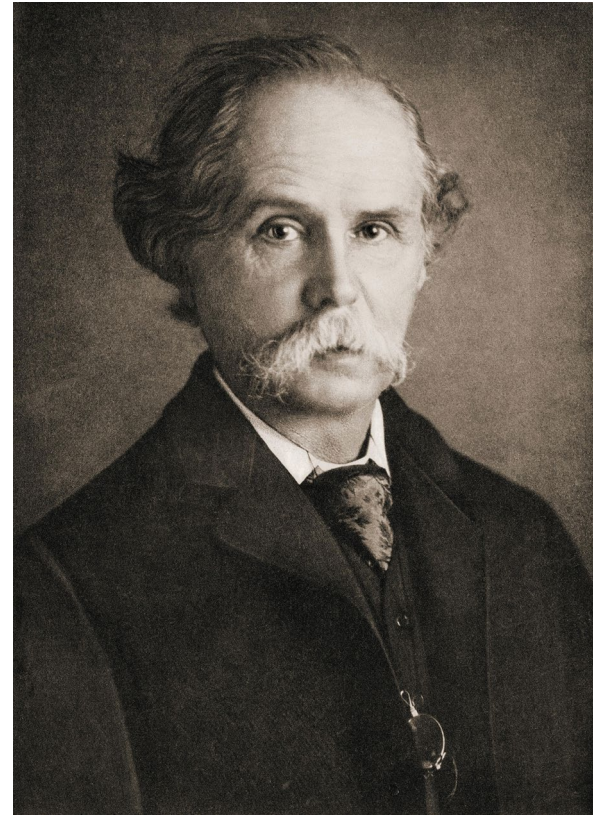
BY
ALFRED MARSHALL,
PROFESSOR OF POLITICAL ECONOMY IN THE UNIVERSITY OF CAMBRIDGE;
FELLOW OF ST JOHN'S COLLEGE, CAMBRIDGE;
SOMETIME FELLOW OF HALLIOL COLLEGE, OXFORD.

VOL. I.

Natura non facit saltum.

London:
MACMILLAN AND CO.
AND NEW YORK.
1890

[All Rights reserved]



Alfred Marshall
1842-1924

The book that established the term *Economics*:
Principles of Economics, 1890, 8th edition 1920



Among minor alterations, I may mention the substitution for the name Political Economy of the single convenient term *Economics*. I cannot help thinking that it would be well to discard, as quickly as possible, the old troublesome double-worded name of our Science. Several authors have tried to introduce totally new names, such as Plutology, Chrematistics, Catallactics, &c. But why do we need anything better than Economics? This term, besides being more familiar and closely related to the old term, is perfectly analogous in form to *Mathematics*, *Ethics*, *Æsthetics*, and the names of various other branches of knowledge, and it has moreover the authority of usage from the time of Aristotle. Mr. Macleod is, so far as I know, the re-introducer of the name in recent years, but it appears to have been adopted also by Mr. Alfred Marshall at Cambridge. It is thus to be hoped that *Economics* will become the recognised name of a science, which nearly a century ago was known to the French Economists as *la science économique*. Though employing the new name in the text, it was obviously undesirable to alter the title-page of the book.



W. Stanley Jevons, *The Theory of Political Economy*,
Preface to the second edition 1879, p. xiv

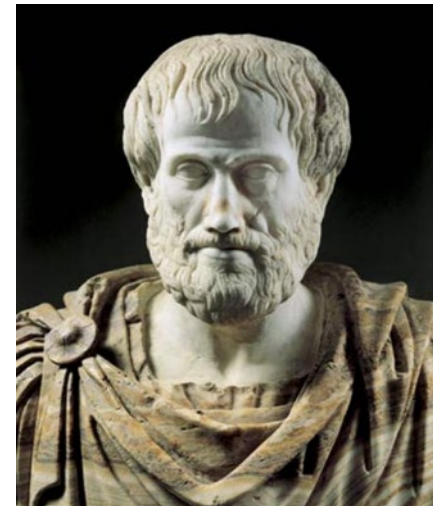
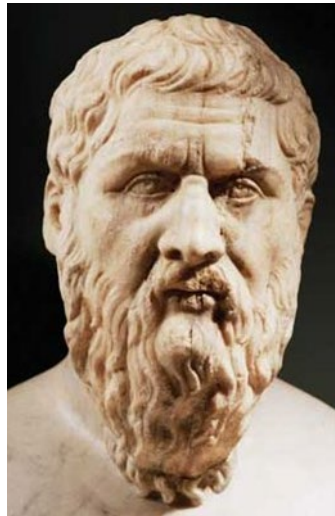
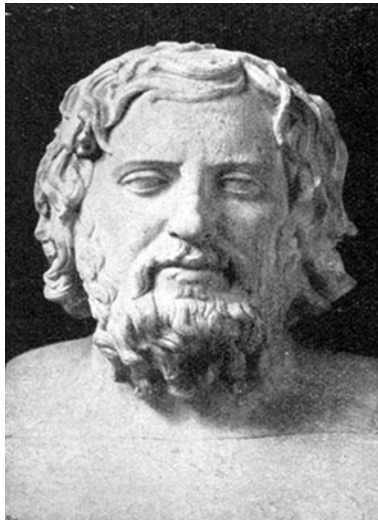


Introduction to the History of Economic Theory

A brief overview of the course of economic thought from antiquity to the 20th century

Brief overview

- **Ancient Greek authors**
- Xenophon (430-354 BCE)
- Plato (424-348 BCE)
- Aristotle (384-322 BCE)



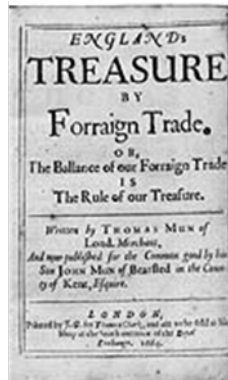
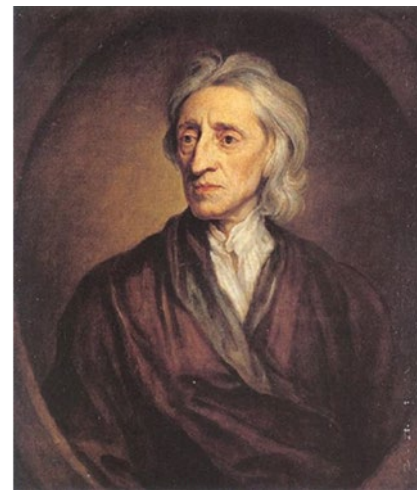
Brief overview

- **Scholastics (13th-16th century)**



Brief overview

- Mercantilism (16th - 18th century)



Brief overview

- **Mercantilism (16th - 18th century)**



Sir William Petty
(1623–1687)



John Law (1671–1729)



Sir James Steuart
(1713-1780)

Brief overview

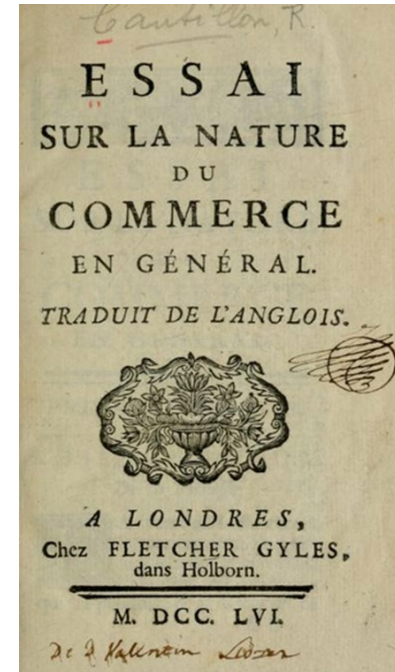
- Reactions to mercantilism – Birth of political economy



Pierre le Pesant
Sieur de
Boisguilbert,
(1646–1714)



Sébastien le Prestre,
Seigneur de **Vauban**
(1633-1707)



Richard **Cantillon**
(?1680–1734)

Brief overview

- **Physiocrats (France 18th century)**



François Quesnay (1694–1774)



Anne-Robert-Jacques Turgot (1727–1781)

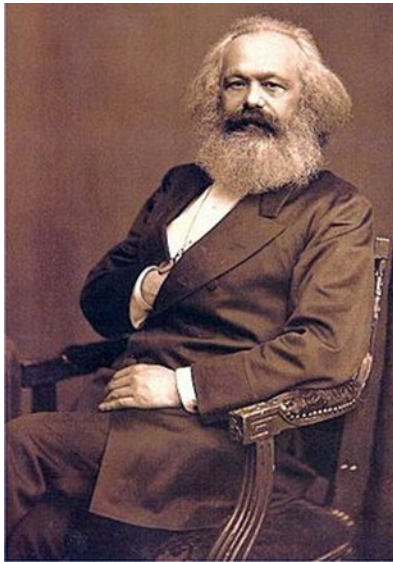
Brief overview

- **Classical political economy**
- Adam Smith (1723-1790)
- Thomas Robert Malthus (1766-1834)
- David Ricardo (1772-1823)



Brief overview

- **Marxist political economy**
- Karl Marx (1818-1883)
- Friedrich Engels (1820-1895)



Brief overview

Precursors to the Marginalist Revolution



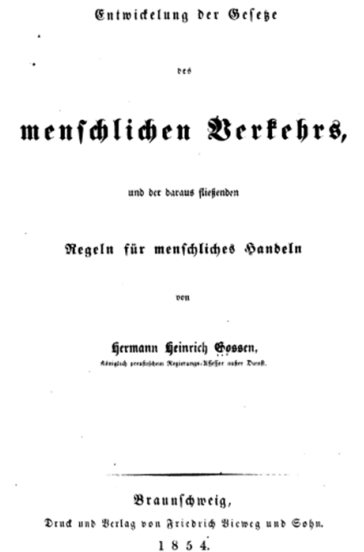
Jeremy Bentham
(1748-1832)



**Johann Heinrich
von Thünen**
(1783-1850)



Augustin Cournot
(1801 –1877)



**Hermann Heinrich
Gossen**
(1810—1858)

Brief overview

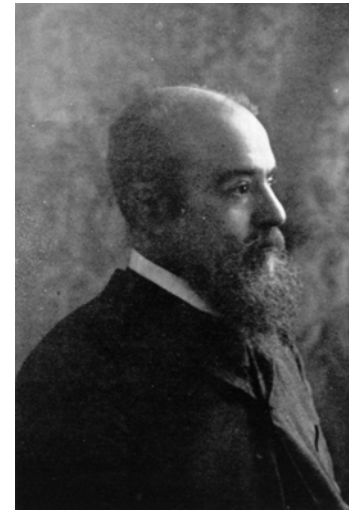
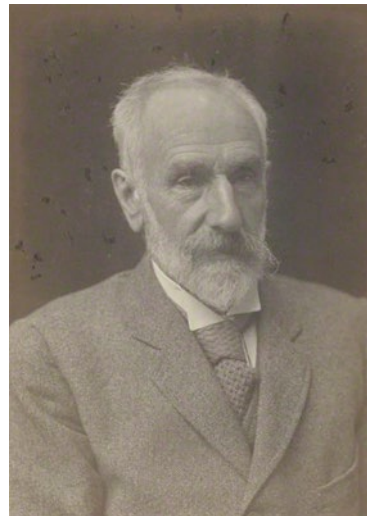
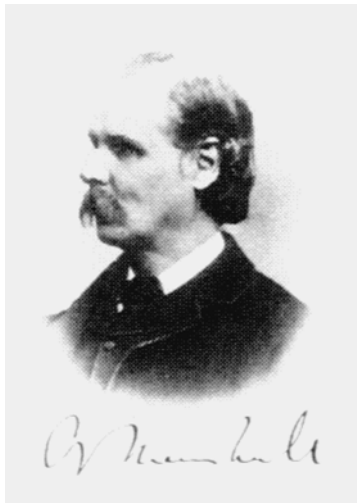
Marginalist Revolution (1871)

- W. Stanley Jevons (1835-1882)
- Léon Walras (1834-1910)
- Carl Menger (1840-1921)



Brief overview

- **Neoclassical economics**
- *Alfred Marshall (1842-1924)*
- *Francis Y. Edgeworth (1845-1926)*
- *Vilfredo Pareto (1848-1923)*





Brief overview



American institutionalism

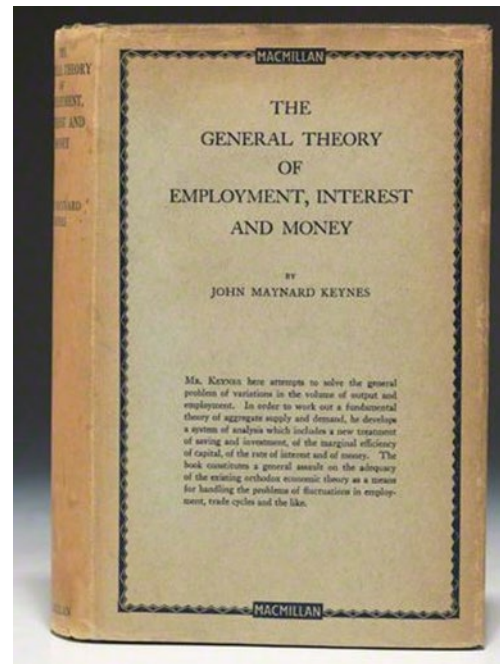
Thorstein Veblen
(1857 –1929)



Brief overview

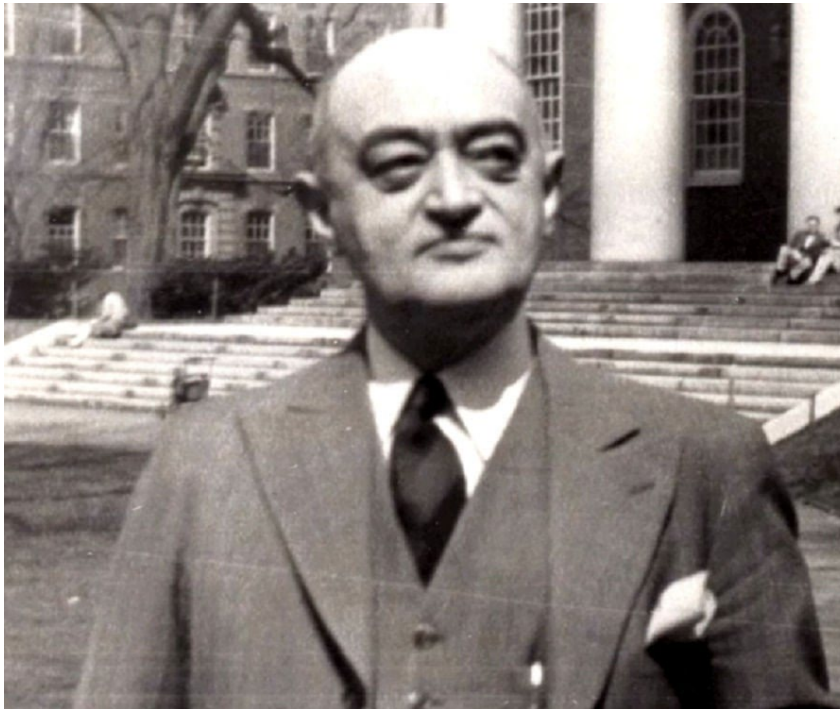
- **John Maynard Keynes (1883-1946)**

The General Theory of Employment, Interest and Money (1936)



Brief overview

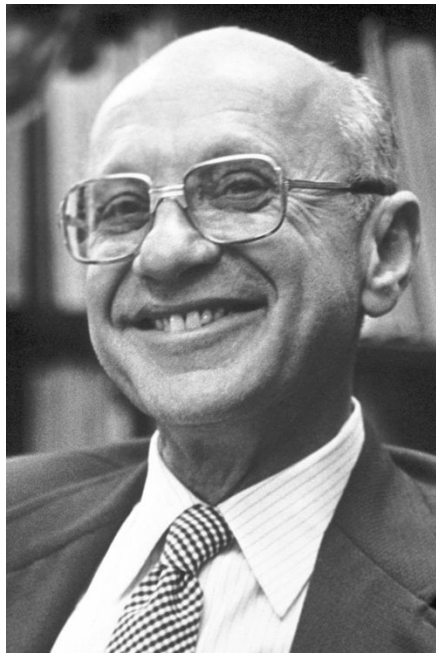
- **Joseph Alois Schumpeter (1883–1950)**
- **Michał Kalecki (1899–1970)**





Brief overview

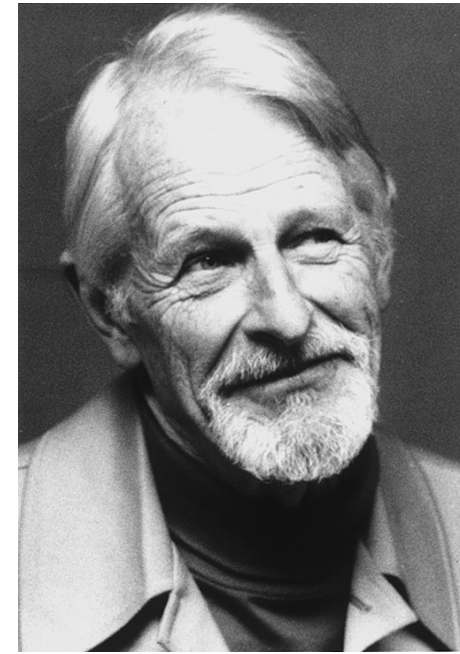
- **Post-war developments. Monetarism, GE, JK Galbraith, RM Goodwin**



Milton Friedman
1912–2006)



John Kenneth Galbraith
(1908–2006)



Richard M. Goodwin
(1913 –1996)



Lectures

1. Introduction. Methodological issues in economics
2. The economic thought of classical Greece and Rome. The Scholastic tradition
3. Mercantilism. Sir William Petty. Sir James Steuart
4. Boisguilbert, Vauban, Cantillon, and the Physiocrats. ARJ Turgot and F. Galiani.
5. The birth of political economy. The Scottish Enlightenment. David Hume, Adam Smith
6. David Ricardo and Robert Malthus. Piero Sraffa
7. Karl Marx and Marxist Political Economy
8. Precursors to neoclassical economics: von Thünen, Cournot, Dupuit, Gossen
9. The marginalist “Revolution”: WS Jevons, C Menger, L Walras
10. Neoclassical economics: FY Edgeworth, A Marshal, AC Pigou, V Pareto, M Pantaleoni, E Barone, E. Bōhm-Bawerk, F. von Wieser, K Wicksell, G Cassel, JB Clark, I Fisher
11. American institutionalism: Thorstein Veblen
12. JM Keynes and JA Schumpeter. M. Kalecki. Macroeconomics
13. Post-war developments. Monetarism, GE, JK Galbraith, R Goodwin



End of Lecture