

Preface

One should no more study modern price theory without knowing Adam Smith than one should read Adam Smith without having learned modern price theory.

(Mark Blaug)

This book is about the importance of the study of the history of economic thought to the practice of economics. There is often discussion on why it is important for economists to have individually studied HET, a belief I entirely share. It is important for an economist to have an understanding of the evolution of economic theory through historical time, an understanding of the controversies that surrounded the development of economic thought and a solid grasp of ideas that have been overlooked, forgotten or discarded. But there is more to it than the education of individual economists, the microeconomic side of HET let us say. There is also the macroeconomic side and the value to economics as a whole in having within the ranks of economists many who are versed in the economic theories of the past.

The history of economic thought is a necessary although poorly recognised ingredient in the study and practice of economics. Without a significant proportion of economists actively examining the economics of the past and bringing these older ideas into the conversation in the present, economics is a lesser subject and economic theory less penetrating and of less value.

This book was commenced following an attempt by the Australian Bureau of Statistics to classify the history of economic thought out of existence by relocating its study into a new grouping, "History, Archaeology, Religion and Philosophy", a newly-devised makeshift catch-all category. The transfer would have meant that research into the history of economic thought would no longer have been considered research into economics itself, which would, in turn, have meant the virtual disappearance of research into HET

within departments of economics. It would not have ended the study of the history of economics but as small as the cohort of specialists already was, it would have become smaller still.

But it was not until 2011, when the European Research Council also considered removing the history of economic thought from within the economics division, that I decided to bring this book to completion. The Australian experience turned out to have been not a one-off episode but a reflection of deeper currents which have by no means subsided.

Having been personally involved in helping to reverse both the Australian and European attempts at reclassification, I have given a great deal of thought to the role and significance of the history of economic thought as an essential part of economics. These considerations have led to a deeper appreciation of why HET is a necessary component of economics. And this is not just about classification systems. Although many economists now ignore the history of economic thought and in some cases actually disdain its very existence, this book attempts to explain why the study of HET is not only a crucial element in the education of an economist but is also a necessary component of economic theory in and of itself.

The history of economics is not a sub-discipline of economics, it is economics. Economics is an amalgam of theories and techniques that can be used to make sense of the ways in which we provide for our material wellbeing. There are no end of economic problems and there are no end of ways to examine problems and devise solutions. Some of these ways are as modern as the present, others, most others, are an inheritance from the past, some from the distant past. Options worth consideration are sometimes found in the most recently published textbooks or embodied in the latest crop of journal articles. Others can only be found in books, tracts, pamphlets, articles and papers written years before. What the study of the history of economic thought does is bring all of these alternative perspectives into active consideration.

In putting this book together, which began with my researches related to the Australian Bureau of Statistics and then to the European Research Council, I have read an enormous amount of material. Lamentably, I cannot acknowledge each of the works that have gone into informing me during this research. But the fact of the matter is that there is an enormous amount of material – almost all of it directed at why individual economists should individually

study the history of economic thought. The nature of the research and the presentations made to the ABS and ERC were aimed at demonstrating a different proposition, that the history of economic thought is a necessary and important part of the study of economics. It cannot be hived off somewhere else without serious damage. Studying the history of economic thought improves the development of economic theory and the practice of applied economics. The fact that this is so very little appreciated has made the writing of this book a necessity.

But while I have read much I would also like to acknowledge the assistance of a number of people. The first of these is my Australian colleague, Alex Millmow. We worked together to preserve the history of economics in Australia and the only conclusion I have is that he has missed a career in politics. His tireless and focused efforts to maintain the role of HET need to be recognised and I appreciated his partnership in achieving the outcome we did.

I am also grateful for the kind help and generous assistance of Cristina Marcuzzo, who, as President of the European Society for the History of Economic Thought, assisted us in Australia when the reclassification decision was being determined and again understood the nature of the threat when the European Research Council was considering the same change in Europe.

I would also like to thank E. Roy Weintraub and Steven Medema for their willingness to engage in this conversation, which has been important in clarifying the issues at stake. Having a different opinion on how to preserve the study of the history of economics is why we discuss and debate. I am grateful for the time they devoted to setting their views out so that they could be better understood and discussed. We may not agree on everything but these are honest disagreements.

I am also eternally grateful to my wife, Zuzanna. Books take time and patience and Susie has always had the extraordinary patience required that has allowed me the time to bring this and so much else to completion.

But finally, the book is dedicated to the memory of Mark Blaug (1927–2011), in my view the twentieth century's finest historian of economic thought. I learned more from him personally and from his written work than from anyone else I have had the pleasure of dealing with. His *Economic Theory in Retrospect*, the only book from my days as a student that I still have on my shelf (revised

edition, 1968), set a standard for scholarship that I knew I could never hope to equal but also made me wish that I knew more about the history of economic thought, a major reason why I have had a continuing life-long interest in HET. No more can ever be asked of a teacher than that he should be an inspiration to his students. In finishing, let me quote these words from the preface to the first edition of his *Economic Theory in Retrospect*, which this book has tried to amplify and explain:

In truth, one should no more study modern price theory without knowing Adam Smith than one should read Adam Smith without having learned modern price theory. There is a mutual interaction between past and present economic thinking for, whether we set it down in so many words or not, the history of economic thought is being rewritten every generation. (Blaug [1962] 1968: ix)

This was written in 1962. The most up-to-date theories of that time are now part of the history of economics, just as what we write today will also and inevitably become part of that same history. But in the same way that Mark Blaug has something of value to say to us today, so we will have something of value to say to the future, just as the past will continue to have something of value to say to us.