

Why Study the History of Economics?

- Aids in the understanding of economics
- Provides an introduction to part of intellectual history
- Helps illustrate how ideas develop and change within academic disciplines
- Helps create more critical attitudes and abilities

The Evolution of Economic Ideas

- Economics is a critical *discourse*
- This discourse takes place within generally agreed standards of “scientific” procedure, which themselves change over time
- This discourse takes place within a context of intellectual developments in other disciplines
- This discourse takes place within a context of events
- The history of this discourse is not predetermined or predictable, but is contingent

Main Periods in the History of Economics

- Pre-Classical (up to 1776)
- Classical (1776-1870s)
- Marginal Revolution (1870s-1890s)
- Neoclassical Economics (1890s-to date)
- Keynesian revolution (1936-1960s)
- Formalist Economics (1945 to date)
- Some background to this period

Intellectual Background

- Middle Ages (fall of Rome until mid- 15th C)
 - Limited trade, manorial system
 - Economic discussion linked to Church doctrine
 - Thomas Aquinas (1225 – 1274) and Nicolas Oresme (1320 – 1382)
 - Doctrines of Usury and the Just Price
 - Suspicion of the ethics of profit through trade

Intellectual Background

- Renaissance (15th and 16th C)
 - Growth of trade, markets, and towns
 - Decline of the manorial system
 - Growth of science (Leonardo da Vinci 1452-1519; Galileo Galilei 1564-1642; Francis Bacon 1561-1626; Rene Descartes 1596-1650)
- Provided the foundation for Issac Newton's (1642-1727) linkage of rational thought and empirical observation

Early Applications of “Science” to Political Philosophy

- Thomas Hobbes, 1588-1679
 - *Leviathan* 1651
 - Hobbes attempting to apply science (as he understood it from Galileo) to politics
 - Social phenomena must first be reduced to individual behavior
 - Individuals are both rational and self-interested
 - In the original “state of nature” this leads to a war of all against all
 - Rational individuals will *agree* to a government
 - Argues for a strong Monarchy

Early Applications of “Science” to Political Philosophy

- John Locke (dates)
 - *Two Treatises of Government* (1689)
 - *An Essay Concerning Human Understanding* (1689)
 - State of nature not as Hobbes thought, but subject to natural laws
 - *Reason* indicates all people are equal and independent and that no one should harm another in life, health, liberty or property
 - *Labour* is the origin and justification of property

Locke (Continued)

- Free and rational people will form a political society for the better protecting of natural rights
- State does not have unlimited authority
- Contract or consent is the basis of government and fixes its limits
- influenced the American constitution

Economic and Political Background

- Agricultural revolution (1730-1830)
- Industrial revolution (1730-1830)
- Political unrest in Europe, wars, French revolution (1789), Napoleonic Wars, Battle of Waterloo 1815
- Colonies and empire building by European states
- Issues of the franchise, free trade, population, poor laws, factory acts, Ireland, slave trade