
Boumans, M.J.

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Marcel Boumans

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WITH SUCH A FRIEND OF THE HISTORY OF ECONOMICS, WHO NEEDS ENEMIES?

The former lobbyist1 and now historian of economics Steven Kates wrote a slim booklet to tell the economics profession in general, students of economics, employers of economists, and the general reader “about the importance of the study of the history of economic thought to the practice of economics” (p. vii). As the title indicates, it is “about preserving the role of HET” (p. 128).

But, one should be warned, it is confusing what Kates is defending, or, I must admit, at least I was confused. Only halfway through this booklet, it became clear to me what should be preserved. The confusion is caused by the double meaning of the “history of economic thought.” I assumed that the term refers to the academic discipline, but Kates actually uses the term in the meaning of the usage of past economic ideas to study economics.

Merely because the word “history” appears in the traditional name of the subject is neither a profound nor a satisfactory reason for shifting the history of economics into a descriptor entirely remote from the study of economics. Rather than being properly precise, it is the reverse. It is grouping the history of economic thought with subject areas with which it has almost nothing in common other than the name. Historians of economics do not study history, they study economics. (Kates 2013, p. 126; italics added)

To underline that the study of the history of economics is not history (as a discipline) but economics, he excludes historians from being involved:2 “Do not be deceived. Only economists can do the history of economics properly…. No one else can do it and no one else will” (p. 131). He even goes so far to disqualify one of the “most influential members of the HET community,” Margaret Schabas, by noting that she “is not … an economist first and foremost” (p. 48). Her Master’s degree in the history and philosophy of science, and her doctorate in the history and philosophy of science and technology do not contribute to her advantage, and her Master’s degree in economics is apparently not sufficient to consider her as an economist. It is interesting to note that

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1“Most of my career has been spent as a lobbyist in Canberra…. Although political lobbying tends to have a bad name, it is one of the finest arts and crucial for the maintenance of civilised society” (p. 106).

2To be fair, Kates admits a few times that the history of economic thought can be part of the history and philosophy of science, but then only as “an area worth studying just for the pure pleasure of knowledge for its own sake” (p. 3).
Roy Weintraub’s training as an applied mathematician (PhD and MS) does not disqualify him as an historian of economic ideas, probably because he has no official training in history of economics or history of science, lucky man.\(^3\)

The history of economics is a “necessary part of economics itself” (p. 2). Moreover, it is a subject that should be studied by economists and certainly not by historians. What is defended is not the history of economics as a discipline, but preservation of past economic ideas. These two points constitute the core of what he is defending, and are therefore repeated several times: “in spite of being called the history of economic thought, it is not a study of history nor is it philosophy, sociology, anthropology or cultural studies. It is a part of the study of economics and it can be done by no group other than economists and its findings are generally of no interest to anyone else other than economists” (p. 50).

The preservation of past ideas is defended “in a utilitarian way” (p. 3), so one might rightly ask what is its utility for economics. To answer this question, Chapter 2, “Why Study the History of Economic Thought,” provides a list of Kates’s main arguments, which are repeated several times throughout the book:\(^4\)

1. “This, at its most basic, what studying the history of economic thought allows economists to do. It reminds economists that economics is a social science and not physics” (p. 3).
2. “But more importantly still, studying the history of economics makes someone a better economist” (p. 15).
3. “That there are other ways of looking at things is one of the most useful lessons we learn from studying the history of economics” (p. 19).
4. “[T]he history of economic thought is able to add to the education of an economist, the depth of their analyses and the conclusions they reach by providing economists with …” (p. 21):
   a. a contrast with the theories of one’s predecessors (p. 21)
   b. orientation for the development of theory (p. 21)
   c. a conversation with economists of the past (p. 21)
   d. a storehouse of economic ideas (p. 21)
   e. a literary approach to economic issues (p. 21)
   f. a training ground for applied economists (p. 21)
   g. a pathway to understanding economic theory and its application (p. 19)
   h. an alternative pathway for teaching economic theory and its application (p. 21)

If history of economic ideas—as a particular study—is not history of (economic) science, what is it? Kates is quite clear about it, right from the start. It should be an amplification of “Economic Theory in Retrospect.” To clarify what is meant by this approach, Kates quotes Mark Blaug’s statement in the preface of the book with the same name: “One should no more study modern price theory without knowing Adam Smith than one should read Adam Smith without having learned modern price theory” (pp. vii, x).

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\(^3\)I am not sure whether in the eyes of Kates I am qualified to write this review. I have no training in economics (that counts for at least for two negatives), but I have training in mathematics (like Weintraub, so that will count as a plus, I guess). I hope I can get enough credits for having been co-editor of the \textit{Journal of the History of Economic Thought} to end up being evaluated positively.

\(^4\)Page numbers refer to the pages where the argument is given the first time.
Unfortunately for Kates, Mark Blaug, to whom the book is dedicated, had changed his view on the history of economic thought; from being initially an “absolutist,” he had gradually become a “relativist.” See, for this change, the contributions by John Davis and Harro Maas in another Edward Elgar volume dedicated to Blaug’s ideas, Mark Blaug, Rebel with Many Causes (2013).

I agree with Kates that “[e]conomists have almost from the start looked to earlier times to find contrasting approaches to dealing with economic questions as a means to highlight what is novel in their own” (p. 22), but I draw a different conclusion from this statement. Adam Smith had indeed his mercantilism and John Maynard Keynes had his classical theory. Kates assumes that looking to earlier times will bring all the utilities listed above. But, as Wade Hands (2013, p. 258) commented, “while these theories serve as a foil and critical starting point for their own analysis, they do eventually end up spending most of their energy articulating their own theory, its features and advantages.” I go a little further than Hands by claiming that Smith, Keynes, and, more recently, Robert Lucas with his Keynesian economics and Edward Prescott with his Cowles Commission econometricians, constructed their own “straw men,” intentionally twisted or even constructed accounts of certain so-called schools of economic thought, for the purpose of delineation; that is, to set and legitimize the boundaries of their own approach, with respect to its aims, its methods, its scientific values, and so forth. (Boumans and Dupont-Kieffer [2011] discuss this kind of delineation in econometrics.) These economists never intended to do history right, but shaped it to their own goals. To be sure, I do not blame them for doing so; their interest is indeed economics and not history.

If history of economics is done by economists only, it will not bring pluralism, as implied by the utilities listed above. There is simply no evidence to assume this; more to the contrary. I am aware only of examples of how history is shaped to legitimize one’s own account. According to Maas (2013), in the nineteenth century, history of economics and economics were indeed much more integrated, but economic analysis of the twentieth century is different from nineteenth-century political economy, and will continue to change. To provide a broader historical context, you need well-trained historians of science who are able to keep some distance from current mainstream economics, to make less economic-theory-and-policy-laden accounts.

This booklet is not only a defense of history, but it is also an attack on economics that became too much a mathematical-tool-and-technique-based discipline. The following selection of the most outspoken quotations evinces this suspicion: “The ebbing role of the history of economic thought within economics generally is in many respects a reflection of the ascendancy of mathematical and statistical approaches” (p. 33). “The question of questions remains. If an economist-in-training studies the history of economics. … [w]ill they miss the maths and stats they could have learned instead? Will having a more historical orientation and an understanding of the literary traditions in economics compensate them for the knowledge they might have gathered in some other course?” (p. 40). “Students who are compelled to explain such matters without diagrams but to use their economic logic instead are very different kinds of students and become better economists as well” (p. 103).5

5See also his remarks on pages 15, 73, and 75.
In Chapter 3, Kates identifies the two enemies against which the History of Economic Thought has to be defended: they are, as he calls them, the “mainstream” and the “historians and philosophers of science.” The hostility of the “mainstream” is a fact of academic life, so I focus on Kates’s debate with the historians and philosophers of science. Actually, this battle is fought in the same way as the “great economists” have done in the past: construct caricatures of your supposed opponents, hang them on the wall, and throw darts at them. The opponents are Margaret Schabas, Roy Weintraub, and Steven Medema. The Schabas caricature is shaped out of misreading her “Breaking Away” article, where she “seems to have tacitly adopted the economics-as-physics approach where the economics of the past is just a compendium of dead ideas of no contemporary relevance. From there, she seems to have slid into the view that the study of economic history should be specifically designed not to rock the mainstream boat” (p. 50). There is nothing in Schabas’s paper that comes close to these acquisitions, and the usage of the verb “seem” does not plead Kates free to come up with evidence for them.

The “debate” with two other “most influential members of the HET community,” Weintraub and Medema, called an “instructive correspondence,” is actually an email exchange that took place by postings on the SHOE website. This debate is presented as an endless repetition of the same arguments: first we are presented with a summary of the arguments of the earlier chapters, then we get the full emails of the three participants, where each email is introduced by a summary of its main arguments, and then the whole debate is commented upon by Kates’s giving a summary of his own arguments, and then the concluding section is a summary of the debate—nineteen pages long.

What were the arguments, apart from Kates’s arguments given above? Weintraub posted initially only a brief question: “Why would an historian of science care about which kind of reserve requirement is ‘best’?” This was immediately caricaturized by Kates as if Weintraub was only claiming that “economic policy questions are of no concern to historians of economics” (p. 56).

Medema replied to Kates’s original post by a more extensive email. First, he stated that “an understanding of the history of ideas is of no less import for dealing with the present than is understanding the history of events” (p. 57), and history of economic thought is both part of economics proper and is part of the history and philosophy of science (p. 57). Then he specified what he meant by these two statements by distinguishing between three possible options for the relationship between history of economic thought and economics: (1) “it is legitimate to study the history of economic thought for its own sake, as a branch of intellectual history or the history of science” (p. 57); (2) the history of economic thought is used toward a particular end; and (3) “use the ideas of the past to help us understand the present—without passing judgment” (p. 58). He then concluded his email by revealing his own personal preferences: “I have a great sympathy for the first and third of these approaches, but not so much for the second” (p. 58), but did not wish to suggest as a former editor of the Journal of the History of Economic Thought what belongs in the historical journals: “that is for editors and referees to judge” (p. 58).

Kates caricaturized this latter remark by Medema as that “his advice to journal editors and referees was that articles with that second motivation have no place within journals specializing in the history of economic thought” (p. 59). In this reply, Kates used
as his main argument the HET-makes-better-economists argument, on which Weintraub commented that it is not clear who, in fact, is making the “better” determination. In his closing-off email response, without answering this relevant question, Kates draws the final lines of his Weintraub caricature: as a “postmodenist,” Weintraub “seems to think” that “an understanding of HET is … useless to economists” (p. 62).

The ‘history of economic thought makes better economists’ is the main argument of this booklet, and it implies that the teaching of the history of economic thought should be done in a specific way. Chapter 4 tells how. In the section “What You Should Want a Student to Know,” Kates reveals his ideal history of economics course: “an examination of a succession of basic textbooks from their earliest manifestation through to the most recent textbooks used to teach undergraduates today” (p. 80). Though I like this idea, particularly for an undergraduate course in the history of economics, Kates’s own argument for this approach shows how much less an historian of science he is.

There are no undiscovered fundamental particles within economics or unknown forms of motivation or new discoveries about human nature. We have technologies and information sources that were not available in the past, and we can do in-depth computations with data sets that were unimaginable in earlier times. But when it comes down to the basic theoretical models and the way the world can be conceptually organized, there is truly nothing new under the sun. A textbook from a century ago will therefore not be some foreign territory…. (p. 93)

This historical worldview is indeed that of an economist; Robert Lucas (1980, p. 697) gave almost the same in his discussion of the most appropriate methodology for business cycle analysis:

On this view [on developments in business cycle theory], one would expect developments to arise from two quite different kinds of forces outside the subdisciplines of monetary economics or business cycle theory. Of these forces the most important, I believe, in this area and in economics generally, consists of purely technical developments that enlarge our abilities to construct analogue economies. Here I would include both improvements in mathematical methods and improvements in computational capacity. … The second source of theoretical developments is changes in the questions we want models to answer, or in the phenomena we wish to understand or explain.

But Kates’s suggestion for using textbooks only has deeper aims. The first aim is that textbooks should be used because the history of economic thought is better taught without the mediation by historians, to introduce a “necessary condescension” (p. 94). They, instead of the economists, as I claimed above, are the ones who come up with their “straw man versions,” who “are to be knocked down”; “as hard as modern writers on the history of economics might try, they can never fully re-capture the past because they do not fully accept either the arguments or the theories” (p. 94, italics added).

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6I am afraid to admit that this is only to my own astonishment, not to his, because he does not wish to be one.
The second aim is that the history of economic ideas should be Whig history. The textbooks that are to be used “should be the mainstream texts of the time, not the antecedents of the various heterodox traditions that exist today” (p. 94), and so “all economists should recognize that there is a common core tradition in economics; and it is that which should constitute the history of economic thought” (p. 95).

The final piece of this book, Chapter 5, consists of two parts. The first part is an account of how Kates was instrumental in keeping the history of economic thought within the Australian Bureau of Statistics and the European Research Council (ERC) economics classification. The second part is “a kind of template to help the others to understand how to defend” (p. 107) the history of economic thought. While the Australian case is accounted for in a readable way, the European case is, like in Chapter 3, enfolded by providing the reader with the complete email exchange of the participants with the needless and annoying repetition of the arguments.

According to Kates, both “battles” have been won. Though he modestly remarks that he does not know “how significant” his own last letter was in the final decision, it is clear to me how he was able to defend the history of economic thought successfully; namely, by simply killing it. The last paragraph of his last letter to the ERC did it: “historians of economics do not study history, they study economics” (p. 126; see above for the full quotation).

I do not know what the real reasons were for Cristina Marcuzzo, president of the European Society for the History of Economic Thought at the time of the ERC battle, to thank Kates for his “support for the ERC which was absolutely decisive” (epigraph of Chapter 5, p. 105, and quoted again on p. 127), and for Edward Elgar to publish this booklet. I can only guess it was because they assumed, like me initially, that he defended the discipline. Sadly, he did the opposite.

Marcel Boumans

Department of Economics

University of Amsterdam

EIPE, Erasmus University Rotterdam

REFERENCES


