

## AN INTRODUCTION TO MY COURSES:

### WHY STUDY ECONOMIC HISTORY?

Some of my own answers:

- (1) **To see that the subject matter of economics is essentially dynamic, occurring over time: in terms of specific historical events that are defined by time and space (the latitude and longitude of history).**
- (2) **To see that economics is a unique process in historic time, conditioned by the interrelationship of specific sets of factors, both economic and non economic.**
  - In economic theory, we necessarily understand the operation of an economic factor or variable by isolating it: by invoking the magic Latin formula *ceteris paribus*: ‘all other things being equal’.
  - But that is not the case in economic and historical reality: variables are not so isolated; other things are not held constant, unchanging, thus equal.
  - Economic history therefore allows us to see how economic change occurs through the changing relationship of economic and non-economic variables; that economic factors are naturally part of their social, political, and cultural framework of that time and place.
- (3) **To appreciate the difference between and the logical relationship between two kinds of reasoning in economics:** deductive reasoning, as employed in mathematics and thus in economic theory (which has a mathematical basis to it), and inductive reasoning, as utilized in history (and in other social sciences).
  - a) *Deductive*: reasoning from the basis of accepted or axiomatic mathematical principles; explaining economic changes by applying such principles.
  - b) *Inductive*: reasoning by bringing together a set of related facts, and understanding the nature and resolution of a problem by examining their cause and effect relationships, or complementary relationships. Creating a net that will catch the most historical fish.
- (4) **To test, with concrete empirical evidence, both the validity and applicability of economic theory:** of specific principles, axioms, and theoretical tools of micro- and macro-economic theory in specific, particular circumstances.

- As just suggested, students are generally taught that such axioms or principles are valid so long as everything else remains fixed and unchanged -- *ceteris paribus* -- all other things being equals.
- But that golden rule is too often forgotten; and economists too often fail to recognize or remember that in the real world, past and present, economic variables are always changing.
- A study of economic history should force you to recognize this truth; and force you to find the empirical evidence that will test the validity of the theory; and if necessary force you to investigate to find out why the theory cannot be so easily apply as originally anticipated.

### **MY INTERESTS IN ECONOMICS AND ECONOMIC HISTORY:**

1. **The causes and the consequences of both economic growth and economic decline:**
  - a) **Why do some regions, countries or nations grow and prosper while others decline, or stagnate, or become impoverished?** Why is that those that decline rarely rise again?
  - b) **Why isn't the whole world developed:** why isn't economic growth the universal norm?
  - c) **What circumstances and forces determine a growth or decline in productivity:** and thus specifically in the factor productivity of land, labour, and capital?
2. **What impact does economic change, or economic forces in general, have upon society at large:** in terms of the social, cultural, political consequences
3. **Conversely, what impact do social, political, cultural (and religious) institutions have upon the economy, in particular upon the forces for economic growth and/or decline?**
4. **In particular, what role does government or state institutions and government policies have upon the economy in the ways just outlined;** and to what extent do conflicts between agents and forces within the economy force governments to choose between or among them in making policy decisions, for better or for worse.

### **NOW THESE ARE ALL QUESTIONS THAT ECONOMISTS MAY WELL ASK OF THE PRESENT, AND QUESTIONS THAT HISTORIANS ASK OF THE PAST:**

As Joseph Schumpeter (perhaps most famous Harvard professor of Economics) said: 'Economic history issues into and includes present day facts'.

The following is a very relevant quotation from the final work of Joseph Schumpeter: *A History of Economic Analysis* (Oxford, 1954), published after his death..

History, statistics, and theory 'make up what we shall call Economic Analysis. Of these three fundamental fields, economic history -- which issues into and includes present day facts -- is by far the most important. I wish to state right now that if, starting my work in economics afresh, I were told that I could study only one of the three but have my choice, it would economic history that I would choose. And this on three grounds.

(1) **First**, the subject matter of economics is essentially a unique process in historic time. Nobody can hope to understand the economic phenomena of any epoch, including the present, who has not an adequate command of historical *facts* and an adequate amount of historical sense or of what may be described as historical experience.

(2) **Second**, the historical report cannot be purely economic but must inevitably reflect also 'institutional' facts that are not purely economic: therefore it affords the best method for understanding how economic and non-economic facts are related to one another and how the various social sciences would be related to one another.

(3) **Third**, it is, I believe, the fact that most of the fundamental errors currently committed in economic analysis are due to a lack of historical experience more often than to any other shortcoming of the economist's equipment.