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Adrián Ravier

## The History of Thought in the Education of an Economist

When Giancarlo Iburguen asked me to give a lecture on the importance of history of economic thought in education, the first thing I thought was, “Who could ever argue that it was not important?”

Which reminded me of a post in the personal blog of Gregory Mankiw, the author of *Principles of Economics*, a textbook that has sold over a million copies in seventeen languages. Mankiw replied to a student who had requested his opinion about *Human Action*, a treatise on economics written by Ludwig von Mises and published in 1949. His answer was sincere: “I have not read the book.” Even though he had not read the book he somehow tried to justify himself by immediately adding: “Things written more than twenty or thirty years ago are usually assumed to be irrelevant.”<sup>1</sup>

### Gregory Mankiw and the Whig Theory of the History of Science

I think what Mankiw meant by this statement is that relevant theories and ideas are already incorporated into the body of knowledge to be passed along to graduate students in economics.

It turns out, then, that Mankiw seems to be a defender of the Whig Interpretation of History<sup>2</sup> that counts among its main proponents at least two Nobel prize winning economists: Paul Samuelson<sup>3</sup> and George Stigler.<sup>4</sup> The conceptions of those economists fit exactly the description of what Murray Rothbard called in the introduction to his *History of Eco-*

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<sup>2</sup> As originally outlined by Herbert Butterfield in 1931. See Herbert Butterfield, “La interpretación Whig de la historia,” in Miguel de Asúa (ed.), *La historia de la ciencia: Fundamentos y transformaciones* (Buenos Aires: CEAL, 1993), pp. 125-33.

<sup>3</sup> Paul A. Samuelson, “Out of the Closet: A Program for the Whig History of Economic Science,” *History of Economics Society Bulletin*, 9 (1987): 51-60, and “Keeping Whig History Honest,” *History of Economics Society Bulletin*, 10 (1988): 161-67.

<sup>4</sup> George Stigler, “The Process and Progress of Economics,” *Journal of Political Economy*, 91 (Aug 1983): 529-45.

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<sup>1</sup> See Gregory Mankiw, *Austrian Economics*, in Greg Mankiw’s Blog (April 3, 2006).

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conomic Thought “the Whig theory of the history of science,” that is, the belief that modern economists have read, assimilated and integrated the whole body of knowledge elaborated before them, and therefore the evolution of science always follows an ascending, progressive and linear course.

This “continual progress, onward-and-upward approach was demolished for me and should have been for everyone,” Rothbard explained, “by Thomas Kuhn’s famed *Structure of Scientific Revolutions*. Kuhn paid no attention to economics, but instead, in the standard manner of philosophers and historians of science, focused on such ineluctably ‘hard’ sciences as physics, chemistry, and astronomy.”<sup>5</sup>

In a few words, Kuhn—who talked about science in general but who never seemed to take note or be even aware of differences between natural and social sciences—explained that science does not necessarily follow a progressive and upward course. The far more common state is rather to maintain and reinforce emerged paradigms, even though theoretical degeneration and staleness are the more likely outcomes.

Following Kuhn’s line of thought, Rothbard reached a similar conclusion: “For it becomes very likely that, rather than everyone contributing to an ever-progressing edifice, economics can and has proceeded in contentious, even zigzag fashion, with later systemic fallacies sometimes elbowing aside earlier but sounder paradigms, thereby redirecting economic thought down a totally errone-

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<sup>5</sup> Murray N. Rothbard, *History of Economic Thought*, vol. 1, *Economic Thought Before Adam Smith* (Aldershot, England: Edward Elgar, 1995), p. 24.

ous or even tragic path. The overall path of economics may be up, or it may be down, over any given time period.”<sup>6</sup>

#### Natural Sciences versus Social Sciences

It is not necessary to repeat here the similarities and differences that a great many theoreticians of the Austrian School have identified between physics, chemistry or biology on the one side and economic science, on the other.

What I would like to add is that even when the theoreticians of natural sciences are well-versed in the philosophy of science or in the history of scientific thought, they are not used to the study of the evolution of ideas through their original sources. A modern physicist can safely assume that a modern textbook or treatise on physics will include the most important past and present advances of his field. It is for this reason that in physics it is usually not necessary to expect the reader to be acquainted with original sources.

Why then, in economics, are we inclined to go to the original sources? Can economists trust that the author of a modern book or treatise on economics, like Mankiw, has assimilated and integrated all the essential knowledge previously available?<sup>7</sup>

I think the answer is no, and the history of economic thought has plenty of examples where interpretations are so con-

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<sup>6</sup> *Ibid.*

<sup>7</sup> In the same vein: Can we believe that Paul Samuelson was right when he said, in 1988, that “my graduate students do know more than Ricardo and Marx”? (“Keeping Whig History Honest,” p. 165).

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fusing that one simply cannot trust the interpretation of a third person and usually has to turn directly to the source.

Take the case of the famous “Say’s Law,” which was at the heart of classical economics until John Maynard Keynes’s *General Theory* of 1936. It can be shown that the Keynesian reading of Say is either wrong or misleading or both. Juan Carlos Cachanosky made a convincing case that Keynes may have never read Say himself. His understanding of Say came from reading John Stuart Mill.<sup>8</sup> It is important to remember that Keynes did not quote Say even once when rebutting his famous law of markets, which itself is a good reason to doubt Keynes’s knowledge of classical economics.

In the same sense, how many different readings do we have of Keynes’s work? The neoclassical synthesis is one of many but does it really summarize his ideas adequately? The most orthodox followers of Keynes suggest that it does not. Should we advise our students then, not to read this original text that was written over 60 years ago?

I think the answer is again a clear no. In economics, research is fundamentally dependent on the interpretation of original texts for several reasons.<sup>9</sup>

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<sup>8</sup> See Steven Horwitz, “Say’s Law of Markets: An Austrian Appreciation,” in Steven Kates (ed.), *Two Hundred Years of Say’s Law: Essays on Economic Theory’s Most Controversial Principle* (Northampton, MA: Edward Elgar, 2003), pp. 82-98.

<sup>9</sup> The interpretation of texts is also essential in those sciences that Rothbard before called “hard.” The critical point is that they are not as “hard” as people used to think.

### Mathematical Formalization versus Verbal Logic

One avenue of escape for those who, like Mankiw or Samuelson, accept the Whig theory of the history of science is to argue that different or even opposing interpretations of writers such as Say or Keynes is due to the verbal method of exposition. Both Say and Keynes wrote in prose, which for the practitioners of mathematical formalization lacks rigor and can easily fall prey to pervasive ambiguity of exposition.

Thus, according to physicists and mathematical economists, mathematical formalization avoids multiple interpretations and forestalls confusions while ideas expressed and discussed in a merely verbal logic clearly do. When the theoretical findings are expressed mathematically it is easier to pass them on, to check them and rebut them through an experiment. Mathematical logic and experimentation, according to this view, contributed enormously to major breakthroughs and successes in science.

This is probably why Samuelson assures us that “[i]nside every classical economist is a modern economist trying to get out,” identifying a “modern economist” as one that uses modelling and mathematical formalization.<sup>10</sup> Next, he claims that “it seems to me that with a little midwifery sleight of hand, one can

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<sup>10</sup> Following the same line, as Winch points out, in the 1950s and 1960s Samuelson even went so far as to claim that economists who were unable to follow the mathematical revolution after World War II were the ones who took refuge in the history of economic thought (Donald Winch, “Intellectual History and the History of Economic Thought: A Personal Account,” *History of Economics Review*, 50 [Summer 2009], p. 4).

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extract from Adam Smith a valuable model.”<sup>11</sup>

Samuelson’s neoclassical synthesis is a case in point. His interpretation of Keynes’s message, though mathematically rigorous and (probably exactly for this very reason) quite popular, is by no means without its fair share of controversy. In my opinion, the dominance of mathematical formalism has a significantly adverse bearing on economics because it condemns it to static models of equilibrium, where the unreality of the assumptions leads us to study a world which does not exist.

#### Economics versus Political Economy

Significantly, Mark Blaug, a well known historian of economic thought, made the point, contrary to Samuelson, that ever since economics became an independent scientific discipline, two different trends have lived in it: on the one side, those with mathematical inclination, and on the other side, those with a philosophical spirit.<sup>12</sup>

We think the first group represents Economics, attracted by mathematical formalization, experimentation and the use of econometrics. The second group represents Political Economy, attracted by political philosophy and the need to go back to the history of economic thinking

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<sup>11</sup> See Paul A. Samuelson, “A Modern Theorist’s Vindication of Adam Smith,” *American Economic Review*, 67 (Feb 1977): 42-49.

<sup>12</sup> See Mark Blaug, *The Methodology of Economics* (Cambridge: Cambridge University Press, 1990), Chapter 3.

for important but lost insights. <sup>13</sup>

#### Final Reflections

In concluding, let us go back to the initial question: Should the history of economic thought play an important role in the education of an economist? It depends. If the student wants to be a technocrat, publishing articles in the most prestigious academic journals and be in the mainstream, possibly for him the history of economic thought would be a waste of time. Instead, it would probably be more helpful to learn matrix algebra, mathematical analysis and econometrics. But if the student wants to become a serious thinker and research real problems that still remain unresolved, then there is no other way than to spend considerable time and effort on research in the evolution of ideas.

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<sup>13</sup> Though Blaug would include in this group only Classical economists, we think that we should add also the Austrian School of Economics, the School of Public Choice and the New Institutional Economics. See M. Krause, G. Zanotti and A. Ravier, *Elementos de economía política* (Buenos Aires: La Ley, 2007), pp. vii-ix, and Ricardo Crespo, *La economía como ciencia moral* (Buenos Aires: Educa, 1997), Chapter VI.