

# Approaches to history of economic thought and the approaches to knowing

## Goal in Economic Thought

- How does a society develop a “system” of rules to guide the allocative decisions?
- What do we “know” about how those allocative decisions are made?



History of Economic Thought is a scientific discipline in the group of social sciences, which researches the past of the economic thought, describes it and searches for regularities which are useful for economic practice today

## Approaches to knowing:

### Absolutist approach

The absolutist tends to believe that there are some objective, absolute “facts or truths” about the perceptions and patterns of economic behavior that cross cultural, temporal and social boundaries.

These beliefs and patterns of behavior are perceived as universal. They are believed to apply in every society at all times in similar ways.

From this point of view the study of the history of economic thought becomes a process of reading the works of economists that have contributed in the past and sifting out the grains of truth. Each generation of economists is seen as correcting errors made by their antecedents and adding new insights.

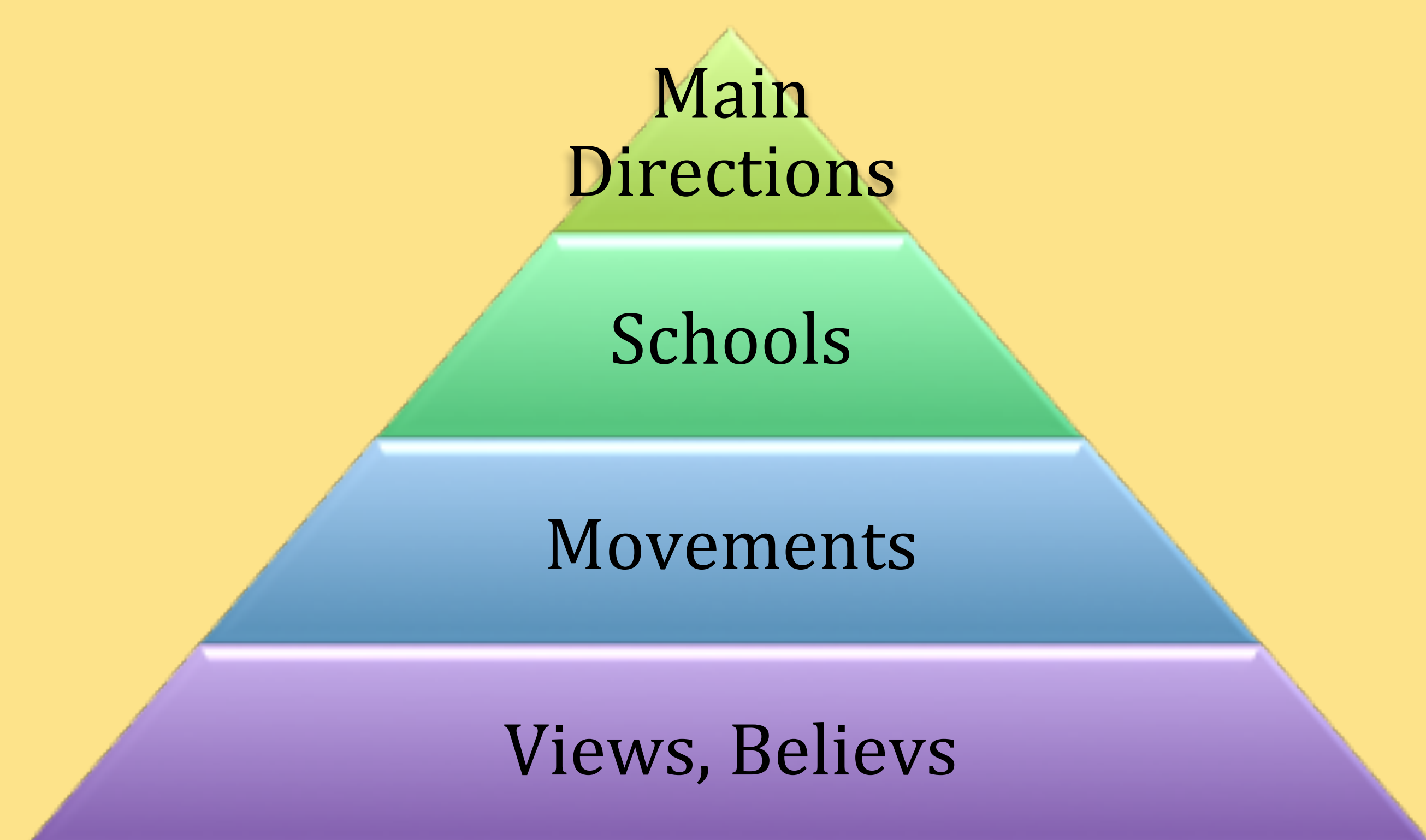
### Relativist approach

The relativist approach to the history of economic thought holds that what is “true,” or useful, in one time or place may or may not be useful in some other time or place.

Economic theory is a product of its environment.

What was “true” for Adam Smith in a “nation of shopkeepers” in the mid 18th century may or may not be useful or true in the early 21st century or for Alfred Marshall in the late 19th century. The relativist tends to believe that economic theory is shaped by technology, social and economic institutions.

## Hierarchy in History of Economic Thought



## Main periods and schools:

- The Ancients and the Scholastics
- Pre-modern economic thought
  - Mercantilists
  - Physiocrats
- Modern economic thought
  - Classical economics
  - Socialists
  - Neo-classical economics
  - The Historical School
  - Institutionalism

## Perceptions of economic processes:

It is the ideological underpinnings that shape perceptions of economic processes. It is differences in ideology that produce different schools of thought in economics. The history of economic thought attempts to identify these schools and to determine the forces that contribute to their creation, evolution and ultimate “success” or “failure” an intellectual construct that explains, predicts or justifies the world we have created.