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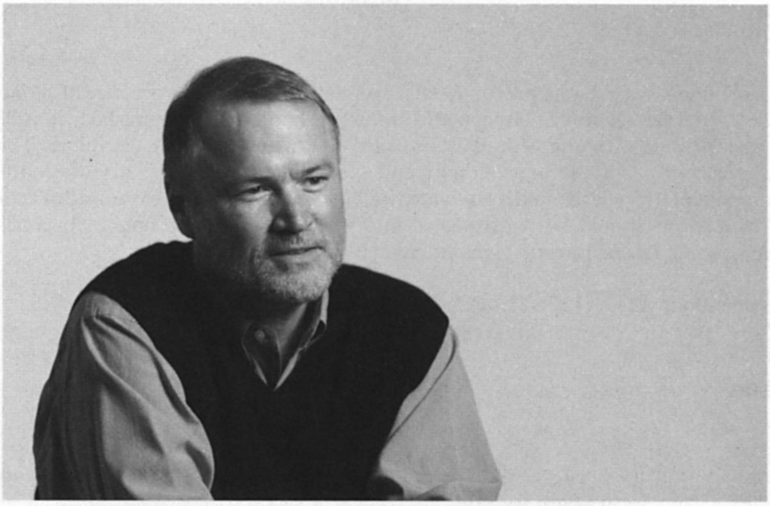

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Presidential Address

Of Positivism and the History of Economic Thought

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The rhetoric of positivism had a profound effect on the worldview and practice of economists in the middle of the last century. Though this influence has greatly diminished, it still may be found in the attitude of many economists toward the history of their discipline. This article traces the effects of positivism in economics and then argues that the history of economics is a critical component of both the undergraduate teaching and the graduate training of economists, and that as such, it should be reintroduced into the economics curriculum. It concludes by documenting some recent hopeful signs of change.

JEL Classification: A11, A12, A22, A23, B0, B1, B2, B3, B4

1. Introduction

> You will never want booksellers, while there are buyers of books: But there may frequently be readers where there are no authors.
> David Hume, "Of the Rise and Progress of the Arts and Sciences," [1742] 1987, p. 113.

> ...there has been history, but there is no longer any.
> Karl Marx, *The Poverty of Philosophy*, [1847] n.d., p. 121.

I am a historian of economic thought, and those who are familiar with my research will know me as a Hayek scholar; however, my earliest work was in the area of economic methodology, a subfield that operates in the interstices of philosophy and economics. One of my goals in this article is to make the intellectual historian's point that ideas matter, and that they have consequences for how we see the world and organize our practice.[1] The specific case I

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[1] This complements but goes beyond Keynes's famous peroration for *The General Theory* (Keynes 1936, p. 383) regarding the influence of the ideas of past economists on current policy:

> ...the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.

Ideas, however, do not only affect policy makers, they affect the economists whose ideas affect policy makers.

examine draws on my early work on methodology. I will show the effect that various philosophical doctrines, loosely known as positivism, had on the worldview and practice of economists in the middle of the last century. It turns out that the rhetoric of positivism had a real effect on economics and other social sciences, even as it was dying out as a force within the philosophy of science. I am happy to report that it has now mostly died out in economics as well.

The "mostly" in the phrase "died out" is important though, because one area where it continues to have influence is in the way that many economists view the history of their discipline. Throughout the second half of the 20th century, interest in the study of the history of economic thought experienced a rather steep decline (see, e.g., Weintraub and Gayer 2002). Though lately this shows some signs of turning around, the situation is still sufficiently worrisome that I will spend some of my space here making the case that the study of the history of economics has an important role to play in the training of economists. In the process I hope to seduce (intellectually, of course) some of the younger scholars among my readers, and perhaps some older ones, into reconsidering the history of thought as a teaching and research field.

2. The Legacy of Positivism

I will begin with some personal history to give you an idea of my own path to the study of history and methodology. I attended undergraduate and graduate school in the 1970s, which were turbulent times politically with the end of the Vietnam War, Watergate, and a Middle Eastern conflict that ended in an oil embargo, but also economically with ever-worsening stagflation being met with such devices as wage-price controls, WIN (Whip Inflation Now) buttons, malaise speeches, and stop-go policy. It was a time when certain well-established paradigms within economics were being challenged, most evidently the notion of a stable Phillips Curve trade-off between inflation and unemployment. New groups that challenged the mainstream, like the Union for Radical Political Economy, were emerging, as were new publishing outlets, such as the *Journal of Post-Keynesian Economics.* I remember well my first Allied Social Science Association meeting and seeing protesters following Milton Friedman around and chanting outside the doors of his sessions.

Strangely, though, what we were learning in graduate school had nothing, zero, to do with any of this: It was as if the outside world, and the challenges to our understanding of it, did not exist. Once, outside of class, I asked my macroeconomics teacher, who had been filling the blackboard with growth models all semester, if he might consider talking in class about whether the modeling strategy that had been used by Nicholas Kaldor reflected in any way Kaldor's radical politics. "That's sociology!" he snorted and walked away, assuming, I suppose, that simply saying *that* was argument enough. I would be interested in whether any parts of this story might resonate with recently trained junior faculty, given the recent economic unpleasantness and the frequently encountered claim from outside the discipline that our profession, if not culpable, has generally been oblivious to it.[2]

[2] There is, of course, a larger point to recalling this personal history. Interest in both methodology and the history of our discipline tends to grow in times of crisis. It happened in the 1930s, and again in the 1970s, and is happening again today.

I also found it troubling that there were a number of areas within economics that I personally found interesting, areas that are now well established, that were either ignored or treated dismissively, often on the grounds that they were in some way "unscientific." Given its current ubiquity, younger faculty will be surprised to hear that game theory was one of these. Another was the public choice theory of the Virginia School; indeed, though I was educated in the south, I never heard anything about it in any of my classes.[3] Though experimental economics was occasionally published in mainstream journals, its status too was highly ambiguous. Another area that was derogated by some of my professors was the history of economic thought, more about that to come.[4]

As my graduate education proceeded I wanted to know why certain areas that I found interesting were undervalued by the profession and how economists determined what was scientific and what was not. In a course on economic methodology (yes, a graduate course on methodology) at the University of North Carolina, I discovered the philosophy of science, which I thought might provide, if not the answer, at least some insight. In my rather unconventional dissertation, I first surveyed 20th century philosophy of science, then used it to assess the writings of economists like Milton Friedman, Paul Samuelson, Terence Hutchison, Fritz Machlup, and others on the proper way to do economics (Caldwell [1982] 1994).

My results were strange. In explicating their methods, to the extent that economists made reference to the philosophy of science at all, it was usually to some variant of positivism,[5] a doctrine that was created with the natural rather than social sciences in mind. Positivism attempted to lay out the practices and procedures that all "real sciences" followed. It provided models of what constituted legitimate scientific explanations, it offered criteria by which competing theories could be appraised (chief among these predictive adequacy), and it provided a vision of how a scientific field normally progressed.

What was strange was that positivism was no longer considered a viable position within philosophy. It had died out chiefly because it became evident that *no* science had ever followed its strictures; it collapsed from within. Yet in many of the social sciences practitioners kept referring to positivist ideas (albeit typically without any direct knowledge of their origins), one suspects because people working in these fields have always found it necessary to defend the proposition that the social sciences are, *really truly are*, scientific. In short, in describing and defending their practices, economists had been borrowing, often badly, from an increasingly suspect, because unworkable, philosophical position.

[3] The silence may have been for ideological rather than "scientific" reasons, but the arguments are not unconnected. For example, in the classes I took, Friedman's work was often criticized as "ideological," which meant "unscientific," because it violated the "science is value-free" norm. This is ironic, given that Friedman famously insisted that economists should focus on positive questions and thought that the normative ones would take care of themselves (see Friedman 1953). The Virginia School suffered similar treatment in its early days, as James Buchanan (1988) recounts.

[4] One of the most back-handed compliments I ever received was from a professor, who had taught me, who asked, "What's a smart person like you doing choosing history of thought as your major field?" This paled in comparison, though, to the remark by the recruiting chair of a major midwestern university who, sitting in the bar amid a number of junior job candidates, said, upon hearing my field, "Some say history of economic thought is a dying field. I disagree. I say it is a dead field." I must confess that this cretinous joke at the expense of an aspiring junior academic by a person in power, in public no less, simply steeled my resolve to pursue the study of the history of ideas.

[5] For those who know the methodological literature, I should note that I am using "positivism" very loosely to refer to a broad set of doctrines, not just the logical positivism of the Vienna Circle or the logical empiricism of the 1950s and 1960s but also to such ideas as operationalism and instrumentalism, the latter two of which has clear analogues in the methodological writings of certain economists. For more on these distinctions see Caldwell [1982] (1994).

It gets worse. Economists were not following the strictures of positivism, because no science can. But positivist *rhetoric* was alive and well, for it was the rhetoric of hard science. It had consequences, though, because the rhetoric was being used to justify certain theory choices, some that economists might judge, in retrospect, as either good or bad. For example, the notion that science only makes reference to observables was why Paul Samuelson thought it necessary to develop revealed preference theory.[6] The quest for ever more precise predictions, another hallmark of positivism, delayed the acceptance of game theory, because one could use game theory only to describe, not to predict, the moves of, say, competing oligopolists.[7]

There is plentiful evidence, however, that economists were not universally following the official rhetoric. General equilibrium (GE) theory was a dominant research program in the middle of the last century. Scores of explorations of the existence, stability, and determinateness of equilibrium were published, and this at the very time that positivist rhetoric was at its apogee. Yet most would agree[8] with the observation of the great historian of economics Mark Blaug that GE theory is empirically empty, which from a positivist's point of view is grounds for it being considered pseudoscientific.

A second example is experimental economics. Early experimentalists probably came closer than any other economists to transferring certain practices of the physical and laboratory sciences, as well as the accompanying rhetoric, into economics.[9] They did so self-consciously; it is not for nothing that they named their professional association not the Experimental Economics Association but the Economic Science Association. Yet for decades, mainstream economists resisted their entry into the club, probably for a variety of reasons that had nothing to do with any philosophical reconstruction of appropriate scientific practice.[10]

We can finally mention that Samuelson himself, after showing his readers that revealed preference theory allows one operationally to define preference without making reference to unobservables like "utility," and thereby to test the theory of consumer behavior, concluded his discussion with the following frank admission:

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[6] In this, Samuelson was apparently influenced by Percy Bridgman, a physics professor and eventual Nobel laureate at Harvard who, in his 1927 book *The Logic of Modern Physics*, developed operationalism, the view that a phenomenon is defined through the operations by which it is measured.

[7] My graduate microeconomics professor taught a section on game theory, but he also let us know that he thought that it was not a very important tool because of its limited ability to generate falsifiable predictions. Franklin Fisher (1989) argued that it was necessary to expand the type of theorizing that was deemed acceptable for game theory to come into its own; specifically, a move away from "generalizing" and toward "exemplifying" theorizing had to occur. As Fisher notes, exemplifying theory is more difficult to falsify, which is a positivist no-no. For more on this, see Caldwell (2004, pp. 393–95).

[8] See Blaug [1980] (1992, chapter 8). My caveat 'most' is in deference to the interpretation of my colleague Roy Weintraub, who characterized GE theory as the hard core of a Lakatosian research program, for which testing took place in the protective belt of applied fields (see Weintraub [1988]).

[9] In a "witness seminar" that brought some of the leading experimentalists together to reflect on the early days of the Association, it was clear from a number of the exchanges that though many of them embraced the rhetoric of testing and falsification, the actual practice was much richer. The revelation that the framing of the experiment (e.g., whether the initial distribution in the dictator game is viewed by subjects as "fair" or "unfair") has a discernible impact on its outcome is a case in point. There are no simple tests, no simple falsifications of a theory, and, always, context matters (see Maas and Svorencik [2012]).

[10] The history has yet to be written, but presumably part of the problem was the century-long refusal of mainstream economists to incorporate contemporaneous trends in psychology into their theories. Part of it might have been the challenge that one faces in interpreting some of its results. On one hand, subjective utility theory seemed systematically falsified by many types of tests; on the other, some experimentalists had shown that female psychotics, and even rats, have downward sloping demand curves. What conclusion is one to draw from such evidence? None seemed particularly favorable to the economic theory of the day.

> ...the pure theory of consumer's behavior, when its empirical meaning is finally distilled from it, turns out to be one simple hypothesis on price and quantity behavior. ...I wonder how much economic theory would be changed if either of the two conditions above were found to be empirically untrue. I suspect, very little. (Samuelson [1947] 1965, p. 117)

In short, the actual history of economics, like that of every science, is much messier, idiosyncratic, and, frankly, interesting, than any image of science portrayed within the philosophy of science.

All of this would be mildly amusing were it not for the impact of the acceptance of the positivist vision of science on my own chosen field of study, the history of economic thought. A bedrock belief of positivism is that all real sciences are cumulatively progressive, that slowly but surely within science errors are discarded and a widely accepted body of knowledge is created. This view leads naturally to the belief that an understanding of the history of a discipline is simply irrelevant for a scientist, because all knowledge is contained in the most recent working papers. History is for antiquarians and hobbyists, not for real scientists.

If alternative accounts of how science is actually pursued that emerged in the wake of positivism's demise are correct, then the idea that science develops linearly and progressively is simply false. Historians and philosophers of science like Thomas Kuhn and Imre Lakatos offered the initial alternatives to the positivist view, in the process demonstrating that the history of the *natural sciences* is a much messier affair than previously thought, that no hard and fast criteria for theory choice exist, and that scientific disciplines change emphases and approaches for a host of reasons, both internal and external, that require examination and explication.[11] Their pioneering work was later extended by sociologists, historians, and science studies specialists, who, though differing from one another in approach, all demonstrated, through numerous close examinations of practice, the contingent nature of scientific change.[12]

Just to make sure that I am not misunderstood: All of this is not a denial that science exists. It is just that our image of what constitutes science has changed. Also, if the new account is correct, knowing the history of a field becomes much more important for its practitioners. Just as context matters in providing instructions to subjects in an experiment, it matters also in understanding one's own disciplinary practice.

If we fast-forward to the present, it is clear that the legacy of positivism has in most cases disappeared in economics. Compared to 40 years ago, the pluralism we see in the practice of economics is everywhere evident. We see this in the rapid development of areas like game theory, behavioral, experimental, and neuroeconomics, public choice theory, and the new institutional economics. We see decision theorists who eschew axiomatic approaches in analyzing choice. We see artificial society modeling, agent-based computational economics, and other attempts to represent complex systems. We see field experiments, natural experiments, and randomized control trials. We see theorists hypothesizing about multiple selves, and empirical economists adopting multiple standards for hypothesis testing. In almost every way, the practice of economics has broken out of the chains imposed by the positivist view of what constitutes "proper science."

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[11] The classic citations are Kuhn [1962] (1970) and Lakatos (1970, 1971). For early applications of these ideas to economics, see Latsis (1976).

[12] The new landscape is well-captured in Hands (2001) on the variety of approaches that have replaced the normative approach of the positivists ("normative" because it sought to articulate the way that science was supposed to be done), aptly titled *Reflection without Rules*.

The one place it has had lingering effects is in the treatment of the history of economics, which as a consequence has become absent in many places from the economics curriculum. As you might expect, I find this at once appalling and curious, the former for obvious reasons and the latter because it is always strange to find that other people do not share one's passion. Happily, this has been changing of late, as I will demonstrate at the end of this article. Now, however, in the event that any readers are still operating under positivist prejudices, I will lay out a few arguments for why history of economics still belongs in the economics curriculum.[13]

3. The Liberal Education of Economists

Let me focus first on undergraduate education. I can attest from decades of personal experience and from anecdotal evidence from others that, when it is offered, undergraduate economics majors typically love the history of economic thought for a number of reasons.

First, the history of economics deals with origin stories. Students who learn their economics from textbooks without the benefit of a history of thought course do not realize that the development of ideas always involves argumentation, debate, and criticism: things that disappear in textbook treatments. The actual history is often fascinating, as are the cast of characters involved.

Next, the history of economics provides a means, through the reading of original texts and related documents, of engaging with some of the greatest minds of our profession, debating the great questions. Historian Brad Bateman has nicely described this aspect of a typical undergraduate course as "sitting on a log with Adam Smith" (Bateman 2002). In a history of economic thought class, you do not read a textbook writer on Smith. You read Smith's own words, words that a good teacher will place into context. I mention the importance of a good teacher. It is not easy to sit down and read a writer from another time. With help, however, a student's understanding of the world expands. This is why courses in the history of economics are so important. I will add that many of the authors were wonderful prose stylists, as a perusal of the first chapter of Smith's *Theory of Moral Sentiments*, Marx and Engels's *Communist Manifesto*, or any of Keynes's essays, reveals.

Speaking of writing, the history of economics course is ideal for developing what are often called critical thinking skills, that is, writing and speaking effectively and persuasively by composing well-supported arguments. In too many of their classes, undergraduate economics majors passively listen to lectures and then hand in problem sets. I have had graduating seniors at Duke University who struggled with their writing assignments, telling me that the last time they had written anything was in a freshman seminar.[14] We used to say that life is not a multiple-choice test; it is also not a problem set. The ubiquity of the "problem set approach" to teaching, which, not incidentally, makes things much easier for instructors, particularly if they

[13] In this I am joining a distinguished (and far more eloquent and erudite) company; since the 1960s, economists who have been interested in the history of the discipline have felt compelled to defend its study. See, for example, Viner [1963] (1991), Boulding (1971), Vaughn (1993), O'Brien (2000), Blaug (2001), and Davis (forthcoming).

[14] To its credit, the Duke Economics Department recently revamped its undergraduate curriculum to require that students take a mix of elective courses, some focusing on the application of the standard tools, others asking students to engage with ideas rather than with techniques.

have graduate students to do the grading, should be a scandal. That it is typically viewed as best practice should be an indictment.[15]

One of the essential messages of any history of thought class is that one encounters, repeatedly through history, the same sets of ideas and concerns, though typically in new settings and perhaps in new wrappings. Milton Friedman once nicely put this as finding "Old Wine in New Bottles" (Friedman 1991). This discovery produces both an appreciation for the past and some humility concerning the insights of the present.

Another role of the historian of thought is to correct egregious errors of interpretation. To say this is not to take an absolutist stance toward historical interpretation: Historians of economics disagree all the time about interpretive matters; however, often what passes as common knowledge is *not* a matter of interpretation but simply and demonstrably wrong. Indeed, one of my students recently asked, somewhat plaintively about halfway through the semester, "Are we ever going to get to someone who actually thought what we thought he thought?" This problem, by the way, will only get worse if historians disappear, and the writing of our discipline's history gets taken over by popular writers or by those with partisan axes to grind.[16]

Finally, the history of economic thought class is one of the only places in the economics curriculum where students are exposed to alternatives to mainstream views. Where else in the economics curriculum will students actually read not just Smith, Marshall, Knight, and Keynes, but also Marx, Veblen, Schumpeter, Mises, and, dare I say it, Hayek?

The benefits of having been exposed to the history of economics described so far may be lumped under the broad category of becoming a more liberally educated person. It used to be taken as given that this was not a, but *the*, principal goal of an undergraduate education. Like teaching one's children good manners and hygiene, it was viewed as something that we, as educators, owed to our students. I hope and suspect that many readers will agree.

Even those who do agree, however, may balk at the notion of including the history of economics and economic methodology in the training of graduate students who require specialist training to become professional economists. So is there any room for the history of economics in the graduate curriculum? My answer, you might have guessed, is yes.

4. Graduate Training in Economics

The first argument for training is simple. If you accept the argument that I made that the history of economic thought is an important part of an undergraduate education, the question

[15] It might further be noted that once online education really takes off, as eventually it must, the "problem set approach" is custom made for it. This brings to mind Marx and Engels's assessment of the practices of the bourgeoisie in the *Communist Manifesto*: "What the bourgeoisie, therefore, produces, above all, is its own gravediggers" (Marx and Engels [1848] 1978, p. 483).

[16] Without naming names, certain histories of economics written for the mass market audience contain numerous factual inaccuracies and interpretative leaps. An example of the partisan use of history that gets the relevant history wrong is provided by Nobel laureate Paul Krugman who, in arguing for a more robust Keynesian remedy to the recent downturn, wrote that, "Until the Great Depression, most economists clung to a vision of capitalism as a perfect or nearly perfect system" (Krugman 2009). This bald statement provoked considerable discussion and much criticism on the Societies for the History of Economics (SHOE) list-serv: see the entries in January 2007 https://listserv.yorku.ca/archives/shoe.html under "All pre-1936 economists were laissez faire." Krugman's claim is akin to one Keynes himself made, polemically, on the opening pages of *The General Theory*, where he boldly stated that his mainstream British predecessors (i.e., Ricardo, Mill, Marshall, Edgeworth, and Pigou) were all just "classical" economists (Keynes 1936, p. 3). It may be that Krugman simply took Keynes's self-promotional polemics too seriously. For a debunking of many myths surrounding Keynes, some perpetuated by proponents and others by opponents of (what they take to be) Keynes's message, see Bateman (2006).

then arises, Where will the next generation of teachers come from, if graduate training in the field disappears? To have one, you need at least some of the other. This does not mean that every graduate program in economics has to offer the field, of course; however, there is certainly room for more than there is today. This is a niche market that is currently wide open and ready to be exploited; anyone familiar with the advantages conferred by specialization should take note.

A second argument concerns the dangers of presentism. Recall that the positivists believed that science progresses in a linear fashion, leading to a steady accumulation of true theories, and that later work showed this to be a myth. The way this myth presents itself in graduate education is when students are trained—and indeed come to believe—that all relevant economics began about five years before they entered graduate school. This is a barrier to the advance in economic knowledge for at least three reasons.

First, ignorance of history is a barrier to the growth and accumulation of knowledge: students who learn economics via working papers, whose only knowledge of the history of the discipline is through occasional anecdotes or potted caricatures in textbooks written by faculty who are usually equally ill acquainted with the past, are almost doomed to reinvent the wheel. Second, when apparently promising avenues of inquiry disappoint or research leads to dead ends, as so often happens in all sciences, the record of how we got to the impasse can provide a map back to paths not taken. Third, knowledge of history could lead to the revival of an old idea as modeling techniques improve. For example, the Hayekian notion of the market as a competitive process was difficult to capture with theories that emphasized equilibrium, but with recent advances in theory, it is again coming into its own.[17]

Students who know the history of economics are thus more aware that other options are available and of which options they are. Furthermore, what may have seemed to be a compelling move at one time may look quite different when conditions change. To understand that it was a contingent move in the first place, and not the very definition of good economics for all time, is the beginning of true historical sensibility.[18] Indeed, when one knows more about the history of one's discipline, a whole new set of questions and insights arise. Then the idea that all that one needs to know about economics is contained in the latest working paper can be seen for what it is: a simple (and simplistic) expression of scientistic prejudice.

Skeptics will reply that a knowledge of, say, the writings of Smith or Marx will not help current graduate students. I disagree, but it should also be said that this objection reveals ignorance of what most historians of economics today actually do. Simply put, much of the research done by Fellows and faculty members at the Center for the History of Political Economy at Duke involves examining the development of economics in the 20th century.

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[17] See, for example, Frydman and Goldberg (2011) for examples of using insights from the past in developing models with contemporary relevance.

[18] A superb example of the contingency of history is provided in Roy Weintraub and Ted Gayer's compelling description of the idiosyncratic referee process that led to the publication of one of the most influential economic articles of the 20th century, Kenneth Arrow and Gerard Debreu's 1954 "On the Existence of an Equilibrium for a Competitive Economy." Only a handful of people had the mathematical skills to referee the article. One mathematician who refereed it called for its rejection and sent a letter of protest when it was published. The authors ignored virtually all of the suggested revisions offered by the associate editor of *Econometrica*, Nicholas Georgescu-Roegen, the only economist who appears to have read the article carefully; for all that, the article became an overnight classic. For 20 years, the profession was enthralled with questions relating to the program, and then, nearly overnight again, interest waned (see Weintraub 2002, chapter 6). Try fitting that story into a positivist model of proper scientific procedure!

Let me provide some examples. Every April the Center runs a history of economics conference: recent and forthcoming themes have included the history of econometrics and the role of MIT in the transformation of American economics. Two years ago Paul Samuelson's papers were deposited at Duke. The response by scholars has been huge; indeed, the reading room has been jokingly dubbed the "Paul Samuelson reading room" by the archivists. Another project undertaken by a Fellow of the Center and others was a "witness seminar" that brought together some of the major figures in the experimental economics movement to discuss their memories of the beginnings of the movement.[19] Because memories are often faulty, this material will ultimately be combined with archival evidence to construct a narrative that portrays the birth of the new subfield. In my own research area, recent archival scholarship has revealed F. A. Hayek's until now unappreciated role in the foundation of the Chicago School (see, e.g., Van Horn and Mirowski 2009; Caldwell 2011), and I also recently discovered the text of a series of lectures he delivered in the spring of 1961 at the University of Virginia that sheds considerable new light on his views on the methodological limitations of economics. The history of the development of economics in the 20th century has finally begun to be more fully written, and there are many, many areas that await interested scholars to explore.

Another benefit of including the history of economics in graduate training is to help students recognize presuppositions that we, as members of a discipline, inevitably make. Our History of Political Economy workshop at Duke often draws scholars from other departments, among them philosophy, sociology, political science, and English. I also have attended a number of Liberty Fund events where economists were in a minority. At both types of events I am reminded over and over again that communication across fields is often very difficult, simply because of the variety of unstated assumptions that people bring from their particular disciplinary backgrounds and to the difficulty of being aware of and articulating to others one's own assumptions. Different disciplines read texts differently and bring different sensibilities to what they read. This is because disciplinary specialization is a form of brain washing: *this* is how you are to look at problem x if you are an economist, or a political scientist, or a sociologist.

Such specialization has obvious benefits but also costs, and for economists, studying the history of ideas can provide at least partial remediation. What one discovers when one studies history is that, just like the sociologists or political scientists at my workshop,[20] economists in the past looked at the world differently, they asked different questions, not least because it was a different world that they were looking at. I try to make sense of this to my classes by telling them that taking a history of economic thought course is much like traveling: Just as the latter makes one aware of one's own cultural biases, the former can help make one aware of one's disciplinary biases.[21]

A related advantage is a very pragmatic one. In their research, economists typically write for other economists. In their day to day lives, however, particularly for those who work in

[19] The seminar took place in May 2010, and final corrections to the transcript of the discussions are now being completed (see Maas and Svorencik [2012]).

[20] A colleague in political science at Duke recently published a book that examines a key economic concept, incentives, from an ethical standpoint. She argues that incentives may be viewed as a form of power, and as such, they can be subject to abuse. A typical dilemma: What is gained and what is lost if we incentivize our children to earn better grades by paying them? (Grant [2011]).

[21] Of course, some tourists find travel frustrating: Think of the stereotypical "ugly American" tourist who constantly complains about the strange toilets and food. I leave it to the reader to complete the disciplinary analogy.

liberal arts colleges or in policy settings, they often must communicate with noneconomists. Economists, though, are notoriously bad at conversing with noneconomists, and their graduate training does not help in this. A history of economic thought class, on the other hand, is one of the few places in the economics curriculum where economists must learn to connect economics to other disciplines within the social sciences and the humanities. Thus, there is an instrumental value for economists becoming more liberally educated if we hope to be understood and taken seriously by others outside of our field.

I recently taught in a summer school program that included graduate students in fields like anthropology and history as well as economics. In terms of their knowledge of the foundational texts of *economics,* the others ran rings around the economics graduate students, who were suitably and appropriately embarrassed. To the extent that economists, in interdisciplinary settings in the academy or in the policy arena, interact with people from other fields, it adds credibility to what we say if we can escape the stereotype of the economist—a smart, often arrogant, mathematically sophisticated but historically ignorant, narrowly trained and narrowly focused mandarin.[22]

In some fields a knowledge of the history of economics can directly benefit economists in their research. If one is a development economist, for example, one must be sensitive to the cultural, political, juridical, economic, and social institutions that exist in the area under study. Institutions develop over time, which is only to say that they have histories, and there are also typically accompanying narratives that justify the constellation of institutions that exist. Understanding such narratives provides a window into the differential development of countries. It should perhaps come as no surprise, then, that certain Russian and Chinese economists have recently become very interested in the writings of the mercantilists and of their 19th century defenders in the German Historical School, narratives that support protectionist policies. At last year's meeting, Timur Kuran offered a description of how certain key institutions, grounded in Islamic law, worked to block the development of democratic political institutions in the Middle East (Kuran 2012). Economists interested in exploring monetary reform might do well to review the writings of the Bellagio Group, a group of economists led by Fritz Machlup, Willie Fellner, and Robert Triffin, who, in meetings from 1964 through 1977, attempted to identify the principles that connected geopolitical, currency, business, and social issues during that period (Connell 2013). This group was the direct precursor to the Group of 30, led by Paul Volcker, which formed in 1978.

A final insight that studying the history of economics provides is simply to reinforce the humility that comes with realizing that the present may not be the pinnacle of all knowledge.[23] The history of our discipline is littered with examples of major schools of thought that rose to a position of dominance only to disappear from our professional memory. In the 18th century, the French Physiocrats were known throughout Europe as the foremost economists of the day. When Adam Smith came to France he met the leader of the school, the physician François Quesnay, and would have dedicated *The Wealth of Nations* to him had Quesnay not died before its publication. Who except historians of thought now remember Quesnay's model of the circular flow, based on the circulation of the blood and captured in his *Tableau Économique*,

[22] One group that held this view of economists described the profession as suffering from a sort of disciplinary autism and called for a new, postautistic economics (PAE). The heterodox PAE movement has since morphed into the Real World Economics group (see http://www.paecon.net/PAEReview/ [accessed December 4, 2012]).

[23] For the argument that widespread acceptance of and dependence on a specific set of recently developed models helped to create the systemic risk that had such dire consequences for the world economy, see Bronk (2010).

which was hailed at the time by the Marquis de Mirabeau as one of the three great inventions of mankind, the other two being writing and money (see, e.g., Smith [1776] 1981, p. 679)? A bit more than a century later there was a similar phenomenon as scores of American and European scholars flocked to the great universities of the German Empire to learn from the German Historical School economists, whose views went into rapid decline following the First World War and were dormant until the recent flurry of interest noted earlier. The fascination with GE theory mentioned previously is presumably another example.

A lesson that one might draw from this history is that everything is as it should be, that in the science of economics there is a steady accumulation of knowledge—the schools mentioned having rightly been consigned to the dustbin of history because their doctrines have been proven wrong. Clearly another lesson, and indeed the opposite one, might be drawn, namely, that the "economic knowledge" or dominant approaches of today, like those of yesteryear, may be revealed as, well, fads. I should also point out that all three of the systems mentioned previously were in their time defended as being not a, but *the*, truly scientific way to understand economic phenomena. Humility, but also a curiosity about alternative approaches, seems the wisest council here.

5. Hayek Understood the Dangers of Positivism

I have argued that though the study of the history of economics has many benefits, it has disappeared in many places, and that this has occurred at least in part because of the adverse effects of a specific vision of science, one embraced by many economists that demeaned the importance of history.[24] Of course, when you ask economists why they might be content to let the history of their discipline fade away, they do not answer, "Because I have bought into the positivist rhetoric, of course!"

What, then, do economists say? Some avail themselves of the always convenient answer that the history of economics fails to meet some sort of market test. Let us be clear: There is no free market of ideas here. Professors determine what courses to supply, and that determines what students can demand. We offer history of economics at Duke, and those classes always fill immediately. The professors who teach the classes receive some of the best student evaluations in the department, even though the writing requirements are viewed by many students as onerous. If you offer it, they will come; however, economics departments do not offer it. When students ask them to offer it (I have prompted students from other universities to demand a course in the history of economics at their own institutions), they are invariably told, "But we have no one to teach it." Catch-22.

To be fair, the most common answer invokes opportunity cost—if one offers the history of economics, the opportunity cost is the loss of a class, or professor, in another field. I submit to you that this argument only makes sense if one buys the implicit positivist assumption that history is unimportant because of the cumulative progressive nature of science. To which I reply: Read Thomas Kuhn on paradigm shifts, or Friedrich Hayek on the dangers of scientism.

Hayek, of course, knew all about positivism: He grew up in Vienna, kept tabs on the meetings of the Vienna Circle of Logical Positivists, and even briefly thought about joining

[24] For additional possible causes, see the references noted in Caldwell (2004, p. 371, note 1).

them but in time turned against their ideas. Hayek also understood the importance of ideas, of intellectual history, and of the dangers when bad ideas are widely accepted. When he attacked scientism, it was with the positivists in mind. For Hayek, scientistic doctrines (the adjective was a pejorative for him) claimed the mantle of science but were in reality unscientific. Hayek thought that economics is a science but one that studies complex phenomena. Such sciences will never be able to do better than to make broad pattern predictions or to provide explanations of the principle by which a phenomenon occurs. If this is true, we will never be able to reach the goals laid out by the positivist view of science. If Hayek was right, economics can progress as a science, but the type of progress that can be made is quite different from what is envisaged by those in the thrall of positivism.

In short, Hayek raised important methodological objections to the scientistic worldview, a view that is uniquely inappropriate if one is trying to understand complex phenomena. As noted previously, philosophers of science have also rejected positivism. It is time for the economics profession to complete its own forsaking of this doctrine by reintroducing the history of economics into the economics curriculum.

6. A Future Filled with HOPE?

I will conclude on an optimistic note, by sharing some news about what we are doing at our Center at Duke.[25] The mission of the Center for the History of Political Economy (HOPE) is to promote research in, and the teaching of, the history of economics. We have a number of programs for doing this. Among the programs are a fellowship program for visiting scholars, and a summer in the archives program, where budding historians of economics work under the supervision of a professional archivist in organizing and cataloging our growing collection of (mostly 20th century) economists' correspondence and other writings, including those of the American Economic Association and (at last count) 11 Nobel laureates.

The program of most direct relevance, however, is our summer institute. We have run three so far and anticipate running one every summer. The institutes are aimed at economists, sometimes graduate students, and other times existing faculty members who want to learn more about the history of economics. The summer programs for graduate students have been wildly successful; last summer we had 160 applicants for approximately 30 slots. As a result, we had students from some of the best Ph.D. programs in the country, including Yale, Penn, Brown, Northwestern, Berkeley, Minnesota, Michigan State, and, I am happy to say, southern schools like Virginia, North Carolina, NC State, George Mason, and the University of South Florida. Duke is not alone. In fall 2012, the Economics Department at Harvard, in response to student requests, offered a history of economics course to its Ph.D. students, and 40 of them signed up. As I said, if you supply it, they will come.

We are hoping that the students who come through these programs will be excited about the history of economics, that some of them will go on to offer courses in it, and still others may decide to try their hand at research. Through our web site and our fellowship program we will provide support for those who have additional interest.

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[25] The Center website is http://hope.econ.duke.edu.

The Duke Center, I will add, has gotten financial support from a variety of sources, from the Institute for New Economic Thinking, founded by George Soros, to the Earhart and Pope Foundations, to the federal government by way of the National Institute for the Humanities. Many people long for the day that economists start to reintegrate history into the training of new economists.

What I will ask of you, fellow economists, is that if you are a graduate student or junior faculty member, you might consider coming to one of our institutes; you will be joining a growing group of economists who want to know more about the history of their discipline. I also ask that if you are a member of a faculty search committee, when you interview these excellent students for jobs in your departments, and they mention that they have studied history of economics and might like to teach a course in it or maybe even write an article, that you not look at them as if they were from Mars. This is a movement with legs, and those who are joining it are, in my humble opinion, the true future of the profession.

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