

The Current State of Economics

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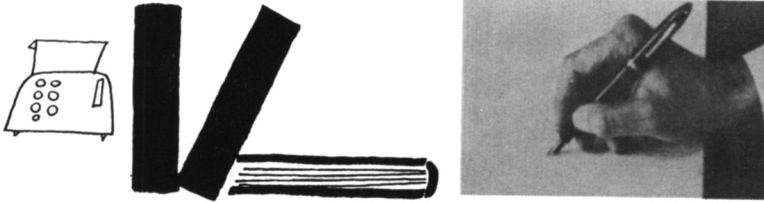
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An economist pleads for a more realistic wedding of theory and practice



## The Current State of Economics

by Kenneth E. Boulding

**T**HE PROFESSION of the economist is a strange one. It has no professional examinations, no system of licensing, and so, one would think, no professional standards. It has a professional association of sorts in the American Economic Association, with about 11,000 members. I know of no case, however, in which anyone has been expelled from this august body for lack of professional competence; anyone who has six dollars and can find a sponsoring member can join it.

Nevertheless, a sociologist would be justified in describing economists as at least forming a strong occupational subculture. There is a group of "leading economists," most of whom know one another or at least know about one another. This group merges imperceptibly into a larger group

of not quite so distinguished but still well-established economists, and this merges likewise into the group of younger aspirants, neophytes and students. At the meetings of the various national or regional associations, the corridors ring with the cheerful noises of happy reunions. The leading economists, furthermore, are a cosmopolitan group; they would be known and welcomed in universities, research institutes, and even government departments all over the western world, and to a limited extent even in the Communist world.

A professional economist, of course, is somebody who is paid to do economics. There are a few amateurs, more or less gifted, and in the early days of the discipline these were more important, like Adam Smith (a moral philoso-

pher), Ricardo (a retired stockbroker) and J. S. Mill (a bureaucrat). From the middle of the 19th century on most economists, however, have been professionals.

But when we ask what it is that economists are paid to do there may be a slight sense of embarrassment. It is much harder to describe an intellectual than a physical product. Those who teach economics are engaged in the transmission of a knowledge structure from one mind to another, partly (like the teacher of a dead language) to perpetuate it and partly to extend it in the population. Those who do economic research are engaged in the extension and refinement of this same knowledge structure. It may be, of course, that the transmission, perpetuation and extension of this knowledge structure can be justified on purely aesthetic grounds because, as the English economist, A. C. Pigou, is reported to have said, it is "fun."

Important as this justification is, the economist cannot remain satisfied with it. Economics is something more (or less) than pure intellectual joy; it is also a mechanic art. Economists, in their own eyes at any rate, are people who give good advice about

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the operation, responses and probable future of the economic system. And the economic system is in part a set of organizations like banks, labor unions, corporations, governments, etc., and partly a set of "economic quantities" such as prices, interest rates, employment and output levels, taxes and money flows.

This very division between the institutions and the quantities of the economic system suggests a division within the economics profession. There are some economists whose skills are mainly in the handling of economic quantities. These, by and large, are the economic theorists. There are other economists whose knowledge is mainly about the operation and structure of economic institutions.

These two sets of skills are rarely combined in the same person. It is possible to know a great deal about economic institutions without knowing much economic theory, and it is likewise possible to be an elegant theorist with only the sketchiest knowledge of economic institutions as they actually operate. One reason for this is that the study of economic institutions in their full roundness and complexity involves a theoretical background which goes far beyond the level of abstraction at which economic theory operates. Thus the study of an economic

institution such as a labor union or a bank involves sociology, for the institution is a social institution; it involves psychology, for the institution is composed of persons; it involves political science, for the institution is an organization requiring delegation of power and responsible decision-making, and so we might go on.

### **Student of economics**

This division between the theorists and the students of institutions is also reflected in the teaching programs of departments of economics. The student of economics is always exposed to some economic theory. On the other hand, he will also take courses in, say, labor problems, public control, transportation, and so on, in which there is very little economic theory, and in which, indeed, the underlying theoretical framework *should* be drawn (and usually is not) from jurisprudence, social psychology, and so on. If he specializes in money and banking, or in international trade, he may fall into the hands of a teacher whose prime interest is in theory and who teaches him little (and cares less) about how to operate a bank or how to draw a bill of exchange, or he may fall into the hands of a teacher who teaches him no theory and who stuffs him full of institutional detail.

This divorce—perhaps we should

say loose liaison—between practice and theory has bothered many people for a long time, and there are not many signs of improvement. The difficulty is in part built into the sociology of the profession. On the whole, the quickest and easiest way to become a “leading economist” is to be an ingenious theorist. As a little experiment, I have just taken five minutes to write down as many names of living “leading economists” as came into my head. Of the 54 names I wrote down, I have identified 37 as *primarily* theorists and 12 more as having a strong secondary interest in theory, leaving only five whose primary interest is in the study of institutions.

This sample is no doubt biased in favor of theory, as I am primarily a theorist myself. But I am sure that any fairly knowledgeable economist who performed the same experiment would come out with at least a clear majority of theorists. Nor is this surprising. Professional economists are mainly “intellectuals,” interested in writing, thinking, reading and talking rather than in buying and selling, making and organizing. And intellectuals have a comparative advantage in theory, since it is their business to be abstract.

One is led to a somewhat disturbing conclusion: that the

surest way to become a "leading economist" is not to study particular economic institutions with *all* the relevant theoretical resources, or even (as is often done) *without* the relevant theoretical resources, but rather to display skill in the handling of economic theory.

I should be the last one to argue that this is wholly undesirable. Economic theory is, after all, a result of a process of abstraction from the melee of economic life, and it would be surprising indeed if it were not the most relevant body of theoretical apparatus when it came to the study of economic institutions. The student of public finance, of monetary and banking institutions, even of the labor market, will certainly be much better equipped to envisage the wood in which the trees grow if he has some reasonably good maps of the woodland—which is what economic theory tries to provide. On the other hand, he also needs to know something about the "tree" (that is, the particular organization or institution) as an abstract system, and this perhaps is the greatest deficiency in the present system of formal education of economists.

### **Business schools**

This problem comes to a head in the business school. Business schools have almost, without ex-

ception, grown out of, or split off from, departments of economics. As a result, the economist often regards the business school as sacrificing education to training, the public point of view to the private, the abstract, and intellectual birthright to a mess of slightly unsavory practical pottage. The business school looks at economics with the mingled guilt and resentment of the practical child for the idealistic mother. This tends to move the business school toward separation from the "liberal arts" parent, and if we are not careful, this may lead to the purely self-reproducing business school, staffing itself perpetually with its own Ph.D.'s.

At worst, this would be a disaster; at best, a tragically missed opportunity. For the business school should be one place where the theoretical foundations of many social sciences can come together to support a superstructure of institutional investigation. One would like to see a business school which would include theoretical economists, sociologists, psychologists, anthropologists, historians and geographers as an essential part of their research and teaching program.

I am not suggesting for a moment that economic theorists do not fulfill a useful function. I would hate to see the university departments of economics, or the

Council of Economic Advisers, or the Department of Commerce, or even business schools, staffed by people wholly innocent of margins, multipliers and elasticities. Nevertheless, I would also like to see more people studying economic institutions who are not "merely" economic theorists, and who have a good deal of theoretical background in the other social sciences.

I would also like to see more people studying economic institutions whose major theoretical background is in other fields. George Katona's economic-psychological studies of consumer and business behavior, and Chris Argyris' economic-sociological studies of a bank are excellent examples of the kind of thing I have in mind. There is a great opportunity for socio-psychological studies of such characteristically "economic" institutions as the securities or commodity markets, financial institutions and the processes of decision-making in large firms.

At present, there is a certain gap between the structure of professional rewards and the structure of fruitful opportunities for the advance of knowledge. On the whole, the rewards—at least the more secure rewards—in the intellectual professions are for becoming proficient in the professional subculture and not wander-

ing too far afield. There is a persistent subterranean campaign on the part of the professionals to discredit what one of them has called "cross sterilization of the social sciences," and there has been, unfortunately, enough nonsense both talked and practiced about interdisciplinary activity to give these criticisms some sting. But the fact that interdisciplinary activity is difficult, and is frequently a failure does not remove the need for the larger theoretical vision. The mere fact that an activity is dangerous is not enough to damn it.

One possible solution to this problem lies in the development of subprofessions, such as industrial relations, where the very needs of the subject matter force a degree of theoretical integration within the subprofession which cannot be attained within the profession at large. One cannot be too optimistic about this, however. Industrial relations is perhaps the most successful of these subprofessions from this point of view, but even here there is a certain tendency for one profession to drive out another.

We still need the occasional foolhardy soul who attempts the impossible task of integrating theory in the large, for it is only by attempting the impossible that we enlarge our notions of what is possible. ■