History of economic thought essays examples

Technology, Development

Introduction

History of Economic Thought is a subject which is has a critical account of development of all emerging economic ideas, seeking for their originsand, in most cases, trying to figure out their results. The history of economic thought is concerned with thinkers and theoriesin the fields of political economy as well as general economics from the far past ranging to the immediate present (Roll 1996, p23). The broad subject of economics was considered as a distinct discipline until the 19thcentury.

For instance, the ancient Greek philosopher named Aristotle, in one of his works on ethics and politics thought about the ‘ art of wealth acquisition’. Aristotle also pondered on the question whether property should best be left in public or private. In the distance past, great scholars such as Thomas Aquinas brought a strong argument, where he stated that it was quite a moral obligation of any business to sell goods at a fair and just price (Roll 1996, p18).

Therefore, basing our reasoning in these medieval arguments, we can clearly defend that Economic Thought actually evolved in a process of feudalism which arose in theMiddle Ages during theRenaissance. However, it is recorded that the modern political economy that was brought up by Adam Smith appeared during the period of industrial revolution, when advancement in technology and global exploration which had previously been unimaginable was slowly turning into daylight reality (Samuels & Emmett 2009, p63). All these and many other developments are key matter of History of Economic Thought.

Conventional histories of subjects such as science are ancient stories of how the thinking progressed from very informal narrations which captured aspects of reality to even more formal structural models. Similarly to how science evolved, economics is also believed to have followed the same pattern. The conventional histories of economic thought narrate how economists have built on Adam Smith's informal understanding in ways which competition drives individuals to serve the common goal(Samuels & Emmett 2009, p53). Although many conventional histories are in the agreement that economics may not be as far along as is science, but they notice the search for a more formal and simpler structural model and present the history of economics accordingly.

Perspectives from the Father of EconomicsAdam Smith is widely credited for being the one who created the field of economics. However, less is mentioned about who inspired him to invent this field. Smith was inspired by a poll of French writers, who withheld his hatred of mercantilism. In real fact, the first study on how economies work actually undertaken by the French physiocrats. Adam Smith just took most of their ideas and expounded on them into some thesis on how economies should work, instead of how they do work(Samuels &Emmett 2009, p64).

This father of economics believed that competition was very much self-regulating and the governments are not supposed to take part in business activities through taxes and tariffsor any other means, unless the involvement is to protect the free-market competition. Many scholars have come up with economic theories of many versions in a response to Smith's pivotal work in the field of economics(Roll 1996, p29).

The dismal science of Marx and Malthus

Karl Marx as well as Thomas Malthas developed very poor reactions to counter Smith's earlier treatise. Thomas Malthus had a prediction that growing populations will outstrip the available food supply. He was later proven wrong, however, since he did not foresee technological innovations which would enable production to increase with an increase in population. Nevertheless, Malthas'swork shifted the major focus of economics to the demand of things, versus the scarcity of them(Samuels& Emmett2009, p2).

The increase in the focus on scarcity made Karl Marx to make a declaration that the inputs in the process of production are the most essential components in an economy. Karl Marx extended his ideas further and he became more convinced that a class war was inevitable due to the inherent instabilities he witnessed in capitalism. Nevertheless, Marx actually underestimated the flexibility of capitalism. In spite of creating a clear worker and ownerclass, the investing created just a mixed class where workers and ownershold the interests of the two classes, in balance (Roll 1996, p23).. Despite Marx's rigid theory, he did nevertheless predict one trend correctly: businesses grew more powerful and larger, in regard to the degree of free-market.

Speaking in NumbersFrench economist called Leon Walras, gave economics a totally new language when he published his book " Elements of Pure Economics." Leon Walrasattended school and went to the very bottoms of economic theory which enabled him make theories and models which reflected what he actually found there. The famous general equilibrium theory arose from his work, as well as the tendency to represent economic concepts and mathematically and statistically, instead of just in prose (Roll 1996, p23).. Later on, Alfred Marshall advanced the mathematical modeling of economies to greater heights by introducing many concepts which have not fully been understood, such as marginal utility, economies of scale, as well as the real-cost paradigm.

Keynesian Economicsthis was a response to charges brought forward by Marx. It was postulated by one scholar called john Keynes. In his theory, he stated that capitalist societies are not self-correcting. This is the same concept that Marx saw a sa major flaw, whereas John Keynes saw it as a chance for the government to justify its exercise its power and existence (Roll 1996, p23)..

Milton Friedman

Milton Friedman argued that the state or government had to start removing the redundant controls which it had instituted upon the market, like antitrust legislation. Instead of growing bigger with the increasing gross domestic product (GDP), Friedman had reasoning that governments should not consume surplus but instead cut on its expenditure, such that more capital remained in the system. Having enough capital in the system, it will be possible for the same economy to run without any interference from the government (Samuels& Emmett2009, p2).

The Bottom LineThe Economic thought diverges into two streams: practical and theoretical. The theoretical stream of economics applies the language of statistics, mathematics and computational modeling to calculate pure concepts which in turn, aid economists to understand the exact truths of practical economics as well as shape them into policies of the government (Samuels& Emmett2009, p2). The business cycle, anti-inflation measures and boom and bust cycles are outgrowths arising from economics. Understanding them aids the market as well as the government to adjust for these variables.

Summary of the sequence

The simple sequence originated from Adam Smith's insight of about the invisible hand. Classical economics such as Ricardo and Mill were also involved in the process of developing that insight. The two had attempted to derive the theory based on the costs or on just labor (Gleicher&Stevans1991, p32). The approach failed in this first attempt, but in the process, the attempt developed the roots of many ideas which were later expanded by the Neoclassical economists. The Neoclassical economics differed from Classical approach such that they stopped looking for value only on their cost side, and managed to develop a supply/demand theory in which both demand and supply considerations together determined value.

Although this supply/demand approach was invented by a variety of economists, Walras' input was seen as providing the basis of the most general theory that of the general equilibrium . In the year 1930, Keynes came up with an older technique which had existed earlier. Modern economics such as Hicks and Samuelson are usually linked with this invention. They jointly developed the general equilibrium theory and by 1959, the development reached its finest in the Arrow-Debreu theory of general equilibrium.

Since then, the general equilibrium theory has been further simplified and slightly expanded upon. The general equilibrium has incorporated numerous variations, but it still remains the core of modern economists. In line with the way to this understanding, many side of the path have been followed, the likes of Marl, Malthus, Robinson, Veblen, Hayek, and Keynes are often mentioned briefly since they are primarily detours or rather the masterpiece of the economic theory is general equilibrium theory(Gleicher&Stevans1991, p32).

The complexity perspective provides a very different pattern of the history of economic thought as compared with the former pattern. It does not approve that the gains from simplicity of structures are worth the costs in terms of all the resources they have lost in pursuing the real truth. It sees a poor economics who has found simple structures, but only said costs of assumptions which make the theory quite difficult, if not impossible, to link to empirical reality(Gleicher&Stevans1991, p32).

The important elements of the economic processes, increasing returns, path dependency, multiple Equilibria as well as technology are downplayed and the real importance of the institutional structure is lost. The complexity approach applied to economics is trying to suggest that. It only sees the economy as a very complex system which must follow the same laws, similar to other complex systems. Complexity theory was developed spontaneously, while seeking the laws of the complex dynamics. The only hope is that insight towards large complex systems which come emerge from the study of processes involving non-linear dynamics (Samuels& Emmett2009, p2). Complexity theory greatly differs from the conventional theory because it holds that the economy's complexity and assumes individuals in a conventional theory. If the economy turns out to be actually complex, then individuals can't rationally involve with every part of it, hence making any model that is based on a full global rationality proportional with the complex structures of the model. Individuals will develop institutions that will deal with the entire world. These institutions will adjust their behaviors (Gleicher&Stevans1991, p32). Therefore, the reduction of data programs in economics can't be held together by just a general equilibrium system which assumes far-sighted rationality.

Bibliography

Gleicher, D., &Stevans, L. (1991). A classical approach to occupational wage rates. New York: Praeger.

Samuels, W. J., & Emmett, R. B. (2009). Research in the history of economic thought and methodology: A research annual. Bingley: Emerald JAI.

Roll, . I. E. R. (1996). A history of economic thought. Englewood Cliffs, N. J: Prentice-Hall