

Economics 5100

Business



History of Economic Thinking Economics is the science of studying the characteristics and behavior of production, development and management of material wealth and products in a country, business or even a household. It has been studied and developed over time leading to the development of theories and topics over the same from the dawn of time. There are those who found ways of improving and developing economic states of regions and there those who have been against its advancements. This paper shall therefore look at the history of economic thought including economists involved in its advancements and the marginalism that emerged.

Economic thought began long ago in history with Greek philosophers such as Aristotle, taking part early and later on being greatly developed in the medieval times. Aristotle looked at the ways of wealth acquisition questioning whether it should be privatized or publicize because of its effects. The French, later in the medieval era, were against mercantilism. Mercantilism, also known as commercialism, is the system through which trade was encouraged in order to amass wealth. That is more exports than imports to increase the quantity of gold in stores. The French vied this with little regard and from their works inspired the Scottish philosopher Adam Smith, who is considered the “ father of Economics.” Smith took their ideas expounding them to a thesis on how economies should be driven versus how they were currently being driven. He believed that completion in itself was self regulating and the government should be involved in business unless it was to support free market trade. In doing so, many of the resultant economists’ works were in a way or the other in reaction to his thesis. From Smith’s work, Marxism came into play. Karl Marx believed that production was the pillar of any economy. This was influenced by Thomas

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Malthus, who also received Smith's theory negatively claiming that the food supply was not able to sustain the rapidly growing population. Marx was convinced that capitalism was very unstable and would lead to a collapse in the economy brought about by the different classes brought about by it. He failed to see the flexibility of capitalism (Beattie 4) where investing brought a mixed class of workers and owners who held each other's interests thus a balance. However, he was able to predict the growth of businesses. He claimed they would grow larger and more powerful.

Keynesian economics largely influenced by Marxism led to the development of the mixed economy. Marx saw capitalism's inability to allow self correction as a flaw whereas John Keynes saw this as a chance for government to step in leading to the basic principles of macroeconomics. Leon Walras of France brought with him a new way of speaking economics. Through his models and theories, he influenced economics to be regarded more statistically and mathematically rather than the conventional theories. Alfred Marshall took mathematical modeling further introducing concepts such as economies of scale among others that are not fully understood (Beattie 5).

Its economist Milton Friedman's work, that resulted in the United States economy maturing to where it is. He argued that as the economy grew the removal of redundant controls had to be removed such as antitrust legislation (Beattie 8). Rather than increasing the Gross Domestic Product (GDP), he suggested the focus on consuming less of the economy's capital. This would allow more to remain in the system, thus allowing operation without government interference.

The above has resulted in the above developments in economics, and this has resulted to two main streams of economic thought: Practical and

theoretical. Practical thinking is governed by fact, practice and action. Here the odds are weighed and decisions made based on the consequences that favor the situation. The theoretical thinking involves the use of mathematics and models to test concepts. In the end a combination of the two allows one to understand economics better and help develop policies to help govern it for beneficial purposes.

Works Cited

Beattie, Andrew. " The History Of Economic Thought." Investopedia, 2011. Web. 10 Apr 2014. .