

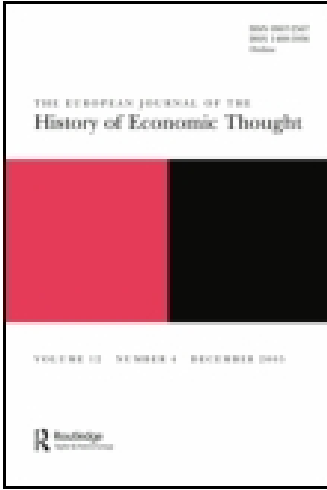
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Introduction: The history of economics as a history of practice

Harro Maas, Tiago Mata and John B. Davis

This issue of *The European Journal for the History of Economic Thought* brings together a selection of papers originally presented at the annual conference of the European Society for the History of Economic Thought held in Amsterdam in March 2010. The special theme of that conference was the practices of economists, in the past and today.

Following the lead of Thomas Kuhn's incisive *Structure of Scientific Revolutions* (1962), and Ludwik Fleck's *Genesis and Development of a Scientific Fact* (1979, originally published in German in 1935), the history and sociology of science has seen the publication of a range of micro and macro case studies on the practices in science, the most significant appearing in the 1980s and 1990s. 'Practices,' in common parlance, refer to procedures, customs and habits, and so to the social context framing human action. In its scholarly use it refers not just to science as socially located, but also to how science involves the manipulation of material culture in often specially designed sites. From this perspective, historians and sociologists of science have taken issue with philosophers' focus on theories, ideas and evidence, and have called for the study of science in action. The products of science are cultural artifacts that inhabit spatial and material sites, embedded in human and social settings, crafted by individuals who seldom work in isolation, and that intervene upon material and social cultures. As Fleck first demonstrated, the products of science bear the traces of their history.

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The insight that ideas and theories bear testimony to their history is no strange bed-fellow to the historian of economics, and some of the best work of historians of economics over the past decades explores this notion. From today's perspective, referring to the German Historical School, the Benthamites or the Mercantilists, invokes differences in practices, even in the canonical works of our discipline that seem to build a case against their importance, as in Schumpeter's (1954) *History of Economic Analysis* or Gide's (1909) *Histoire des Doctrines économiques depuis les Physiocrates jusqu'à nos jours*. It is, however, still only recently that historians (and methodologists) of economics have explicitly turned their attention to the material and social organization of economic research, the skill and craft requisite to modeling and experimenting, and begun questioning the extent to which the study of practices changes our views of economics and of economists.

The Cambridge–Cambridge controversy, for example, was not just about switching and reswitching of technologies, but also about different cultures of doing economics on opposite sides of the Atlantic in distinct institutional settings. The Chicago school is not just a label that refers to a set of doctrines, but is unintelligible without a study of its workshop system and the interventions of its 'members' in the public and policy domain. One risks misunderstanding the physiocrats if one does not consider the intellectual worlds of Versailles or the salons of Paris. Novel work on the Mount Pellerin Society, a revisionist examination of the notion of schools as creative communities, reflection on the writing of biographies, and the modeling practices of economists are but a few of more recent topics that have become and remain subjects of vibrant research. They entail a shift from science-as-knowledge to science-as-practice where scientific communities, scientific facts and their explanations are seen as diachronically co-produced.

For the historian of economics, practice, in the singular, also echoes a longstanding anxiety: that theory, or what is called positive economics, should be kept clearly distinct from its normative application. As political economists since the days of John Stuart Mill like to phrase it: there is the 'science' and there is the 'art' of economics. In an important sense this second meaning of practice undermines the first. In the first, research itself is a process of creating material culture and organizing human agency, and hence of populating and shaping the world. In this second sense, a wedge is driven between research and its results. Mill purposefully set this boundary between theory and application to dissociate the substance (or the science) of political economy from the contentious advocacy of the philosophical radicals flocking around Jeremy Bentham. Economics was said to be a body of truths *sui generis*, so for Mill it was a separate question of how this body of truths was to be applied to government or to the factory floor, and possibly a chore for someone other than the economist. The quarters of economics

are emptied out, quarantined from the messiness of politics and society: sites, cultures, and communities are to be found in the world of application, not of science. Thus, economics *in* practice, rather than economics *as* practices, denies the importance of probing the material and social cultures of economics and the economist in action.

The tension between both senses of practice(s) – the first taken from the agenda of history and sociology of science, the second from canonical debates in political economy – can be observed in the collection of papers published here. If seen from the perspective of what, in the sociology of finance, has gained the label of performativity, this tension opens to a novel set of questions that these papers begin to explore. Although Harald Hagemann’s presidential address and Pedro Teixeira’s Blanqui lecture formally fall outside this collection, we nonetheless see their contributions as relevant to the theme of the papers collected and hence discuss them in the following notes. Some of the insights gained from this collection speak to the creation and functioning of communities, their knowledge-making, and the identity of the economist.

In the eighteenth century, it was not unusual for a man of learning like Thomas Hepburn to end up in an isolated place such as Orkney as minister in charge of an impoverished parish. Such an individual had to square different communities at one and the same time: the vibrant community of intellectuals of which he was part during his years of study in Edinburgh and with whom he was now a distant correspondent, closer were home local elites that although articulate could be mysterious in their values and interests, and his parishioners to whom he did not belong but to whom he felt responsible in his position as pastor. How Hepburn managed to combine these different commitments is at the core of Hiroyuki Furuya’s fascinating story. He focuses on Hepburn’s use of the tool *par excellence* of the period, the letter, to stand up for his parish and to portray the power-struggles between a progressive landlord and conservative lairds in accordance with the spirit of improvement Hepburn had taken with him from one of the centers of the Scottish Enlightenment, Edinburgh. Although in ‘correspondence’ with the *republic of letters*, Hepburn worked in isolation. However rowdy and immediate communities in the eighteenth century could be, assembling in coffee-houses, salons and county-houses, not everyone was physically in the position to claim attendance at such gatherings.

By the twentieth century, of course, much had changed in the configuration of making social knowledge, from when men like Hepburn pursued their craft within communities and for communities. Some of the

institutions survived remarkably well; the coffee-houses and salons, much transformed, remained privileged sites of knowledge and fellowship in Central Europe, most notably in interwar Vienna. Yet the principal mode of knowledge production was no longer the individual in the vocational setting of a parish or in the privacy of the personal study; scholarship was now affiliated to and managed by private and official research institutes, government offices, and universities. The Vienna Institute for Business Cycle Research, the Cowles Commission for Econometric Research, the National Bureau of Economic Research, Chicago, Columbia, and Harvard now were the sites where scholars and scientists with very different intellectual and social backgrounds practiced a discipline that by this time had gained a sense of itself, its institutions, interests and history. Scholarship became research, and economics became a separate discipline with its own methodological and social commitments. Individuals were no longer members of the *republic of letters*, but wrote journal articles or reports, for academic use or for use in the state.

Neither as advisors to policy-makers, nor in their role as theorists, did economic scholarship lose its vocational aspect. Free market advocacy, for example, was never far from economics, whether in the form of classical political economy or in the mathematical form of neoclassicism that emerged at the beginning of the twentieth century. Using the vehicle of externalities, Katia Caldari and Fabio Masini give an account of A.C. Pigou's and Alfred Marshall's struggles to free the academic from the politician. Pigou defends economics as a purely abstract science of theory. It was Marshall, the more conservative of the two men, who volunteered to steer the production of clean air through fiscal means. Pigou, although assigning economics its meaning and importance to its practical relevance, was unable to square what he considered theoretical rigor with policy advice. In this sense Pigou came close to Lionel Robbins, who saw the neutrality of 'pure theory' as a virtue detached from its applications, and it is not difficult to see Pigou's (and Robbins's) epistemic choices in the context of an environment that was dominated by the never publicly shy J.M. Keynes.

While Pigou perceived pure theory as neutral, Italian economists in the inter-war period used the purity of theory to defend the fascist state, either out of personal conviction or because they sought accommodation to new political realities. A previous endorsement of free market ideas was exchanged for an elaboration 'in Paretian style' on the virtues of corporatism, which nicely aligned with the vision of the recently established fascist regime. Tellingly, Mario Pomini notes that the creation of the *Corporazioni* by the fascist regime, as early as 1926, 'required scientific interpretation on the part of economists' (p. 735), compromising a generation of economists for an ideological commitment to an increasingly authoritarian and brutish regime.

In Hepburn's days, power was local and Edinburgh far away, but in the inter-war period, from Spain and Italy to Central Europe and Russia, the power of the national state became all permeating and inescapable, unless one crossed the threshold and emigrated. For mid-European intellectuals and economists, emigration was in a great many cases the only way to survive. The anxiety of Abraham Wald trying to escape from Vienna stands in stark contrast with the ease of an economist like Luigi Amoroso, who was happy to cater theory to the fascist regime and took pride in being Italian. For people like Wald, emigration implied a complete reconsideration of the communities to which they belonged, which in several cases were exterminated by the Nazis, and this in turn required a redefinition of one's personal identity.

In Hagemann's Presidential address, then, we find unrooted individuals and communities whose worlds of practice would never be reconstituted again, and who either collectively or individually were in search for accommodation in a new world. Lost from their former identities they forged new alliances that often times relied solely on the skills that travelled with them. Oskar Morgenstern, returning to Princeton after his first visit to Vienna following the Second World War, wrote: 'very glad to be back in the States. How interesting to see how much more I belong here, than to Europe.'¹ Finding a safe haven at the Cowles commission after having fled first from the Bolsheviks and then the Nazis, Jacob Marschak embraced the neutrality of numbers as a weapon against partisanship; econometrics became for him *the* instrument to build a value free social science. Yet, for Marschak, and in contrast to Pigou, mathematical did not mean inapplicable.

In different ways, both Marschak and Morgenstern became American economists. The identification with America, with the culture of its academic system and public life, was not embraced by all. During the war, the French congregated in the New School's 'Quartier Latin,' sheltering themselves from the partnerships that were forming among other émigrés and the natives. They held on to their identity as 'French' and no wonder that all of them returned to France after the war.

Even though individuals took membership of research institutes and research groups within universities before the war, the importance of institutionalized sites increased considerably afterwards. One can speak about the commitments of economists to the School of Lausanne before the war, but after the war such a commitment became a localized communal way of life that was reflected in research questions and methods, educational programs, hiring and publishing strategies. Kyu Sang Lee's

1 Quoted from Leonard (2011: 124).

review of three current research programs in experimental economics distinguishes them as offering distinct conceptions of rationality. While all three programs have strong ties to their founders – Kahneman and Tversky for the Heuristics and Biases program, Gigerenzer for Fast and Frugal Heuristics, and Smith for Market Design/Ecological Rationality – two of these programs not only show strong personal, but local ties as well. Gerd Gigerenzer runs his program from the department for the study of Adaptive Behavior and Cognition in Berlin, a significant part of Vernon Smith's research group has travelled with him from Arizona to George Mason and then to Chapman. Lee's survey invites the reader to think how the material and social organization of experiments in these cases informs criteria for evidence and frames the scientific probing of rationality.

Communities, research methods and vocational identities are differently configured in the contributions of Pedro Teixeira and Nicola Giocoli. Both point to the role of communities in reconfiguring epistemic cultures and in refocusing research agendas. In their contributions, we also clearly see the artificiality of the separation between the pure and the applied once we reconstruct communities as actors in communication, engaged in identity formation, and involved in the production and validation of knowledge. Teixeira narrates how Mincer initially felt estranged from the post-war community of institutionalist economists dealing empirically with labor issues. It was only when he discovered the theoretical safe haven of neoclassical economics – or perhaps better, Chicago price theory – that he returned to labor market issues to recreate the identity of what it was to be a labor economist; namely, a scholar defined by a program of research with human capital as its core concept. In the eyes of the emerging community of labor economists, the inter-war studies in labor relations of the institutionalists were to be discredited as 'casuistic,' empirically and theoretically ill-informed and unfounded. Creating this new community of labor economists required reorganizing institutes and forging new alliances between individuals. Concepts and teaching programs changed in tandem.

While Mincer's project was one for a new kind of research community with a well-defined disciplinary, theoretical and methodological identity that excluded other approaches, in Giocoli's careful essay on predatory pricing communities and their practices function cooperatively. At first glance Giocoli's story seems to be another instance of economics imperialism or of Chicago's price theory's rise to hegemony. One possible narrative for such an ascendancy might be, as with Mincer, a story of argument with competitors and of institutional renewal from Chicago outward. On the contrary, in Giocoli's history of the legal sanction of predatory pricing, it was only when the Chicago-based accounts of

predatory pricing were taken up and turned into an easily applicable rule by Harvard law professors Phillip Areeda and Donald Turner (the latter also being an economist) that a longstanding Harvard-based legal tradition in antitrust court cases drastically changed. To conquer the courts, Chicago first had to find an accommodation with Harvard. It was not the force of economic theory that carried the day, but a series of mediations between the changing cultures of academia and the courts. Institutional commitments, relations to the political and public sphere, and differences in the values and concerns of lawyers and economists illustrate that a story told in terms of theory is very different from one told in terms of the communities that simultaneously produce and share knowledge.

In their various ways, then, the essays collected here show that one can write a history of economic theory, understand its present state, from the viewpoint of practice in both senses we distinguished. Thomas Hepburn's *Letter to a Gentleman* answered genuine concerns about the causes of the impoverished state of Orkney in a form that fitted the eighteenth-century *republic of letters*. With an analysis that borrowed significantly from the literati's views of the relation between the Scottish Highlands and Lowlands, Hepburn tried to alter existing social and economic conditions in the direction of a commercial society seen as the route to social improvement. In contrast, human capital theory answered genuine – empirical – concerns about the functioning of inter-war labor markets; but its empirical credentials initially were more hazy than the in-depth empirical case-study research that the generation after the Second World War looked at with increasing derision. It was only in the 1970s that the empirical performance of human capital theory improved.

In both instances, theoretical convictions and conjectures patiently await their corroboration in society. Scholars do not seek simple and immediate proof of such convictions; instead they build the communities, they train the expertise, they construct the instruments, they establish the networks that prepare the world to be observed. The notion that the act of knowledge production involves the re-engineering of society is at the core of the concept of performativity that of recent has become popular in science studies and in economic sociology.² On a standard reading, performativity means that economists do not merely observe an exterior world; instead they create material cultures that extend beyond the university or the research institute and frame the actions of financiers,

2 See, for example, Mackenzie *et al.* (2008).

traders, government officials, and housewives, making the economic world closer to the representations of economists. The significance of this message, corroborated by the essays in this collection, is that application is not something that happens later. The cases of externalities, human capital theory, predatory pricing, market and decision experiments, show that the practices and the communities that economists create in the same moment theory *and* application. The vitality of economics, its history, lies not with the emergence or distilling of ideas and truth, but with the vision and actions of communities embedded in material and social cultures remaking the world of knowledge but also the social world. The social, conceptual, and material aspects of economics are better considered as co-produced, or, to use Ian Hacking's (1992) expression, 'self-vindicating.' The following essays open a window on how the writing of the history of economics looks from such a perspective.

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