

1st Colloquium on Economics Education

Is Economic Theory
Historically
Conditioned?
Verstehen as a link
between theory and
history.

Carmelo Ferlito, 12/12/2019



The starting point

Two different – but related – problems:

- The teaching of economic history and history of economic thought at economics curricula.
- The relationship between history and theory.

The gradual fading of EH and HET from economics curricula seems to suggest that the econ community believes in a clear separation between the two disciplines.

- Conscious or unconscious belief?
- Do economists ask themselves the question?

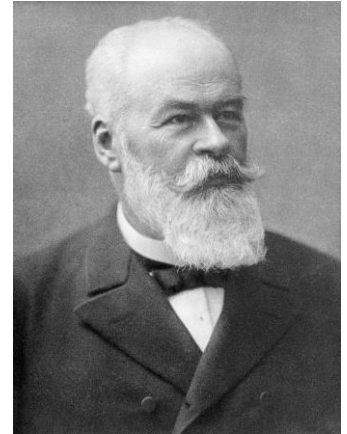
Hints from the past – The *Methodenstreit*

Second half of XIX century.

Methodological dispute between Gustav von Schmoller (1838-1917, GHS) and Carl Menger (1840-1921, ASE founder).

GHS: there is no economic theory, only economic history, narration of economic facts, collection of statistics.

Menger: economics as a discipline.



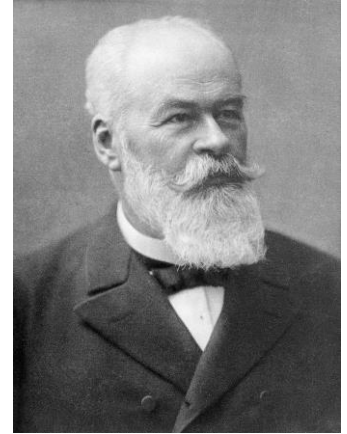
Hints from the past – The *Methodenstreit*

For Menger, economics deals with human actions and interactions and goes beyond the collection of statistics.

- Complexity.

Menger never denied the importance of history for economic theorizing and did not reasoned in terms of dichotomy.

A partial misunderstanding.



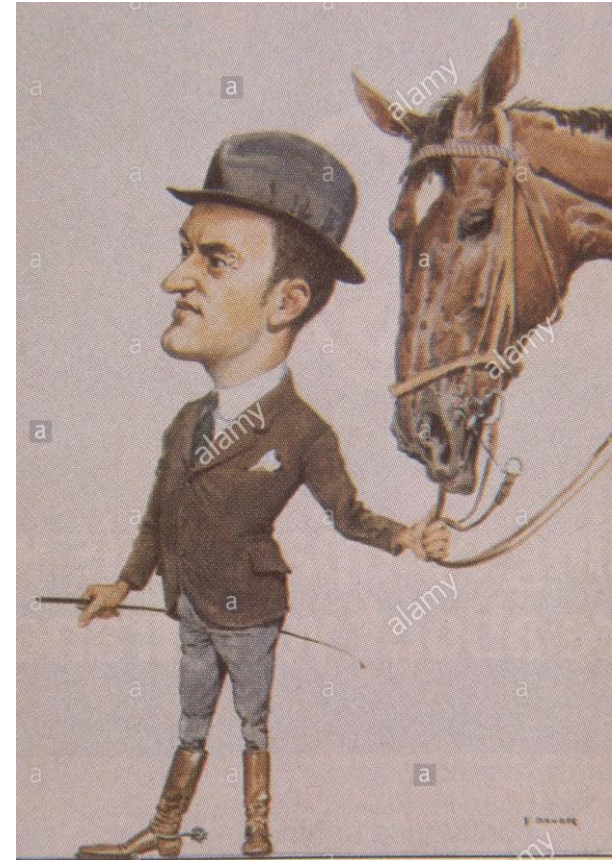
Hints from the past – Schumpeter's lesson

Joseph A. Schumpeter (1883-1950).

Methodenstreit as wasted energies.

More and more evolving together with the
GHS in the direction of an economic
sociology.

History as the privileged *ancilla doctrinae*.



The followers – ASE Ludwig von Mises

1881-1973.

Apparently reintroducing a sharp dichotomy between theory and history

- Hutchison's interpretation.

Theory as an *aprioristic* discipline.

- Praxeology is axiomatic (strictly deductive).

Contrasting interpretations: distinction or dichotomy?

Differences with Hayek.



The followers – GHS Arthur Spiethoff

1873-1957.

There is theory as distinct from history.

- Theory can be historically conditioned and genuine theory.

Anschauliche Theorie.

- Isolating the distinct features of a certain *economic style*.
 - Patterns of economic life which have come into being in the course of the historical process.
 - One style – one theory.
 - Economic phenomena as time-conditioned.



The followers – GHS Arthur Spiethoff

Pure historical theory (Ideal-types) vs Economic Gestalt theory (Real-types).

Pure theory deals with models resulting from the isolation of phenomena.

- Isolating space-time phenomena that have significance for a specific economic style.

EGT deals with economic reality to the extent that the latter is unique (unique elements change over time).

- Recurring uniformities.



A turning point – Ludwig Lachmann

The more German among the Austrians.

- German by birth, 1906-1990.

1971: The Legacy of Max Weber.

- Reappraisal and reprise of Weber's research agenda.

A hermeneutical turn in economics.

- Importance of *verstehen* (understanding).
- Role of interpretation – linking facts and ideas.
- Economics as a science of meaning.
 - Same method as history – looking for meanings (purposes, plans) behind facts.



A science of meaning – Don Lavoie

Lavoie (1951-2001) was the most enthusiastic among Lachmann's followers.

Objectivism vs Interpretative Economics.

Economics as a forum for the open contention among interpretations of theory and history.

Renewed importance of subjectivism and methodological individualism.



A science of meaning – Don Lavoie

Economic phenomena explained by reference to the subjective meaning attached to them by individual minds.

Two level of interpretation:

- Individuals' interpretations on facts.
- Economists' interpretations on economic facts, creating abstract concepts and categories out of these interpretations.



A new synthesis

Interpretation and the search for meaning cannot be separated by the very facts to which meaning is attached.

History moulds the direction of theoretical investigation, while theory is used as the interpretative framework with which the specific historical narratives can be told.

History comes to be the ‘suppliers’ of facts, events, actions and interactions on which the economist needs to place his/her interpretational lens.

A new synthesis

“What can happen?” (theory) shapes the way we work on the evidences when we ask “What did happen?” (history).

“What did happen?” influences the agendas of economists, orienting the choice among the specific “What can happen?” to be asked.

If economics is a science of meaning, the method of interpretation advocated by Lachmann and Lavoie becomes the new bridge between historical facts and economic theorizing.

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THANK YOU