

History of Economic Thought: Definitions of Economics

Altug Yalcintas

Ankara University

altug.yalcintas@politics.ankara.edu.tr

Clarifying conceptions in economics

Economics vs. economy

- Economics is the science that explains the ways in which the economy works.
- “Ekonomi okuyorum” is wrong! ✗ “Toplum okuyorum” is wrong! ✗
- “İktisat okuyorum” ✓ “Sosyoloji okuyorum” ✓

Clarifying conceptions in economics

How about?

- Izmir University of Economics [İzmir Ekonomi Üniversitesi]
- Turkish Economic Association [Türkiye Ekonomi Kurumu]
- TED University, Dept. of Economics [TED Ekonomi Bölümü]
- ...
- Labour economics [Çalışma Ekonomisi]
- Faculty of Political Sciences [Siyasal Bilgiler Fakültesi]
- Department of Politics and Economics [Politika ve Ekonomi Bölümü]
- How much is the ticket? [Ücreti ne kadar?]

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WRONG!!!

Clarifying conceptions in economics


- So, why do errors, mistakes, and falsified ideas exist?
- Does the persistence of error mean that evolution (of ideas) does not work?

No, not at all!

- Evolution (of ideas) does not create perfect species (or ideas).
- Often errors, mistakes, and falsified ideas remain uncorrected.
- Therefore, we need to study history (of economic ideas).

Clarifying conceptions in economics

- Economy
 - Oikos: home, family, household
 - Nomos: law, custom, regulation
- *L'économie politique* (FR)
 - First coined in 1615 by Antoine de Montchrestien
- *Les économistes* (FR)
 - First coined in the 18th century by the physiocrats
- Economics (EN)
 - First coined in the 19th century
- *İktisat* or *ilmi iktisat* or *ilmi servet* (TR)
 - First used at the end of 19th century
 - An example: Sakızlı Ohannes Paşa in the form of «ilmi serveti milel»



*How come that
“economics” as a term
appeared so late in
history?*

Clarifying conceptions in economics

History of economic ideas tells us:

1. The age of economic theories is older than the age of the conception of economics.
2. Economics as a term is a recent invention whereas thinkers have thought about the economy since the Ancient Greek times.

Clarifying conceptions in economics

- Adam Smith's definition of economics:

“the great object of the **political economy** of every country is to increase the riches and power of that country” (1776).

Clarifying conceptions in economics

- David Ricardo's definition of economics:

“The produce of the earth—all that is derived from its surface by the united application of labour, machinery, and capital, is divided among three classes of the community; namely, the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated ... To determine the laws which regulate this distribution, is the principal problem in **Political Economy**” (1817)

Clarifying conceptions in economics

- Lionel Robbins's definition of economics:

“**Economics** is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses” (1932).

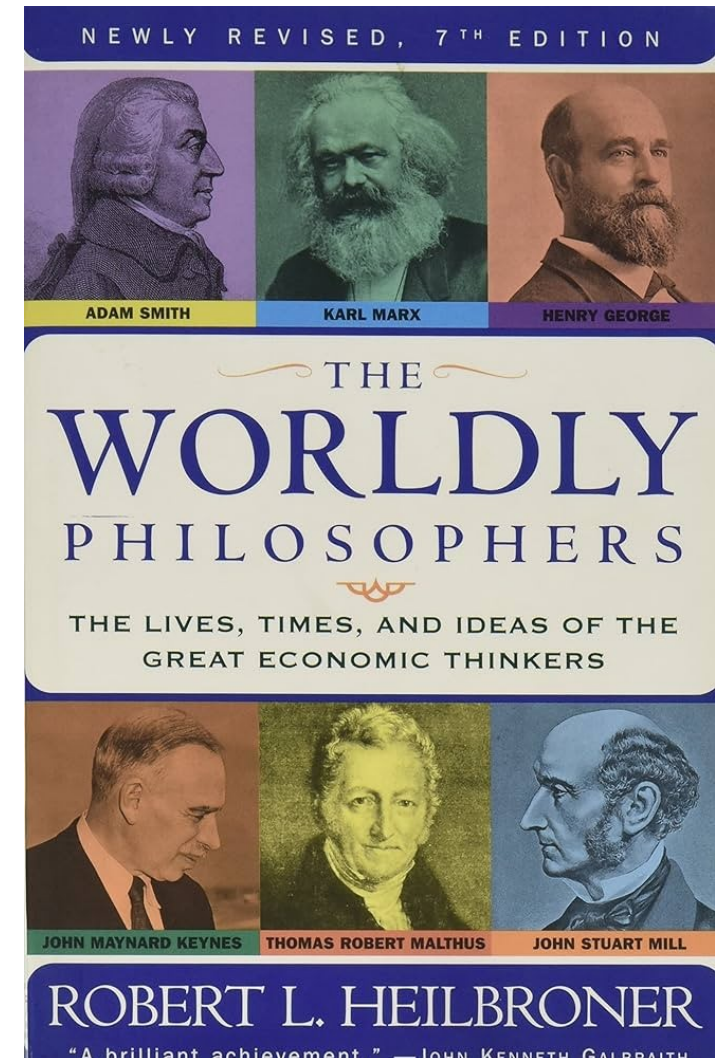
Clarifying conceptions in economics

- economics as **worldly philosophy**



yer cil, dünyevi (secular)

«Hence they can be called worldly philosophy, for they sought to embrace in a scheme of philosophy the most worldly of all of man's activities – his drive for wealth» (Heilbroner 1999 [1953]: 16)



Clarifying conceptions in economics

- American Economic Association's definition of economics:

“**Economics** can be defined in a few different ways. It's the study of scarcity, the study of how people use resources and respond to incentives, or the study of decision-making. It often involves topics like wealth and finance, but it's not all about money. Economics is a broad discipline that helps us understand [historical trends](#), interpret [today's headlines](#), and [make predictions](#) about the coming years”
(American Economic Association Web Site, accessed October 2019)

Clarifying conceptions in economics

- Jacob Viner's definition of economics:

“Economics is what economists do” (1932-1933)*

Source: Roger E. Backhouse and Steven G. Medema 2009 “Retrospectives On the Definition of Economics” *Journal of Economic Perspectives* 23 (1): 221–233.

Robbins' definition of economics

“Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.”

- “Unlimited Needs” vs. “Limited Resources”
- What is scarce and what is abundance in our lives?
- Is scarcity a fact or a fiction?

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**Remember:
Thomas R. Malthus on population**

A post-Malthusian question:
Needs or desires / wants?

Needs ← ECONOMICS → Wants and desires

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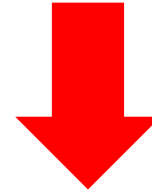
Limited

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Needs or desires / wants?

Needs ← ECONOMICS → Wants and desires



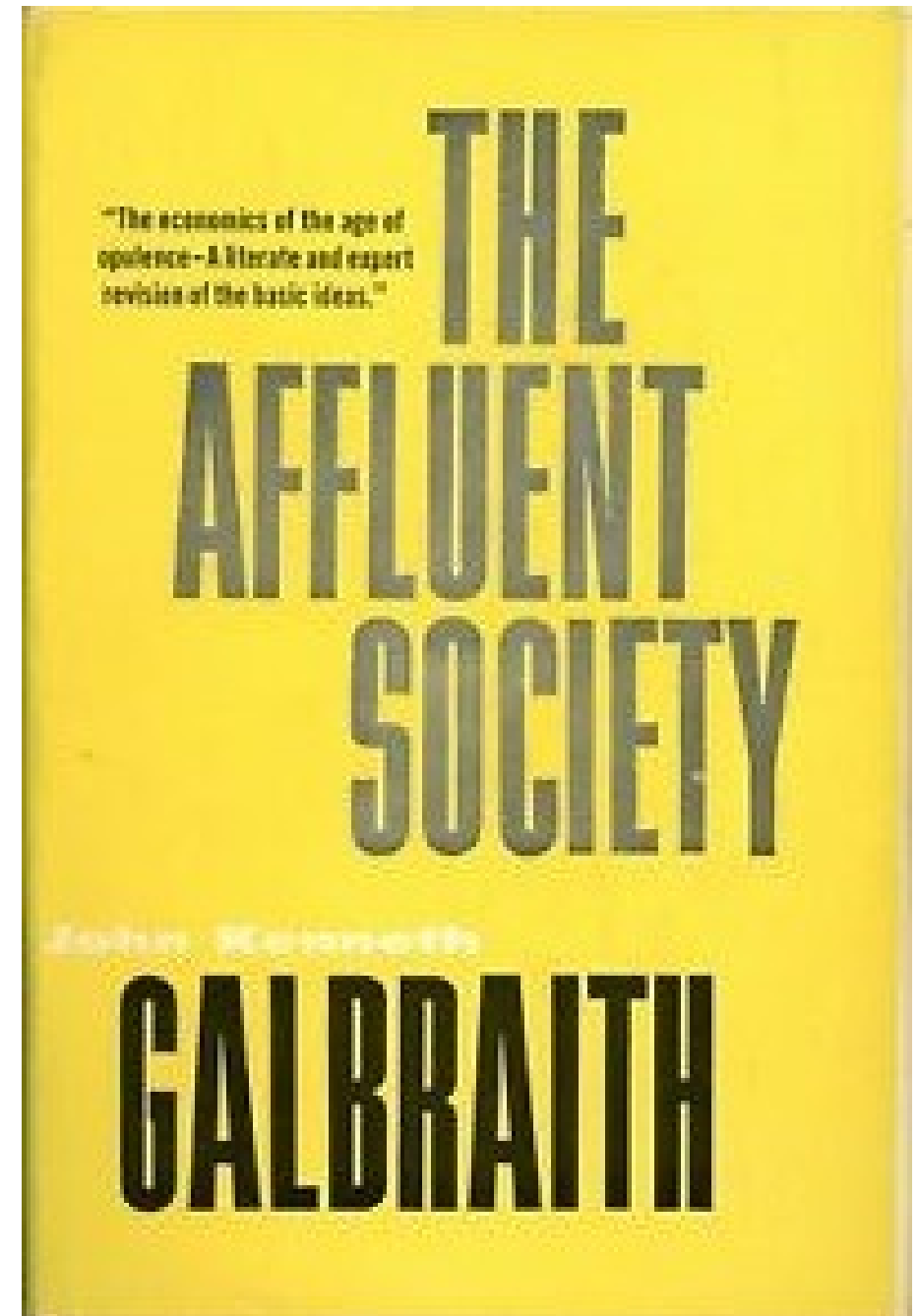
Limited



Unlimited

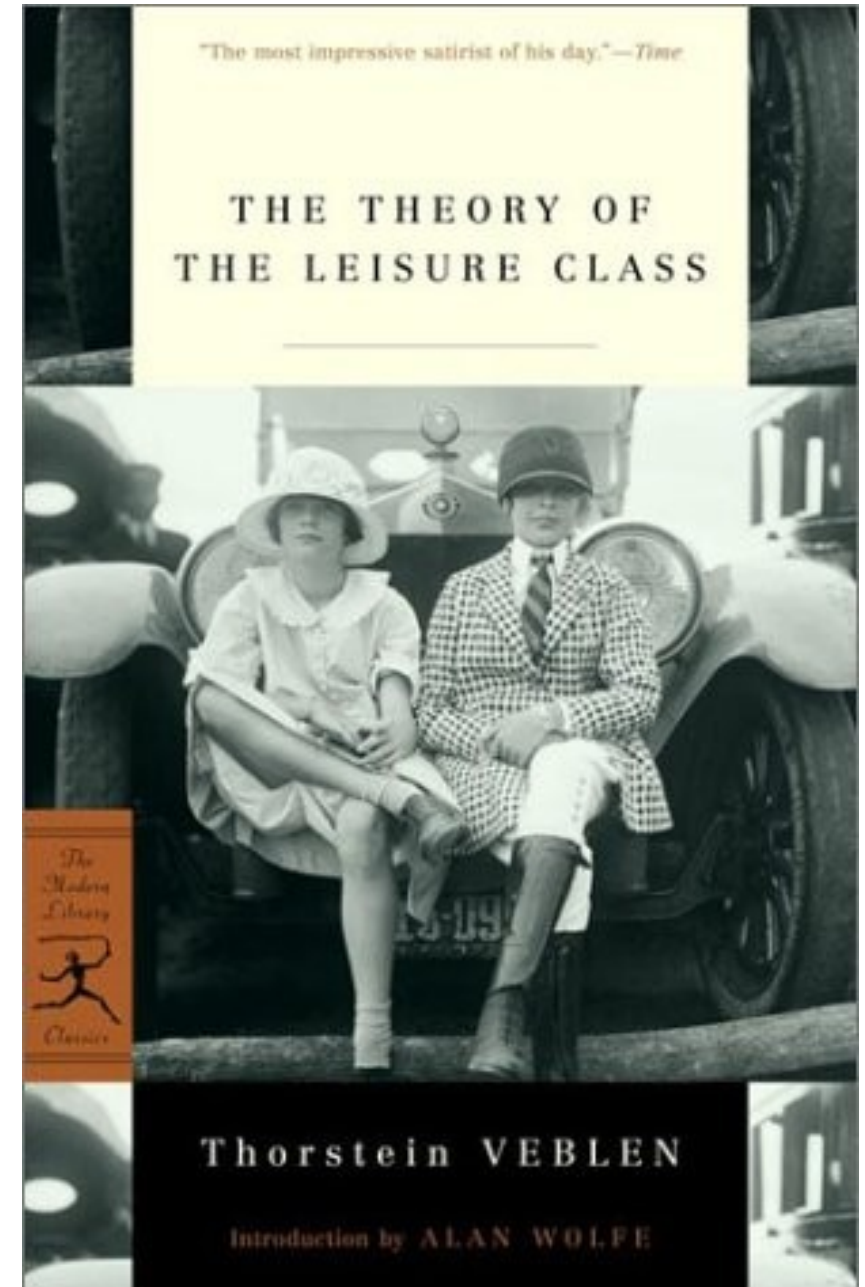
Affluent Society, 1958

- ...
- Wants and desires
- Symbols
- Knowledge
- ...



Affluent Society, 1958

- ...
- Wants and desires
- Symbols
- Knowledge
- ...
- How about: consumption





Affluent Society, 1958

- ...
- Wants and desires
- Symbols
- Knowledge
- ...
- How about: The data economy (or the economy of sharing)

SHARING ECONOMY SECTOR AND TRADITIONAL RENTAL SECTOR PROJECTED REVENUE OPPORTUNITY

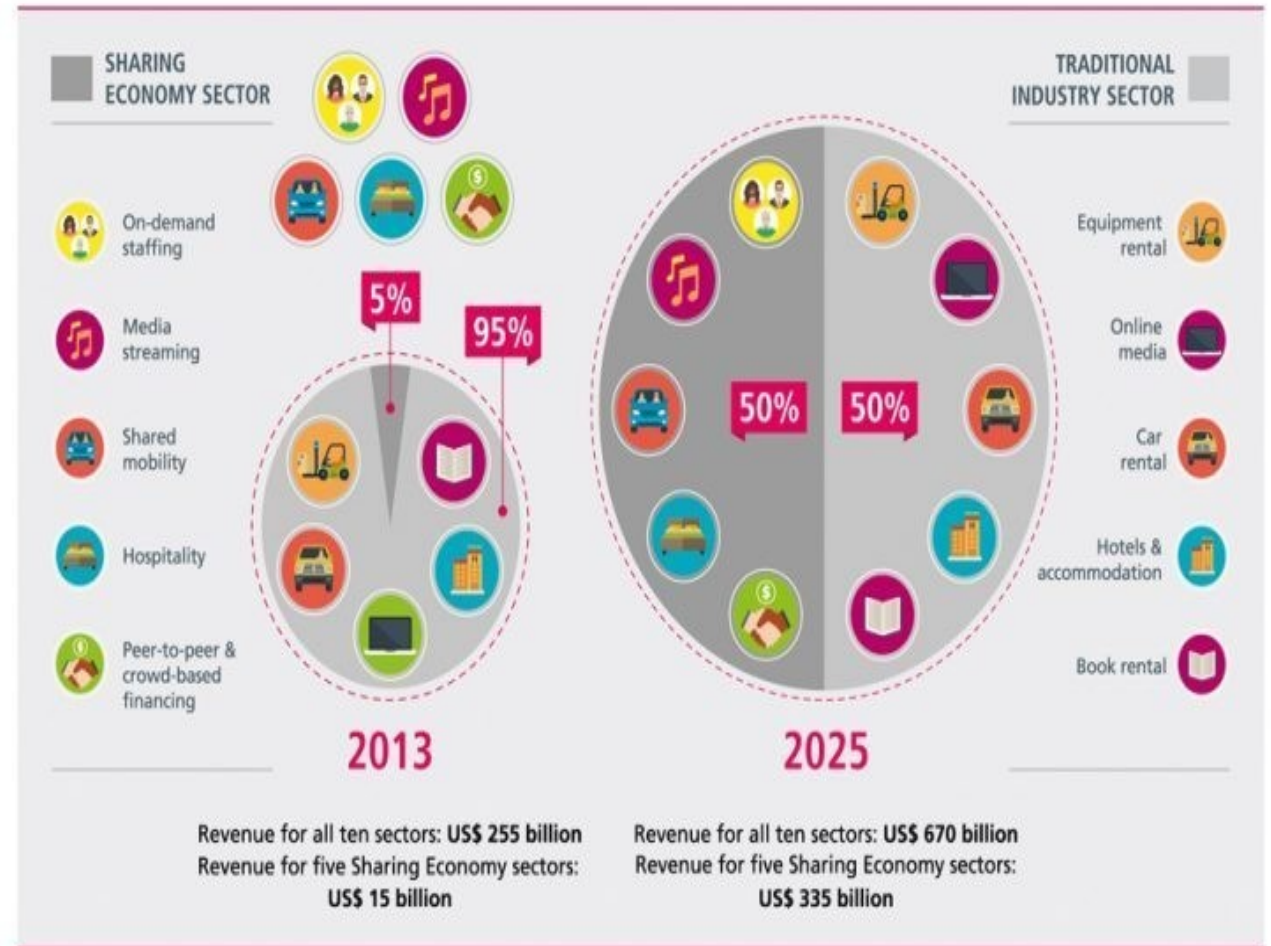


Figure 3: Illustrative revenue potential across five traditional and Sharing Economy sectors; Source: PWC – The Sharing Economy

Robert L. Heilbroner, “The Economic Revolution”

- Markets vs. market societies

“Markets have existed as far back as history goes ... **Markets, ..., are not the same as the market systems.** For the market system is not just a means of exchanging goods; it is a mechanism for sustaining and maintaining an entire society” (*The Worldly Philosophers*, p 26 and 27.)

Robert L. Heilbroner, “The Economic Revolution”

Markets:

- are **the public spheres** where a number of individuals meet to exchange goods and services
- have existed since the homo sapiens emerged as a specie
- are a necessity of interaction, communication, and cooperation among individuals.

Robert L. Heilbroner, “The Economic Revolution”

Market systems:

- are unique forms of society where land, labour, and capital become **commodities**.
- are what we call “capitalism” or “market societies” today.
- have existed since the Economic Revolution of the 16th century.
- are contingent events in history of human civilisation.

* Attention: Goods vs. commodities

Robert L. Heilbroner, “The Economic Revolution”

Markets vs. market societies

- Claim (1): non-human species also exchange goods and services; therefore, markets existed before the humans.
- Claim (2): one can be an activist against the market system but one cannot be against markets *per se*.
 - Anti-capitalism vs. agoraphobia