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The death of *Political Economy*: A retrospective overview of economic thought

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ABSTRACT

In following pages, the author attempts to present his thesis that the traditional social science of *Political Economy* is vrtually dead for long. He contends that fairly developed science had existed since 2500 BC in Mesopotamia, Egypt, China and India. The ill-fated demise of the science began in the early 17th century, and was partly accomplished in the third quarter of 19th century, that too with the rise of the *Austrian School*, when Carl Menger and his followers, launched their attack (against their predecessors – the Classists, Marx and the Socialists) by introducing the utility theory and the concept of marginalism, thereby developing an alternative school of economic thought. Nevertheless, the final blow was struck by Alfred Marshall, who by completely ignoring the contents of the old science, invented an entirely new conceptual web of microeconomics that made the science an ultimate victim. Tutored under Marshall, J. M. Keynes, by launching his theory of employment, interest and money, also took part in the episode. The science of *political economy* was dead by the end of the 1930s.

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1. Introduction

Political economy, as a social science, has a long history. It has defined the moral, ethical, social norms and the religious rites of the societies[1]. It had long existed in some form of a code, ever since the dawn of human civilization in Mesopotamia and ancient Egypt. It has always been treated by scholars as a science, art, and the philosophy of production, trade, income distribution, exchange and statecraft. Nevertheless, as a systamatic science, it was first elaborated by Confucius in China (in his *Analects*) and later developed to minutest detail by Kautilya in India (in *Arthashastra*). In Europe, it had reached its zenith only during the 18th and 19th centuries, and that too in writings of Adam Smith and Karl Marx. Unfortunately, over the last two and half centuries, it had been receiving serious blows to its contents and

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forms from different quarters. Thus, its process of demise, that started in 1615, continues till this date. Carl Menger, Alfred Marshall, J. M. Keynes, the Neo-classists – all, have their damning role in the ultimate death of the science. The process of burying the science, was rather intensive during the second half of 20th century, such that the science in its original form has become practically untraceable. All the more, for over 75 years now, scholars and universities' curriculums, world around, have abondoned its teaching even. The only good news is that some scholars of 21st century, have once again started the process of its re-juvination.

By pointing out some of the facts of the time, and the development of certain economic ideas that were codified by philosophers, economists, and practical minds – of the time, we try to present a retrospective short history of evolution of the science, it's transformation and fall. It tries to trace the circumstances and the actors that led to its ill-fated demise.

2. A retrospective of economic thought

We all know that history, as such, is an excellent teacher. Through facts, it teaches us lessons learned by our ancestors during the past millenniums. Whether, we learn from the past or just ignore the experiences, mostly depends upon the current generations. History of human civilization has taught humans to survive against all the odds. Sometimes, new generations have made good use of these experiences and at others completely ignored them. Of course as the civilizations had progressed, new knowledge, innovations, technological advances have motivated humans to make new experiments – failed or successful – to add to the economic progress of mankind. History of thoughts is full of examples. Political Economy, as a social science, is no exception to it.

In the past two and a half century, some great minds of economics have evolved ideas on various economic concepts such as on value, prices, growth factors, systems and the functioning of economic laws. This has contributed to our understanding of the intricacies of modern economics. Moreover, we must also acknowledge the fact that as the circumstances change, economic philosophy and doctrines also do change. In such developments a historian of economic doctrines mostly sees not the birth of any new one, but the reinstatement of old ones, adapted to new economic realities and the use of technical power infinitely superior to that of the past ages. Therefore, an economic scientist cannot regard them as original intellectual creations of economic and social life.

From evolution point of view, the story begins with the origin of our science. The history of economic thought suggests that political economy, as a social science is as old as some 4500 years. It has its origins in ancient civilizations of Egypt and Sumer, for they were the first to lay down the principles of state and household management. In Europe, though the science had existed since the times of ancient Greek philosophers, but the term as such did first appeared in 1615 in France.[2]

Now, looking back at the course of its history, one finds that the epic of Gilgamesh in detail refer to trade with distant lands, for goods such as wood that were scarce in Mesopotamia. It is known that Sumerian people worked as pottery makers, stonecutters, bricklayers, metal smiths, farmers, fishers, shepherds, weavers, leather-workers, and sailors. The wheel was invented and iron was smelted about 2500 BC. Seals had been used to stamp a carved insignia on clay before cylindrical seals became widespread for labelling commodities and legal documents. Pictographic writing was used as early as 3400 years. The Sumerian economy was based on agriculture, which was influenced by major technological advances in Mesopotamian history. Early Sumerian hut houses were built from the bundles of reeds, which went on to be built from sun-baked mud bricks because of the shortage of stone. They traded with far-away locations in Anatolia, north-eastern Afghanistan, Dilmun (modern Bahrain), and with India. The Indus Valley scripts too, suggest that their remarkably wide-ranging network of ancient trade centred on the Persian Gulf.

From the historical accounts, it is evident that the ancient Egyptian economy too was broadly based on international trade. They traded gold, papyrus, linen, and grain for cedar wood, ebony, copper, iron, ivory, and *lapis lazuli*. Ancient Egyptians bought goods from merchants. Government and religion were inseparable in ancient Egypt. The pharaoh was the head of the state and the divine representative of the gods on earth. As in all ancient societies, agriculture was the main economic activity. The harvests in Egypt were richer than in most other countries at the time, allowing for a larger percentage of urban dwellers and diverse forms of production. Thus, the cities, the temples, the wealth of the state and the ability to toe-quip armies for campaigns against countries producing products were considered vital for the economy. Workers were paid in wheat, barley and, occasionally, in craft products like pottery, clothes etc. imported from countries around the Mediterranean, Aegean, and the Red Seas.

Confucius, a Chinese political philosopher, (551–479 BC), appeared in a period of a political decadence and spiritual questioning. He contributed to transmit and reformulate giving centrality to self-cultivation and agency of humans, and the educational power of the self-established individual in *loving others*. With the decline of Zhou reign, traditional values were abandoned resulting in a period of moral decline. Confucius tried to reinforce values of compassion and tradition into society. Disillusioned with the widespread vulgarisation of the rituals to access *Tien* (heaven), he began to preach an ethical interpretation of traditional Zhou religion. Confucius conceived these qualities as the foundation needed to restore socio-political harmony. He amended and re-codified the classical books, and composed the *Spring and Autumn Annals* – the earliest surviving Chinese historical text to be arranged in annals form – a fairly rich compendium on political economy.

Philosophers in the Chinese Warring States period, both *inside the square* (focused on state-endorsed ritual) and *outside the square* (non-aligned to state ritual) built upon Confucius' legacy, compiled in the *Analects*, and formulated in the classical metaphysics that became the lash of Confucianism. In accordance with the Master, they identified mental tranquillity as the state of *Tien*, or the One (*Yi*), which in each individual is the Heaven-bestowed divine power to rule one's own life and the world. Going beyond the Master, the disciples theorized the oneness of production and reabsorption into the cosmic source, and the possibility to understand and therefore re-attain it through meditation. This line of thought would have influenced all Chinese individual and collective-political mystical theories and practices thereafter.

Social harmony, according to Confucius, results in part from every individual knowing his or her place in the natural order, and playing his or her part well. Reciprocity or responsibility extends beyond filial piety and involves the entire network of social relations, even the respect for rulers. Particular duties arise from one's particular situation in relation to others. The individual stands simultaneously in several different relationships with different people: as a junior in relation to parents and elders, and as a senior in relation to younger siblings, students, and others. While juniors were considered in Confucianism to owe their seniors reverence, seniors also have duties of benevolence and concern toward juniors.

In Greece, Plato (427-347 BC) stands with Socrates and Aristotle, as one who shaped the intellectual tradition of the West. In his *Republic*, while he speaks about the goodness, reality and knowledge, he also addresses the purpose of education and the roles of women and men as guardians of the people. Using allegory, he arrives at a depiction of a state bound by harmony and ruled by *philosopher kings*. In *Laws*, instead of an ideal state ruled directly by moral philosophers, he depicts a society permeated by the rule of law. Immutable laws control most aspects of public and private life, from civil and legal administration to marriage, religion and sport. The rigours of life in Plato's utopian *Republic* are not much tempered, but the *Laws* is a much more practical approach to his ideal.

Along with Plato, Aristotle (384-322 BC), is one of the greatest philosophers of antiquity. His writings cover a wide field of knowledge from biology and astronomy to rhetoric and literary criticism, from political theory to the most abstract reaches of philosophy[3]. He wrote two treatises on ethics: called *Eudemian* and *Nicomachean*, and *The Politics*. In *The Nicomachean Ethics* Aristotle's guiding question is: what is best thing for a human being? His answer is happiness, but he means, not something that we feel, but rather a good kind of life. Happiness is made up of activities in which we use the best human capacities, both ones that contribute to our flourishing as a member of community, and ones that allow us to engage in god-like contemplation. Aristotle, among others, stresses the importance of moral virtues such as courage and justice, responsibility for actions, nature of practical reasoning, and friendship. In [*The*] *Politics* he discusses which types of constitutions are best and how they may be maintained. Like Plato, he considered that political philosophy should embrace the whole of human behaviour as well as the relationship of the individual to the state.

An ancient Indian teacher, philosopher, economist, jurist and royal advisor, Kautilya's (371-283 BC), encapsulated his work in *Arthāŝastra*, the way of financial management and economic governance. When it deals with politics, the treatise describes in detail the art of government in its widest sense; the maintenance of law and order of efficient administrative machinery. According to him, political economy is a separate science but not independent of other disciplines and particularly of ethics. It implied that the inter-dependence between economics and other disciplines should be encouraged and vigorously explored.

In Western world literature on the subject, a statesman and two philosophers of religion deserve a mention. Although, their works contain only a marginal mention of issues related to political economy, but these do determine the norms of human behaviour in ordinary daily life. One is Marcus Tullius Cicero (106-43 BC), a Roman statesman, whose deeper thoughts on moral and political philosophy, on religion, and on the theory and practice of rhetoric have influenced the subsequent European thought. His attacks on misgovernment, enemies of democracy, and views on the code of behaviour, old age, farming are notable. Among the religious philosophers, St. Augustine's (AD 394-430) is notable. He reflected his views on political and social philosophy constituting an important intellectual bridge between late antiquity and the emerging medieval world. The record of his thoughts on such themes as the nature of human society, justice, the nature and role of the state, the relationship between church and state, just and unjust war, and peace all have played their part in the shaping of Western civilization. The other great Western European medieval philosopher-theologian is Thomas Aquinas (AD 1224-1274). He was a famous Dominican friar, who saw religion as part of man's natural propensity to worship. While drawing a strong distinction between theology and philosophy, Aquinas stressed that because of our inadequacies we perceive, and we need to subject ourselves to laws.

The *mercantile system* (a term coined by Adam Smith to describe the system of political economy) that sought to enrich the country by restraining imports and encouraging exports. The system dominated Western European economic thought and policies from the 16th to the late 18th century[4]. It advocated accumulation of bullion (especially gold) to make up the export-import gap. The exportation of finished goods was favoured over extractive industries and farming. Later on, the French Physiocrates[5] used the term frequently, especially, Quesney in 18th century.[6] It is only in late-18th and 19th century that political economists, particularly in Britain, who were as much philosophers as liberal social reformers, looked for solutions to the major economic, social and political problems of their times. The legendry figures in this *classical* tradition of political economy were Adam Smith, Jean-Baptiste Say, David Ricardo, Thomas Robert Malthus, John Stuart Mill, and John Stuart Mill. But, the credit of popularising the term *political economy* widely goes to the Classical economists, particularly to Adam Smith (*The Wealth of Nations*, 1776), John Stewart Mill (*Principles of Economics,* 1848, and Karl Marx (*Das Kapital, Vol. II*, 1876).

Adam Smith (1723–1790) – an economist, philosopher, and a pioneer of political economy is generally regarded as the father of political economy and of *classical* economics. His, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), was a precursor to the modern academic discipline of economics. It provides an earliest comprehensive account of market society as a decentralized, *well-governed* system in which prices coordinate the efficient allocation of resources in a competitive economy. It is a multi-faceted work of epic sweep, introducing complex concepts such as the labour theory of value, the benefits of free trade, productivity and the division of labour, categories of economic analysis (profits, wages, interest and rent), and the determination of prices. He expounded upon how rational self-interest and competition can lead to economic prosperity. *Laissez-faire* philosophies, such as minimizing the role of government intervention and taxation in the free markets, and the idea that an *invisible hand* guides supply and demand are among the key ideas Smith's writing is responsible for promoting his concept of political economy[7].

Worth mentioning is the role of John Stewart Mill (1806-1873) who was a philosopher, an economist, and a civil servant. He is famous for his work, *The Principles of Political Economy: with some of their applications to social philosophy*, (1848), which combined the disciplines of philosophy and economics and advocated that population limits and slowed economic growth would be beneficial to the environment and increase public goods. Beside discussing descriptive issues such as which nations tended to benefit more in a system of trade based on comparative advantage, the work also discussed normative issues such as ideal systems of political economy, critiquing proposed systems such as communism and socialism. Along with *A System of Logic*, which outlined the methods of science and how they can be applied to social mechanics. It established Mill's reputation as a leading public intellectual. Mill's sympathetic attitude in this work and in other essays toward contemporary socialism, particularly *Fourierism* (after Charles Fourier), earned him esteem from the working class as one of their intellectual champions.

Karl Marx (1818-1883) and his vision of political economy deserve a special mention, as he was definitely the last philosopher who thoroughly studied the socio-economic system in historical and philosophical perspective. The Marxian view of political economy is that it came into being as a natural result of the expansion of trade. Marx's political economy denotes a range of works that are broadly connected to and are in tradition of the writings and insights (notably *The Communist Manifesto* (1848), *Grundrisse,* (1857) and *Das Kapital: Kritik der politischen Ökonomie* (1867-1883). Although this research tradition is very diverse and heterogeneous, it is nevertheless possible to identify some of his common key tenets. Generally, it comprises an integrative analysis of the economy, society and politics. These three fields are not considered by Marx, as isolated but as interdependent structures that evolved historically. The analysis of class struggle, involving the exploitation of *labour* by *capital* within the capitalist mode of production, is fundamental to the understanding of dynamics within this analysis. Karl Marx's, such an analysis has the explicit aim to change the current state of economic and societal organization, with an emancipatory perspective to establish a more just society by overcoming capitalism. According to him,

> "Economists explain how production takes place in the above-mentioned relations, but what they do not explain is how these relations themselves are produced, that is, the historical movement which gave them birth. P. J. Proudhon (1809-1865), a French politician and the founder of mutualistic philosophy, taking these relations for principles, categories, abstract thoughts, has merely to put into order these thoughts, which are to be found alphabetically arranged at the end of every treatise on political economy. The economists' material is the active, energetic life of man; Proudhon's material is the dogmas of the economists" (*The Poverty of Philosophy*, 1847, Ch. 1).

In 1857 Marx reasserts,

> "The economists of the seventeenth century, e.g., always begin with the living whole, with population, nation, state, several states, etc.; but they always conclude by discovering through analysis a small number of determinant, abstract, general relations such as division of labour, money, value, etc. As soon as these individual moments had been more or less firmly established and abstracted, there began the economic systems, which ascended from the simple relations, such as labour, division of labour, need,

> exchange value, to the level of the state, exchange between nations and the world market. The latter is obviously the scientifically correct method. The concrete [*determinant*] is concrete because it is the concentration of many determinations, hence unity of the diverse. It appears in the process of thinking, therefore, as a process of concentration, as a result, not as a point of departure, even though it is the point of departure in reality and hence also the point of departure for observation [*Anschauung*] and conception. Along the first path the full conception was evaporated to yield an abstract determination; along the second, the abstract determinations lead towards a reproduction of the concrete by way of thought" (*Grundrisse*, 1857/61).

The late 19th century marks the beginning of another phase of enquiry of contents and scope of political economy. In Austria, a new school of thought emerged. It was a heterodox school of economic thought based on the concept that social phenomena result from the motivations and actions of individuals. A Viennese professor of political economy, Carl Menger in 1871, of course unofficially, founded this school. His work[8] initiated other scholarly works in similar spirit[9], filling the gaps that were to follow later in Marshallian microeconomics. This was the beginning of *Marginalism*[10] in economics. Austrian economists, during the late-20th century, were bitterly engaged in *Methodenstreit* (*methodology struggle*), in which they defended the role of theory of economics as distinct from the study or compilation of historical circumstance. The school firmly believed that the subjective choices of individuals including the individual knowledge, time, expectation and other subjective factors cause all economic phenomena. Austrians scholars sought to understand the economy by examining the social ramifications of individual choice, an approach called methodological individualism. It differed from other schools of economic thought, which had focused on aggregate variables, equilibrium analysis and societal groups rather than individuals.

As opposed to the Austrians, it was the German Historical School[11] that argued that economic science is incapable of generating universal principles and that scientific research should instead be focused on detailed historical examination. They believed that the English classical economists were mistaken in believing in economic laws that transcended time and national boundaries. Economics was an approach to academic economics and to public administration that emerged in the 19th century in Germany, and held sway there until well into the 20th century. Professors involved compiled massive economic histories of Germany and Europe. Some theoretical economists such as Gustav von Schmoller (1838–1917), and Max Weber (1864–1920), had been fairly critical in their approach. The School held that history was the key source of knowledge about human actions and economic matters, since economics was culture-specific, and hence not generalizable knowledge over space and time. The school rejected the universal validity of economic theorems. They saw economics as resulting from careful empirical and historical analysis instead from logic and mathematics. The school also preferred reality, historical, political, and social, as well as economic, to mathematical modelling. Most members of the school were also *Sozialpolitiker* (social policy advocates), i.e. concerned with social reform and improved conditions for the common man during a period of heavy industrialization.

An important decisive phase in the development of the science began in 1890. The father of this phase was Cambridge professor Alfred Marshall, who by publishing his

Principles of Economics (1890), laid down the foundation stone of a new tradition of study of the subject (basically microeconomics), thereby closing a chapter of history of the science of political economy.

Professor Alfred Marshall, an academic giant, at times called — *The Soaring Eagle* – sitting at St. Johns, Cambridge, until his death in 1924, controlled the landscape of Economics. He founded the neo-classical economics[12], the Cambridge School[13] and was guru to a number of known world scholars. He defined the laws of economics; inductive and deductive methods of study in economics; wants and their satisfaction; utility and demand; consumer's surplus; elasticity of demand; supply and cost; factors of production (population, division of labour and laws of returns); internal and external economy; theory of value and time element; representative firm; theory of factor pricing; quasi-rent; and contributions to modern monetary economics. Indeed, an impressive contribution to modern economics. His neoclassical economics was an approach to economics focusing on the determination of goods, outputs, and income distributions in markets through supply and demand. This determination is often mediated through a hypothesized maximization of utility by income-constrained individuals and of profits by firms facing production costs and employing available information and factors of production, in accordance with rational choice theory.

Marshall's influence though widespread in academia around the world, but was rather forceful on both sides of Atlantic. His teaching of microeconomics, particularly in the UK and US, with variations and additions, took deep roots. With increased use of mathematics and geometry, economics in appearance became closer to other natural sciences. English and American professors, rejecting the traditional political economy, developed their own *theoretical* versions of economic phenomena. There is rather a long list of names. No doubt their contribution to advance economic theory is immense and thereby cannot be ignored[14].

A star student of Alfred Marshall, John Maynard Keynes (1883-1946), despite his flirtations with the probability theory and philosophy succeeded in transforming economic policies of the post-war era that were fit for macroeconomic management for depressed and war-torn economies. This affirmed his position as a great scholar. Keynes's *General Theory of Employment, Interest, and Money* (1936), along with Joseph Schumpeter's *Capitalism, Socialism, and Democracy* (1942), and Friedrich Hayek's *The Road to Serfdom* (1944) are the influential works of 20th century on political economy (in the broad sense), as they wove together the inter-connected subjects of politics, culture, institutions, and economic theory. These were the works that were long in gestation in the minds of these influential economists. In this sense, they contained their considered reflections on the world crisis through which they were living.

As far as other British economists are concerned, some great minds and their great works need to be mentioned (Edgeworth, Pigou, Harrod, Hicks, Meade, Joan Robinson and many others). We would love to mention some, for example, Pigou, as a teacher and builder of the School of Economics at Cambridge, trained and influenced many Cambridge economists. His work covered various fields of economics, particularly welfare economics, business cycle theory, unemployment, public finance and measurement of national output. Edgeworth, in his most famous and original book, *Mathematical Psychics* (1881), criticized Jevons's theory of barter, and provided the marginal productivity theory, and his limit theorem. In economics, he is best known by his *Monopoly Pricing* (1897), where he introduced into economics the generalized utility function, drew the first *indifference curve*, He is credited with *Edgeworth's conjecture* (as the number of agents in an economy increases, the degree of indeterminacy is reduced)[15]. Harrod is best known for writing, *The Life of John Maynard Keynes*, (1951), and for his contributions to the growth theory with his own model. He is also considered as the first Post-Keynesian economist to provide a detailed institutional exposition of the theory of endogenous money. Among many of his works he is well known for his two books *Towards a Dynamic Economics*, (1948); *Towards a Dynamic Economics*, (1948). Another scholarly giant, Sir John Hicks, initially a labour economist, is best known for his *The Theory of Wages*, (1932). His *magnum opus* is his, *Value and Capital*, (1939). The book *built* on ordinal utility and mainstreamed the distinction between the substitution and income effects for an individual in demand theory. Hicks's most familiar contribution in macroeconomics was the *Hicks-Hansen IS-LM Model* that he later (in the 1980s) dismissed as a *classroom gadget*. James Meade provided his growth theory that is neo-classical in nature. It is simple and attractive as it promises a state of steady economic growth. *The Theory of International Economic Policy – The Balance of Payments*, (1951); *The Theory of International Economic Policy – Trade and Welfare*, (1955); and *Principles of Political Economy*, (1965–76). Mrs. Robinson, as a Cambridge economist of repute is known for her contributions: *An Essay on Marxian Economics*, (1942); *The Accumulation of Capital*, (1956); and *Essays in the Theory of Economic Growth*, (1962). Between 1962 and 1980 she wrote many economics books for the general public.

On the other side of the Atlantic Ocean, we have a similar long list of economists and their esteemed works. Among them one can hardly escape to mention some such as, Milton Friedman who is widely known for reviving an interest in the money supply as a determinant of the nominal value of output, i.e. the quantity theory of money. Friedman's research supported the conclusion that the short-run effect of a change of the money supply was primarily on output but that the longer-run effect was primarily on the price level. He thus contended, "inflation is always and everywhere a monetary phenomenon" (1963). Accordingly, he rejected the use of fiscal policy as a tool of demand management. His essay, *Methodology of Positive Economics*, (1953) provided the epistemological pattern for his own research by arguing that economics as *science* should be free of value judgments for it to be objective. Moreover, a useful economic theory should be judged not by its descriptive realism but by its simplicity and fruitfulness as an engine of prediction. Frederich von Hayek, was a major social theorist and political philosopher of the 20th century who is best known for his defence of classical liberalism. He is acclaimed for his "pioneering work in the theory of money and economic fluctuations and for penetrating analysis of the interdependence of economic, social and institutional phenomena". His most valuable contribution is his book, *Road to Serfdom*, (1944). Wassily W. Leontief is credited with developing and introducing to economics the input-output analysis and its associated theory; the *Leontief paradox* (in international trade); and the composite commodity theorem. He was a strong proponent of the use of quantitative data in the study of economics. Joseph A Schumpeter, was most influential among various heterodox economists, especially European, who were interested in industrial organization, evolution theory, and economic development, and who tended to be on the other end of the political spectrum from Schumpeter and were also often influenced by Keynes, Karl Marx, and others. His landmark contributions are *Capitalism Socialism and Democracy,* (1942) and *History of Economic Analysis*, (1954). Robert M. Solow is best known for his growth model, often known as the Solow-Swan neo-classical growth model. It allows the determinants of economic growth to be separated into increases in inputs and technical progress. Solow also was the first to develop a growth model with different vintages of capital. Paul A. Samuelson, more than any other contemporary economist, has helped to raise the general analytical and methodological level in economic science. He has simply rewritten considerable parts of economic theory. He has also shown the fundamental unity of both the problems and analytical techniques in economics, partly by a systematic application of the methodology of maximization for a broad set of problems.

3. The Story of Demise

The story of demise of political economy is rather long and spans over three centuries. It can be narrated in episodes, as follows:

i. The first episode begins with the fact that 16th century French scholars led by the works of Jean Bodin[16] (around 1568), started providing the science of political economy a totally different content (as against the one that Aristotle had taught). The new concept, in fact, first popped up in 1615, when Aristotle's position regarding the independence of politics from other social life including economic activities was challenged. This was done by Antoine de Montchretien in his (1615), *Traicté de l'oeconomie politique.*
ii. The second episode of the demise culminated in the early 18th century, when, devoid of the original content, the old Greek word *oeconomia* (οίκονομία) became popular among scholarly economists and was frequently used by them. With the passage of time, the word was used for an economy as whole in the sense that how a nation takes steps to fulfil its desires and preferences with the help of scarce means (note, that's why economics was called political economy in its early ages[17]).
iii. The above mentioned two facts, led to the *third* episode i.e. to the origin of the *Austrian School* (a heterodox school of economic thought based on the concept that social phenomena result from the motivations and actions of individuals) which sowed the seeds of an ultimate demise of the traditional science. Carl Menger's, 1871, work initiated the wave that became strong towards the late-19th and early-20th century. It must be mentioned that Menger and his fellow marginalists, had their fair share in this story as their works filled the gaps that were to follow in the future Marshallian microeconomics. Austrians economists, during the late-19th century, were bitterly engaged *Methodenstreit* (*methodology struggle*), in which they defended the role of theory in economics as distinct

from the study or compilation of historical circumstance. The Austrian School theorized that the subjective choices of individuals including individual knowledge, time, expectation and other subjective factors cause all economic phenomena. Accordingly, Austrian economists sought to understand the economy by examining the social ramifications of individual choice, an approach called methodological individualism. Evidently, they differed from other schools of economic thought, that focused on aggregate variables, equilibrium analysis and societal groups rather than individuals.

iv. The *Fourth* episode of demise, to our mind, was solely led by Alfred Marshall and perfected by J. M. Keynes. As stated above, Marshall's positive influence on codifying economic thought is difficult to deny. He popularized the use of demand and supply functions as tools of price determination (previously discovered independently by Cournot); modern economists owe the linkage between price shifts and curve shifts to Marshall. It must be noted that he was an important part of the *marginalist* revolution. Thus, irrespective of his contributions to modern economics, if today, a mock trial of the demise of political economy is to be staged, and one has to act as a prosecutor, one would definitely put Marshall on the stand. Without doubt, his book (*Principles of Economics*, 1890) marked a decisive transition from the comprehensive vision of political economy to professionalization and specialisation. Under his shadow, the narrowing of economics took many forms. Both in the UK and the USA, academic work shifted away from policy designing toward a combination of formal mathematical theorems and rigorous empirical analysis. Even the areas of economics such as public economics and mechanism design, mostly focused on questions of policy and mishmash of concerns relevant to most practical policy.

The post-Marshallian era approach of study of economics primarily focussed on the determination of commodities, output, and income distribution in markets through supply and demand. This determination was often mediated through a hypothesized maximization of utility by income-constrained individuals and of profits by firms facing production costs and employing available information and factors of production, in accordance with the rational choice theory. Thus, social dimension of the economic development and economic policy had altogether been neglected. Note that although Marshall considered, "reasoning, perception, observation and possession of a scientific imagination", as three basic requirements of study of economics, what, alas! emerged was an exceeding reliance on the use of mathematics. While some British economists of the pre-WW II era had expressed their reservations regarding the over-use of mathematics in economics[18] and both Marshall and Keynes too, were themselves fairly sceptical about the use of mathematics (mind that the latter was well trained in it), but could not stop the crest of the wave that swept the wide field of political economy, dividing it into macro and microeconomics.

v. The *final* episode leads us into the political economy of *Keynesianism* that never received detailed attention either from Keynes or from the influential economists who worked out the implications of his theory in the post-war era. Quite the reverse, *The General Theory,* as its ideas worked their way through the economics profession, had the effect of excising politics and political institutions from the analysis of market economies. Keynesian bold vision (as drawn (in his *Essays in Persuasion*, 1931; and in *General Theory*, 1936) cemented the overall position of economists as professionals and technocrats good for government, for they required specialised people drained out of economics. Such thinking became primarily dominant in the US. Accordingly, along with J. M. Keynes, these scholarly minds too need to face charges of complacency in the event. Such post-war stream of thinking rolled over the traditional concept of political economy.

Post WW II, legacy of Keynesianism was the rapid spread of the Cambridge, UK, and Chicago School's doctrines forcing mathematization of economics concentrating on macro and micro themes. Furthermore, some US East coast economists were also complacent. The question is, why was this increased dominance of mathematics in economics? Hahn blames Friedman's '*as if*' doctrine and the romantic desire to pass as a scientist[19].

One must acknowledge that while on the one hand, the contributions of most celebrated economists of 20th century were important for development of modern science, but on the other hand, they all (except Gunnar Myrdal) have their fair share in determining the ill-fate of political economy. In their quest for making the science more precise they stand accused for sacrificing original body of knowledge to the technical aspects thus neglecting the broad aims and methods of analysis of economic phenomena of our times. Even in areas such as public economics and mechanism design, attention was mostly focused on the questions of policy, and mishmash of concerns relevant to most practical policy measures. Thus, along with Marshall, others definitely stand accused of connivance in the demise of political economy.

This is how in the early 21st century we are now faced with the fact that the old science is virtually dead. The existing economic science is not what it used to be, i.e., "a science, art, and the philosophy of production, trade, income distribution, exchange and statecraft". It has become what we could rather call "economic engineering".

4. The Future Prospect

Now what should we expect in the future? With the beginning of new millennium, the study of economics seems to have entered a new phase. We have been witness to high rates of economic growth, increased international trade, recession, increased income disparities across nations, political instability around the world, massive dissatisfaction of people etc. All this needs to be corrected, for which serious studies are required. Here comes in the increased role for political economy. Some basic trends in this direction can be observed:

a. First, as a result of the first major economic and financial crisis and the depression that followed in the 21st century (2007-2017), the macroeconomists split into purists and pragmatists – drawing opposite messages from the episode. The purists blamed the stagflation on restless central banks trying too hard and the pragmatists that markets malfunction, wages fail to adjust and prices are sticky.

This recession placed economic science in a delicate situation. Two central parts of the discipline – macroeconomics and financial economics – were put to serious re-examination. The attack was, however, three pronged: (i) that macro and financial macroeconomics helped cause the crisis, (ii) that it failed to foresee and stop it, and (iii) that economists have no idea how to fix it.

The fragile consensus of monetary/fiscal policies was blown apart. With their compromise tools became useless, both sides have retreated to their roots. Keynesians have become uncritical of fiscal stimulus; and even with zero short-term interest rates and banking crisis on hand the monetary policy worked less well. Naturally, there is a clear case for reinvention. Just as the Great Depression spawned Keynesianism, stagflation of 1970s fuelled monetarism. So would perhaps the latest crisis, as, we believe, creative destruction is underway. The past crisis could still be good for economics.

b. Second, the post-WW II Economics became too dependent on mathematics. Many of us would agree that mathematics is a language of expression. Therefore, hardly there can be an objection to its use wherever appropriate. The only concern could be that the users of it should know its limitations as well as its scope. From its beginnings economics has been couched in formal arguments over the issue. It is often claimed that the virtue of mathematics is that assumptions, deductions and conclusion are spelt out precisely, whereas descriptive economics permits fuzziness. We feel that fuzziness enters into mathematical economics when *a, b,* or *c* is identified with individuals, firms, and equipment. The identification of the precise symbol with often-fuzzy reality creates lack of precision and blurs the concept.

Although, economics of Adam Smith as a 'social science' has indeed come a long way, but what remains at a loss is that the trained economists have lost touch with the reality of daily economic life and the institutions. To the surprise of many not even a sound technical knowledge of methods is of any great help to solve the real problems of economic growth, employment, inflation, recession etc.; and

c. Third, the question of specialised economics education. In intellectual circles, it is said that the specialist '*knows more and more about less and less until he knows everything about nothing*'. The real question is should a well-trained economist deal with few areas or spread his investigation widely? We feel that it should be left to individual choice. A widely held criticism of modern American education of economics is that it has, unfortunately, become too narrow and too far from reality. The economics departments in universities all over are awarding degrees to generations of '*idiots' savants, brilliant at esoteric mathematics yet innocent of actual economic life'*. British and European education of economists with the growing popularity of business studies is slowly moving on a similar path. In this respect, one would rather agree with Paul Streeten and favour *'being a broad-gauged economist and vaguely right to being precisely wrong'*. Let us not forget the Economics is not a science in which controlled experiments can be conducted and no economic theory has ever been falsified by an experiment.

With increased specialization (and professionalization) within universities, interdisciplinary work has become increasingly uncommon. Indeed, during the 20th century, the process of disciplinary specialization reduced the intersection between economics, philosophy and politics and impoverished our understanding of society. Modern economics in particular, largely, ignores the role of institutions and the contribution of moral philosophy and politics. Hopefully, New thinking in political economy, should/will, surely stimulate new work that will combine technical knowledge provided by the *dismal science* and the wisdom gleaned from the serious study of the *worldly philosophy*. This will reinvigorate our understanding of the social world by encouraging a multidisciplinary approach to the challenges confronting society in the next century.

5. Concluding Remarks

At the end of our analysis we can say that we started with a note of pessimism, but let us look forward with an optimism. Although, so far, in the academic circles, the term political economy is still in use but it refers only to a narrow study of the economy such that other socio-political considerations are absent. It is being used to refer to Marxian economics, public choice, or to economic policy advice given by the economists to the government. A more recent focus has been on modelling economic policy and political institutions as to interactions between agents and economic and political institutions, including the seeming discrepancy of economic policy and economist's recommendations.

From the mid-1990s, a short-lived revival was on the horizon, such that the field started to cover hypotheses on comparative economic systems and institutions, the break-up of nations, change of political institutions in relation to economic growth, development, financial markets and regulation, the role of culture, ethnicity and gender, etc. Beginning of the new century, however, for some reasons, has put an end to it. Definitely, recent developments in the new political economy (which treats economic ideologies as the phenomenon to explain the traditions of Marxian political economy) and the International Political Economy (an interdisciplinary field comprising approaches to the actions of various actors) are commendable. Furthermore, the use of a political economy approach by anthropologists, sociologists, historians, and geographers as an instrument of reference to the regimes of politics or economic values those emerge primarily at the level of states or regional governance, but also within smaller social groups and social networks.

Just to conclude, high hopes are with us that a developing new thinking is aimed to encourage scholarship in the domain of politics, philosophy and economics with the objective of understanding socio-economic changes of the society.

Note

1. A classic definition of the term was articulated in 1877 by Friedrich Engels: "Political economy, in the widest sense, is the science of the laws governing the production and exchange of the material means of subsistence in human society… Political economy is, therefore, essentially a historical science. It deals with material which is historical, that is, constantly changing."
2. Montchretien, Antoine de, (1615), *Traicté de l'oeconomie politique,* Paris, PUF.
3. Aristotle taught that *oeconomia* (*οίκονομία*) is concerned with both the household and the *polis* (state, government) and that it deals with the use of things required for the good (or virtuous) life, because he saw that it was embedded in politics. An argument can be made that the study of political economy began with him.
4. Main exponents of the system were: Antonio Serra, Sir Thomas Mun, Sir Josiah Child, Philipp Von Hornick, Johann Heinrich Gottlob von Justi and Joachim George Daries.
5. The group includes: Richard Cantillon, François Quesnay, Anne Robert Jacques Turgot, Jean Claude Marie Vincent de Gournay, Victor de Riqueti, marquis de Mirabeau, Honoré Gabriel Riqueti, Comte de Mirabeau, Pierre Samuel du Pont de Nemours, and Pierre-Paul Lemercier de La Rivière de Saint-Médar.
6. See in Daire, (1846), *Physiocrats*, in 17^{th} century; and in Turgot, (1898), *Reflections on the Formation and the Distribution of Riches.*
7. Alfred Marshall criticized Smith's definition of the economy on several points. He argued that man should be equally important as money, services are as important as goods, and that there must be an emphasis on human welfare, instead of just wealth. The *invisible hand* only works well when both production and consumption operates in free markets, with small producers and consumers allowing supply and demand to fluctuate and equilibrate. In conditions of monopoly and oligopoly, the *invisible hand* fails.
8. Carl Menger's 1871 book *Principles of Economics* was one of the first modern treatises to advance the theory of marginal utility and was the one that founded the *marginalist revolution*. Wieser and others closely followed Menger and Eugen von Böhm-Bawerk's contributions to economic theory. Among the theoretical contributions of the early years of the *Austrian School* are the subjective theory of value, *marginalism* in price theory and the formulation of the economic calculation problem, each of which has become an accepted part of *mainstream economics*.
9. Its major representatives i.e. Carl Menger, Ludwig von Mises, Friedrich von Wieser, Eugen Böhm-Bawerk, and Friedrich Hayek dominated the Austrian economic thought.
10. The theory of *Marginalism* tries to explain the discrepancy in the value of goods and services by referring to their marginal, utility. Marginalists, led by Alfred Marshall, used the concept of marginal physical productivity for elaborating the costs. A great variety of economists concluded that there was some sort of inter-relationship between utility and rarity that effected economic decisions, and in turn informed the determination of prices.
11. The representatives of this school were Wilhelm Roscher, Bruno Hildebrand, Gustav von Schmoller, Etienne Laspeyres, Karl Bücher, Adolph Wagner, Georg Friedrich Knapp, Werner Sombart, and Max Weber.
12. *Neoclassical economics* is an approach to economics that relates supply and demand to an individual's rationality and his ability to maximize utility or profit. Neoclassical economics also uses mathematical equations to study various aspects of the economy. Based on the works by William Stanley Jevons, Carl Menger and Léon Walras, this approach developed in the 19^{th} century and became popular in the early 20^{th} century.
13. *Cambridge School* refers to the intellectual approach in economics that prevailed throughout the period spanning from the early days of the 20^{th} century to the 1970s, in Cambridge (UK), when Cambridge enjoyed an international prestige as one of the leading centres of scientific investigation in economics. It's teachings, came to limelight when Marshall first introduced the *tripos* degree in economics in 1903, and created a community of disciples that kept his teachings alive well after his death. He set the

mission for economics and a group of scholars (C. W. Guillebaud, H. D. Henderson, F. Lavington, G. F. Shove, D. H. Robertson, M. H. Dobb, and Edward. A. E. G. Robinson) all being the faculty of Economics and Politics. Until Keynes's death, the list included R. F. Harrod, R. F. Kahn, N. Kaldor, M. Kalecki, J. E. Meade, J. Robinson, P. Sraffa and R. N. Stone.

14. By now, for their original contribution to economic science, some 80 people have won (with many other honours and prizes) the Nobel Prize in Economics.
15. Collection of his works in economics is available in 3 volumes of his *Papers Relating to Political Economy*, published in 1925.
16. Bodin, Jean, (1951), Oeu*vres philosophiques de Jean Bodin*, (Ed. and Tr. by Pierre Mesnard), Paris: PUF.
17. The oldest recognized written work in the field of economics is *Oeconomicus*, a book on farming and household management, written by the Greek philosopher Xenophon (430-355 B.C.). Despite the Greek origins of the term, economics was not an important field of study for the ancient Greeks, who, despite occasional references to economic matters, were more interested in philosophy and ethics.
18. Let us remind that Marshall and Keynes, both were equally sceptical of its overuse. In a letter to A. R. Bowley, Marshall writes: 'I had a growing feeling in the later years of my work at the subject that a good mathematical theorem dealing with economic hypotheses was very unlikely to be good economics: and I want more and mire on the rules – (1) Use mathematics as a shorthand language, rather than as an engine of inquiry. (2) Keep to them until you are done. (3) Translate into English. (4) Then illustrate by examples what are important in real life. (5) Burn the mathematics. (6) If you can't succeed in (4) burn (3). This last I did often', (Quoted in Pigou, A. C., (1966), *Memorials to Alfred Marshall*, London: Kelly, p. 427). Similarly, J. M. Keynes adds that '… symbolic pseudo-mathematical methods of formalising a system of economic analysis … allows the author to lose sight of the complexities and interdependencies of the real world in a maze of pretentious and unhelpful symbols', (Keynes, J. M., (1936), *General Theory*, London: Macmillan, pp. 297-298).
19. It has been argued that at the end of the 19th century, with the so-called *marginal revolution*, launched by Walras, Cournot, Jevons, Pigou, Edgeworth and some others intending to make the Science more precise like physics, and raise its status increasingly used mathematics in Economics. The social and political environment, real problems and events attracted only minor attention of the economists. Public policy matters came to dominate the scene. Thus, particularly after 1950s, specific issues dominated the study of economics.

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