

From Political Economy to Economics and Back Again?



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1 Introduction

Once upon a time there was a field of study called “political economy”. Many books on what has been called the economy were written in the field, and a fair number had the term in their title. However, by the end of the nineteenth century the term started to go out of fashion, and the study of the economy increasingly came to be called economics, which is still the overwhelmingly popular term. However, the use of the term political economy has increased in the last several decades, although it means different things to different people. The purpose of this paper is to review the history of this shift, what was and is meant by the terms political economy and economics, and the reasons for the change in the name and nature of the field, with a view to examining whether a return to the term political economy instead of economics is desirable. It will be argued that a return to the name political economy from economics and a return to what political economy tried to do before the change in name is desirable not only for a better understanding of the economy, but also for the well-being of people, especially those who have been excluded and marginalized.

The rest of this paper proceeds as follows. Section 2 describes the change in the name from political economy to economics. Section 3 discusses the revival of the use of the name political economy in the last few decades. Section 4 examines different views on what political economy means and what distinguishes the term

Since Anup Sinha (or Anupda) was, for me, an early influence pushing me to value both the rigorous analysis of the economy and the importance of political economy, I am very pleased to contribute this paper in a book put together in his honor.

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from economics. Section 5 provides a brief history of thinking on the economy with a view to providing a broader view on how the field changed *pari passu* with the change in its name. Section 6 analyzes some problems with what economics has become by distinguishing itself from political economy, and Sect. 7 explores possible reasons for the change in both name and content of the discipline. Section 8 ties the argument of the different sections of the paper to make the case for a return to political economy.

Before proceeding further we should clarify the meaning of three terms that will be used in this paper (one of which has already been used), that is, the economy, the polity and society. All three will be used in two related senses, one referring to a system and the other to some aspects of human actions or behavior. First, in the sense of systems, following Samuelson's introductory text, the economy can be defined as a system which answers the following questions about the production of goods and services: what, how and for whom, that is, what is produced, how it is produced, and who gets the goods and services produced.¹ In the sense of behavior, the economy can be considered to be a site in which people take actions that are "most closely connected with the attainment and with the use of the material requisites of well-being" (Marshall 1890), involving production, consumption, work, purchase and sale, saving, investing (that is, installing new capital goods), and holding assets such as financial assets. Second, the polity is a system by which a society as a whole is governed and which guides the processes by which the government is selected and affected by people and groups, and the site in which activities of the state and its components is conducted, and in which the activities of people and groups in selecting and influencing the state are conducted (such as governing, providing collective goods and services, interacting with other states internationally, voting, rebelling, and working for political parties and campaigns). Third, society is a system in the context of which people and groups identify themselves, act, and interact with each other. A broad definition of society includes the economy and the polity, but in a narrow sense it can be taken to refer to those elements of the system and those activities that are not typically included in the economy and the polity; we will use the term to refer to both senses. These definitions are often identified with the disciplines of economics, politics and sociology and, indeed, the definitions have been compiled from some standard definitions of these subjects, such as "economics is the study of the economy or economic behavior." However, as we shall see, we will make no such identification and, to the contrary, have reason to question it, especially in Sect. 6.

2 Use of the Terms Political Economy and Economics

The term political economy is derived from the Greek words οἰκονομία (oikonomia) or household management and *polis* (polis) or city-state, and literally means city-

¹See, for instance, pg. 10 of the 1998 16th edition of Samuelson (1948), coauthored by Paul Samuelson and William Nordhaus.

state management.² The term seems to have first appeared in the title of a book by Montchretien (1615), although it was used earlier by Louis de Mayerne-Turquet in 1611 in the context of discussing the duties, including those involving what can be called economic matters, of the sovereign power toward the citizens of the state it ruled (see King 1948). In Italy, Verri (1763) used the term *Economia politica* to refer to the production and distribution of wealth in the context of the management of a nation's resources. In the English-speaking world the term was first used in the title of Sir James Steuart's *Principles of Political Oeconomy*, which states "What oeconomy is in a family political oeconomy is in a state" (Steuart 1767, 2). Though Smith (1776) did not use it in the title of *The Wealth of Nations*, he made it clear that what he was addressing was the subject of political economy, which he describes in Book IV as "a branch of the science of a statesman or legislator .. [which has] ... two distinct objects; first, to provide a plentiful revenue or subsistence for the people, or, more properly, to enable them to provide such a revenue or subsistence for themselves; and, secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign" (Smith 1776: 678–9). After Smith, the major British classical economists, including Ricardo (1817), Malthus (1820), and Mill (1844) all used the term political economy in the titles of their major works on the economy.

The shift to the term economics was first prominently made by Alfred Marshall, initially in his book *Economics of Industry* coauthored with his wife (Marshall and Marshall 1879) and then in his *Principles of Economics* (Marshall 1890) although the term appeared slightly earlier in books by Sturtevant (1877) and MacLeod (1878). Marshall and Marshall (1879: 2) explained that they preferred drop the term "political economy" because "political interests generally mean the interest of some part or parts of the nation," referring to political narrowly to factional interests and excluding the interests of a nation. However, when it comes to defining economics in the *Principles*, Marshall (1890, 1) does not distinguish between political economy and economics, writing that "Political Economy or Economics is a study of mankind in the ordinary business of life...". Groenwegen (1985, 748) argues that the Marshalls replaced political economy by economics in the first book because they did not want uncorrected inferences to be drawn regarding "the labour question" and the movement of the working classes, since he rejected what he thought were radical political solutions, supporting, rather the extension of educational opportunities. The name also fit in with Marshalls's focus on the scientific nature of the subject. What is surprising therefore, is Marshall (1890) treating the two terms synonymously, and Groenwegen (1985) explains it in terms of his desire to enhance the study of economics at Cambridge by emphasizing its long pedigree as political economy.

Although Menger (1871) was translated in the 1950s as *Principles of Economics*, the name he used for the science was *Volkswirtschaftslehre* which is literally translated as the "study of national household management." Jevons's (1871) *Theory of Political Economy* retained the title in later editions, but in the second edition he explained, regarding "the substitution for the name Political Economy of the single

²The following discussion draws heavily on Arndt (1984a, b) and Groenwegen (1985, 1987).

convenient term *Economics*” that “it would be well to discard, as quickly as possible, the old troublesome double-worded name of our Science. Several authors have tried to introduce totally new names, such as Plutology, Chrematistics, Catallactics. But why do we need anything better than Economics? This term, besides being more familiar and closely related to the old term, is perfectly analogous in form to *Mathematics*, *Ethics*, *Æsthetics*, and the names of various other branches of knowledge, and it has moreover the [xiv] authority of usage from the time of Aristotle. Mr. Macleod is, so far as I know, the re-introducer of the name in recent years, but it appears to have been adopted also by Mr. Alfred Marshall at Cambridge. It is thus to be hoped that *Economics* will become the recognised name of a science ... Though employing the new name in the text, it was obviously undesirable to alter the title-page of the book.” (Jevons 1879, xiii–xiv). Leon Walras’s 1874 original French version of his classis work was entitled *Éléments d’économie politique pure*, but Jaffe’s English translation made it *Elements of Pure Economics* (see Walras, 1954).

Knut Wicksell (1901–6), stated that while “political economy” was appropriate for the mercantilists, for whom the state’s duty was seen as influencing the affairs of individuals, it became less so with the advent of Physiocracy and the rise of the doctrine of *laissez-faire*. He, nevertheless retained the old term by naming his book *Lectures in Political Economy*, because “in accordance with the modern outlook, the subject matter of political economy is becoming more and more the doctrine of economic phenomena in their interrelations, seen *as a whole*” (p. 1), and “As soon as we begin seriously to regard economic phenomena *as a whole* and to seek for the conditions of the welfare of the whole, consideration of the interests of the proletariat must emerge; and from thence to the proclamation of equal rights for all is only a short step. The very concept of political economy, therefore, or the existence of the science with such a name, implies, strictly speaking, a thoroughly revolutionary programme” (p. 41). Groenwegen (1985) points out that Wicksell was hardly an exception in retaining the old name, mentioning Sidgwick (1883) with subsequent editions in 1887 and 1901, Wicksteed who has been referred to as the purist of the marginalist school, published *The Common Sense of Political Economy*, and Edgeworth (1925), who was closely associated with Marshall, published his collected essays with the name *Papers Relating to Political Economy*. Even Pareto, the most famous Italian Walrasian, published his 1897–98 text under the title *Cours d’économie politique* and his second text in 1907 as *Manuale d’economia politica*. All these works are devoted to pure economic theory in a narrow sense.

Eventually, however, the term political economy was replaced by the term economics following the lead of Marshall and others, and the hopes of Jevons. In fact, as we shall see in Sect. 4, economics came to be distinguished from something *different*, called political economy. Schumpeter (1954, p. 36–43) distinguishes “economic analysis” interpreted as value-free science (and in which it is possible to gauge whether or not there has been scientific progress) from “systems of political economy” interpreted as “a comprehensive set of policies” based on “certain unifying (normative) principles such as the principles of economic liberalism, of socialism, and so on.” However, the term subsequently fell into disfavor and its use became rare. In the five years from 1953 to 1957, only three books were published in the

English-speaking world containing the term in its title (Whyne 1984: 1). Although a highly ranked and influential mainstream economics journal, *Journal of Political Economy*, which was founded in 1892, still carries the term in its name,³ mainstream (and even some heterodox) economics journals all have the term economics in their titles and introductory texts carry the same title. Even introductory texts that explicitly try to provide heterodox perspectives, such as Fusfeld (1972) and Robinson and Eatwell (1973) use the title economics.

3 The Revival of Political Economy

From the late 1960s, however, the term political economy experienced a revival. Staniland (1985: 1) writes that “a quick check of a university library catalog recently revealed some 117 books so titled, covering subjects as diverse as advertising, Appalachia, art, drug trafficking, East-West trade, human rights, independent Fiji, Turkish income distribution, Nasserism, the space program, indirect rule in Mysore, slavery, war, racism and Pondoland.” A number of journals appeared with the old name, including (with their founding year) *Review of Radical Political Economics* (1969), *History of Political Economy* (1969), *Review of Black Political Economy* (1970), *International Journal of Political Economy* (1971), *Review of African Political Economy* (1974), *Studies in Political Economy* (1979), *Contributions to Political Economy* (1982), *European Journal of Political Economy* (1985), *Review of Political Economy* (1989), *Review of International Political Economy* (1994) and *New Political Economy* (1996). A Google Scholar search of political economy yielded 3,030,000 results, as compared with 4,360,000 for economics, 3,850,000 for sociology, 2,740,000 for political science and 2,850,000 for politics. Even a number of textbooks and discussions of the subject, began to appear, such as Phelps (1985), although it did not go beyond a first edition unlike many introductory textbooks, Eaton (1966), Caporaso and Levine (1992) and Stillwell (2002).

After the revival of the term political economy, however, it did not mean the same thing to everyone. Two specific and well-known traditions of political economy are the Marxian and neoclassical ones, and another one refers to international or global issues.

Marxian political economy draws on Marx’s analysis of distribution, capital accumulation, technical change and crises, but also the role of social classes and the state and political struggle. In broad terms, dialectical materialism allows for a general examination of the reciprocal relation between the economic and social base and the political and ideological superstructure, which serves as a fruitful way of incorporating the economy, polity, and society, into a theory of social change. Narrow versions

³The Web site of the journal, however, provides no justification for the name and seems to describe it as an economics journal, stating “One of the oldest and most prestigious journals in economics, the *Journal of Political Economy* (*JPE*) has since 1892 presented significant research and scholarship in economic theory and practice”.

of Marxian political economy have sought to take what may be called a more fundamentalist view, in which exploitation and income distribution is seen to arise in the production process, and not in circulation, and in which the base determines the superstructure and not the other way around. Baran (1957) examined the problems of growth and development from a Marxist perspective in his *Political Economy of Growth*, adopting the political economy name because his study required an “understanding of the factors responsible for the size and utilization of the social surplus ... a problem not even approached in the realm of pure economics” (Baran 1957, 131).

Neoclassical political economy has sought to apply the economic theory of rational choice, in which individual economic agents maximized their utility in a self-interested manner, to the field of politics, among others. Various strands of this approach exist, their common feature being to use a particular approach to examining the world using the optimizing (or rational), self-interested agent, originally used in economics, to examine social issues, including the marriage, child-rearing, crime, and political issues, including policy formulation and implementation, the writing of laws and constitutions and legislative behavior. Different closely—related strands to this literature have been distinguished, including that of the Chicago school, following Gary Becker, which seeks to apply the rational choice approach to the study of non-market phenomena, the public choice school, following Downs and Buchanan, which focuses on political behavior and more eclectic neoclassical approaches involving, for instance, politometrics, that is, formal models and their statistical testing of political behavior (see Whynes 1984). There are also some similarities between these approaches and the Austrian approach which follows Hayek in focusing on the informational aspects of decentralized exchange and the neo-institutional approach pioneered by North (1991), which focuses, among other things, on transactions costs and how they are reduced by institutions in order to increase economic efficiency.

The term political economy has also been used widely in the study of international relations, in what has been called international political economy or global political economy. As recounted by Cohen (2008), this field combined the analysis of the state and markets, and the study of power and plenty, combining economic and political factors into international relations. The approach, however, is not unified, Cohen himself distinguishing between American and British international political economy, representing different approaches, such as neoclassical and heterodox, and different methods, formal and discursive. Further distinctions can be drawn between those who adopt a realist, liberal-institutionalist, and Marxian-radical approaches (including dependency and world-system ones) to international relations. The journal *Review of International Political Economy* reflects these different approaches much more than journals publishing on international political economy in the USA, such as *International Organization*, which is more aligned to Cohen’s American school.

Some writers, however, do interpret political economy in a broad sense, incorporating economics, politics and ethics and/or covering a broad range of economic approaches. Thus, for instance, Caporaso and Levine (1992) is described by the publisher as exploring “some of the more important frameworks for understanding the relation between politics and economics, including the classical, Marxian, Keynesian,

neoclassical, state-centered, power-centered, and justice-centered.” Stilwell (2002) is described as making “the complexities of contesting economic ideas—including classical political economy and Marxist economics and neoclassical economics and neo-liberalism—clear and accessible to students.” The *European Journal of Political Economy* and *New Political Economy* are also eclectic, although the former leans more toward neoclassical political economy and the latter to heterodox social science.

4 Economics Versus Political Economy

After the spread of the term “economics,” several leading economists attempted to distinguish between the new term and the old term, “political economy.” Several other attempts at distinguishing between the two emerged after the revival of political economy in more recent years.

First, an early approach to the difference drew on John Stuart Mill’s (1844), distinction between the “science” and the “art” of political economy where the former referred to a “body of truths which had ... acquired a collective denomination” which consists of a collection of truths about how a nation becomes rich and the latter to prescriptive and normative issues, a body of practical rules that say “Do this. Avoid that.” While Mill took both science and art to be included in political economy, later writers seem to identify the science with “economics” and the art with “political economy.” Thus, as noted earlier, Schumpeter (1954, pp. 36–43) distinguishes “economic analysis” interpreted as value-free science from “systems of political economy” interpreted as “a comprehensive set of policies based on certain unifying (normative) principles.” Lionel Robbins (1932) also seems to view economics as “as a system of theoretical and positive knowledge” (Fraser 1937, 30), when he defined economics as “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses” (Robbins 1932, p. 15), and reserves the term political economy for applied topics, including monopoly, protection, planning and government fiscal policy, which are subjects included in his essays on political economy (Robbins 1937). In his later work, Robbins returns to the same distinction, distinguishing between economics as a positive science (though not the same as the natural science, since it deals with rational actors, and although he seems to place welfare economics within it presumably while it does involve making value judgments, it concentrates on their implications) and political economy, which is “concerned with the assumptions of policy and the results following from them” (Robbins 1981, p. 8).

Second, Groenwegen (1987, 906) argues that the two terms, “political economy” and “economics,” “have both experienced changes in meaning. Nevertheless, they can still essentially be regarded as synonymous, a feature of this nomenclature reflecting an interesting characteristic of the science it describes. In its sometimes discontinuous development, economics and political economy has invariably experienced difficulties in discarding earlier views, and traces of old doctrine are intermingled

with the latest developments of the science.” Among more recent discussions of the distinction between economics and political economy, Arndt (1991, 115–6) sees political economists as being “committed fighters in one good cause or another” and having “at the back of their minds, some vision of a society which they would help to bring about.” Groenwegen (1992) disagrees, arguing that Marshall, who had a role in the shift from political economy to economics, had a clear vision of a good society, when for instance, he says that “Taking for granted that a more equal distribution of wealth is to be desired, how far would this justify changes in the institutions of property, or limitations of free enterprise when they would be likely to diminish the aggregate of wealth? In other words, how far should an increase in the income of the poorer classes and a diminution of their work be aimed at, even if it involve some lessening of national material wealth?” (Marshall 1961, 41–2). Clearly, Marshall seems to be raising important normative issues, although it is not clear that raising these questions makes him a committed fighter for a good cause. One may also note that Marshall’s analysis was broader in scope in emphasizing evolutionary changes in addition to equilibrium positions, and followed a less rigorous deductive approach than say Walras and Jevons and subsequent neoclassicals. However, Groenwegen seems to overstress the case of Marshall, given that he has worked extensively on Marshall. Moreover, changes in terms in title do not occur at a single point in time, since longer lags due to habit and inertia can be expected.

Third, Robert Gilpin, one of the founders of international political economy, defines political economy by distinguishing between economics and politics and by taking political economy to combine these two fields. Thus, Gilpin (1975: 43) defines political economy as “the reciprocal and dynamic interaction ... of the pursuit of wealth and the pursuit of power,” focusing on the *objective* of the activities of “economics” and “politics” either for individuals and groups in society, or of the analysis itself. Gilpin here follows a long tradition distinguishing the goals of power (a political one) and wealth (an economic one). Viner’s (1948) examination of the mercantilist writers in the seventeenth and eighteenth centuries in Europe suggests that they and the policymakers were driven by the goals of both “power” and “plenty” (of wealth), thereby having both the political goal of power and the economic goal of wealth. In this sense, by Gilpin’s definition, the mercantilists were involved in what is the object of study of political economy. In a later work, Gilpin (1987: 8) defines political economy in terms of the state and the market: “[t]he parallel existence and mutual interaction of the ‘state’ and ‘market’ in the modern world create ‘political economy’; without both state and market there would be no political economy.” He goes on to say that “[i]n the absence of the state, the price mechanism and market forces would determine the outcome of economic activities; this would be the pure world of the economist. In the absence of the market, the state or its equivalent would allocate economic resources; this would be the pure world of the political scientist.” Gilpin recognizes that there the state and the market as defined here do not exist in pure form and are seen as Weberian ideal types; that economic, political *and social* factors interact; and that the state and the market interact as the embodiment of politics and economics, since the state and its associated political processes affect the production and distribution of wealth, and markets and economic forces affect

the power and welfare of different actors and states. Gilpin is not alone in focusing on the state and the market. Strange's (1988) book on international political economy is entitled *States and markets*.

A fourth current view of political economy distinguishes it from economics in terms of taking a critical or heterodox perspective on the study of the economy. In this view economics is seen as being dominated by neoclassical economics which emerged from the marginalist economics of the 1870s, and with rigorous statistical analysis, that is, with econometric methods. While not necessarily eschewing formalism and econometric methods, political economists are seen as drawing inspiration from classical political economy, which focused on how economic surplus is generated in capitalist economies, how this surplus is distributed, how distribution feeds into accumulation and technical change, and the consequences of this for the economy. It is also related to other heterodox schools of economic thought, including Marxian and radical political economy, institutional economics, post-Keynesian and Kaleckian economics, feminist political economy, among others. These approaches emphasize the importance of power, and as such, incorporate broader political and social phenomena, and therefore often enter into what has been called broader political economy analysis which are analyzed by discursive and ideographic methods, rather than nomothetic ones that attempt to explain all phenomena in terms of law-like tendencies. Some heterodox scholars even go further and seem to reserve the term for their approach. Titles of publications such as *Review of Radical Political Economics* (although, according to its aims and scope, it is open to other heterodox approaches) and *Studies in Political Economy*, which take a Marxian-radical and socialist perspective, and *Contributions to Political Economy* takes a classical-Marxian perspective, adopt a subset of heterodox perspectives, while *Review of Political Economy* and *International Journal of Political Economy* take a more broadly heterodox perspective. However, institutionalist publications, like *Journal of Economic Issues*, the post-Keynesian one called *Journal of Post-Keynesian Economics*, and the general heterodox journal, *Cambridge Journal of Economics*, maintain the term "economics" in their title.

A final distinction between economics and political economy, coming from neo-classical political economy, can be considered to be both a narrowing and a broadening of mainstream economics. It is a broadening in the sense that the economic rational choice framework is extended to deal with political and social issues, as discussed earlier. However, it can also be seen as a narrowing in the sense that it is a branch of mainstream economics that is concerned with political behavior and institutions. This view is reflected by Weingast and Wittman (2006a) in their introduction to the *Oxford Handbook of Political Economy* which belongs to the series called *The Oxford Handbook of Political Science*, who view "political economy" .. [as] the methodology of economics applied to the analysis of political behavior and institutions. As such, it is not a single, unified approach, but a family of approaches ... tied together by a set of methodologies, typically associated with economics, but now part and parcel of political science itself. The unit of analysis is typically the individual. The individual is motivated to achieve goals (usually preference maximization but in evolutionary games, maximization of surviving offspring), the theory based in

mathematics (often game theoretic), and the empirics either use sophisticated statistical techniques or involve experiments where money is used as a motivating force in the experiment” (pp. 3–4). They view that this definition to be a “grand (if imperfect) synthesis of ... various strands” (p. 3), including the meaning attached to the term by Adam Smith and Karl Marx, and more recent research, an area of study which examines the interrelationship between economics and politics or, alternatively, as a methodological approach that uses economic methodology emphasizing individual rationality or the sociological approach where the level of analysis tends to be institutional rather than the individual.⁴

5 A Very Brief History of Political Economy and Economics

This section provides a very brief overview of the history of thought in political economy and economics. Since the subject matter is very large and nothing but a quick review can be offered in a section of a paper, this section will confine itself to selectively tracing the evolution of thought in this area with a view to examining how the subject narrowed in scope over time (see also Milonakis and Fine 2009 for more details on Western ideas).

We start with early thinking on the issue in Greece and India. For the Greek philosophers politics was the master discipline, the art of arts, which is concerned with the cure of souls or the pursuit of virtue through the proper organization of the polis (Campbell 1987). Economics was not seen as an autonomous inquiry but as being subordinated to the art of arts, interpreted as estate or household management which, according to Aristotle’s *Politics* of the fourth century BCE “attends more to men than to the acquisition of inanimate things, and to human excellence more than to the excellence of property which we call wealth” (1259b). Even earlier, Plato emphasized the importance of the division of labor and specialization and of exchange of goods and services for the proper organization of the polis, requiring citizens to do what they do best and only that (Lowry 1987). In the fourth and third centuries BCE in India, Kautilya’s *Arthashastra*, which has been translated as the “science of politics” by Kangle (see Kautilya 1965) and the “science of political economy” (Boesche 2002), but can be literally translated as “treatise on wealth,” provided guidance to the king for ruling a kingdom. This guidance involves political stratagem (for instance, how to deal with and even annihilate political enemies), government administration, and promoting the material well-being of subjects through economic policies (including,

⁴They argue that their definition includes institutions, politics and economics, and hence is a synthesis. They do not say how Smith (who, according to them, defined it as a science of managing a nation’s resources to generate wealth) and Marx (who, according to them, viewed it as the study of how ownership of the means of production influences historical processes), fit into this synthesis; perhaps they can be ignored because they are dated. Their definition seems closest to the economics methodology emphasizing individual rationality, narrowed to analyzing political behavior and institutions, and somewhat extended to include evolutionary games and the use of sophisticated statistical techniques (heaven forbid the use of unsophisticated techniques!) and experiments.

for instance, land redistribution). Kautilya argued that the king had to attend to the welfare of subjects as a matter of duty, but also because doing so increases his support among the people and government revenues required for governing the country (see, for instance, Trautmann 2012).

We jump several centuries to the mercantilists, who were active in Europe during the sixteenth to the eighteenth centuries. They emphasized the importance of increasing trade surpluses of states by policies restricting imports and promoting exports. In this, they were concerned both with power and plenty, since a trade surplus brings in precious metals that enable countries to finance their armed forces, especially their navies and increase their military power, and also increase the level of demand for domestic products, thereby increasing production and income.

Following the close relationship between the economy and the polity found in these earlier thinkers, Adam Smith is sometimes regarded as separating economics from religion and politics (see Minowitz 1993), and building an analytical system in which the laws of motion of the economy are examined by treating the economy as a separate entity, separate from the polity and society (see Walter 2011). It is claimed that Smith achieved this by seeing the individual as being self-interested in the sense of being interested in furthering his or her material conditions, and by prescribing that political forces through government policies be kept to a minimum to allow the invisible hand of the market to make the social product as high as possible based on individual self-interest. While there are strands in Smith's writings that support elements of this interpretation, it is in many respects an inaccurate exaggeration. He took the view that free markets driven by individual self-interest alone do not always benefit society, and favoured some amount of government intervention and restrictions on individual freedom (Kurz 2015). He acknowledged that the interests of merchants and manufacturers were opposed to those of the rest of society, since they had an inherent tendency to deceive and oppress others, and thus emphasized the need for sympathy toward others and not just self-interest. He also argued that growing specialization had its downside, making workers who were engaged in repetitive tasks ignorant and dissatisfied. To counter this, he recommended the expansion of education financed by the government.

Ricardo is seen as pushing the separation of the economy from society and politics even further, and to see the functioning of the economy as a self-contained system in which the laws of production, accumulation and distribution can be seen as being dependant on the forces of diminishing returns in agriculture, the accumulation behavior of capitalists, and the law of population which, at least in the long run, determined wages. While in terms of his simple analytical structure, Ricardo's theory of wages was determined at subsistence by population dynamics, he argued that "[i]t is not to be understood that the natural price of labour, estimated even in food and necessaries, is absolutely constant. It varies at different time in the same country, and very materially differs in different countries. It essentially depends on the customs and habits of the people" (Ricardo 1817, 96–7). Distribution, thus, depends on social and political factors, and approach which was developed later by Marx.

John Stuart Mill stated that "The laws and conditions of the Production of wealth partake of the character of physical truths. There is nothing optional or arbitrary

in them. ... It is not so with the Distribution of wealth. That is a matter of human institution solely" (1848, p. 199). He argued that "[i]n so far as the economical condition of nations turns upon the state of physical knowledge, it is a subject for the physical sciences, and the arts founded on them. But in so far as the causes are moral or psychological, dependent on institutions and social relations, or on the principles of human nature, their investigation belongs not to physical, but to moral and social science, and is the object of what is called Political Economy" (Mill 1844, 21; see also Smith 1985).

In Marx's analysis of the economic dynamics, the interaction between economic, political and social factors is made explicit in his method of dialectical materialism. The base of his system refers to the forces and social relations of production, and the superstructure contains its culture, political power structures, laws, social norms, and the state, and although the base is the starting point of his analysis, changes in the base affect elements in the superstructure and they, in turn, affect elements in the base, including technology and the nature of conflict between classes, in a reciprocal way. Marx's economic analysis of capitalism examines how production and income are distributed between capitalists—who own the means of production—and workers who work in capitalist enterprises with a wage at a low level due to the existence of a reserve army of the unemployed, but which is affected by political and social factors, what Marx described as moral and historical forces. Capitalist income in the form of profits is largely saved and invested, leading to capital accumulation and the expansion of output and employment. This expansion has resulted in enormous growth of production, and the success of capitalism led to a particular type of state, education and law, which tended to keep capitalist power in place. However, capitalism was prone to crises, for instance, due to mechanization, which was likely to lead to a falling rate of profit. This contradiction within capitalism, according to Marx, was likely to result in social and political struggle which spelt the death knell of capitalism and the emergence of socialism.

While Marx went in one direction, the marginalists, Leon Walras, Stanley Jevons and Carl Menger, among others, went in another. For instance, Walras's (1874) book created a self-contained economic general equilibrium system with supply and demand functions for different commodities and markets, the latter being derived from the utility obtained by individuals, without reference to the morality or immorality of doing so. The marginalists also developed the marginal product theory of distribution, in which profit maximizing, perfectly competitive firms demand factors of production, and in which factor prices clear markets with each factor price being equal to its value of marginal product. Given individual endowments, technological conditions that determine the marginal product relations, determine distribution. The separation of economics from political and social factors was complete, although some, like Marshall, were somewhat recalcitrant on this issue.

But subsequent mainstream or neoclassical economics went further in the direction of separateness. The notion of economics as the subject that examines how scarce resources are allocated to satisfy human wants can be, and sometimes is, examined for one person, sometimes called Robinson Crusoe (with Friday usually forgotten), who does not even live in society, but solves the economic problem. When

many individuals exist, and engage in production activity, they do so in firms that only involve technological relations but no social relations, and when they trade they do so in market exchange not requiring political and social involvement. Atomistic agents have no power, and conditions of power do not enter this economic analysis. When power enters at all, it does so in terms of market power, in which monopolists, oligopolists and monopolistic competitors have some market power, and can set prices given consumer demand conditions and cost considerations.

These views of the economy are reflected in the definitions of economics that are widely used in textbooks and other works. Many such definitions follow Lionel Robbins (1932, p. 15) who, as noted earlier, defined economics as “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.” As Backhouse and Medema (2009) document, variants of this definition came to be used in many textbooks although it was a tortuous path. For instance, Stigler (1942: 12) defined economics as “the study of the principles governing the allocation of scarce means among competing ends when the objective of the allocation is to maximize the attainment of the ends,” and McConnell (1969: 23) stated that “Recalling that wants are unlimited and resources are scarce, economics can be defined as the social science concerned with the problem of using or administering scarce resources (the means of producing) so as to attain the greatest or maximum fulfillment of society’s unlimited wants.” This practice continues even today. For instance, Mankiw and Taylor (2011: 2) define it as “the study of how society manages its scarce resources.”

The definition was met with criticisms from various quarters. Quite early on Knight (1951, 6) argued that the Robbins definition neglected the “liberal” view of life, and the system of “capitalism,” since scarce resources can be allocated to meet ends by a single individual—hence the Robinson Crusoe analogy—and by a command economy with central planning, as Samuelson’s textbook noted explicitly. As Groenwegen (1987) notes, the definition also was irreconcilable with Keynes’s theory of unemployment, since in it, labor was not a scarce resource. Moreover, the definition does not, at least directly, address the issue of the distribution of income and wealth.

Not all definitions follow it, however. In the text which popularized the term economics in 1890, Marshall defined economics (and political economy) as “a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of material requisites of well-being. Thus it is on the one side a study of wealth and on the other and more important side, a part of the study of man” (Marshall 1890, 1). Marshall did not specify exactly what he meant by the “ordinary business of life,” but from other parts of the book, it is clear that he refers to “consumption and production, the distribution and exchange of wealth; ... wholesale and retail dealing; foreign trade, and the relations between employers and the employed...” (Marshall 1890, 33).

Textbooks do not invariably use the Robbins definition. Paul Samuelson in his extremely popular introductory economics text (Samuelson 1948) which has gone into 19 editions at the time of this writing, As mentioned earlier, he defines the eco-

conomic system as one which answers the following questions about the production of goods and services: what, how and for whom. However, Samuelson's later editions, coauthored with William Nordhaus, defines economics as "the study of how societies use scarce resources to produce valuable goods and services and distribute them among different individuals" Samuelson and Nordhaus 2010: 4), although still maintaining the what, how and for whom questions (Samuelson and Nordhaus 2010: 7–8). Krugman and Wells (2009: 2) define it as "the social science that studies the production, distribution, and consumption of goods and services," in the introductory chapter called "the ordinary business of life" harking back to Marshall (1890).

The problems mentioned about the wants-scarcity definition of economics, however, have not affected the way the economy and economics are represented in textbooks. The basic tool used is the market demand–supply model, also returning to Marshall's (1890, 290) twin blades of the scissors, representing demand and supply. Thus, the economy is seen as a decentralized market economy which allocates scarce resources using the price mechanism, which provides signals to economic agents and rations goods and services among buyers. The distribution of income is determined in this world with endowments and factor prices according to what has been called marginal productivity theory. This is initially interpreted in terms of perfect markets with perfect competition (without which, strictly speaking textbook supply curves do not exist), but then monopolies, monopolistic competition and oligopolies are introduced using the profit maximizing framework, and market failures due to things such as asymmetric information, externalities and public goods. Initially the scarcity definition with full utilization of resources did not fit well with the macroeconomics portion of textbooks, which generally showed how income and output are determined not with supply and demand curves but using the income expenditure or diagonal cross model. However, through time, even macroeconomics came to be presented in terms of aggregate demand and aggregate supply curves, by analogy with market demand and supply curves, and unemployment, if it is seen to exist (as it is not in classical, new classical and real business cycle approaches), is explained by wage–price rigidity, despite the problems often associated with this tool (see Dutt 2002).

After the advent of marginalist economics, neoclassical economics (which organizes thinking on the basis of the optimizing individual or organization) steadily came to dominate economics, and became mainstream economics (although the latter also includes those who use sophisticated econometric methods). However, there were other schools of thought that resisted this trend at different times. The historical approach had a strong presence in the German region before the rise of marginalism and continued to hold some sway, taking a broader view of the economy. In the USA, institutionalist economists such as Thorstein Veblen and John Commons resisted the deductive and narrow approach, emphasizing the importance of shared social habits of the mind and laws that regulate behavior. In India Ranade (1898) also stressed institutional issues such as property rights in land and social norms that militate against entrepreneurship, in addition to the policies of the colonial government that perpetuated poverty. And the followers of Marx, including those who examined the issue of imperialism, took into account the interaction of economic, political and social factors. The economics of aggregate demand as developed by Keynes (1936),

who focused on how decision-making under uncertainty involved social and other institutional factors, and Kalecki (1971), who emphasized market and class power in determining distribution and the power of capitalists in preventing the pursuit of full employment polices by the state also provided a major alternative.

As noted earlier, there are some notable examples of neoclassical economists who use the individual optimizing framework to broaden their interests and go beyond the boundaries of economics, narrowly defined. Some of them extend the rational choice framework beyond economics, to political and social spheres. Although these can be seen as bringing together the study of the economy, polity and society, they can also be seen as narrowing the scope of what is brought into the study of politics and society by taking self-interest to be the only motivator and extending the market metaphor. Some of them have to do with bring in transaction costs and the analysis of institutions, establishing the rules of the game in terms of “good” institutions that strengthen property rights and make markets operate with less frictions and more flexibility, continuing to promote free market economics. Although this kind of economics as a prescriptive approach does not follow logically from the examination of markets with optimizing behavior—witness the many examples of market failure that result in inefficiency and the importance that may be attached to goals other than efficiency—but the tendency from self-seeking individuals to overcome a few market failures such as externalities by virtue of the Coase theorem and the ingenuity of people, and to argue against issues of fairness either by excluding value judgements in the name of science or, alternatively, the dismissal of inequality as a form of injustice by relating it to the morally problematic notion of envy—has had the effect of establishing a connection between neoclassical economics and the support for relatively free markets. Finally, behavioral economists, who have now entered mainstream economics, have questioned whether individuals act “rationally” and in a self-interested manner and have opened up room for social norms and state intervention to nudge people to improve their well-being (Thaler 2015). However, by still maintaining an individualistic approach, where individuals can improve their situation by learning how to overcome their biases (Tversky and Kahneman 1981), and to the extent that these biases can be “explained” by adding constraints to the optimizing approach (see, for instance, Rabin 2013), it is unclear how this approach will actually broaden economics.

The broad conclusion of this section is that from its early beginnings when the economy was studied with politics, society and ethics, there has been a significant narrowing of how the economy has been studied, reaching its zenith (or, perhaps, its nadir) with the rise to dominance of neoclassical economics. This narrowing has not gone uncontested by heterodox scholars, recently even within the mainstream of economics. However, it is not clear whether this has really been a broadening of mainstream economists, and how deep that broadening is.

6 The Problem with Specialization

The narrowing of economics that makes it focus only on the economy is problematic for at least three considerations (and the same can be said for other disciplines, for instance, politics and its focus on the polity). To examine them, we may refer to economics—following our earlier discussion—as being the study of activities such as producing, consuming, buying, selling, investing and holding wealth or the study of the system—the economy—which decides on what is produced, how and for whom, and how this changes over time. Analogously, we may define politics as the study of governing, government policy making, voting for political leaders, and waging war involving state and other organizations, and the study of the system, including the state, in which collective decisions affect the entire society are made and of how collective decision-making bodies—such as the government—are selected; sociology can be described as the study of all social behavior and relations not covered by economics and politics, and how the society operates and changes.

The first consideration refers to the fact that phenomena and institutions in the economy interact with those in the polity and society (in a narrow sense) as defined in the introduction. Thus, the activities of buying and selling in markets (usually considered to be what happens in the economy) can have effects on social relations by weakening (if people involved in exchange see themselves as being antagonistic) or strengthening social ties (if coming together builds social bonds), and what happens in social relations—for instance, a decline in trust—can have an effect on how markets operate by adversely affecting whether contracts will be honored. Also, a decline in production and income in the economy can adversely affect government revenues and government expenditures on basic government services, reducing the political legitimacy of the state, and in turn, political unrest can increase uncertainty, reduce investment and income and production. These interactions, of course, are well-known, but they imply that not taking them into account by confining attention to only the “economy” results in incomplete and inadequate analyses.

The second, arguably more fundamental, consideration is that many—perhaps, most—concepts, organizations and behaviors cannot be considered to be strictly in the economy (or the political or social spheres), so that many aspects of the economy, society and polity are co-constituted, rather than simply interacting while being separate. Thus, markets have an economic dimension in which people and organizations buy and sell, a political dimension in which the state enforces law and order and regulates, and a social dimension in which individuals interact in ways beyond simply exchanging goods. Moreover, the state has an economic dimension as a producer and allocator of goods and services, a political dimension because it governs and exerts its power over society, and a social dimension in how people within the state and its elements interact with each other and with the rest of society. Consumption has an economic dimension in which people buy and use goods and services, a social dimension in which they consume in ways to convey meaning to others and which develops their own identity, and even a political dimension to express their support for political ideas and to influence political decisions. Production is not simply a

technical and economic activity, but a social one in which people possibly cooperate and build social communities, and even a site of political struggle between workers and capitalists.

It may be noted that the closed economic neoclassical system in which self-interested individual optimizing agents operate in self-organizing markets without taking into consideration “non-economic” aspects of society is problematic in its own terms. Why, if individuals optimize, why should they not seize other people’s property and violate contracts to gain at the expense of others? The simple neoclassical formulation ignores the problems of the enforcement of property rights and contracts. These problems raise the importance of social norms and trust (see, for instance, Greif 2006) which govern and shape the behavior of individuals and groups and prevent them from always resorting to theft and the violation of contracts, and laws, police and the judicial system, which create a room for the state and politics. These problems are sometimes addressed within what can broadly be called neoclassical economics using transaction cost and institutional analysis in which institutions try to reduce such costs, but do not take adequate account of different sources of power and how they affect institutions and behavior.

Finally, if social inquiry involves understanding society with a view to examining what—if anything—is wrong and what can be done to overcome them, and even to change society, there needs to be some idea of what is good, or is an improvement, for society, and therefore some notion of ethics. Even if the goal is simply to understand what is happening, the questions that are been asked and what is focused on implicitly rely on value judgments; as is increasingly being understood, as noted earlier. What is good for society involves various aspects of society (in a broader sense), as is obvious whether one takes a utility perspective (since utility can depend on individual consumption, the consumption of others, time spends with friends and family, and political structures and policies),⁵ a freedom and rights perspective (since these involve political, social and economic aspects, especially when what are called positive freedoms and rights are included), and a functionalities and capabilities perspective (since what is valued by individuals and groups involves not just material consumption but also social and political aspects of life). To focus on one dimension, for instance, the production and income approach and its fixation with economic issues, is to take an incomplete and misleading perspective (see, for instance, Sen 1991; Stiglitz et al. 2010). Without an understanding of different aspects of society (in a broad sense) it is clearly not possible to understand or to change society.

⁵See, for instance, for the influence of economic, social and political issues, as determinants of life satisfaction, subjective well-being or self-reported subjective happiness, a standard way of measuring utility, see Layard (2006) and Radcliff (2013).

7 Why the Shift from Political Economy to Economics?

If we accept the definition of political economy as the field of study which examines the interaction and the co-constitution of what are referred to as economic, political and social issues (among other related ones), we may try to examine why political economy gave way to the more specialized discipline of economics.

First, with the expansion of knowledge about the economy (and the same is true for other objects of inquiry), scholars cannot be knowledgeable about all the accumulated knowledge about it. They will therefore need to select some relevant area of knowledge and know it well, and thus be competent in an area, rather than having a superficial knowledge of many things. The argument here is that since one cannot be an expert on economics, politics, sociology, and ethics, among other things, it is beneficial for a person to specialize, and be an expert on some things rather than a dilettante in many. The result of this, at can be claimed, will not only be a deeper understanding of what is studied, but also improve the process of knowledge accumulation, since we have true experts creating this specialized knowledge and learning by doing from this process. If scholars need to learn about matters beyond their expertise, all they need to do is to learn it from scholars in these areas. Moreover, scholars in a particular field will also benefit from having greater interaction with other scholars in their field, to know their own field better.

However, as discussed in the previous section, it is not at all clear that specialization of the particular type that has taken place, that is, between economics, politics and society, and in subfields within them, actually improves the process of knowledge creation. The quality of knowledge creation on a particular issue in general requires knowledge input from within a particular discipline as well as knowledge from other disciplines, as well as the cross-fertilization of knowledge on different disciplines. If the actual pattern of specialization takes place haphazardly without an assessment of the effects of this specialization (which leads to the omission of knowledge from other disciplines and their cross-fertilization), there is no particular reason why knowledge creation on a particular issue, and therefore knowledge creation overall, will be improved by this pattern of specialization.⁶ While micro-motives may well exist for promoting specialization, the overall consequences of this may well be negative, if the co-constitution and interaction between economic, social, political and other concepts and issues is widespread. The problem may not be overcome simply by collaborating with people from other disciplines by forming “teams” especially

⁶It may be instructive to compare the process of division of labor and specialization in production and in society more generally, and specialization in the “production” of knowledge. Although the overall benefits of specialization have been extolled by early writers such as Plato (for the social division of labor) and Adam Smith (for the division of labor in the production of particular goods), there are many reasons to doubt that the benefits always exist, as recognized even by Smith (1776), who discusses the problem that workers who are engaged in repetitive tasks become ignorant and dissatisfied. The production of knowledge, moreover, is different from the production of goods and services, since the latter is concerned in large part with the quantity of production (for instance, increasing dexterity allows people to produce more, and increasing mechanization also raises productivity) while the former is concerned mainly with quality and not quantity.

if the interaction/constitution issues are underappreciated by those specializing in different disciplines, although it may be somewhat improved upon. The problem of needing to know far too many things may be overcome by choosing specialization on issues, such as inequality and consumption, rather than in established disciplines and sub-disciplines.

Second, there are sociological reasons why specialization according to fields takes place, reasons that are connected with the professionalization of fields. Marshall, who we noted, was the first to prominently use the term economics, is also considered to be a pioneer in the professionalization of economics (see Maloney 1985). Maloney focuses on three criteria of professionalization emphasized by sociologists: first, training in a specialized body of theory; second, an effective monopolization of a defined specialist function or functions; and third, observation of professional ethics maintained by colleagues' sanctions or force of opinion. Training in a specialized body requires establishing a well-defined curriculum of study that requires wide acceptance, and one that is likely to be hierarchical in nature, that is, there needs to be core knowledge that everyone in the profession needs to possess, and there may be fields of specialization that build up on the core. The core and specialization needs to be capable of being taught in the classroom although practical training and apprenticeships may be necessary in some, mainly practical, fields. Effective monopolization is obtained by limiting access to education, by making obtaining credentials difficult, by developing jargon and methods that are not widely understood, and by dismissing those who have not been properly "educated" as amateurs, mere journalists, and even charlatans. The creation and evolution of the content of the field according to which it is decided what is included in it and what is not, require leadership from people who have prestige, and who "produce" students and other followers who increase their power and control over the profession, and organizations, including academic departments, think tanks, journals and professional organizations, all with their own hierarchies. In turn, these leaders and organizations serve as arbiters of quality within the profession, as gatekeepers, and as preservers of professional standards and ethics (though regarding the latter there is relatively little; see DeMartino 2011).

Third, although there may be social pressures within the economics profession for specialization, what explains the specific pattern of specialization? When an academic profession effectively monopolizes a field of study, how does it select which aspects of study to monopolize? While there are no clear logical answers to this question, three related issues should be recognized, first, that the profession should make a strong case for why it can claim to be experts at the study of some things or ideas, second, that these claims are made in relation to claims made by other professions regarding their own turf and third, that they can keep other people, such as policy makers and journalists, outside. The most obvious way to specialize is by focusing on activities and aspects of society in which issues of the production of goods and services, and market exchanges are central, and to do so in ways that minimize influences outside these spheres, that is, making it self-contained, by holding them to be "given," or sometimes by totally ignoring them, as being outside their sphere of expertise, which can be left to other professions. The exclusion of others occurs,

of course, with professional training, and also by making the material relatively inaccessible to others, by using jargon and techniques that are difficult to understand, let alone master. Making acquiring knowledge sequentially—learning some things, and sequentially building on it—is the usual way of doing this. In some ways this is achieved by making disciplines more like mathematics or the natural sciences, adopting mathematical methods, and theories involving “first principles” and then building on them. In economics, the individual optimizer has served as a useful way of starting, as has the formalization of “pure” microeconomics and macroeconomics, and the study of econometrics. This formalization is also linked with keeping a narrow focus on “economic” issues, and emphasizing the importance of theory rather than policy issues, and deriving policies from theoretical constructs, all of which make it easier to leave out “non-economic” issues which may be more difficult to formalize mathematically because they involve complex phenomena, and because policy making involves complex issues well beyond narrow theoretical economics. All this is not done in a planned and coordinated way, but the result of many small actions by many scholars, though the writing of textbooks and journal articles, and by collective action by departments in universities and by professional organizations, serving to enforce quality and professional standards.

A skeletal view of some of the central features of mainstream economics can illustrate the nature of this specialization. Production of goods and services takes place in firms which have production functions which reflect given technology that convert inputs into output and sell them in perfectly competitive markets. Individual agents own inputs, including their labor, have given preferences over bundles of goods and services, and sell inputs and buy goods and services in perfectly competitive markets as price takers. Markets clear through price changes, and this system determines all (relative) prices, levels of production, and the incomes of all agents. It can be seen that in this skeletal system is self-contained and it is so because it leaves out of consideration aspects of society that involve things that can be studied in other disciplines. Thus, psychological and social issues are excluded by taking individuals as having given preferences which usually involve only goods and services they consume, or their incomes, without going into where the preferences come from and without introducing the effects of the consumption of others. Social and political issues are ignored by assuming markets exist, with private property rights and contracts are automatically enforced. Also, social and political issues in production and labor markets are ignored by making production depend on technological factors and making the labor market like any other market.

Of course there are countertendencies. First, some of the things that are ignored or exogenous in the skeletal construction can be brought in or endogenized at a later state. However, these extensions are path dependent, affected by the initial approach, since there is an effort to not change the approach too much so as to shake its very foundations. Second, phenomena that are not considered narrowly “economic” can be brought into the realm of analysis, like marriage, childbirth and politics. Economists, because of their so-called rational choice approach, and their sophisticated mathematical tools, have found it relatively easy to trespass into other disciplines. Third, other disciplines adopt the methods and approaches of economics,

blurring boundaries between disciplines based on these grounds. But this serves to enhance the prestige of economics.

Fourth, there are vested interests that support specialization in specific ways from outside the academy which influence how the scholars in the field view their own subject. The most obvious issue here is the attempt by those whose interests lie in “freeing” markets from what they consider undue political and social influences. Groups and classes in society that are engaged in business activities and who are in high income groups can see their interests lying in keeping government restrictions on behavior through regulations and direct competition in production activities, to a minimum, and to preventing redistributive government policies and social welfare policies from reducing their income. The market versus state debate can be seen in this light, with those who want to limit state activity in the economy arguing in favor of self-regulating markets through the mechanism of the invisible hand, without state intervention in markets. These same groups are also likely to see the encroachment of social factors that can possibly interfere with their market freedoms, through the influence of social norms and perhaps more importantly, through the actions of social groups, as a threat to their quest for increasing their income and power due to the existence of some types of social norms and social action. The tendency to change reality which separates the economy from the polity and from society, creating a separate social entity called the “economy” was discussed by Polanyi (1944) in terms of his analysis of the great transformation of societies that separated the economy from politics and society. This separation did not always reduce the role of the state in the economy, but in fact the state was used to forcibly separate the economy from politics and society.

How better to achieve their ends than by supporting a discipline which seeks to minimize or obliterate political and social issues, providing intellectual support for the world they want to create? This can be achieved by funding the research of scholars and groups of scholars who are willing to support this kind of separation in various ways, as by funding universities and research institutes and influencing the kind of teaching and research they do.

A few additional comments are necessary by way of clarification. First, the process is not planned collectively by some groups or classes, but results from a shared view—which may be called an ideology—which seems to match their individual and collective perceived interests. Second, the process is influenced by the ideas of dominant members of the economics profession, who may have views that are similar but possibly independent of the views of those outside the academy, not least to maintain their power and prestige, and given that they are reasonably rich. Third, this process is not always in the actual interests of the groups that may support it—for instance, some of business interests may well want the state to control the economy in which it will benefit them, by providing them with special privileges, or by making the economy do well to enable them to have more buoyant markets in which they can sell more. Although these ideas are often recognized by members of these groups, they are underplayed, both because they may not be able to benefit from an overall change in the discipline and may possibly be harmed by them, and except under exceptional circumstances (for instance, in a sharp downturn in income and

employment), support the approach and get what benefits they can in specific ways without challenging the status quo. Finally, the pressure to separate the economy from the polity did not always come in the same manner. While in more recent times, politics is separated in an attempt to free market participants from restrictions which may be set on market behavior by the state which, in many democracies, attempts to protect the economically weak, but who are large in number and may want to regulate economic activity, in earlier times, for instance, in the time of Adam Smith, the separation was wanted at least to some extent to prevent the state from being used by powerful merchants and business to increase their power, possibly against the general good. As noted earlier, Smith was quite aware that the interests of merchants and manufacturers were opposed to those of the rest of society, since they had an inherent tendency to deceive and oppress others.

8 Conclusion

This paper has been concerned with the change in the name of the study of the economy from political economy to economics, and has argued for the replacement of economics by political economy.

It has examined the meanings of the two terms, political economy and economics. Economics and political economy have been distinguished for being a science rather than an art. This distinction, in turn, has a number of implied, but not identical distinctions. There is, first a distinction between scientific (or systematic theoretical and empirical analysis) of how the economy is as opposed to policy prescription about what should be done. There is something to this distinction, since actual policy advice and policymaking needs more than theoretical analysis or even a study of the facts relating to the theory—it needs wisdom, experience and “feel” for the relevant areas of the economy. However, the view of political economy supported here does not concern this distinction and is not even the same as Mill’s distinction between science and art. Political economy in our sense needs to have systematic analysis based on theory and empirical knowledge, and this analysis can even lead to broad ideas about policies about what should be done. However, there also needs to be the art of political economy, since the systematic analysis will have to be coupled with wisdom and feel for particular contextual situations which can inform, but not replace, actual policymaking and advice. Second, there is the distinction between positive versus normative analysis, where the former involves the world as it is, whereas the latter involves making value judgments about what is ethically desirable. While there may positive and normative *questions*, the distinction between positive and normative *analysis* has been convincingly debunked in view of the fact that what is selected as being important for the analysis and how the analysis is formulated and expressed involves implicit value judgments, and also because purely “positive” conclusions cannot be definitively drawn on objective, scientific grounds because of epistemological issues concerning hypothesis testing (see, for instance, Dutt and Wilber (2013)). Thus, political economy analysis necessarily involves value judge-

ments and normative issues. Finally, there is a distinction between pure economics and applied economics or political economy, where there something that is “pure” in the sense of being abstract theory or uncontaminated by “reality” which can then be “applied” to particular areas of the economy, to specific contexts and to policymaking. Since theory in the sense of political economy necessarily takes into account important aspects of reality taking into account the purposes to which the theory is to be used, there is no distinction between pure and applied analysis except in the sense of “organizing principles” which provide general guides to analysis without being related to reality (and hence is necessarily incomplete as theory) and in the sense of practical local wisdom that cannot be systematically analyzed (as noted in the discussion of policymaking earlier).

Our chosen definition of political economy refers to the broadening of the analysis of the economy to factors that can be considered economic, social, political, psychological and ethical, among others. It does not advocate any particular approach to the study of political economy, but it opens up room for different approaches, including Marxian and radical, post-Keynesian, institutionalist, structuralist, feminist, ecological and other approaches (on this, see also Rothschild, 1989). In this sense political economy can be associated with heterodox approaches to economics. However, it also includes neoclassical approaches to broadening, although not in the form which systematically excludes other approaches and methods or which insists only on the application “economic” methods—whatever that may mean, to the study of political behavior and institutions. It does not see itself as being different from economics, and in this sense it can be seen as being another name for that field as interpreted by Groenwegen (1987), but it does see “economics” and “political economy” as being similar in content, and calls for significant change, which can be acknowledged by the return to the name “political economy”

The paper has argued the change in name did not coincide exactly with the change in the nature of the discipline, and the latter can be seen as a long drawn-out process of narrowing the scope of the study of the economy. This narrowing has created problems for the study of the economy because of the co-constitution and interrelations between the objects of study by the different disciplines and because of the fact that the well-being of people and societies depends on multiple factors that have been examined in different disciplines. Moreover, this narrowing has largely been the result of influences that have sought to promote the vested interests of powerful people and groups, often to the detriment of the general good of society and the relatively poor, excluded and marginalized. While political economy has witnessed a revival, it is often seen as being different from and sometimes a branch of economics. It is time to replace economics by political economy in name and, more importantly, in substance.

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