Economics and Other Disciplines

The Fallacy of Misplaced Concentrness in
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The Place of Economics

The failure of misplaced confidence in economics as an academic discipline

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that most of them are not coterminous with human existence in general. Adam Smith begins by contrasting the system he studies, that in which the division of labor is far advanced, with earlier forms of human society in which there was little division of labor. He knew that the industrial developments that interested him in England were virtually absent in Poland. Obviously what he studied were historically contingent phenomena. Furthermore, he was no mean historian.

The early economists theorized both as to how the industrial system arose and as to where it was heading. The classical economists saw a temporary phase of growth that must culminate in a new steady state economy. Hence, even when they discerned models and laws that were operative in the economic events of their time, they recognized that at some point in the future different models and laws would function. In short, they knew that the laws "governing" the economic system change as the system changes.

The evolutionary or historical character of the economy has never been denied or wholly ignored. Hegel and Marx gave it rich attention in the nineteenth century. Alfred Marshall, the founder of neoclassical economics, was highly sensitive to the historical character of the actual economy. Nevertheless, economists on the whole wanted economics to become increasingly scientific, and their idea of science was based on physics rather than on evolutionary biology. That meant that economics had to focus on formulating models and finding laws "governing" present economic behavior rather than seeking laws "governing" the changes of economic systems or asking about contingent historical matters. As a result, when useful models have been found and when hypotheses have proved successful, they are treated as analogous to the models and hypotheses of the physicist. Their limitation to particular historical conditions is neglected. Leon Walras, in his Elements of Pure Economics, undertook "to do for economics what Newton had done two centuries earlier for celestial mechanics" (1954; Maital 1982, p. 15). In the twentieth century, economics has followed Walras. Milton Friedman notes of economists that "we curtsy to Marshall, but we walk with Walras" (1949, p. 489).

The choice to follow physics in this way has proved partially successful. It has made economics by far the most theoretical and rigorous of the social sciences. It has allowed economics to guide and predict as no other social science has been able to do, at least during certain historical periods. But it has exacted its price by accentuating the problems that follow from having elected to be a science that abstracts from the deep changes in that which it studies. If it had followed Marshall (1925, p. 14), who claimed that "the Mecca of the economist lies in economic biology rather than in economic dynamics," it would have observed these changes and adapted to them. Having followed Walras, the observation of facts has been subordinated to the concerns of theories. Those facts not correlated to the theories have been largely ignored.

The decision to follow physics was the decision to mathematize. Mathematics can work only with what can be formalized. In economics, this has meant, in practice, what can be measured. Hence the aim of mathematization biases economics toward aspects of its subject matter that can be measured. In The Economics of Education, John Vaizey recognizes this with unusual candor: "I must confess to an instinctive conviction that what cannot be measured may not exist" (1962, p. 14). The "instinctive conviction" is more likely to be the result of socialization in the discipline, but in any case Vaizey's awareness of his bias led him to deal with nonquantifiable aspects of education. There have been others who have declined to do so. Prestige increasingly is associated with mathematical sophistication and less with what light may be thrown on what is actually going on.

Not all mathematicians have welcomed the mathematization of economics. Witness Norbert Weiner's biting comment: "Just as primitive peoples adopt the Western mode of denationalized clothing and of parliamentarism out of a vague feeling that these magic rites and vestments will at once put them abreast of modern culture and technique, so the economists have developed the habit of dressing up their rather imprecise ideas in the language of the infinitesimal calculus. . . . Any pretense of applying precise formulae is a sham and a waste of time" (Weiner 1964, p. 89).

Nor did earlier economists unanimously accept the mathematization of their discipline. Witness the challenge of J.E. Cairnes to the new mathematical methods championed by his friend Jevons: "So far as I can see, economic truths are not discoverable through the instrumentality of mathematics. If this view be unsound, there is at hand an easy means of refutation—the production of an economic truth, not before known, which has been thus arrived at; but I am not aware that up to the present any such evidence has been furnished of the efficacy of the mathematical method" (Cairnes 1875, p. vi).

A century later there are certainly some economic insights arrived at with the help of mathematics. For the most part, however, mathematics has simply been used to restate more rigorously economic truths ar-
The theory of academic disciplines

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Economics is an academic discipline. There are some economists who view the discipline as a field of study and research into the causes of economic phenomena, while others believe it to be a set of tools for solving economic problems. The discipline of economics is divided into two main branches: microeconomics, which deals with the behavior of individuals and businesses, and macroeconomics, which examines the behavior of an entire economy. Economists use various methods to study the economy, including mathematical models, statistical analysis, and empirical research. The discipline of economics is important for understanding the functioning of markets, and for developing policies that can promote economic growth and stability. It is also important for individuals and businesses to make informed decisions about how to allocate their resources.
The failure of misplaced confidence in economics

Economics as an Academic Discipline

The expression of expectations that the market economy has turned on

Wicksell's famous dictum, "The failure of expectations in economics is the "real" cause of economic fluctuations."

The Federal Reserve's policy of "forward guidance" is a response to the expectation of a potential slowdown in economic growth.

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Economics in Academic Discipline

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The focus on mathematics in place of empirical evidence is a crucial advancement in science. The field of economics is not just about numbers and equations; it's also about understanding how individuals and societies make decisions. The concept of rational choice assumes that people are logical and self-centered, and that they choose the option that maximizes their utility. However, this is not always the case in reality. People are influenced by a variety of factors, not just rationality.

In the theory of economics, the concept of rational choice is a cornerstone. The idea is that individuals and firms make decisions that maximize their utility or profit. However, this theory is based on a few assumptions that may not always hold true in real-world situations. For example, people are assumed to have complete information about the options available to them, which is often not the case.

One of the most significant problems with the theory of rational choice is that it does not account for the effects of institutions. Institutions are the rules and norms that govern economic behavior. They can have a significant impact on economic outcomes. For instance, the way a government regulates businesses or the way a society distributes resources can affect how people make decisions.

In summary, while the theory of rational choice is a powerful tool for understanding economic behavior, it is not without its limitations. Economists are continually refining their models to better reflect the complexity of real-world situations.
The Falling of Diplomatic Consciousness in Economics

Economics as an Academic Discipline

[The text continues with a discussion focused on the role of economic theory and its implications for the field of economics as an academic discipline.]
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danger is an aspect of the failure of misplaced consciousness.

[1923, p. 200]

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[1923, p. 200]

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The failure of misplaced consciousness in Economics

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