
GENESIS AND DEVELOPMENT OF ECONOMICS AS A SOCIAL SCIENCE

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Abstract: In the future this reader will be extended with a chapter on “Psychology for Economists”, and with analyses of the interactions between the operation of the three primary motivations or forces. The final goal is to offer a theoretical instrument by means of which we can observe and explain human behaviour. Like astronomers who need a telescope and chemists who need a microscope, so need economists and other social scientists a scope to observe what people are actually doing. Without such a theoretical instrument it is impossible to detect anything of value, making it also impossible to develop policies that must improve the situation.

Keywords: economic, human behaviour, value

1. INTRODUCTION

Within modern Western thought, three different types of science can be distinguished; natural science, life science and social science. Natural science studies physical and chemical processes. Life science studies chemical processes within living bodies and the behaviour of plants and animals. Social science analyses human behaviour, while taking the results of the other groups of sciences as a description and explanation of the human environment. When humans are insufficiently aware of their context, environmental problems including health problems are the result. This study focuses on social science, leaving this environmental context out of consideration.

Modern science is a reaction to the dominance of religious doctrines. In the first millennium after the birth of Christ, in Western Europe the Roman Catholic Church not only dominated the way people interpreted the world of the supernatural, it also dictated the way people had to interpret human society and the way they had to behave in the here and now. In Europe in the second millennium, social philosophers started to analyse society from a more **secular** point of view. Because human morality was considered to be the main difference between animals and humans, they were called **moral philosophers**. They created images of society that could function as paradigms for social scientific research programmes.⁹⁴ In this sense moral philosophy appeared to be fertile ground for the development of a flourishing social science.

In this text we will show which paradigms were developed in this respect. Developments in society in the eighteenth and nineteenth centuries stimulated the development of analysis of sectors of society, especially the economy. Classical political economy can be⁹⁵ seen as a reflection of the increasing significance of the upcoming bourgeoisie. Thereafter, we will show how neoclassical economics and classical sociology grew out of political economy, both intending to improve the scientific value of the analyses constructed so far.

2. MODERN MORAL PHILOSOPHY AS THE FOUNDATION OF SOCIAL SCIENCE

Thomas Hobbes was the first moral philosopher to analyse society in a secular way. He worried about the loss of orthodox Christian faith. According to him the Church was the institution par excellence to keep people's behaviour under control. Religion is the primary disciplining institution and secularisation meant that people would become rivalrous and jealous and inclined to struggle against each other constantly. The only answer to secularisation is the acceptance of a strict social hierarchy and a person with absolute power. Hobbes lived in the seventeenth century, a period of monarchs who wielded absolute power. Therefore his book *Leviathan* is considered as an apology for the status quo (Hobbes, 1651).

⁹⁴ A paradigm is a philosophical statement about the character of that part of reality that is subject to analysis. For instance: ‘humans are social beings’, or ‘humans are economic beings’, or ‘the world is characterised by the omnipresent phenomenon of scarcity’. This is a starting point of an analysis of a particular problem.

⁹⁵ See for a detailed treatment of Hobbes' work Achterhuis (1988).

John Locke was another famous philosopher.⁹⁶ He was more optimistic about the future than Hobbes and did not foresee huge social and political clashes. Firstly, he considered the moral ideas that were advocated by the Church as innate to human beings. Although losing faith in the existence of a personal god and in the reality of hell and heaven, people do not lose automatically their conscience. Moreover, a possible way to avoid outright violence between people is the exit option, which means that some people leave the arenas of conflict and migrate to other areas.

Jean-Jacques Rousseau was another famous philosopher. He lived in the eighteenth century and was not very optimistic about the future. In contrast to Hobbes, however, he did not advocate absolutism as a way out of the chaos that constantly threatens our society. Rousseau considered the inequality between the different classes as the main source of conflict. By being tied up in a straitjacket of roles that are determined by the prevailing class structure, people lose their original characteristics. The title of his principal book, *Retournons à la Nature* (1781), shows his main thesis: the true and harmonious human nature returns if we are able to establish societal structures that reflect the idea of human equality.⁹⁷

Of course there were more famous philosophers. But with hindsight we can say that each of the three philosophers just mentioned can be characterised as typical of a particular current of thought.⁹⁸

Hobbes then is the **conservative** who views man as a being that can only flourish within a strict hierarchical order, which is the natural order as in the world of animals. The capacities of people appear to be unevenly divided, which makes some people suited for being leaders and others for being followers. In the seventeenth and eighteenth centuries the philosophical debate was especially focused on the question of whether a democracy should be preferable to a monarchy. Conservatives were of the opinion that families who had shown excellent skills in defending and controlling a country must have the right genes and traditions to do this job. The elite has the responsibility to educate the masses and teach them the right values and norms of life. If necessary they are morally allowed to maintain law and order by coercion.

Locke is the **liberal** who views man as a being that always maintains a balance between care for his own self and empathy for the poor. On the basis of the first characteristic, he is inclined to avoid or even prevent severe social conflicts. An individual is supposed to search for the best opportunities of having a prosperous and peaceful life. So man must be left free to develop his capacities. On the basis of the second characteristic free people are expected to voluntarily transfer resources to the poor, preventing the emergence of sharp class divisions. When guaranteeing that every exchange is voluntary a country becomes prosperous.

Rousseau is the **socialist** who considers hierarchical structures as a bottleneck, restricting people from developing their true capacities. These hierarchical structures are not only found in the political field, but also within large firms and in markets when the large firms have out-competed the smaller ones.

In the **feudal society** of the medieval period, the main groups were the landlords, the peasants, the government and the Church. To an increasing extent they were challenged by the upcoming traders and manufacturers. The government apparatus was headed by monarchs and the landlords possessed the land, which was the most important economic resource. The peasants worked on the land and they were allowed to keep part of the produce. The landlords took the rest and sold it on the markets. Besides offering peasants the opportunity to earn a small living, the landlords were responsible for their safety. The maintenance of the Christian civilisation was the responsibility of the clergy – they had to morally persuade the nobility to materialise their responsibilities towards the peasants. Feudal society was hierarchically ordered and well regulated – by legislation as well as by customs. When the process of industrialisation had its principal take off, two new classes emerged: the bourgeoisie or capitalist class and the proletariat or working class. The traders and manufacturers increasingly resisted strict governmental regulation of their activities. The levying of import duties especially was a thorn in their flesh. These political conflicts triggered an ongoing debate between two groups or positions. On the one hand, there were those who considered protected trade not only as a typical landlord interest, but also as beneficial for society as a whole – **mercantilism**. On the other hand, there were those who considered free trade not only as a typical capitalist interest, but also as beneficial for society as a whole – **economic liberalism**.

⁹⁶ See: J.Locke, Essay concerning Human Understanding, 1691. He lived in a period when migration from Europe to America was becoming possible.

⁹⁷ See: J.J.Rousseau, *Retournons à la Nature*, 1755.

⁹⁸ A historical person's ideas and writings never perfectly reflect a particular ideal-type of thinking. As a matter of illustration, however, we can use the philosophers, as mentioned in the text, for our goal.

Adam Smith is the most famous defender of free trade. He was a moral philosopher who applied Lockean principles to the analysis of an economy. Free individuals tend to serve their own interests, but are also able to develop moral sentiments.⁹⁹ The first motivation dominates when buying and selling goods, capital and labour on the market. When the local community asks for charity, moral sentiment motivates people to contribute. While the first drive leads to a smooth functioning of markets, the second drive diminishes inequality and class conflict. After Smith, economists such as Ricardo, Malthus and Marx have made analyses of the functioning of the capitalist system as it operated during the eighteenth and nineteenth century in the Western world. We now call these economists **classical political economists**. The term classical suggests a link with the Greek and Roman secular and natural philosophy. The term political suggests that the analyses were primarily made to serve a political end: how to develop a system of production that creates prosperity for some or for all classes. Some economists were negative about the potential of a capitalist system to create lasting prosperity for all classes – Marx, for instance. Others were not optimistic about the future of capitalism as a vehicle towards any prosperity – Ricardo and Malthus, for instance. Smith, however, was optimistic about the results of a capitalist economy. He paid much attention to the necessary institutions that must make prosperity in a free market society possible.

The analyses of the classical political economists had a common definition of the situation: an economy is a game where capitalists, workers, landlords, peasants and government are the main players. In a capitalist economy the capitalists are the owners of the most important means of production. They take the decisions to invest in production capacity and they hire workers if needed and fire workers, if they are no longer needed. The landlords own the land and they rent the land to peasants as long as it is profitable. The government is responsible for law and order and therefore allowed to monopolise the right to use violence and to levy taxes.

These analyses aimed at an explanation of the level of production and the distribution of income over the different classes. The outcomes of the analyses of the various economists differ significantly, however.

3. CONCLUSION

Especially in the United States, some economists disagreed with the neoclassical philosophy. According to them, it makes no sense to search for laws that only hold in isolated worlds, but will never have any practical value. In physics only laws that operate in the empirical world play an important role. What oxygen atoms are doing in a world that only consists of oxygen atoms and what hydrogen atoms are doing in a world of hydrogen does not tell us anything about the functioning of water. Only studying the effects of water in different circumstances can tell us something about the characteristics of water. So with human behaviour: studying real-life situations alone makes sense.

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⁹⁹ Adam Smith, *The Theory of Moral Sentiments*, 1759. In this book Smith analyses the mechanism of voluntary transfers on the basis of sympathy. In a second book, *The Wealth of Nations* (1776), Smith analyses the mechanism of free exchange, which is the market mechanism.