

Preface

Avant Propos

A further reason for studying the history of economic thought was provided by Pareto in the lead article of the “*Giornale di Economisti*” of 1918 (Volume 28; pages 1–18) under the title “Experimental Economics”.¹ In as much as economic theories also have an extrinsic value, that is, they lead people to act as informed by the theory, such as in economic policy or public finance, the theory becomes a subject for economic investigation itself. The distinction between the intrinsic aspect and the extrinsic aspect of a theory is crucial for this argument. The intrinsic aspect of a theory refers to its logical consistence and, as such, has no further repercussions. As far as the intrinsic aspects are concerned, theoretical knowledge is actually cumulative. On the other hand, the extrinsic aspect of an economic theory will become a “derivation” (in Pareto’s terminology) in that it serves as the rationalization of human activity. In Pareto’s sociology, human action is determined by residues, innate traits that determine human behaviour, and derivations. Derivations are more or less logical theories or world views that guide people’s behaviour. To the extent that economic theory can also guide human behaviour, economic theory becomes a social fact or construct that is itself subject to economic analysis. As we experiment with different economic theories to guide economic policy in general and fiscal policy in particular, the history of economic thought can actually be practised as experimental economics in documenting the impact different economic theories have on economic behaviour. Of course, this experimental kind of history of economic thought becomes the more relevant the more similar the situations are in which different economic theories are applied.

¹The following account is based on Michael McLure, *The Paretian School and Italian Fiscal Sociology*. London, Palgrave 2007.

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