

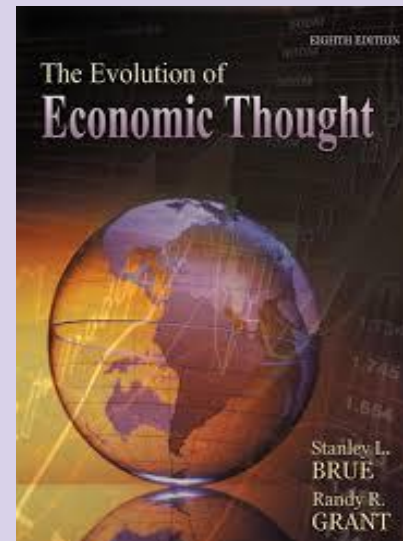
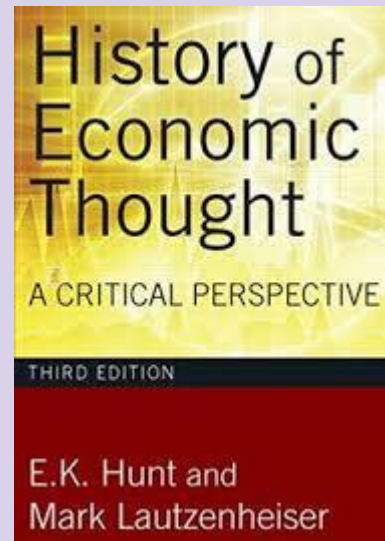
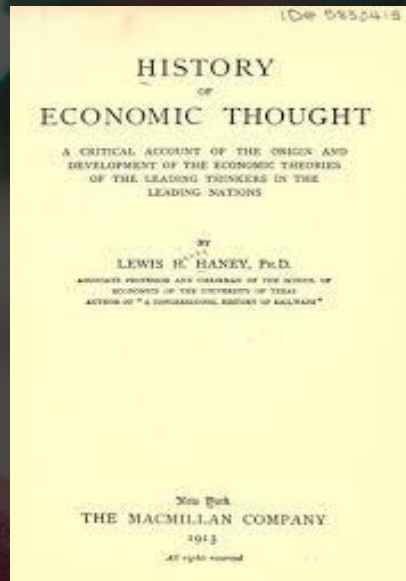


# History of Economic Thought

Course ECO 423

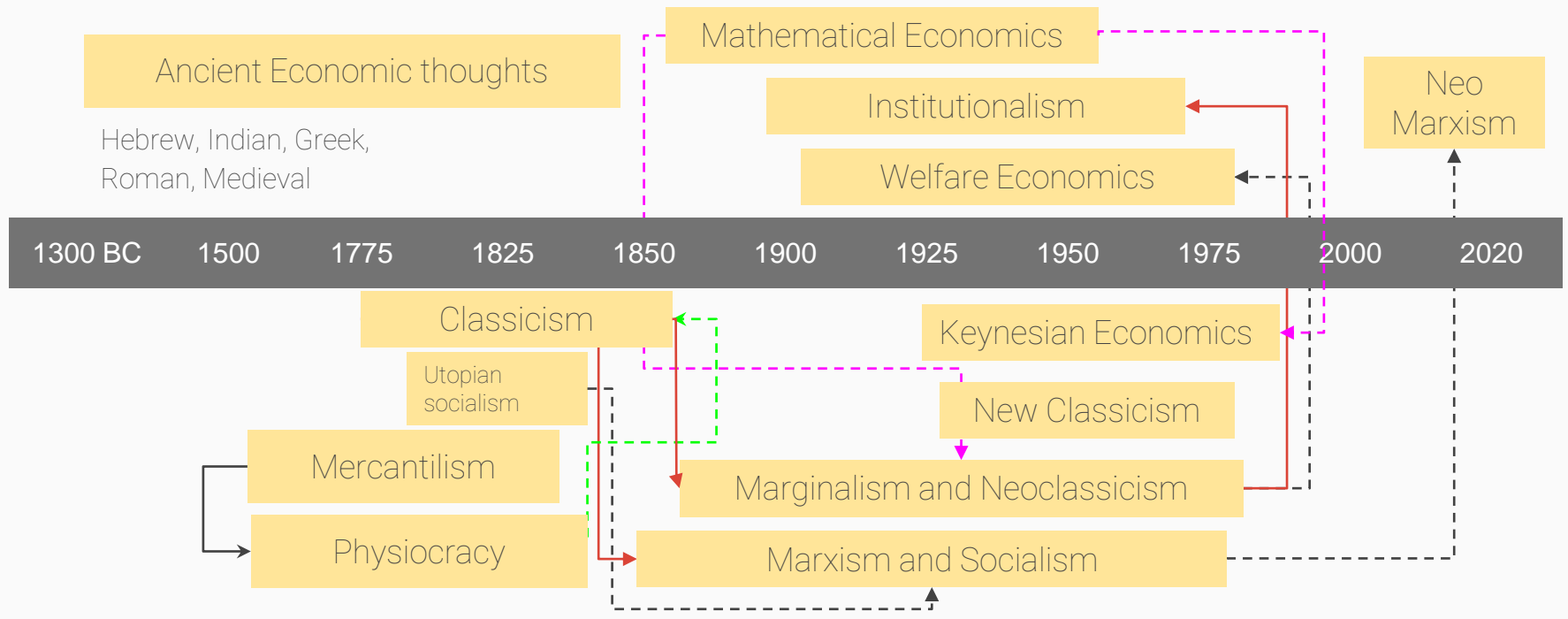
## Chapter 1: Ancient Economic Thought

# Books



# Evolution of thoughts

- > Schools friendly towards predecessors
- > Schools antagonistic towards predecessors



# Learning outcomes

- *Trace the origins of ancient economic thought and link with the subsequent schools of thought*
- *Understand the context and changing ideas in various schools of thought*
- *Evaluate the controversies between major schools of thought and contrasting theoretical approaches*

# Thinker's philosophy

## *Idealism versus Materialism*

- **Idealism** says **mind** → **matter**.
- **Materialism** says **matter** → **mind**.

Feature	Idealism	Materialism
<b>Core Belief</b>	Reality is fundamentally <b>mental, spiritual, or idea-based</b> .	Reality is fundamentally <b>physical, material, and objective</b> .
<b>What is most real?</b>	<b>Ideas, consciousness, mind, or spirit</b> .	<b>Matter, energy, and physical processes</b> .
<b>Mind vs. Matter</b>	<b>Mind</b> comes first — it may even create or shape matter.	<b>Matter</b> comes first — the mind arises from material processes.
<b>View of the Self</b>	The self is often a <b>soul, a thinking subject, or a participant in the realm of ideas</b> .	The self is a product of <b>the body, the brain, and social/material conditions</b> .
<b>Examples</b>	Plato, Berkeley, Kant, Hegel, some religious thought.	Democritus, Marx, Engels, modern science, neuroscience.
<b>Knowledge</b>	Knowledge comes from <b>reason, intuition, or spiritual insight</b> into eternal truths.	Knowledge comes from <b>experience, observation, and empirical data</b> .
<b>Politics (typically)</b>	Can support <b>top-down, idealist, or ethical</b> visions of society.	Often supports <b>materialist analysis</b> of power, economy, and class (e.g., Marxism).

# Methods

## *Deductive* *versus* *Inductive*

<b>Feature</b>	<b>Deductive Method</b>	<b>Inductive Method</b>
Direction	General → Specific	Specific → General
Basis	Assumptions & logic	Observations & data
Used by	Classical, Neoclassical economists	Historical School, Modern empirical economists
Example	Deriving laws of supply/demand	Studying inflation trends across countries
Strength	Logical clarity	Real-world grounding
Weakness	May be too abstract	May lack universal laws

# Why study history of economic thought

- **To enhance** one's understanding of contemporary economic thought
- **To enable** us to make fewer errors than in the past when making personal decisions and when formulating national and local economic policies
- **To attain** perspective and understanding of our past, of changing ideas and problems, and of our direction of movement

# Ancient Economic Thought



## Hebrew Economic Thought

1300–500 BCE

based on **Mosaic law**  
in Old Testament  
(Hebrew Bible)



## Indian Economic Thought

1500–600 BCE

based on **Vedas**



## Greek Economic Thought

400–300 BCE

Philosophical  
economic thought  
(**Plato, Aristotle**)



## Roman Economic Thought

450 BCE-476 AD

Roman Republic to  
Roman Empire  
(**Cicero, Seneca**)



## Middle Ages Economic Thought

400 - 1500

Christian Theology  
and Scholasticism  
(**St. Thomas Aquinas**)



# Hebrews and Indians

Aspect	Hebrew Economic Thought	Indian Economic Thought
<b>Foundational Belief</b>	<b>Theocentric:</b> God is the ultimate owner of all things. Humans are stewards.	<b>Dharma-centered:</b> Economy is a part of the cosmic order, guided by moral duty (dharma).
<b>Central Economic Focus</b>	<b>Agriculture and land management.</b> Land is sacred and family-owned.	<b>Agriculture, trade, and craftsmanship.</b> Emphasis on <b>sustainability</b> and <b>ethical trade</b> .
<b>Social Justice</b>	<b>Economic justice:</b> Laws protect the poor, widows, orphans, and foreigners.	<b>Economic justice:</b> Emphasis on fair wages and ethical practices, rooted in <b>the caste</b> system, which influenced labor roles.
<b>Wealth and Materialism</b>	<b>Wealth is not condemned</b> but should be used to honor God and serve community welfare. <b>Greed is condemned.</b>	<b>Wealth</b> is an essential pursuit but must be balanced with <b>dharma</b> (moral duty) and <b>moksha</b> (spiritual liberation).
<b>Debt and Credit</b>	<b>Debt forgiveness:</b> Sabbatical year (7th year) and Jubilee (50th year) reset debts and free slaves.	<b>Loans and interest</b> were regulated. Texts like <b>Arthashastra</b> discussed state regulation of debts and fair practices.

# Hebrews and Indians

Aspect	Hebrew Economic Thought	Indian Economic Thought
<b>Labor and Work</b>	<b>Work is honorable:</b> Emphasis on labor as a spiritual calling. Farmers and laborers are valued.	<b>Labor</b> is categorized by <b>varna</b> (caste) system, with certain groups designated for specific types of work (e.g., Brahmins, Kshatriyas, Vaishyas, Shudras).
<b>Trade and Commerce</b>	<b>Regulated trade</b> and <b>fair commerce.</b> Merchants must engage in honest business practices.	<b>Trade</b> was highly valued, especially through the <b>Silk Road</b> and sea routes. The state regulated weights and measures.
<b>Ethical Trade and Usury</b>	<b>Usury (charging interest on loans)</b> is prohibited. <b>Honesty</b> and <b>fairness</b> in business dealings are emphasized.	<b>Usury</b> (interest) is regulated in ancient texts like <b>Arthashastra</b> . Ethical trade is emphasized, and overcharging is discouraged.
<b>Role of the State</b>	<b>God as ruler;</b> the state acts as God's agent for justice and fairness, ensuring laws are followed.	<b>Centralized state control</b> as described in <b>Arthashastra</b> , where the state regulates trade, agriculture, and industry to ensure balance.

# Greeks, Romans and Middle Ages

Aspect	Greek Economic Thought	Roman Economic Thought	Middle Ages Economic Thought
<b>View on Wealth</b>	Viewed with suspicion; wealth as a means, not an end	Emphasized practicality and utility of wealth	Wealth seen as a potential distraction from the spiritual life
<b>Production and Labor</b>	Focus on agriculture, craft, and virtue of labor	Practicality of trade and commerce	Growing recognition of the role of labor and trade within the economy
<b>Value of Money</b>	Seen as a tool for exchange, not intrinsically valuable	Accepted as essential for trade and expansion	Considered a means to facilitate commerce, but sometimes critiqued for causing greed
<b>Economic Systems</b>	Primarily subsistence economies, with some instances of trade	Developed complex trade networks and markets	Feudal system with manorialism; later growth of towns and merchant classes

# Greeks, Romans and Middle Ages

Aspect	Greek Economic Thought	Roman Economic Thought	Middle Ages Economic Thought
<b>Role of Government</b>	Ideal state depicted in Plato's "Republic"; limited intervention	Encouraged state control of resources; public works for the common good	Church had significant influence; regulations on commerce and morality
<b>Moral Considerations</b>	Emphasis on virtue and ethics in economic activities	Morality intertwined with natural law; ethical conduct in business	Strong focus on just price, usury, and moral actions in trade
<b>Philosophical Influence</b>	Ideas influenced by ethics, particularly Plato's ideals	Stoicism influenced by personal virtue in economic behavior	Medieval Scholasticism integrating Christian ethics with economics
<b>Social Structure</b>	Class-based society, philosophers critiqued inequalities	Complex stratification, with a system of patrons and clients	Hierarchical society with nobles, clergy, and peasants influencing economic roles

# Significant contributions

## Greek Economic Thought

(Aristotle's economics and chrematistics)



## Roman Economic Thought

(Twelve Table, jus civile and jus gentium, stoicism)



## Middle Ages Economic Thought

(Scholasticism, Canon law, just price, interest on loans)



# Significant contributions

Greek Economic Thought		
(Aristotle's economics and chrematistics)		
<ul style="list-style-type: none"><li>● Distinguished between economics (household management) and chrematistics (artificial)</li><li>● Economics (wealth consumption for the satisfaction of wants, provision of basic necessities to meet these wants)</li><li>● Chrematistics (wealth-getting including money-making and exchange)</li><li>● Two types of chrematistics (natural concerns the satisfaction of natural or proper wants by natural or proper or primary uses and unnatural chrematistics is wealth-getting; money-making and exchange)</li><li>● Value is subjective, based upon the usefulness of the commodity concerned</li><li>● Money was used as the medium of exchange, a store of value and a standard for deferred payments</li><li>● Interest is unjust</li></ul>		

# Significant contributions

## Roman Economic Thought

(Twelve Table, jus civile and jus gentium, stoicism)

- THE TWELVE TABLES WAS A LIST OF LAWS COVERING MOST AREAS OF PRIVATE LAW & CONCENTRATING ON RELATIONS BETWEEN INDIVIDUAL CITIZENS.
- Distinction between natural law (jus civile) and human law (jus gentium)
- jus civile (natural law) was applicable to Roman citizens: the rules and principles of law derived from the customs and legislation of Rome
- jus gentium was developed for foreigners of other nationality: derived from the customs of all nations
- Interest was taken as bad as murder
- **Stoics** believed that **wealth is an “indifferent”** — not inherently good or bad. What mattered was **how it was used**, and whether its use aligned with virtue.
- **Seneca**, one of the wealthiest Stoics, argued that wealth is acceptable **as long as it doesn't corrupt the soul** and is used **wisely and generously**. He emphasized **ethical behavior in business**, arguing that profit should never come at the cost of justice.

# Significant contributions

<b>Middle Ages Economic Thought</b>		
<b>(Scholasticism, Canon law, just price, interest on loans)</b>		

- From 1200 to 1500, feudalism and scholasticism became dominant
- Part of Christianity and the Church with an admixture of the philosophy of Aristotle was scholasticism, theological element was dominant, approved by religion
- Scholasticism opposed individualism and human personality in making economic decisions, tended to subordinate individuals to institutions, limited individual choices
- Human law was based upon natural law, human law fell into two parts: civil law (Roman) & canon law (the Church), **Canon law** is the body of laws and regulations developed or adopted by **ecclesiastical authority** (especially the Roman Catholic Church) for governing the Church and its members (Orthodox)
- Just price was dominant, that is commodity's true value based on common estimation of the cost of production which mostly covers labor
- Usury was forbidden first for the clergy (Churchmen), then extended to laity (ordinary people), By 1311, it was declared absolutely illegal



# Ancient Economic Thought: idealism ranking

Economic Thought	Idealism Level
Middle Ages	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Indian	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Hebrew	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Greek (Plato)	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Roman	<input type="checkbox"/> <input type="checkbox"/>

**Aristotle:** *More practical — accepted wealth and trade but **criticized usury and excessive wealth pursuit.***

*Roman Economic thought was largely about **property rights, contracts, and state management.** Stoicism influenced **ethics (some idealistic elements),** but economics itself wasn't deeply moralized in most Roman practice.*

A composite illustration representing industry and science. On the left, a man in a white lab coat sits at a desk, looking through a microscope. In the center, a large, muscular, shirtless man stands with his arms raised, holding a large gear. In the foreground, a man in a light blue shirt and dark trousers sits on a bench, looking at a large blueprint. On the right, a man in a cap and overalls stands on a walkway, holding a hammer. In the background, a large factory building with several smokestacks emitting smoke is visible under a blue sky. The entire scene is overlaid with a semi-transparent blue and green gradient.

**End of Chapter 1**