

WHAT IS ECONOMICS?

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ANSWER IN 2 STEPS

1. **Economics** as a Scientific Paradigm
2. **Economics** vs. Political Economy

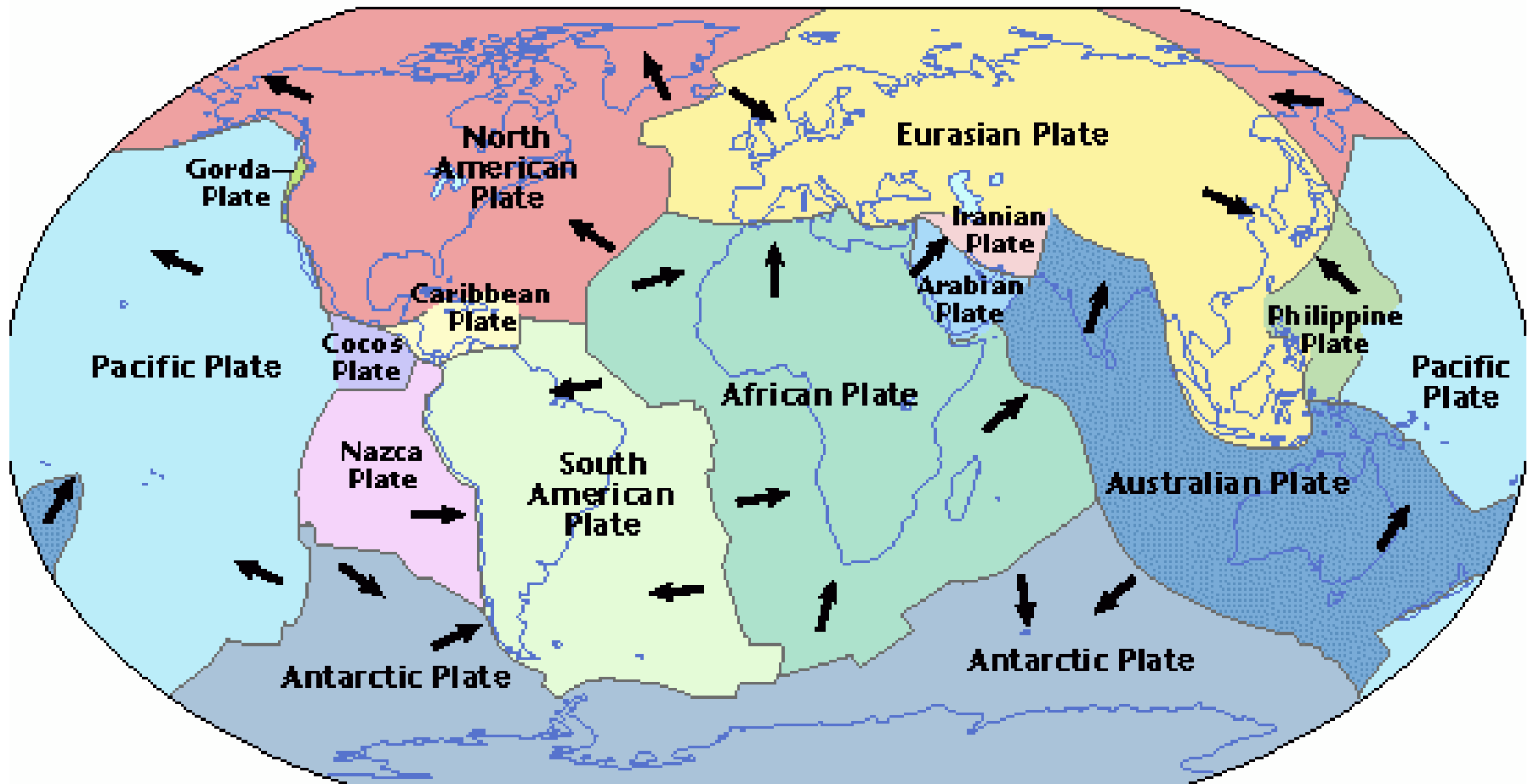
STEP 1: PHILOSOPHY OF SCIENCE

Thomas Kuhn + Gaston Bachelard:

1. Science does not evolve linearly
2. Current knowledge is not a repository of past knowledge
3. Science is made through **paradigms**
4. Contending paradigms co-exist through time
5. ... even though they might contradict each other
6. **Paradigm** = 'tectonic plate' = set of big ideas

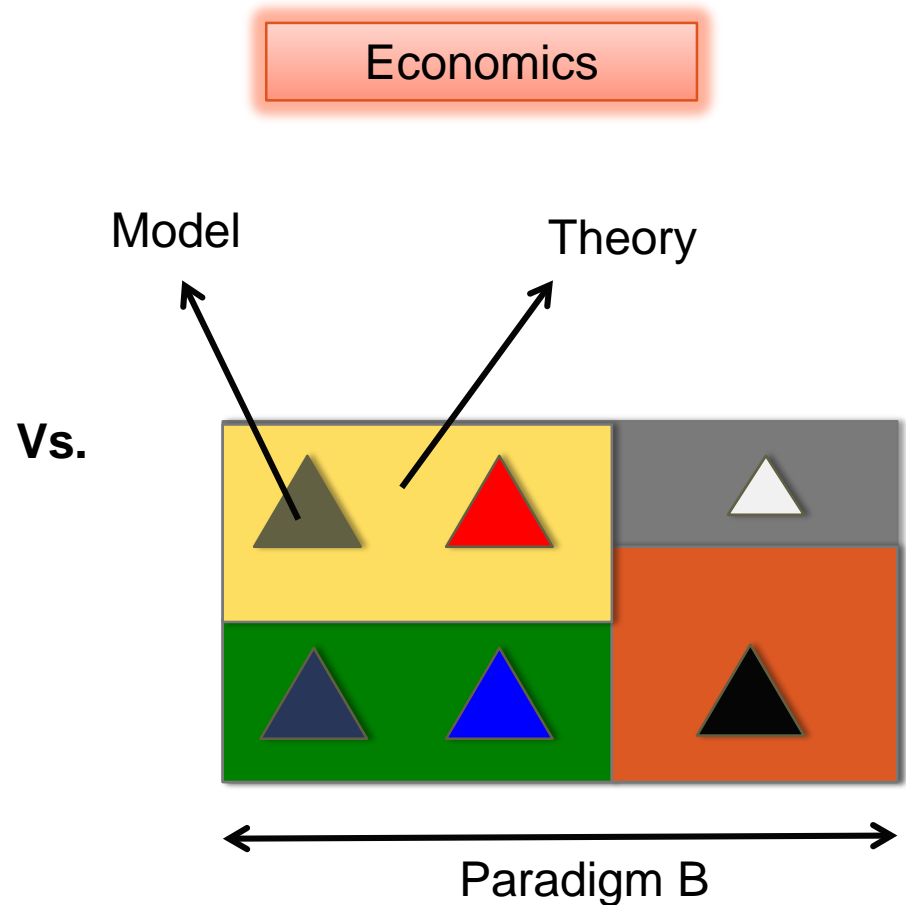
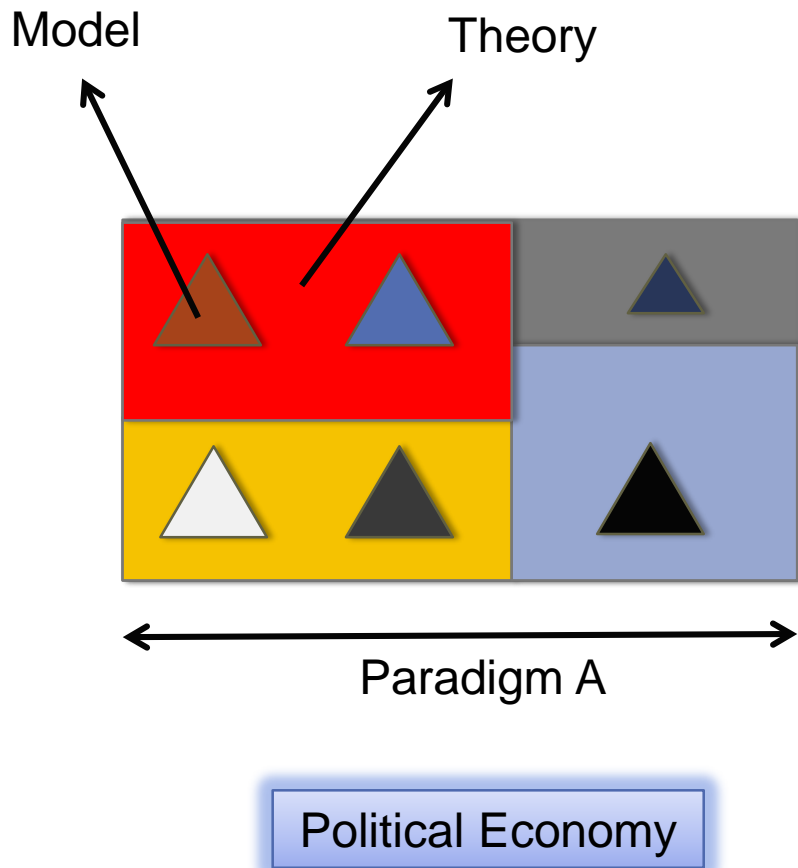


- 1. Positivists**
- 2. Karl Popper**
- 3. Milton Friedman**



Thomas Kunh and Gaston Bachelard:
scientific paradigms as tectonic plates

STEP 1: PHILOSOPHY OF SCIENCE



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Political Economy

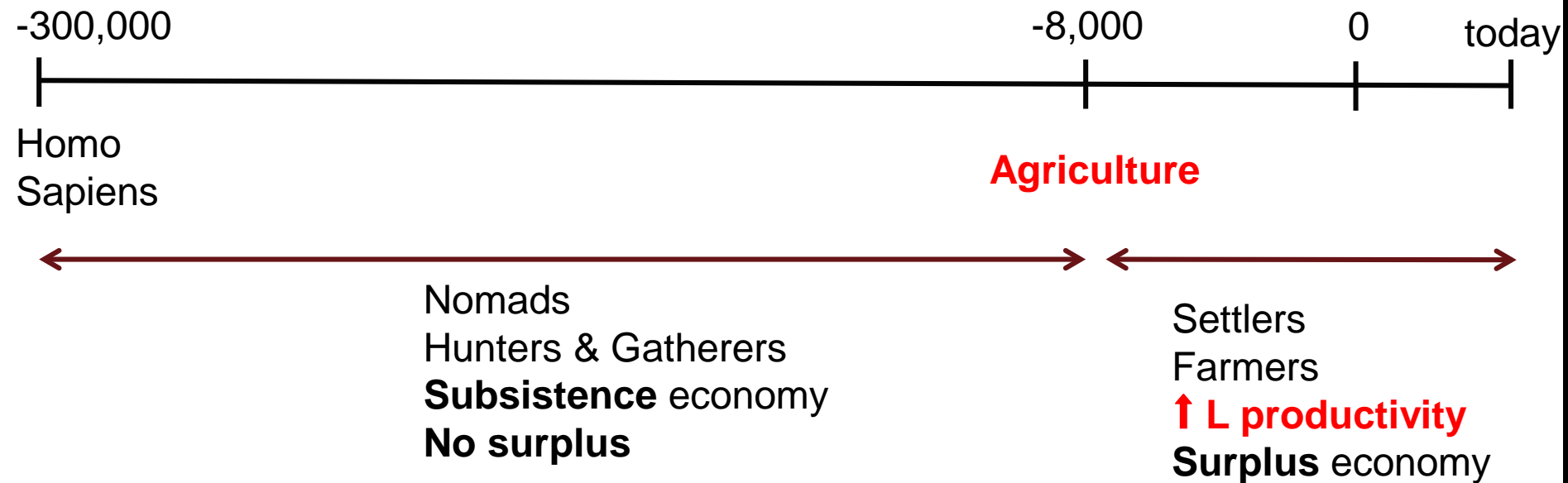
Vs.

Economics

Physiocrats
Adam Smith
David Ricardo
John Stuart Mill
Karl Marx
Keynes
Kalecki
Sraffa
Minsky
Radical feminists

Neoclassicals
DSGE models
Walras
Alfred Marshall
Austrian school: Karl
Menger, von Mises, Hayek
New Keynesians
Monetarists
Neoclassical Institutionalists
(Douglas North)

STEP 2: POLITICAL ECONOMY VS. ECONOMICS



Political Economy

Dominant Paradigm: 1700 to 1890

Labor Theory of Value:

All wealth comes from human L
'goods have value because they are produced'



Surplus = Total Output
– Inputs – Wages



Class Theory

production
appropriation
distribution



Exploitation = workers
get less than what they
contribute
(social conflict)

Exploitation
=
Workers
pay to work

Economics

Dominant Paradigm: 1890 onwards

Utility Theory of Value:

'goods are produced because they have value'



Scarcity = not enough resources
to satisfy unlimited human wants



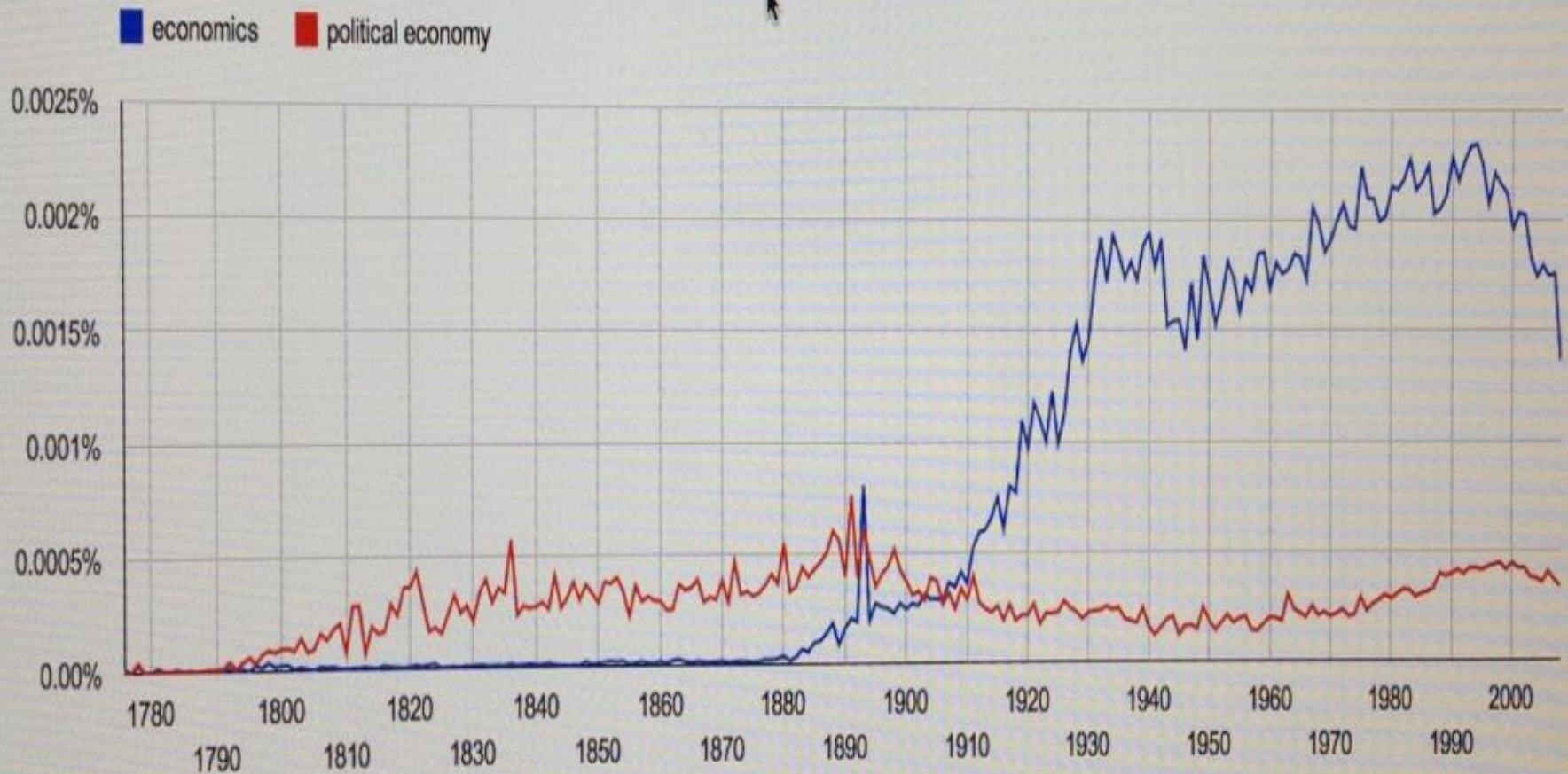
Choice Theory



Fairness =
workers get what
they contribute
(social harmony)

**Marginalist
Revolution
(1870)**

STEP 2: PE VS. ECONOMICS



CONCLUSION

Political Economy = scientific paradigm centered on the concept of **surplus**

Economics = scientific paradigm centered on the concept of **scarcity**