

Ainda que a homogeneização geral não seja impossível, a afirmação mais não necessária e inevitável.

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THE PROBLEM OF HISTORICAL SPECIFICITY

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It takes a great deal of history to produce a little literature.
(Henry James, *Hawthorne* (1879))

Emphatically, the argument in this book is not against the power or value of generalisation. While general theorising can never be enough, general statements are not only necessary but also unavoidable. Nor does this book underestimate the value of empirical work. The concern, however, is that both empiricism and deductive generalisation have their flaws, and some faulty presumptions are shared in common. Accordingly, any attempt to steer a middle way between these poles is likely to share the limitations of each. A more sophisticated position has to be found, recognising a significant role for general theories but also their limitations. Some kind of middle-range theorising – to use Robert Merton's (1968) term – is required to bridge the general with the empirical. Much valuable work in the modern social sciences is broadly of this kind. The problem, however, is that the methodological underpinnings and meta-theoretical justifications are relatively unexplored.

THE IDIOGRAPHIC AND THE NOMOTHEMIC SCIENCES

↳ busca conhecimento de concreto -
dos particulares.

↳ busca leis unificadoras.

At the end of the nineteenth century, an attempt was made to resolve some of the problems raised here, by demarcating the sciences. One group of sciences was deemed to deal with universals or generalities, the rest with individuals or particulars. The German philosophers Wilhelm Windelband and Heinrich Rickert thus made a distinction between the idiographic and the nomothetic sciences. Nomothetic sciences are said to look for unifying laws. In contrast, an idiographic approach attempts to gain knowledge of concrete particulars.

For Rickert (1899) the natural sciences were nomothetic. But he also placed political economy (economics) and psychology in the nomothetic group. Other social and human sciences were said to be idiographic, studying individual phenomena by empirical, descriptive and comparative methods. It was claimed that the distinction between these two groups of sciences led to very different epistemologies.

Rickert considera as nomotéticas as ciências naturais, e tb a econ e a psic as demais ciências sociais seriam ideográficas.

Dilthey distinguishes as sciences naturais das culturais, e acentua que estas não estão preocupadas apenas com a explicação mas tb com a compreensão do significado e a simbólica do objeto (subject matter). HOW ECONOMICS FORGOT HISTORY

The German philosopher Wilhelm Dilthey criticised the division of the sciences between the idiographic and the nomothetic, arguing that any science might usefully combine both methods (Holborn, 1950). Dilthey argued that the cultural and social sciences were not confined to individual cases, but included as their main problem the relationship between the individual and the general. For Dilthey, the real distinction was between the natural and the cultural sciences, and he made a sharp distinction between the two. He argued that the latter are not simply concerned with causal explanation but also with the understanding of the meanings and symbolic significance of the subject matter.

Rickert's distinction between the idiographic and the nomothetic mirrors the modern division between the general theorists and the anti-generalising empiricists. Each reaches a stalemate. The problem, as always, is that all sciences address both the general and the specific. As the philosopher Mario Bunge (1998, p. 23) put it: 'The nomothetic/idiographic dichotomy is untenable because *all* sciences are nomothetic *as well as* idiographic.' Human society is 'a patterned mess'. General frameworks of ideas may help us discern the pattern, but something more is required to deal with the messy details.

THE NEGLECTED PROBLEM

We have set the stage for a methodological problem, of vital significance for the social sciences. The domination of economics and sociology by general theorists, plus a minority of atheoretical empiricists, has excluded this problem. Methodology has become unfashionable in many quarters. The methodological discussion of the general and the specific, of sameness and difference, is forgotten.

I say 'forgotten' not 'unexplored'. For much of the nineteenth century, economists were concerned with a central theoretical and methodological problem. It continued to be discussed by several leading economists, up until the outbreak of the Second World War. Many pages were filled with thoughts on this topic. It engaged the minds of Karl Marx, Carl Menger, Alfred Marshall, Gustav von Schmoller, Werner Sombart, Max Weber, John Commons, Frank Knight and many others.

Today, however, the problem is largely ignored.¹ Most social scientists are unaware of it. It is absent from the textbooks. Neither neoclassical economists nor post-Keynesians seem conscious of the problem. Although earlier theorists such as Karl Marx and John Commons addressed it, contemporary Marxists and

1 A notable modern exception is Hutchison's (1981, ch. 8) discussion of the limitations of general theories in macroeconomics. In philosophy there has been a discussion of the possibility and role of general historical explanations or laws (Hempel, 1942; Popper, 1960; Weingartner, 1961). But this earlier debate concentrated on the question of historical prediction, rather than the identification and explanation of different historical phenomena. More recently, however, the philosophy of science has devoted substantial attention to the limits of explanatory unification in the face of diverse (historical) phenomena (Cartwright, 1994; Dupré, 1993; Kitcher, 1989). Some of this discussion has made its way into the philosophy of economics (Boylan and O'Gorman, 1995; Mäki, 1990a, 1990b, forthcoming).

institutionalists give it little attention. Although Max Weber was preoccupied with the problem, it is absent within much of modern theoretical sociology, except in the shadow play of the modern discourse on ideal types. Yet for about one hundred years this issue preoccupied some of the greatest minds in the social sciences and was central to much social and economic analysis.

This book is devoted to this problem. What is it? I call it the problem of historical specificity. It first acknowledges the fact that there are different types of socio-economic system, in historical time and geographic space. The problem of historical specificity addresses the limits of explanatory unification in social science: substantially different socio-economic phenomena may require theories that are in some respects different. If different socio-economic systems have features in common, then, to some extent, the different theories required to analyse different systems might reasonably share some common characteristics. But sometimes there will be important differences as well. Concepts and theoretical frameworks appropriate for one real object may not be best suited for another. The problem of historical specificity starts from a recognition of significant underlying differences between different objects of analysis. One theory may not fit all.

For instance, the socio-economic system of today is very different from the systems of five hundred, one thousand or two thousand years ago. Even today, despite having some important features in common, existing socio-economic systems in different countries are substantially different from each other in key particulars. There are important variations in the structures, rules and mechanisms of production and allocation. Individual purposes and social norms also vary, relating to differences in culture. These differences may be so substantial that they place limits on ontological explanatory unification. As a result, to some degree, different types of socio-economic system may require different conceptual and theoretical tools. A fundamentally different object of analysis may require a different theory.

To repeat: any common aspects of these different theories might reasonably reflect common features of the systems involved. Historically common phenomena – such as the scarcity of physical resources – may exist. However, when we compare socio-economic systems, there are important differences as well as similarities. Arguably, the theories used to analyse them may also have to be different to a significant degree.

Many such differences cannot be captured by mere differences in parameter values. The complexity of economic phenomena suggests that much more than particular applications of a single, general theory would be required. The problem of historical specificity is concerned with the development of distinctive, particularistic theories, each applicable to a particular kind of socio-economic system. An adequate theory of (say) feudalism may not be completely adequate for (say) capitalism as well. An essentially different reality may require a substantially different theory.

An adequate theory of capitalism must the address the pervasiveness of markets and employment contracts and explain the behaviour of market-oriented, profit-seeking firms. However, markets and market-engaged corporations had

⊕ A especificidade histórica é um fato óbvio - talvez não esteja em um livro.

Dada o "prima facie case" (na medida em que a realidade é diferente em aspectos essenciais, os conceitos centrais e a teoria precisa ser diferente) meu objetivo é mostrar como essas questões foram levantadas na história do pensamento econômico e depois esquecidas

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a much less significant role under feudalism. Accordingly, concepts that relate exclusively to the market – such as market supply, market demand and market competition – would have much less relevance for a theory of feudalism. Instead, a theory of feudalism would have to be centred on another set of essential phenomena. Other concepts, concerning the nature of feudal hierarchy and power, would assume greater relevance. Of course, there is a possibility that a theory of feudalism and a theory of capitalism may share common features and an underlying theoretical framework. The extent of this possibility is explored in part IV of this work. But it would be mistaken to assume that the common underlying framework would necessarily constitute an adequate or complete theory. The essential differences between capitalism and feudalism place limits on the scope of explanatory unifications that embrace them both.

Note that there is a great deal of openness and flexibility here as to what, for example, may constitute an 'essential' difference between one reality and another, or in what ways a theory may 'differ' from another. There may be different understandings of the ways in which systems 'vary in essence' or of what constitutes a 'core concept' of a theory. These questions cannot be answered without some elaboration of a methodology and a social ontology. But it is neither possible nor necessary at this initial stage to achieve absolute precision in these terms. The point being made is that there is a *prima facie* case to answer, covering a wide range of meanings of phrases such as 'reality may differ in essential respects' and 'core concepts and categories of a theory may have to differ'. Acceptance of the *prima facie* case then requires us, necessarily, to try to be more precise about these statements. Indeed, much of the important detail of the debate concerns these very questions of further examination and precision.

But we are unlikely to raise these questions unless we accept the *prima facie* case. This book is largely about raising these questions. It provides no more than a few tentative answers, principally in part IV. The whole point about the long excursion into the history of economic thought in this volume is to show how some of these questions have been raised in the past and obscured and forgotten in the present. In attempting precision and intellectual progress now, we can learn from those that have raised and debated these questions in the past.

As argued in the preceding chapter, there are problems of complexity and tractability involved in formulating any general model, spanning complex and very different cases. The problem of tractability forces many theorists to make specific assumptions. As a consequence, most theorising that claims to be general is in fact specific in its scope. Furthermore, as the comparison of a barter and a monetary economy shows, a move towards seemingly greater generality can sometimes lose the emphasis on the specific connections and linkages that are important features of specific socio-economic structures. Any attempted resolution to the problem of historical specificity should address this possible trade-off between generality and engagement with specific detail.

However, more accurately, the problem could be rephrased as 'the problem of historical and geographical specificity' as there are differences in socio-economic systems across space as well as time. Particular kinds are not in principle restricted in space or time. It is possible – but unlikely in the social

context – that two instances of one kind of socio-economic system could appear in different times or places. Hence it could be rephrased as 'the problem of specificity'. However, the phrase 'problem of historical specificity' is retained here because, in the historical discussions of the problem over more than a century, the consideration of differences of type has been placed principally – but not entirely – in an historical context. Nevertheless, geographical differences are as important as historical ones and the discussion in this book applies to all variations, ranged across terrain as well as time.

Let T represent a theoretical analysis that is in some sense adequate and appropriate in explaining the set of socio-economic phenomena in some real domain of enquiry D . Any adequate and appropriate theory T must address underlying causal mechanisms and structures within the phenomena in D . Of course, the criteria of adequacy and appropriateness are themselves part of the problem, but we do not need to address these at this stage of the examination. D is a set of different – historically and spatially located – socio-economic phenomena that can be explained (adequately and appropriately) in terms of T . Technically, T refers to the explanantia and D the explananda. It is possible for the individual phenomena in D to be historically specific and the theoretical analysis T to be historically sensitive.

To be clear: T is never a simple reflection of D . The construction of any T always requires a process of abstraction and simplification, so that details closely related to D are inevitably ignored. Furthermore, there is no *a priori* reason why T should not also be capable of explaining some additional phenomena that are not included in the original set D . For this reason, it is not the theories, but the individual phenomena, that generally may be described as historically specific.

A principal and befitting aim of science is to find T that cover as large as possible a domain D . However, the main claim being made here is that there are limits to the expansion of D as the domain of any single T .

If possible, some expansion of D may occur in different ways. We may distinguish between an extensive and an intensive expansion. An *extensive* expansion of D typically involves the expansion of the boundaries of the set D in time or space, by introducing a greater variety of essential types of things to be explained. An *intensive* expansion of D involves bringing more 'detail and outcomes' of existing items into the set of things to be explained. The distinction between an extensive and intensive expansion would depend upon a distinction between essential phenomena, on the one hand, and more superficial and detailed phenomena, on the other. Again, these terms require further clarification, and this must be attempted at some later stage.

Crucially, while unification is an important goal of science, the diverse, complex and changing character of socio-economic phenomena means that reckless attempts to make T universal over all possible D may undermine the adequacy of T . By themselves, the existence of diversity and complexity do not undermine the worthiness and importance of explanatory unification in science. Complexity and unification can go together. But the varieties of structure and causal mechanism involved in the diversity of real phenomena may place real limits on attempts at explanatory unification. An adequate theory T to cover an

(U) Eu não creio que seja a especificidade histórica que desmente a validade da teoria científica histórica, mas o método hipotético-dedutivo que utiliza.

extensive or universal D may be elusive. In this context, groundless attempts to pursue a general theory at all costs might abandon any focus on underlying structures and causal mechanisms. This does not mean that universal features or concepts should be absent from social science. It means that an adequate theory of complex phenomena is unlikely to be composed entirely of such universal features. Some reasons for this claim have been made already. Further reasons are raised throughout this book.

Detrimentally, in the modern social sciences we can find examples of the following syndrome. Attempts to derive a T' that covers a vast and expanding D are associated with claims that T' is a good theory *simply because of the impressively vast content of the set D* . But the vastness of D is not a good criterion, on its own, to evaluate the adequacy of T' . Today we can find theories that seem to address an infinite set D . Such theories are sometimes non-falsifiable and impose few limits on membership of D . In this case, serious and sceptical questions must be raised concerning the adequacy or meaning of the claimed explanation in T' . A pathological oversight of the modern social sciences is that such questions are often ignored.

Recognition of the problem of historical specificity involves asking such questions. In part, the problem of historical specificity helps to demarcate the social from the physical sciences. Socio-economic systems have changed markedly in the last few thousand years, whereas the essential properties and laws of the physical world have not altered since the Big Bang. Accordingly, the methods and procedures of the social sciences must alter to follow the changing subject of analysis. This is not so in the physical sciences.

A partial exception is biology. In the biotic, as in the social world, new species and phenomena arise, and others pass away. Accordingly, biology combines general principles (for example: taxonomy, the laws of evolution) with particular studies of specific mechanisms and phenomena. This is one reason why the social sciences should be closer to biology than to physics: biology has a problem of historical (or evolutionary) specificity.

PAST ENCOUNTERS

Today, it is remarkable that this vital methodological problem is rarely if ever posed in all the modern mainstream economics textbooks, at any level, and is discussed infrequently even in the dissenting or methodologically informed literatures in economics. By contrast, the problem of historical specificity was raised clearly by Marx and his followers, and was explored by the German historical school from the 1840s to the 1930s. Minority groups of economists in Britain and elsewhere were influenced by the German historical school, and took the problem on board. It also appeared in American institutionalism, and the issue affected institutionalist thought. But in theoretical terms – with notable exceptions such as John Commons and Frank Knight – there was a failure in America to develop the topic much further than the earlier, German-speaking, economic theorists.

The neglect of the problem of historical specificity is encouraged by the widespread misconception that the economists who discussed the issue were 'against theory'. But if they were all naïve empiricists, then they would hardly be concerned with deeper theoretical and methodological matters. As an example of this misconception, Richard Langlois (1986, p. 5) wrote: 'The problem with the Historical School and many of the early Institutionalists is that they wanted an economics with institutions but without theory.' On the contrary, the historical school and the institutionalists were responsible for many important developments in economic theory, pioneering such 'modern' concepts as national income accounting, growth theory, the multiplier, transaction costs, information asymmetries, bounded rationality and uncertainty (Häuser, 1988; Hodgson, 1998a; Koslowski, 1995, 1997a; Nardinelli and Meiners, 1988; Rutherford, 1994). Among the theoretical and methodological issues they addressed was the problem of historical specificity.

In sum, the problem of historical specificity was clearly addressed by German-speaking economists in the nineteenth century, but it never appeared as a major issue in the English language literature in economics. However, it will be argued here that the issue must be central, at least to any broadly realist approach to the subject. Indeed, it is one of the most crucial problems in economic and social science, and it is not belittled in stature by its neglect.

If this assessment is correct, then the virtual absence of any discussion of the problem in modern economics has itself to be explained. In part, the explanation lies in the persecution and wartime destruction of the Nazi period – from 1933 to 1945 – and their negative effects on German philosophy and social science. The fact that trained economists are no longer required to read German must also be taken into account.²

However, there is more to it than that. Despite raising the problem clearly, both Marx and the German historical school had methodological frameworks that were inadequate to deal with the problem. In particular, the successes of their 'Austrian' opponents, in the controversies of the Methodenstreit of the 1880s and thereafter, were partly due to these weaknesses. The first methodological counter-attack by the historically inclined economists was flawed, and an adequate methodological response did not emerge. A principal weakness in the earlier historical school tradition was an excessive faith in empiricism and inductive methods.

The later historical school recognised this weakness but had inadequate time to develop an alternative. Nazism and the Second World War intervened.

2 In the late 1800s and early 1900s most prominent Anglo-American economists could read German and many visited Germany to receive a training in the most advanced economics of that time (Herbst, 1965). Despite the difference of language, before the First World War connections between American and German economists were more numerous than between the American and the British. The leading American economist Richard Ely wrote to Marshall on 11 October 1901: 'I suppose the connection, today, between the German economists and the Americans is closer than between the American and the English. I am speaking about the personal connection as much as about the connection of thought' (Whitaker, 1996, vol. 2, p. 336). Today, however, fluency in German is much less common among Anglo-American economists. So far, very few of the writings of the German historical school have been translated into English.

Tanto Marx qto a Escola Histórica usaram um método inadequado para enfrentar seus oponentes da Escola Austríaca. A sabedoria convencional concluiu que a Escola Histórica havia perdido a Methodenstreit.

Nos anos 1930 foi alcançado um acordo territorial distinguindo a Economia, que se ocupava da escolha (L. Robbins, 32) da Sociologia que tratava da ação (Parsons, 37).

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By 1945 the problem was buried under the rubble of destruction. The conventional wisdom emerged that the German historical school had lost out in the Methodenstreit, and the argument was closed.

It will be argued here that this assessment is wrong, that the problem of historical specificity cannot legitimately be ignored, and that there were serious methodological and theoretical defects on all sides of the debate: in the positions of Marx, the historical school, and their 'Austrian' critics.

It may seem remarkable that it was in economics – yes, economics – that this problem was discussed and widely debated for about one hundred years. Sociology did not fully establish itself in Western academia until the early part of the twentieth century. Both economics and sociology went through a methodological transformation in the 1930s, involving a redefinition of the nature and subject matter of these disciplines. These transformations further explain the dereliction of the problem of historical specificity.

The principal architects of this reconstruction were Lionel Robbins (1932) in economics and Talcott Parsons (1937a) in sociology. Although their stances differed, they reached a territorial agreement concerning the domain of analysis of each discipline. In their accounts, economics would be devoted to 'choice' and sociology to 'action'. What they also did in common was to attempt to bury the problem of historical specificity. With the collapse of German academia in the Second World War, and the defeat of institutionalism in the US in the 1940s, postwar economics left the problem of historical specificity behind. Topics such as 'general equilibrium theory' became pre-eminent. Similarly, postwar sociology also preoccupied itself with grand, general themes. In all the social sciences, the problem of historical specificity was almost entirely forgotten.

An aim here is to recover this lost memory. The historical discussion will take us back into the economics of the nineteenth and early twentieth centuries. The claim is that we have much to learn from these past debates.

As long as general theorists, empiricists and hybrids overwhelm the social sciences, there will be insufficient attention to the problem of historical specificity. General theorists do not recognise the problem of historical specificity because they believe that economics can proceed entirely on the basis of universal and historically unspecific assumptions. In the past, some empiricists have reacted against general theorists, emphasising the specificity of each case. But by failing to establish a prior theoretical framework, empiricists are lost without a system of categorisation. In extreme cases, general theorists see only the similarities – empiricists see only the differences. The problem is about the establishment of appropriate categories and assumptions upon which both empirical and theoretical work must proceed. It is impossible in principle to resolve the problem simply by delving into facts. Neither general theorising nor empiricism can do adequate credit to the problem of historical specificity.³

3 To his credit, Sayer (1995, p. 28) gives a rare mention of the issue. However, contrary to Sayer, the question of 'historical and geographical specificity' has little or nothing to do with the degree of 'context dependence' of the system in question. A unique type of socio-economic system could

THE PROBLEM OF HISTORICAL SPECIFICITY

1. a afirmacao que todos os sistemas socio-economicos possuem atributos comuns.

SOME WAYS OF AVOIDING THE PROBLEM

2. A doutrina que um tipo de sistema é "natural" e os outros "não naturais".

Consider some ways in which the problem of historical specificity has been evaded or ignored.

Evasion 1: *the affirmation of overwhelming common features or pervasive problematics.* It is sometimes claimed that all viable socio-economic systems have common attributes. As it stands, it is reasonable to suggest that they may have something in common. Later in this book, we shall discuss and uphold a restricted version of this postulate. However, the mistake is to concentrate entirely on the commonalities, and forget the differences. The existence of common characteristics in all socio-economic systems does not imply that the particular, different characteristics are of little or no importance. It is necessary to focus on both the particular and the general. The error is to assume that all that matters is that which is general or common to socio-economic systems.

Dismissals of the problem of historical specificity typically exclude the particulars. They assume that the allegedly common attributes of all socio-economic systems (e.g. markets, exchange, choice) are the key phenomena of economic analysis, to the exclusion of other, historically contingent, features. Economics becomes ahistorical by focusing solely on what is presumed to be common to all systems.

The one-sided emphasis on commonalities is related to the particular conception of economics as the universal 'science of choice'. Menger, Robbins and others argued that economics should address the common problematic of individual choice under scarcity, and trace out the consequences of multiple, individual 'rational' choices in terms of their intended or unintended outcomes. Whatever the value of this choice-theoretic approach to economics, it leaves much out of the picture. Insufficient stress is placed on the unique historical circumstances in which individual decisions always take place. The ways in which institutions or cultures may mould individual preferences are neglected.

On the contrary, it is argued here that all socio-economic systems are necessarily combinations of dissimilar elements. These combinations will in turn depend on historical and local circumstances. Once we recognise the unavoidability and importance of additional and non-universal phenomena, then a new set of theoretical problems emerge concerning the assumptions that are appropriate in a given context. How do we ground such assumptions in an appropriate methodology? This is part of the problem of historical specificity.

Evasion 2: *the doctrine of a natural type of socio-economic system.* Another way of avoiding the problem of historical specificity is to assume that one system is 'natural' and all other systems 'unnatural'. This idea is deeply rooted in the more general view that the uniformities and regularities of economic life are determined by nature (C. Clark, 1992).

be highly context dependent, or, on the other hand, relatively isolated. The existence of either specific or general features does not necessarily relate to their context. Any transhistorical features of socio-economic systems can be dependent on, or relatively independent of, their context.

Once any given type of socio-economic system is regarded as 'natural', then all deviations are regarded as aberrations to be corrected by an appeal to the singular brute facts or natural laws of economic life. This ancient idea has often been used in attempts to give scientific justification to the *status quo*. Moreover, it encourages the social scientist to focus on one type of system only.

One of the problems in this doctrine is that it takes the concept of the 'natural' for granted. In both society and nature, what is and what is not 'natural' is far from straightforward. Evolution has many examples of quirks and path-dependent outcomes. Are extinct species 'unnatural'? Is all that survives and endures 'natural'? Although the Soviet-type economies have collapsed, does that mean that they were 'unnatural'? If it is argued that the Soviet-type economies were unnatural because they were short-lived, then we are drawn to the conclusion that the slave societies of Antiquity are more natural than modern industrial capitalism: Antiquity lasted for thousands of years whereas capitalism has existed for little more than two centuries. Despite the long lasting persistence of the doctrine of natural types in the social sciences, the criteria for bestowing the term 'natural' on one system rather than another have remained elusive.

Evasion 3: *the view of economics as an expression of human nature or psychology.* A common variant of this doctrine is the idea that the chosen system is an expression of 'human nature'. Many Enlightenment thinkers upheld the view that 'human nature' was constant and universal. Consider this famous passage from *The Wealth of Nations* by Adam Smith:

The division of labour arises from a propensity in human nature to . . . truck, barter and exchange one thing for another. . . . It is common to all men, and to be found in no other race of animals, which seem to know neither this nor any other species of contracts. . . . Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog.

(Smith, 1976, p. 17)

Note that Smith assumed that the predilection to make contracts was not historically and culturally created but was 'a propensity in human nature'. To sustain this 'natural' view of contract and exchange, they have to be regarded as something separate from specific and historically created institutions, such as property, law and courts. By making it universal and 'natural', Smith was thus inclined to see exchange simply as a flows of goods, services or money between persons. However, when exchange occurs in market economies, it is not simply things that are exchanged, but also property rights. Furthermore, contracts are made in the context of the laws and potential sanctions of the legal system. By seeing exchange and contract as essentially manifestations of 'human nature', Smith downplayed the historically contingent institutions upon which these activities depend. As will be shown later, Carl Menger and members of the Austrian school of economics made a similar error.

This idea that economics is founded largely on 'human nature' or psychology is remarkably persistent. It is not argued here that these factors are irrelevant to the understanding of human societies. The problem arises when it is believed

that social and economic analysis stems largely from an understanding of human nature or psychology alone. As an example, it will be shown in chapter 15 that John Maynard Keynes fell back on the assumption that economic analysis was based on supposedly universal 'psychological laws'.

Remarkably, the Enlightenment notion of an individual, with given purposes or preference functions, still pervades modern mainstream economic thought. With the spread of modern rational choice theory to other disciplines, it is also making an appearance in sociology and political science. The research agenda often involves a search for the optimal economic, social or political arrangement on the basis of the assumption that society is a collection of fixed, ahistorical individuals. History is then admitted only insofar as it involves comparisons with a single, optimal system. By making the individual ahistorical, the real history of socio-economic systems is lost.

On the contrary, if we regarded the individual as partially constituted by society and its institutions, then history can be readmitted into the story. The individual and society are mutually constitutive; each forms and reforms the other, in an ongoing process. Neither society nor the individual is fixed. Human nature has real effects but it is not static. Nor is there a single, natural order. Accordingly, recognition of the problem of historical specificity is allied to a view of human nature as moulded and reconstituted by social institutions.

Evasion 4: *the affirmation of the free market as the ideal.* Dismissals of the problem of historical specificity often involve a heavy dose of free market ideology. In the history of the subject since Adam Smith, many economists have attempted to use alleged 'economic laws' to attempt to justify free market policies. Those who advocate free and unfettered markets typically hold them up as a pure and ideal standard by which to judge reality. Of course, they observe many cases of inflexible, regulated, fettered or even missing markets in the real world. These are denounced as deviations from the pure and perfect norm.

It has been said that economic theory demonstrates that free markets are optimal. But any competent economic theorist knows that this claim is based on restrictive and challengeable assumptions. Nevertheless, the belief in optimality persists. Believing that markets are the solution, and that markets will work well if only they are free and unfettered, the cases of imperfect or missing markets are then ignored. If the theory does not fit reality, then reality must be made to fit the theory. Imperfections and restraints in existing markets must be removed, and new markets must be set up in places where they are missing.

Leaving the ideological issues on one side, there are important theoretical implications of this commonplace gambit. In short, economics becomes the study of one ideal, pure market system. It is held that no other system, past or present, needs to be studied because it is deemed to be an aberration from the ideal norm. Economic history becomes the story of the development of all economies towards this ideal. Any impurities or 'imperfections' in existing market systems are regarded as unfortunate hangovers from the past. The theoretical discourse focuses on a single model of an allegedly pure market system.

Of course, not all mainstream economists take this extreme view. Many find good reasons for the survival of market imperfections in the system – such as

public goods, externalities, and transaction costs – and advocate some government intervention and some non-market forms of organisation. However, the view previously described is sufficiently powerful to constrain the analysis of non-market forms of allocation. Deviations from the pure market ideal are often addressed largely in terms of the central concepts (exchange, prices, costs, supply, demand) of the market system. They are not treated as separate entities, requiring additional theoretical and conceptual frameworks.

A particular version of this free-market ideology is to assume that the ensemble of institutions in American capitalism is the ideal. When economies elsewhere experience recession, such as in Japan and East Asia, it is then exclaimed that the reason for this suboptimal performance is that the free and competitive economic institutions of American capitalism are not adequately replicated in these economies. Again this gives an excuse for ignoring the specific institutions and structures involved. The possibility that their development may be path dependent, or that they may be capable of consistently outperforming American capitalism in other circumstances, does not appear on the agenda.

A theory of the ideal economy is likely to emerge in periods dominated by a single, successful type of system. Opposition to this ideal is most likely to emerge in contexts where it is deemed imperfect or inappropriate. In the nineteenth century, when British capitalism was the engine of its global power, recognition of the problem of historical specificity was notable in Germany and Ireland. German and Irish economists opposed British economic policies, seeing them as a brake on their own national development. They also developed a distinctive theoretical outlook. These dissenting ideas were imported into the United States and influenced American institutionalism. However, by 1945 Britain was no longer the leading world power, and America saw itself as the model for the world. America had emerged from its isolationism and saw its own institutional structures as models for others to follow. This American intellectual domination endured for the remainder of the twentieth century, except for a brief period in the 1980s when Japan was seen as a rival model in terms of economic growth. Accordingly, the notion of a single, ideal system persists.

NEVERTHELESS, THE PROBLEM REAPPEARS

Despite the evasion of the problem of historical specificity, we are used to terms such as 'capitalism', 'feudalism' and 'socialism' in the discourse of economics and other social sciences. Leading economists such as Joseph Stiglitz (1994) and Oliver Williamson (1985) have written works such as *Whither Socialism?* and *The Economic Institutions of Capitalism*. By using such terms, economists are identifying different types of socio-economic system with a view to understanding how such systems work. Sometimes the perceived merits and demerits of one system are compared with those of another.

Leaving aside any normative comparisons and assessments in the literature, it is obvious that to make such an assessment in the first place there must be some taxonomic classification of different types of economic system. If these differences

excesses, a teoria económica dominante pretende que seus princípios possam ser aplicados a qualquer economia onde haja escassez e escolha.
Na verdade, o objetivo da ciência substantiva é compreender e explicar a realidade objetiva.

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are to be meaningful, there must be an assumption that different systems behave in different ways. In other words, different systems are subject to 'laws' or principles of operation that differ from one system to another. Even if it is accepted that all socio-economic systems are subject to common 'laws' or principles, then such differences are being accepted as well. Otherwise we would have no basis to suggest that one system functioned in a different way from another.

Yet, strikingly, there is little discussion of the underlying methodological problems in making such comparisons, throughout modern economics. Today the subdiscipline of 'comparative economic systems' is relatively neglected. The relevant methodological issues and problems are rarely taught on the economics degree programmes of leading universities. In-depth taxonomic discussions of different types of socio-economic system, or of different types of firm or market are all notable by their rarity.⁴

In contrast, modern mainstream economics defines itself as the science of choice under scarcity, alleging that its principles can apply to all economies where choice and scarcity exist (Robbins, 1932). Real differences between socio-economic systems are either downplayed or ignored at this conceptual level.

This book is primarily about theoretical rather than policy issues. But it will be clear in some places that the theoretical discussion does inform the policy debate. Nevertheless, the prime concern here is methodological and theoretical: How do we establish a typology of different types of socio-economic system? What criteria do we use to distinguish one system from another, and how are these criteria derived? How do we identify incisive principles of operation of specific socio-economic systems, alongside principles or 'laws' that may be common to a larger set of such systems?

This book starts from the following assumption: that the role of any science is to address a particular segment or level of objective reality and to attempt to understand and explain the phenomena in that domain. Every science, in this view, has a real domain of analysis to which it is related. Hence physics is about the nature and properties of matter and energy, chemistry is about substances, astronomy about heavenly bodies, biology about living things, psychology about the human psyche, and so on.

This does not mean that there is a hermetic seal between ideas about the world and the world itself. The possibility of interaction between the science and its object is not denied. Especially in the social sciences, ideas about the real world may both reflect and affect the world itself. Indeed, ideas and habits of thought themselves make up part of the socio-economic structures and institutions that are the subjects of enquiry. This does not contradict or undermine the view taken here that each science is concerned to understand the domain of objective reality

4 Today, modern economists rarely explore even the concept of the market. Taken for granted, as a singular, unalterable and universal datum, it is typically investigated no further. Insofar as the institutional nature of real markets is investigated at all, it is more often by sociologists (Baker, 1984; Ingham, 1996; Lie, 1997; Zelizer, 1988). As we shall see below, this has not always been the case.

Isso não significa que haja uma separação absoluta entre ideias e o mundo.

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to which it is ascribed. On the basis of such an understanding, scientific investigation can provide a grounding for technological innovation and for intervention in the natural or social world.

This is a realist view of science, which would be accepted quite widely, but not universally, among philosophers. To deny that the sciences have a real object is tantamount to a denial of the existence of an objective reality. With the current crisis in the theoretical foundations of the social sciences, it is necessary to defend the existence of such a reality and its place in scientific discourse. It would not have been necessary at the time of Marshall or Marx: they took its existence for granted. Accordingly, before we discuss philosophical realism it is necessary to deal with some of these modern reactions against it.

RELATIVISM AND POST-MODERNISM

Today, philosophical relativism and denials of the reality of an objective social world have become fashionable, especially in the discussion circles of post-structuralism and post-modernism. The loss of faith in scientific certainty has been replaced by a methodological voluntarism in which 'anything goes'. However, contrary to the language and sentiments of much 'post-modernist' discourse, scepticism of the purported certainties of science is a very old disposition. It is traceable through Paul Feyerabend and Friedrich Nietzsche back to the 'sceptical' philosophers of Ancient Greece, well over two millennia ago. The Ancient sceptics argued that knowledge was relative and context dependent, and beyond formal proof. Hence scepticism about the powers of reason or scientific method is not new. Yet such very real difficulties in knowing the world do not provide a good case for denying its existence.

The post-modernist literature includes some useful and sensible arguments. Some post-modernists might be sympathetic to arguments in the present book, in favour of historically sensitive theory. Post-modernist oppositions to over-generalisation, dogmatism, deductivism and reductionism are to be commended. On this basis, methodological individualism and (Marxist) 'economic determinism' are both rightly rejected.⁵

However, these critiques are often combined with extreme and untenable positions. For instance, a commendable critique of reductionist explanations is often combined with a reckless hostility to 'essentialism' in which any essential structures behind appearances are denied. The fact that reductionism is misconceived does not mean that we should not attempt to uncover as much as we can of the essential character of an entity, itself consisting of multiple,

5 Reductionism sometimes involves the notion that wholes must be explained entirely in terms of their elemental, constituent parts. More generally, reductionism can be defined as the idea that all aspects of a complex phenomenon must solely be explained in terms of one level, or type of unit. According to this view there are no autonomous levels of analysis other than this elemental foundation, and no such thing as emergent properties upon which different levels of analysis can be based.

Post-modernismo merece elogios por sua oposição a generalização
excessiva, dogmatismo, dedutivismo, e reducionismo.
Mas não pode deixar de reconhecer a importância das análises estruturais essenciais no trabalho

irreducible aspects or levels. Without some concept of essence, we are unable to make categorisations of sameness and difference that are basic to science.⁶

One of the areas where post-modernism has an impact is in the history and philosophy of science. Bruno Latour's (1987) work in this area is sometimes placed in the 'post-modernist' category. Significantly, Yuval Yonay (1998, 2000) has applied ostensibly post-modernist precepts to the analysis of the history of American institutional economics.

However, such post-modernist ventures often confuse two vitally different levels of argument and analysis. For example, post-modernists often promote the commendable argument that the progress of science depends on a sufficient degree of variety and conversation between different approaches to similar problems. In other words, the evolution of science requires a pluralism of different schools of thought. This is an admirable sentiment.

But what may apply to science as a whole does not always apply to an individual researcher or research team, aiming at a specific solution to a specific problem. An acceptable policy of pluralism concerns the policy of institutions toward the funding and nurturing of science. Such a policy involves 'pluralism in the academy'. But it would not extend to the individual practices of science itself. This confusion, between encouraging contradictory ideas in the academy and encouraging them in our own heads, is widespread in post-modernism. For instance, Warren Montag (1988, p. 90) approvingly described post-modernism as a 'de facto alliance between irreducibly different theoretical forces'. Such alliances between different researchers might serve the interests of academic diversity and freedom. However, if we hold 'irreducibly different' and contradictory ideas in our own heads then we have formulae for nonsense. If we hold the idea that A is B , and also that A is not B , then we can prove any nonsensical proposition that we wish.

There is much to be said for tolerance of many different and even antagonistic scientific research programmes within an academic discipline or university. But we should not tolerate the existence of inconsistent ideas within our own heads. The policy toward science must be pluralistic and tolerant, but science itself must be intolerant of what it regards as falsehood. Perceived error must be exposed and criticised, not by denying the opponent a voice, but by explaining the mistake to the scientific audience. The role of diversity is not to sanctify or foster contradiction. Tolerance of the right of a scientist to practise, even when we may disagree with his or her views, does not imply discursive tolerance of any method and proposition. Any failure of social science to erect an adequate and coherent general theory is not rectified by applauding incoherence.

In recent years, some heterodox economists have been attracted by post-modernism. In particular, some post-modernists have found a refuge in institutionalism. Yet post-modernist statements such as 'everyone creates his or her reality, there being no possibility of adjudicating among the different realities'

6 Nevertheless, the concept of 'essence' is problematic. The concept of 'population thinking' (see chapters 7 and 22 below) requires that traditional Platonic and Aristotelian conceptions of essence should be substantially modified.

Mas o erro precisa ser exposto e criticado, ao invés de se santificar e promover a contradição na nossa própria cabeça.

Alguns pós-modernistas buscaram refúgio no institucionalismo, mas seu pluralismo é alheio ao pensamento de Veblen, Commons e Mitchell.

Eles acreditavam na **HOW ECONOMICS FORGOT HISTORY** da comunidade científica. *busca da verdade e na possibilidade de acerto*

(Hoksbergen, 1994, p. 683) are not only highly contestable on philosophical grounds but also entirely alien to the institutionalist tradition of Veblen, Commons and Mitchell. Philosophically, if there is no possibility of adjudication, then there is little prospect of establishing any kind of proposition, including those that are proposed by Roland Hoksbergen himself. Historically, Veblen, Commons and Mitchell took a very different position. All these institutionalist authors believed that the goal of economics was to investigate and understand real economic phenomena. They believed in the possibility of a scientific pursuit of truth and in the scope for the agreement of a scientific community to the essentials of that truth, even if any agreement is tentative and provisional.

But, despite these objections, post-modernism does not give up on its efforts to conquer heterodoxy. Robert Garnett (1999), for example, attempted to link post-modernism with some modern institutionalist and rethought Marxist themes. He saw a 'common enemy' in any attempt to develop a value theory on the basis of 'the idea that all market-based production and consumption activities are governed by uniform, self-regulative laws or principles' (p. 819). Instead he applauded attempts to construct historically and institutionally specific studies of market institutions and pricing processes. However, despite commendable sentiments concerning specific studies, there is a measure both of error and of omission here. The error is to assume that historically specific pricing theories necessarily exclude any general or systematic principles concerning markets and prices. On the contrary, a historically sensitive theory always itself requires a more general conceptual framework. Without a more general framework, specific theory is impossible. An omission in Garnett's statement is his failure to note that the development of historically sensitive theory is much older than post-modernism. It dates from the 1840s or earlier, not only from within Marxism but also from the German historical school.

Teorias
históricas
necessitam
um quadro
teórico
mais
amplo

Post-modernists have done much damage. Some have attempted to close down crucial debates, such as the relation between agency and structure, because of their evocation of 'grand themes'. By misrepresenting the themes of post-modernism as entirely novel, they have fostered a neglect of the history of ideas, and eschewed some means of escape from the very dilemmas that they have identified. Alex Callinicos (1999, p. 297) put it well: 'Paradoxically, despite postmodernists' claims to represent intellectual openness and plurality, it is only by resisting their attempts to close this debate that social theory is likely to retain its validity.'

Ironically, within sociology, the post-modernists have joined the rational choice theorists and the empiricists in a tacit alliance against conceptually oriented and non-formal social theory. While these three approaches differ hugely in substance and style, for different reasons they have wished to remove social theory from its traditional position of prestige within academic sociology. Post-modernism rejects social theory as a 'grand narrative', empiricism declares that facts alone are the road to truth, and rational choice theory sees traditional social theory as largely useless for building deductive models of social interaction. If social theory is to rebut this triple alliance it must understand the limits of general theorising as well as its indispensable role.

Ironicamente, ao rejeitarem a teoria social, pós-modernos se associam aos teóricos da escolha racional e os empiristas.

a verdade, mas o realismo não é uma teoria da verdade, nem implica uma teoria da verdade. É antes uma ontologia do que uma epistemologia.

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O realismo é a visão de que o mundo existe independentemente de nossas representações.

PHILOSOPHICAL REALISM

Although philosophical realists know of no royal road to truth, they claim that truth, nevertheless, is a primary objective for science. Even if all science is provisional and an infallible methodology is always beyond our grasp, this does not mean that we may abandon the search for truth. This search may reveal multiple and contradictory truth claims. Science should not simply rest there, but it should investigate reality and create dialogue between researchers so that error can be removed and the more viable claims advanced. The central task of science is to advance the understanding of how the real world actually works.⁷

It is not the concern of this work to discuss all the pros and cons of realism in detail. But let us first make it clear what realism is not. Philosophical realism does not amount to the statement that we can directly or ultimately know the world. Philosophical realism does not hinge on whether or not the world is knowable. Philosophical realism is not undermined by the valid observation that culturally formed concepts and categories frame all human perceptions. Above all, philosophical realism is not a theory of truth and does not imply any particular theory of truth. It is more about ontology than epistemology. Hence // philosophical realism is less about what is or can be known: it is more about what exists. //

Realism, as John Searle (1995, p. 153) defined it, is simply 'the view that the world exists independently of our representations of it'. The confusion of issues concerning our knowledge of the world, on the one hand, with the existence of that world, on the other, amounts to what Roy Bhaskar (1975, p. 36) has dubbed the 'epistemic fallacy'. By this he meant the fallacy that 'statements about being can be reduced or analysed in terms of statements about knowledge, i.e. that ontological questions can always be transposed into epistemological terms'.

The removal of this misunderstanding helps to clear the ground for a realist approach. However, it does not prove the existence of the real world beyond our senses. Realism is instead based on the claim that the acceptance of the existence of a real world beyond our senses makes intelligible such essential scientific concepts as explanation and truth. Science, to be science, must be about something; it must have a real object of enquiry.⁸

Realists have a trump card to play in disputes with those that deny the existence of an objective reality. Gaston Bachelard (1953, p. 411) remarked some time ago that 'all philosophy, explicitly or tacitly, honestly or surreptitiously . . . deposits,

7 For versions of philosophical realism in the social sciences see Archer (1995), Aronson (1984), Bhaskar (1979), Bunge (1998), Harré (1986, 1993), Kanth (1992), T. Lawson (1997), Mäki (1989, 1990b, 1997a, 1998), Manicas (1987), Sayer (1984) and Searle (1995).

8 C. Clark (1992, p. 26) contended that realism in social theory 'would hold that society and social phenomena are independent and separate from the individuals that make up society and individual social phenomena'. This is too extreme and crude a picture. Realists such as Bhaskar, Bunge, Mäki, Searle and others argue repeatedly that society would not exist without individuals, and that social phenomena are not independent of social actors. What is crucial, however, is the realisation that society does pre-date any given individual. Accordingly, although individuals and social structures are mutually constitutive, they are different things (Archer, 1995).

Roy Bhaskar chamou de "falácia epistêmica" a confusão entre a existência e o conhecimento do mundo. O realismo, entretanto, legitima a ciência. A ciência para ser ciência precisa ser sobre alguma coisa (Bachelard e Quine).

Pos-modernism ^{diversam} seu apelar para "o texto" na "linguagem". Logo, o realismo filosófico é inevitável mesmo nos discursos que negam a realidade objetiva.
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Para podermos ter uma noção não-tautológica de verdade temos que ter um objeto.

projects or presupposes a reality.' At about the same time, Willard van Orman Quine (1953) advanced a similar view, arguing that every scientific theory contained an explicit or implicit ontology. Since then, several philosophical realists have shown that discourses involving denials of philosophical realism, themselves have to appeal to 'objective' existences such as 'the text' to make the discourse intelligible. In short, to engage in any discourse – 'post-modern' or whatever – is to presume a real objectivity in the form of the language, medium and substance of the communication. This is philosophical realism's trump card: philosophical realism is unavoidable, even in discourses that deny the existence of an objective reality.⁹

Furthermore, to retain any notion of non-tautological truth we have to retain some idea of what the truth statement is about. Accepting this place for truth admits the possibility of falsity. Those who would deny that truth is a helpful concept are likewise excluding fallibility and giving dogmatism full reign. As Bhaskar (1975, p. 43) put it: 'To be a fallibilist about knowledge, it is necessary to be a realist about things. Conversely, to be a sceptic about things is to be a dogmatist about knowledge.' It has been indicated above that much of the modern resistance to realism is fuelled by the valid insight that we cannot know directly any real world that may exist. But it is a mistake to connect this epistemological insight with an anti-realist stance. The fact that we cannot know the world directly is not a refutation of the existence of the real world.

Some unsophisticated realists, however, have wrongly assumed that a real world exists and it is directly knowable. This particular (and unacceptable) version of realism is described as 'empirical realism'. Several examples of empirical realism will be given in this book. It is important to emphasise that the denial of empirical realism does not amount to a denial of realism as such. Indeed, the acceptance of the inevitability of some version of realism in all scientific discourse, far from opening the door to all empiricist and other misconceptions, may actually help prepare us to understand and to reject such unacceptable versions of realist philosophy. In particular, it will be shown below that failures to supersede empirical realism have stunted the development of a critical and historically grounded economics.

Accordingly, philosophical realism does not necessarily involve the imperative that assumptions in science have to be 'realistic'. Indeed, sophisticated realists have argued that no assumption can mirror precisely any aspect of the real world. As the real world is always messy and complex, any such 'realistic' assumption would somehow have to reflect this messiness and complexity. On the contrary, all theory is based on abstractions and simplifications. But this does not give us licence to assume anything. The key question is: what abstractions and simplifications are appropriate? The problem of historical specificity addresses this question.

9 A good example of the playing of this trump card is Mäki's (1988a, 1988b) demonstration that the 'post-modernism' of McCloskey (1985, 1988) itself relied on the implicit acceptance of an external reality. In the face of this argument, McCloskey (1988, p. 153) was persuaded to declare: 'I am a realist'. Perhaps we are all realists now.

Realistas pouco sofisticados presumiram que o mundo existe e
pode ser diretamente conhecido. É o 38 realismo empírico, que ignora
a necessidade de ... a realidade filosófica não considera

(que não se confunde com o termo usado para designar a multiplicação)

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radical, para o tipo de teoria e de método a ser adotado. Por exemplo, os pressupostos utilizados para compreender sistemas de mercado são válidos para

Uskali Mäki (1989) made a useful distinction between, on the one hand, claims concerning 'realisticness' – that is concerning the attribute of being 'realistic' in some sense – and, on the other, 'realism' as a philosophical doctrine. In general, philosophical realism does not necessarily mean the realisticness of assumptions or outcomes. Broadly, the kind of realism promoted in this book involves some notion of abstraction of the most essential and important structures and causal relationships in any given phenomenon.

qualquer sistema econômico?

But we have been getting ahead of the argument. The starting point here is much more general, and could be accepted by philosophical realists of all varieties. It is a guiding principle of this work that realism, broadly defined, has radical implications for the type of theory and approach that is appropriate for economics and, indeed, for the definition of the subject itself.

I wish to make a further claim, concerning economics and other social sciences. Once we adopt broadly a philosophically realist approach to (say) socio-economic phenomena then we are obliged to address an underlying methodological problem, concerning the role of general and specific assumptions in social and economic analysis.

The question is basically, this: are the core assumptions of economic science appropriate for all types and forms of economy, since the dawn of human history, or appropriate for a (temporal or geographical) subset of them only? For example, are the assumptions of economics appropriate for modern market systems only, or for all types of socio-economic system? Do some assumptions have general and transhistorical applicability, while others are historically specific? If so, how do we establish concepts at each level of generality? This, with all its attendant questions, is the problem of historical specificity.

THE STANDPOINT ADVANCED HERE

Discussions of several of the key problems raised in these two opening chapters are relatively sparse in the recent literature in social science. Accordingly, for purposes of clarification and to avoid misunderstandings, some propositions are listed below. They constitute the standpoint of this work, concerning questions of generality and specificity in economic and social theory. The following propositions are upheld in this book:

- 1 Science cannot be merely the analysis or description of empirical particulars. Descriptions themselves always rely on prior theories and concepts, either explicit or tacit.
- 2 Science cannot proceed without some general or universal statements and principles. Explanatory unifications and generalisations that explain real causal mechanisms are worthy goals of science.
- 3 However, general theories of complex phenomena are always highly limited simplifications, largely because of the complexities and computational limitations involved in attempting any truly general theory.
- 4 Unifications and generalisations in social science provide powerful

- conceptual frameworks, but they often lack the ability to discriminate between and adequately explain concrete particulars.
- 5 Purportedly general theories have explanatory power in the social sciences only when additional, confining and particular, assumptions are made.
 - 6 In dealing with complex (socio-economic) systems, we require a combination of general concepts, statements and theories, with particular concepts, statements and theories, relating to particular types of system or subsystem.
 - 7 The most powerful and informative statements and theories in the social sciences are those that emanate from particular theorising that is targeted at a specific domain of analysis and also guided by general frameworks and principles.
 - 8 The social sciences must thus combine general principles with theorising that is aimed at specific domains. These operate on different levels of abstraction. A philosophically informed meta-theory must address the relationship between these levels.

An over-emphasis on general theory stems from an endorsement of the first two propositions but from a neglect of the other six. As we shall see in the historical discussion below of attempts to deal with the problem of historical specificity, many attempts have failed because of a denial of the second proposition and a failure to understand the first. The thrust of the argument in this book is to establish and accept the first two propositions but also to move on to enforce the other six. It is in this latter zone that the historical argument has been relatively impoverished.

To some, the above propositions may be relatively uncontroversial. It is openly accepted here that the best of modern social science involves theorising that combines some general principles with a specific domain of analysis. The trouble, however, is that typically the meta-theoretical bases for such combinations are inadequately articulated. Furthermore, many social scientists make unwarranted and exaggerated claims for general theory alone. Some examples of these exaggerated claims are discussed in chapters 16 and 17 below.

At this stage this volume enters the historical narrative. In part II there is a discussion of the contribution of both Marxism and the historical school. This was a time when economics was much broader than the narrow formalism of today. Furthermore, the centre of gravity of social science was in Germany, rather than Britain or America. Part III considers the events that led to the abandonment of the problem of historical specificity and the Great Forgetting of the historical and institutional schools, by economists and sociologists alike.