German political economy: the history of an alternative economics

German Political Economy: The History of an Alternative Economics

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International Journal of Social Economics
ISSN: 0306-8293
Publication date: 1 March 1985

Abstract
Nobody concerned with political economy can neglect the history of economic doctrines. Structural changes in the economy and society influence economic thinking and, conversely, innovative thought structures and attitudes have almost always forced economic institutions and modes of behaviour to adjust. We learn from the history of economic doctrines how a particular theory emerged and whether, and in which environment, it could take root. We can see how a school evolves out of a common methodological perception and similar techniques of analysis, and how it has to establish itself. The interaction between unresolved problems on the one hand, and the search for better solutions or explanations on the other, leads to a change in paradigm and to the formation of new lines of reasoning. As long as the real world is subject to progress and change scientific search for explanation must out of necessity continue.

Citation

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Nobody concerned with political economy can neglect the history of economic doctrines. Structural changes in the economy and society influence economic thinking and, conversely, innovative thought structures and attitudes have almost always forced economic institutions and modes of behaviour to adjust. We learn from the history of economic doctrines how a particular theory emerged and whether, and in which environment, it could take root. We can see how a school evolves out of a common methodological perception and similar techniques of analysis, and how it has to establish itself. The Nazi economic system developed unintentionally. The initial objective in 1932-33 of its economic policy was just to reduce the high unemployment associated with the Great Depression. This involved public works, expansion of credit, easy monetary policy and manipulation of exchange rates. There were price controls, rent controls, wage controls and extensive general regulation of the economy. The net result was an economic disaster and the creation of near-famine conditions. But the loosening up of controls brought up the problem of the past excessive expansion of the money supply. Inflation had been suppressed during the Nazi years by price controls. The German economy also received considerable spending from Allied troops stationed in West Germany. However, other countries were also recipients of Marshall Aid and th. Mechanisation. In the post-war period, the West German economy supported a high rate of capital investment, this was enabled through high savings/low consumption and low levels of replacement needed. The high capital investment was also a reflection of the determination to focus on economic recovery, business and hard work as an alternative to the past history of Germany. State investment. In 1950s and 60s, high economic growth and rising real incomes encouraged the state to invest in public infrastructure – roads, trains, schools and social welfare net.