Modern Schools of Economics: A Family Tree

SCHOOLS OF ECONOMICS

Heterodox (non-neoclassical) Economics

Marxism

Modern (non-neoclassical) Institutionalism

Old (American and European) Institutionalism

J.K. Galbraith (1908–2006)
G.C. Means (1896–1988)
C.E. Ayres (1890–1972)
Thorstein Veblen (1857–1929)

British Historical School

Max Weber (1864–1920)
Werner Sombart (1863–1941)
Georg Friedrich Knapp (1842–1926)
Karl Bücher (1847–1930)
Gustav von Schneller (1838–1917)

German Historical School

French Historical School

Post Keynesianism

Cambridge Keynesianism

John Maynard Keynes (1883–1946)

Neoclassical Economics (Mainstream Economics)

New Consensus Macroeconomics

New Keynesianism

New Institutionalism

Monetarism

New Classical Economics

Old Walrasianism

Austrian Economics

F. Hayek

Ludwig von Mises

F. von Wieser

E. von Böhm-Bawerk

Marshallian neoclassical economics

Alfred Marshall (1842–1924)

Carl Menger (1840–1921)

Léon Walras (1834–1910)

Marginalist Revolution 1870s–1890s

Classical Economics

John Stuart Mill
David Ricardo
James Mill
Thomas Malthus
Adam Smith
Economics is a discipline in which there are many different competing economic theories, and most of these theories are not just inconsistent on minor issues, but fundamentally contradictory in terms of their major and most fundamental theories. It follows as a matter of straightforward logic that many competing theories that contradict one another in fundamental ways cannot all be true, and that a great deal of them — that is, theories that are mutually incompatible — are likely to be wrong.

Modern economics begins with Adam Smith and the Classical School, which had two offshoots:

1. Marxism (which in many ways is a development of the thought of David Ricardo) and
2. Neoclassical economics.

Around the 1870s, Classical theory was fundamentally reformulated and changed in the so-called marginalist revolution, the great figures of which were Alfred Marshall (1842–1924), Carl Menger (1840–1921), and Léon Walras (1834–1910). Walras and Marshall stand out as the founders of two main neoclassical traditions. Austrian economics is an offshoot of the work of Carl Menger.

Both the economics of Marshall and Walras still stands at the heart of modern neoclassical economics, the most important theories of which are listed on the top line, and are as follows:

1. New Classical economics;
2. Monetarism;
3. New Institutionalism, and

The alternative neoclassical tradition that stems from Alfred Marshall leads to probably the most important economist of the past 100 hundred years: John Maynard Keynes. Keynes began his career as a Marshallian neoclassical economist but by the time of his fundamental work the General Theory of Employment, Interest and Money (1936) Keynes had essentially repudiated the neoclassical paradigm (though admittedly not completely).

Important historical rivals to neoclassical economics are the German Historical School and the Old Institutionalist tradition. The German Historical School was a major rival of both Classical and neoclassical economics, and it rise to both English and French offshoots but also fundamentally to the Old (American and European) Institutionalist tradition, which by the early 20th century had come to replace the German Historical School as the fundamental competitor to neoclassical economics.

Of course, one must realise that the Old Institutionalsists did not all repudiate the neoclassical tradition, and many of them followed the Marshallian neoclassical tradition. Despite this, the Old Institutionalist school had impressive and considerable accomplishments: for example, the early work on administered prices/cost-based prices was done by Gardiner Means, an Old Institutionalist.

Old Institutionalism was a large and influential school in the United States, though not so much in Europe. However, the leading European Old Institutionalists were as follows:

1. K. William Kapp (1910–1976);
2. Gunnar Myrdal (1898–1987) and

A further offshoot of Old Institutionalism was the primitivist / substantivist tradition in ancient economics, the leading figures of which were Karl Polanyi (1886–1964) and Moses I. Finley (1912–1986). Moses Finley wrote a highly influential book on the economies of ancient Greece and Rome called The Ancient Economy, which rejects many aspects of modern neoclassical economics and is firmly in the Old Institutionalist tradition (although some of Finley’s more extreme views are no longer held even by modern Institutionalsists).

Today modern non-neoclassical Institutionalist economics continues to be an alternative to the mainstream neoclassical tradition, but it is the Post Keynesian school that arguably has done most to advance economics in the non-neoclassical tradition of John Maynard Keynes.