

ECON306-SEC02 History of Economic Thought Spring 2019

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Office Hours: MW: 13:00 - 14:15; TTH: 9:00 - 9:45 and 13:00 - 14:15; or by appointment.

Course Textbooks to purchase:

E.K. Hunt and Mark Lautzenheiser (2011), *History of Economic Thought: A Critical Perspective*, Armonk, NY: M.E. Sharpe, ISBN: 978-0-765-625991; designated as "HL" in reading assignments.

Robert Heilbroner (1996), *Teachings from the Worldly Philosophers*, New York: W.W. Norton & Company, ISBN: 978-0-393-316070; designated as "RH" in reading assignments.

Suggested:

Robert Heilbroner (1999), *The Worldly Philosophers*, New York: Simon and Shuster, ISBN 0-684-86214-X; designated as "WP" in reading assignments.

Course Procedures:

Communications, assignments, and reading materials that supplement the textbook will be provided through Moodle. There will be one midterm exam (25% of your grade), a final paper (25% of your course grade), and a mixture of short assignments, in-class quizzes, and class participation (50% of your course grade). Attendance will be recorded on a random basis, and you should be prepared to respond to class questions and to participate in class discussion. Assignments will be posted in Moodle at least a week before they are due, and they are due at the start of class on the date shown in the title of the assignment. Grades will follow the traditional letter scale, with an A+ = 100 pts., A = 95 pts., A- = 90-92 pts., B = 85 pts, and so forth.

In writing the homework assignments, you may work together with other students in the class, but the final written version must be written by you without any outside help or consultation with other students. Your grades on the assignments must clearly reflect your understanding of the course material.

Also, all written material must be your original writing—no cutting and pasting from the textbook or other outside readings allowed! Learning to write about economics and economic issues is an integral part of this course.

The history of economic thought addresses many complex, and sometimes controversial, ideas and events. In order to provide perspective, we will sometimes go beyond what is normally covered in an economics course. We will discuss history, philosophy, science, culture, and many other aspects of our human existence. Do not be surprised by some of the topics I will bring up in class in order to provide a comprehensive perspective of economic thinking.

You should not limit your own thinking either; rest assured that no questions or comments are inappropriate as long as they are posed and addressed in a scientific manner and with the intent to learn more about the issues that concern us. Do not be afraid to speak up, ask questions, or challenge the instructor and fellow students. Economics is a social science, and the issues are complex and fascinating.

Please keep up with the reading assignments; it will be difficult to catch up if you fall behind. At the same time, if you do all the reading needed for weekly assignments and you prepare the assignments conscientiously, you will almost certainly do well in the course. The course includes economic models, history, policy, and current events.

You will have to become comfortable shifting between abstract models and the realities of the times for which the models were developed. Finally, remember that this is your course, and you are encouraged to bring up issues that interest you. Let the instructor know what interests you, what questions you would like to investigate, and what is important to you.

Week 1 (W, Jan 23): What do economists study? What should they study? Introduction to models.

Class Discussion: Alternative modeling strategies: static vs dynamic, partial vs general equilibrium, segmented vs holistic. The close relationship between economic thought and economic history: What were economic thinkers experiencing and observing? Values, morals, and objectivity.

Required reading: HL – Chap. 1; Optional: WP – Chap II.



The Case for Pluralism



Defining and Measuring Well-Being



Kuhn's History of Science



The Dialectic Process: A Short Intro

Week 2 (MW Jan 28, 30): Alternative Modeling Strategies; Early economic thought through Adam Smith (1776)

Class Discussion: the circular flow, economic justice, earnings versus accumulation, mercantilism.

Key thinkers: Aristotle, Xenophon, Thomas Aquinas, Antonio Serra, Thomas Mun, the Physiocrats.

Required Reading: HL – Chap. 2; H – pp. 1-12.



Xenophon - On Revenues



The Circular Flow of an Economy



Antonio Serra

Week 3 (MW, Feb 4, 6): The Enlightenment and Adam Smith

Class discussion: Invisible hand, Capitalism vs Mercantilism, Colonialism, Globalization

Key thinkers: David Hume, Adam Smith

Reading: HL – Chap.3; H – pp. 53-105; WP – Chap. III.



Adam Smith - *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776)

Week 4 (MW, Feb 11, 13): The Classical School

Discussion for class: Equilibrium, stability of equilibrium, comparative advantage, static analysis, source of value, income distribution

Key thinkers: Thomas Malthus, David Ricardo, John Stuart Mill, Jean-Baptiste Say

Reading: HL – Chaps. 4,5; H – pp. 106-126; Optional but strongly suggested: WP – Chap. 4.



Early Thinkers on Growth

Week 5 (TW Feb 19, 20): Utility Theory and the Utilitarians, Say's Law, Bastiat's individual freedom

Discussion for class this week: Utility, welfare, individual behavior, discussion of modern behavioral economics and neuroscience

Key thinkers: Jeremy Bentham, Jean-Baptiste Say, Nassau Senior, Frédéric Bastiat

Required Reading: HL – Chaps. 6, 8; H – pp. 197-207.



Bastiat - The Law



Bastiat - The Broken Window and other stories

Week 6 (MW 25, 27): John Stuart Mill, Utopian socialists

Concepts in focus: Income distribution, human welfare, social economics

Key thinkers: John Stuart Mill, William Thompson, Thomas Hodgskin, Robert Owen

Reading: HL – Chap. 7; H – 127-157; suggested: WP – Chap. V



Piketty and Inequality Today



Early Growth Models

Week 7 (MW March 4, 6): Karl Marx

Concepts in focus: Surplus, profit, power, evolutionary nature of economic development

Key thinkers: Karl Marx, Friedrich Engels

Reading: H - pp. 159-196; Ben Fine's book posted below (The textbook's chapter on Marx is also very good, but Ben Fine's book provides a more thorough description of Marx's classic work *Capital*.)



Communist Manifesto - 1848



Ben Fine's Explanation of Marx's ***Capital***

Week 8 (M March 18): Intro to the Neoclassical School

Concepts in focus: Marginalism, markets, market equilibrium, general equilibrium, Walrasian system

Key thinkers: William Stanley Jevons, Alfred Marshall, Léon Walras, Carl Menger

Reading: HL – Chaps. 10, 11; H – 208-244; Optional: WP – Chap. VII.

Mid-Term Exam, Wednesday, March 20: Exam will be taken during the 75 minutes of class time.



Mainstream Economics' Flight from Complexity



Duncan Foley - Critique of Neoclassical Model

Week 9 (MW March 25, 27): Thorstein Veblen and American Institutionalism

Concepts in focus: Institutions, evolutionary systems, institutional nature of markets, ownership

Key thinkers: Thorstein Veblen, John R. Commons

Reading: HL – Chap. 12; H – pp. 245-263; WP – Chap. VIII



The Theory of Business Enterprise - Chaps. 1 - 4



Veblen - Theory of the Leisure Class

This is not required reading; this is an entire book. I list it here in case you want to get some flavour of what is probably Veblen's best-known work.



The VW Scandal



Eric Dean and the 21st century business enterprise

Week 10 (MW April 1, 3): 20th Century Marxism, Analyzing the evolving capitalist system, Intro to Keynes

Concepts in focus: Imperialism, surplus, development and underdevelopment,

Key thinkers: John Hobson, Rosa Luxemburg, Joan Robinson, V. I. Lenin, Antonio Gramsci; Keynes.

Reading: HL – Chap. 13; Take a look at the books by Luxemburg, Hobson, and Baran below (You are not required to read all of these lengthy books - They are posted because they are available from the internet; Do read the posted Sections of Keynes' *The Economic Consequences of the Peace*



Rosa Luxemburg - Accumulation of Capital



Hobson - Imperialism



Baran's monopoly capital



Pay vs. Productivity - Inequality

Week 11 (MW April 8, 10): The Keynesian Revolution

Concepts in focus: Circular flow, aggregate demand, expectations, unemployment

equilibrium, liquidity trap, monetary policy, fiscal policy

Key thinkers: John Maynard Keynes, Roy Harrod, John Hicks

Reading: HL – Chap. 15; H: 264-296; Keynes' *General Theory*, Chapter 12; Keynes' *Economic Consequences of the Peace*, Chapters 1, 2. (You can find John Maynard Keynes' *The Consequences of the Peace* at this site: <http://www.econlib.org/library/YPDBooks/Keynes/kynsCP.html>).



Keynes - *The General Theory of Employment, Interest, and Money*



Keynesian Circular Flow



The Keynesian Model plus IS-LM

Week 12 (W April 17): Post Keynesian School, Modern Money Theory (MMT)

Please read the following posted articles:



[Arrow and Debra - Existence of Equilibrium File](#)

This is difficult reading if you do not have an advanced math background, but do try to read as much of it as you can so that you understand how these authors model the economy.



Economists' Flight from Complexity



Finance Is not the Economy



Stephanie Kelton on MMT



The High Cost of Finance



The 2007 Financial Crisis - A Case Study



Wray and Tempoigne on MMT



Financialization

Week 13 (MW April 22, 24): Return of the Neoclassical School, "New Keynesians", Economic Growth and Development

Concepts in focus: Development economics, growth theory, microfoundations of macroeconomics, New Keynesianism, rational expectations, real business cycles, individualism, freedom

Key thinkers: Milton Friedman, Robert Solow, Kenneth Arrow, Gerard Debreu, Robert Lucas,

Reading: HL: Chaps. 14, 16, 17, Posted chapters on Solow and Romer growth models.

-  Solow Growth Model
 -  Intro to Modeling Technology
 -  Schumpeter-Romer Model
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Week 14 (MW April 29, May 1): Contemporary tendencies

Concepts in focus: Complexity, neuroscience, network theory, game theory, econometrics; environmental economics, financialization, social economics, feminist economics

-  World Inequality Report - 2018
-  Decroissance
-  Herman - The Threat of Globalization
-  George Monbiot - Missing Link
-  NASA Model
-  Cows and Global Warming
-  What Is Human Well-Being?