

Econ 444
Topics in the History of Economic Thought
Prof. Matías Vernengo

Summary and Objectives

This course analyzes the history of modern economic ideas from the 17th century until recently. Many economists suppose, following Maynard Keynes that the world is governed by ideas, and that ideology and vested interests play no significant role in the long run. Others, perhaps more cynically, presume that ideas do not matter. This seminar follows the interrelationship between ideas and economic policy. It takes the position that there is a dialectical dance between ideas and policies, where the former shapes the latter, and policy outcomes, in turn, influence ideas. Two important assumptions are made, namely: economic ideas do not proceed in a smooth fashion, so that economic knowledge at the frontier is not a repository of all past learning; also, it is presumed that historically determined social and economic conditions affect the evolution of economic ideas.

Most courses on history of thought concentrate on the theory of value and distribution. Although we will pay some attention to value and distribution, questions related to accumulation, the level of activity, international trade, the role of banks and the financial sector, and the role of the state in promoting (or not) economic development will also be central to our discussion. In particular, the distinction between the surplus approach and the rise of supply and demand theories, and the role of the principle of effective demand and the Keynesian Revolution will be central for the ideas discussed in the course.

The objective of the course is to understand how economic models have been developed historically to justify certain economic policies, and to understand the social consequences of these policies, with emphasis on economic policy in the United States. The course will provide alternative, mainstream and heterodox, theories to explain economic policy and will require the interpretation of economic ideas and historical events, sometimes requiring the use of economic data.

The required books will be Gianni Vaggi and Peter Groenewegen's *A Concise History of Economic Thought: From Mercantilism to Monetarism* and Stephen Cohen and J. Bradford DeLong's *Concrete Economics: The Hamilton Approach to Economic Growth and Policy*. Additional readings including handouts about specific topics will be provided in Moodle. Also, two documentaries, namely *Capitalism* by Ilan Ziv and *The Age of Uncertainty* by John Kenneth Galbraith will be used and links in Moodle will be provided. The entries in the *New Palgrave Dictionary of Economics*, available through Bertrand Library are particularly helpful and will be extensively used.

Requirements and Evaluation

The course requires knowledge of basic economic concepts. Attendance and participation in class are seriously encouraged. There will be 3 short papers worth 20 percent of the final grade, and a final research paper, which will require students to reference peer-reviewed scholarship in

the history of economic thought, worth an additional 20 percent. The midterm is worth 15 percent while the final is worth 15 percent. The other 30 percent of the grade corresponds to participation and homework assignments (15 percent), and a presentation to the class based on the research paper (15 percent). Homework assignments are always due on the class after they were handed out. The type of assignment will vary, but in general you will evaluate the author's main points and develop your own opinions. These writing assignments must be typed and submitted in hard copy at the beginning of class. No late assignments will be accepted.

Instructions for the final term research paper will be provided separately. Your task is to draft a thesis, construct arguments designed to prove your thesis, and then to assemble evidence in support of your thesis and arguments on a topic related to the theories discussed in class. The research paper must draw significantly from peer-reviewed research. This is a writing course and you are invited to use all of your languages as resources. You are welcome to write in a language other than English whenever it is helpful (such as in first drafts and notes), to draw on words and phrases in final drafts of essays that do not have translations in English, to use sources that are written in languages other than English, and to conduct primary research in languages other than English. While all students in this course are expected to challenge themselves to become more effective and accomplished writers in English, we will not spend time worrying too much about the aspects of English that take many years to acquire (i.e. articles, verb tense, prepositions), but instead focus on expression of ideas, communicative competence, and rhetorical savvy. There will be a concern with the disciplinary standards for writing as a professional economist.

Participation requires attendance, so it is important that you attend all classes and come to class prepared to discuss the readings. No electronic devices are allowed in class, unless the instructor approves it. Students are expected to abide by the Bucknell Honors Code (<https://www.bucknell.edu/AcademicResponsibility>).

Office hours are on Wednesday from 1 to 4, and I will be available in my office for informal discussions. I maintain an open-door policy – when my door is open, I am willing to meet with students. You are welcome to stop by at your convenience without an appointment. If you want to ensure that I am in my office at a time convenient to you and that you will not need to wait, make an appointment. I give priority to students who make appointments and then students without appointments on a first come, first seen basis. If you need to schedule an appointment or discuss some special need e-mail me at m.vernengo@bucknell.edu. Note that Bucknell's honor code and plagiarism rules do apply. Also, any student who may need an accommodation based on the impact of a disability should contact Heather Fowler, Director of the Office of Accessibility Resources at 570-577-1188 or hf007@bucknell.edu who will help coordinate reasonable accommodations for those students with documented disabilities.

Content and Schedule

1. Why the History of Economic Thought? [Aug. 22]
Vaggi and Groenewegen chapter 2; Heilbroner chapters 1, 2 and 11
2. Mercantilism and the Invisible Hand [Aug. 29]
Vaggi and Groenewegen chapter 11; Aspromourgos chapters 2 and 5
Adam Smith Book I, chapter 1, 3 and 7; Book IV chapter II
Documentary: Ziv Episode 2
3. Malthus versus Ricardo [Sept. 5]
Vaggi and Groenewegen chapters 13 to 15
Documentary: Galbraith Episode 1
4. Ricardo vs Hamilton [Sept. 12]
Cohen and DeLong chapter 1; Ricardo chapter 7; Hamilton Report on Manufactures
Vernengo (2000), Irwin (2004)
Documentary: Ziv Episode 3
5. The Role of Banks [Sept. 19]
Hamilton Report on a National Bank; Brands chapters 1 and 2; Green (1987);
Schwartz (1987); Vernengo (2016)
6. Marx, Social Darwinism and the Rise of Monopolistic Capitalism [Sept. 26]
Vaggi and Groenewegen chapters 16; Cohen and DeLong chapter 2; Hofstadter (1944)
chapter 3; Galbraith (1977) chapter 2
Documentary: Galbraith Episodes 2 and 3

Midterm [Oct. 3]

7. Finance Capital, Tax State and Imperialism [Oct. 10]
Vaggi and Groenewegen chapter 25; Brands (2006) chapters 3 to 5; Friedman (1990);
Bryan (1896); Schumpeter (1918)
Documentary: Galbraith Episode 6
8. Keynes and the End of Capitalism [Oct. 17]
Vaggi and Groenewegen chapters 31 and 32; Cohen and DeLong chapter 3; Keynes
(1926); Keynes (1933); Eccles (1932); Vernengo (2009)
Documentary: Galbraith Episode 7

9. The Rise of the Rest [Oct. 24]
Cohen and DeLong chapter 4; Chang chapters 2 and 3
Documentary: Ziv Episode 5
10. The Conservative Reaction [Oct. 31]
Kurz chapter 10; Cohen and DeLong chapter 5; Powell (1971)
Documentary: Ziv Episode 6
11. The End of the Worldly Philosophy? [Nov. 7]
Heilbroner chapter 11

Students' presentations [Nov. 14 and 28]

Final TBA

Basic Bibliography

Aspromourgos, T. (2009) *The Science of Wealth: Adam Smith and the Framing of Political Economy*, London: Routledge.

Brands, H. W. (2006) *The Money Men: Capitalism, Democracy, and the Hundred Years' War over the American Dollar*, New York: Norton.

Bryan, W. J. (1896) William Jennings Bryan's "Cross of Gold" Speech July 9, 1896, at the Democratic National Convention, Chicago, available at <http://historymatters.gmu.edu/d/5354/>

Chang, H-J. (2003) *Kicking Away the Ladder: Development Strategy in Historical Perspective*, London: Anthem Press.

Cohen, S. and J. B. DeLong (2016) *Concrete Economics: The Hamilton Approach to Economic Growth and Policy*, Boston: Harvard Business Review Press.

Eccles, M. (1932) "Depression: Its Causes, Effects and Suggested Remedies," Marriner S. Eccles Papers, Box 74, Folder 2, Item 3, University of Utah.

Friedman, M. (1990) "The Crime of 1873," *Journal of Political Economy*, 98(6): 1159-1194.

Galbraith, J. K. (1977), *The Age of Uncertainty: A History of Economic Ideas and Their Consequences*, Boston: Houghton Mifflin.

Green, R. (1987) "Real bills doctrine," in *The New Palgrave Dictionary of Economics*. Edited by Steven N. Durlauf and Lawrence E. Blume, London: Palgrave-Macmillan, Second Edition, 2008.

Heilbroner, R. (1953) *The Worldly Philosophers: The Lives, Times, and Ideas of the Great Economic Thinkers*, New York: Touchstone, 7th edition, 1999.

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- Irwin, D. (2004) “The Aftermath of Hamilton’s ‘Report on Manufactures’,” *Journal of Economic History*, 64(3): 800-821.
- Keynes, J. M. (1926) “The End of Laissez Faire,” in *Essays in Persuasion*, New York: Norton, 1991.
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- Schumpeter, J. A. (1918) “The Crisis of the tax State,” *International Economic Papers*, 4 (1954): 5-38.
- Schwartz, A.J. (1987) “Banking School, Currency School, Free Banking School,” in *The New Palgrave Dictionary of Economics*. Edited by Steven N. Durlauf and Lawrence E. Blume, London: Palgrave-Macmillan, Second Edition, 2008.
- Smith, A. (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations*, Indianapolis: Liberty Fund; 2 Volumes, 1982.
- Vaggi, G. and P. Groenewegen (2003) *A Concise History of Economic Thought: From Mercantilism to Monetarism*, London: Palgrave-Macmillan.
- Vernengo, M. (2016) “Kicking Away the Ladder Too: Inside Central Banks,” *Journal of Economic Issues*, 50(2): 452-460.
- Vernengo, M. (2009) “A Hands-off Central Banker? Marriner S. Eccles and the Federal Reserve, 1934-51.” In R. Leeson (ed.), *American Power and Policy*. New York: Palgrave-Macmillan: 69-90.
- Vernengo, M. (2000) “What Do Undergrads Really Need to Know About Trade and Finance.” In R. Baiman, H. Boushey and D. Saunders (eds.), *Political Economy and Contemporary Capitalism*, Armonk: Sharpe.