This course is about how the major ways by which economists try to understand the economy and economic behavior came to be. This will involve us mainly in studying the historical development of modern microeconomics and macroeconomics and examining why economists thought that certain theoretical frameworks were better than others and what problems still remain.

We will begin by looking at some key ideas of the “classical” economics of the last half of the Eighteenth Century and first half of the Nineteenth Century. We then study the rise of the marginalist, or “neoclassical,” economics in the last half of the Nineteenth Century. With its emphasis on marginal utility as the basis of demand and marginal cost as the basis of supply, the neoclassical theory is the essence of modern microeconomics.

Then to understand the origins of modern macroeconomics, we first look at attempts to explain macroeconomic business cycles by building on the neoclassical microeconomic approach. Next we explore John Maynard Keynes's attempts to escape from that framework and to develop an alternative macroeconomics. We will ask if Keynes's ideas also have some answers for the questions we have asked about microeconomics. We will finish, time permitting, with a brief look at significant developments in macroeconomics since Keynes.

The textbook for the course is Ingrid Rima, Development of Economic Analysis, Seventh Edition. We will use Bernard Caravan, Economists for Beginners, mainly to help us with classical economics. The other readings for the course will mostly be selections from the relevant original authors, though there are a few selections taken from secondary sources. Rima's book and Keynes's The General Theory of Employment, Interest, and Money, are supposed to be available for you to purchase in the bookstore. Caravan’s book is out of print, but I have a copy from which you can each make a copy. The other assigned readings I will either give out in class or place on e-reserves or make available in some other form.

Your grade will be determined by your work on four two-to-four-page essays that I will assign in class to be completed outside of class during the Quarter. You will write and submit a first draft of each essay, on which I will give you written comments. Then you will write and submit a revised final draft, which I will grade. Each essay will count equally in determining your final grade. I will establish the due dates for the first draft and final draft of each essay so as to allow what I feel to be adequate time between the original assignment and the completion of each draft for you to write the essays while maintaining a decent pace to the class.

—I should be in or around my office most, but not every minute, of these hours. I will try to let you know in advance when there are significant periods of time when I can’t be there during these hours.
The list of the topics to be covered in the course and the readings which go with each follows:

I. Classical economics
   - Donald Harris, *Capital Accumulation and Income Distribution*, Chap. 1
   - Caravan, Chaps. 1, 2, 3
   - David Ricardo, *On the Principles of Political Economy and Taxation*, Chap. 1
   - Piero Sraffa, *Production of Commodities by Means of Commodities*, Preface and Chaps. 1, 2, 3
   - Rima, Chap. 9

II. Intimations of neoclassical economics in the classical era
   - Maurice Dobb, *Theories of Value and Distribution since Adam Smith*, Chap. 4
   - Caravan, Chap. 4
   - Rima, Introduction to Part III and Chap. 10

III. The first neoclassicals
   - Rima, Chap. 12
   - Stanley Jevons, *The Theory of Political Economy*, Chaps. 1, 2, 3
   - Léon Walras, *Elements of Pure Economics*, Chaps. 1, 3, 10, 11, 12, 16, 18, 20, 35

IV. Marginal productivity and capital theory
   - Rima, Chap. 13

V. Marshall
   - Rima, Introduction to Part IV and Chap. 14
   - Caravan, Chap. 6

VI. The new theory of welfare and consumer behavior
   - Rima, Chap. 16
VII. Theories of imperfect competition
   Rima, Chap. 15
   Levine, Chap. 8, pp. 249-266

VIII. Money and business cycles
   Rima, Chap. 17
   Knut Wicksell, *Interest and Prices*, pp. 102-111
   Keynes, “Social Consequences of Changes in the Value of Money,” from *Essays in Persuasion*
   Keynes, *A Tract on Monetary Reform*, pp. 41-87
   Keynes, *A Treatise on Money*, Vol. I, Chaps. 9, 10, 11, 12

IX. Keynes
   Rima, Chaps. 20, 21
   Caravan, Chap. 7
   Keynes, *General Theory*, Preface, Chaps. 1, 2, 3, 14, 16, 24

X. Further developments and rival theories
   Rima, Chap. 23

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