

Syllabus, Econ 320
History of Economic Ideas, Fall 2013
Class: Tuesdays and Fridays, 11:45-1:00, Ward 106
Office hours: Wednesday, 10-11:30 am, at the Mudbox

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“...the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back... soon or late, it is ideas, not vested interests, which are dangerous for good or evil.”

- John Maynard Keynes (1936), *The General Theory of Employment, Interest and Money*.

Introduction to the course:

Welcome to History of Economic Ideas. I am assuming it is the first history of economic thought course for most of you (perhaps all of you) but I am also assuming that you will have heard of many of the individuals and ideas that we will be discussing this semester. There is a good reason for that: the history of economic thought, for better or worse, continues to structure the way economists think today. Current debates about macroeconomic policy, poverty, the role of government, the determinants of economic growth, and many other questions often reflect older debates about the same subjects. Important economic theories of the twentieth century are often just formalizations of much older ideas. Many economists acknowledge these ties as a principal reason for studying the history of economic thought. What is less commonly acknowledged is that they also provide a strategy for how to go about studying the subject. This semester we will explore in detail not only the ideas of older economists, but how they set the precedent for modern work in economic science and trace ideas in the history of economic thought to many modern strands of economic research. Lord Acton once wrote that *“it is not the popular movement, but the traveling of the minds of men who sit in the seat of Adam Smith that is really serious and worthy of all attention”*. You will learn about Nobel laureates like Kenneth Arrow, James Buchanan, Joseph Stiglitz, Vernon Smith, and Paul Krugman in your other economics classes, but in what way does each of these thinkers *“sit in the seat of Adam Smith”*? Where do we see the mark of other classic economists on modern economic science?

Although we will make forays into these connections with modern economics, the primary task will be to understand in great detail the ideas of the economists of the mid-18th century to the early-20th century, and the evolution of economic thought. This class should surprise you in some ways. We will discover that Adam Smith, Thomas Malthus, Karl Marx, and John Maynard Keynes are more complex than the caricatures of these thinkers that are often presented (sometimes by economists themselves!).

Student learning outcomes:

1. Understand the ideas of the great economists on some of the principal questions of political economy:
 - a. What determines the wealth of nations?
 - b. What determines the distribution of income?
 - c. Why do modern economies experience bouts of underutilization of capacity?
2. Distinguish between different schools of economic thought: mercantilist, classical, neoclassical, Keynesian, Austrian, institutionalist, monetarist.
3. Think critically about the relevance of the history of economic thought to modern economic thought and the relationship between economists writing in different periods.
4. Learn how to write well. One of the most valuable tools you can leave college with is the ability to write clearly and persuasively. If you are an economics or mathematics major, the opportunities to write are limited. You will write short and long essays in this class, and you will revise and rewrite after receiving detailed comments on an outline and draft of your long essay.

Required materials:

Most of our readings will be from primary sources that are assigned or posted on Blackboard. I will also post many articles that we will discuss in class that offer examples of old ideas in economics that have been formalized and made important contributions to the development of twentieth century economics (you can find these in the “Additional Readings” folder on Blackboard). These readings are optional and for your reference, but it would be wise to skim what you find interesting or relevant for your long essay. We will use Agnar Sandmo’s *Economics Evolving: A History of Economic Thought* (Princeton University Press) as a guide. It’s a clear exposition of the subject that focuses on ideas rather than biography. In addition to Sandmo’s *Economics Evolving*, our other texts will be:

Smith, Adam. 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations* (Volume 1 and 2). Liberty Fund.

Ricardo, David. 1996. *Principles of Political Economy and Taxation*. Prometheus Books (Great Mind Series).

Keynes, John Maynard. 1997. *The General Theory of Employment, Interest, and Money*. Prometheus Books (Great Minds Series).

You are welcome to get any edition of these books that you want, or to use free versions available online. I am listing these editions because they are inexpensive and they are the versions that I will be using when I refer to specific page numbers. You will read from many other primary sources but you will not be required to purchase those books. I will provide those readings.

Expectations/Course Policies:

I will not take attendance but class participation is 10% of the course grade. Keeping up with the readings and lectures is essential to perform well in the class. Often a chapter in the Sandmo text

will be associated with an economist that we consider for several weeks. You can finish these chapters whenever it is convenient for you, and you may find it helpful to read the sections of these chapters that are most relevant for what we are discussing in class. I will not accept late submissions. My policy on rewriting the short essays to make up points is TBA but I will not allow any rewriting of the long essay.

Grading:

- Class participation - 10%
- Three long essay topic ideas (August 30th) – included in class participation
- Five page essay on Adam Smith (September 20th) – 10%
- Five page essay on Malthus and Ricardo (October 11th) – 10%
- Outline of long essay (October 18th) - 5%
- Draft of long essay (at least ten pages done) (November 8th) – Graded for completion, included in final long essay grade.
- Final version of long essay (*at least* fifteen pages, *not* including bibliography due December 6th) – 40%
- Final examination – 25% (December 10th)

Class participation: The purpose of a class participation grade is to ensure that you are actively engaging with these ideas and not just listening to me lecture. This is a large class and people have different comfort levels with speaking in class, so the class participation will be divided between contributions to the discussion, quality responses to discussion threads I will instigate on Blackboard.

Short essays: I will give you several short essay topics to choose from on Adam Smith and then on Malthus and/or Ricardo. These essays should be about five pages long.

Long essay: You will choose the topic of your long essay. I want you to think about a question in economics that interests you and explore the history of how economists have answered the question with particular emphasis on economists before World War II. How did the answer to the question change over time, or were the answers essentially the same with increasing degrees of formalization? What were the major points of disagreement? Have more recent debates on the question mirrored older debates?

We will consider the history of how economists have answered several broad questions in class, such as “what causes economic crises?” or “how is income distributed?”, and you can write about *more specific versions* of these sorts of questions. You are also free to write about something that we do not discuss in class at all. This option will of course require extra work on *your* part, but you may find it more rewarding. On the second day of class I would like a list of three potential long essay topics. I will give you guidance on which will be the most fruitful or whether your topics are too broad. On October 18th I would like to see an outline of your essay to make sure you are considering the most relevant economic thinkers and that you are structuring your argument in a persuasive way. On November 8th I would like a working draft of your long essay (about ten pages at that point). This will not be graded but I will return it with comments to

improve your final draft. Rewriting after receiving criticism is an essential part of the writing process. The final draft is due on the last day of class.

Notice that readings are lighter in late October and early November. Use this time wisely for your own research and writing.

Final examination: John Maynard Keynes is almost certainly the most important economist of the twentieth century, one of the most important economists of all time, and shamefully neglected in our short essays. This is to balance your workload and mine, and let you concentrate on your long essay in the second half of the semester. It also means that the final examination will draw heavily on our discussion of Keynes, as well as the other material in the second half of the course. The exam will include a short definition section and one or two short essay questions.

Learning with disabilities:

AU has excellent services for students with physical and learning disabilities. The [Academic Support Center](#) offers resources and consultations for all students, including those with learning disabilities and ADHD. [Disability Support Services](#) offers technical support for students with physical, medical, or psychological disabilities.

If you have accommodations because of a disability, please notify the instructor in a timely manner with a letter from the Academic Support Center or Disability Support Services so that appropriate arrangements can be made to accommodate your needs.

Office hours and other notes:

My office hours will be held between 10 and 11:30 am on Wednesdays, in the Mudbox. You can always email me as well, but my availability will be very limited outside of office hours this semester, so plan accordingly. If you need help writing or organizing your essays and you cannot get the help you need during my office hours, please plan to utilize the resources available at the Writing Center (<http://www.american.edu/cas/writing/>).

Academic integrity:

Standards of academic conduct are set forth in the University's Academic Integrity Code. By registering for this course, you have acknowledged your awareness of the Academic Integrity Code and your obligation to become familiar with your rights and responsibilities as defined by the code. Violations of the Academic Integrity Code will not be treated lightly, and disciplinary actions will be taken should violations occur. The standard sanction for violations is failure of the course.

Emergency preparedness:

In the event of a declared pandemic (influenza or other communicable disease), American University will implement a plan for meeting the needs of all members of the university community. Should the university be required to close for a period of time, we are committed to ensuring that all aspects of our educational programs will be delivered to our students. These may include altering and extending the duration of the traditional term schedule to complete essential instruction in the traditional format and/or use of distance instructional methods. Specific strategies will vary from class to class, depending on the format of the course and the

timing of the emergency. Faculty will communicate class-specific information to students via AU e-mail and Blackboard. Students are responsible for checking their AU e-mail regularly and keeping themselves informed of emergencies.

In the event of a declared pandemic or other emergency, students should refer to the AU Web site (american.edu/emergency) and the AU information line at (202) 885-1100 for general university-wide information, as well as contact their faculty and/or respective dean's office for course and school/college-specific information.

Class Schedule:

Dates	Subject
August 27 th and 30 th Please read Sandmo, chapter 2. Also: <ul style="list-style-type: none">- Selections from economists on usury* for the 27th- Thomas Mun, <i>England's Treasure by Forraign Trade or the Balance of our Forraign Trade is the Rule of our Treasure</i>, Chapters 2, 3, and 4* for the 30th	Pre-Smithian economics
September 3 rd and 6 th Please read Sandmo, chapter 3. Also: <ul style="list-style-type: none">- Adam Smith, <i>Wealth of Nations</i>, Book 1, Chapters 1 through 3 for the 3rd- Adam Smith, <i>Wealth of Nations</i>, Book 1, Chapters 6 through 8, skim chapter 10, part 1 for the 6th	Adam Smith – division of labor and prices/factor prices
September 10 th <ul style="list-style-type: none">- Adam Smith, <i>Wealth of Nations</i>, Book 3, Chapter 1 and Book 4, Chapter 1- Skim Robert A. Blecker. 1997. "The 'Unnatural and Retrograde Order': Adam Smith's Theories of Trade and Development Reconsidered". <i>Economica, New Series</i>. 64(255): 527-537*	Adam Smith – critique of mercantilism, trade, and growth
September 13 th <p>Read at least two of the following selections from "modern Smithians" (ideally two that will be helpful for your long essay topic). It's acceptable for you to not understand everything you read here. Not trying to understand it is not acceptable:</p> <ol style="list-style-type: none">1. Paul Krugman, Nobel Prize Lecture "The Increasing Returns Revolution in Trade and Geography"*2. Kenneth Arrow, Nobel Prize Lecture "General Economic Equilibrium: Purpose, Analytic Techniques, Collective Choice"*3. Vernon Smith, Southern Economic Association 1997 Distinguished Guest Lecture "The Two Faces of Adam Smith"* and briefly skim Vernon Smith, Nobel Prize Lecture "Constructivist and Ecological Rationality in Economics"*4. Paul Romer, "Economic Growth" in the Concise Encyclopedia of Economics (http://www.econlib.org/library/Enc/EconomicGrowth.html) and skim Romer, Paul. 1986. "Increasing Returns and Long-Run Growth". <i>Journal of Political Economy</i> 94(5): 1002-1037*. Just try to understand what he is arguing in the <i>JPE</i> article and why it is important and related to Adam Smith.	"Modern Smithians"
September 17 th and 20 th Please read Sandmo, chapter 4 (only pages 60-71). Also: <ul style="list-style-type: none">- Thomas Malthus, <i>An Essay on the Principle of Population</i>, Book 1, Chapters 1, 2, and Book 2, Chapter 13 for the 17th.	Malthus – population, growth and gluts

- Thomas Malthus, *Principles of Political Economy*, Book II, Chapter 1, Section X: “Application of some of the preceding Principles to the Distresses of the Labouring Classes since 1815, with General Observations” **for the 20th**

September 24th and 27th

Ricardo – Value theory, factor prices, and trade

Please finish Sandmo, chapter 4. Also:

- David Ricardo, *Principles of Political Economy and Taxation*, Chapters 1, 2, 4, 5, and 6 **for the 24th** (as much as you can get through – there is much less to read for the 27th and the 24th lecture will probably flow into the 27th anyway).
- David Ricardo, *Principles of Political Economy and Taxation*, Chapter 7 **for the 27th**.

October 1st

Ricardo – Taxes and Machinery

- Selections from David Ricardo, *Essay on the Funding System*.
- David Ricardo, *Principles of Political Economy and Taxation*, Chapter 31.

October 4th

Malthus-Ricardo and Malthus-Say Correspondence or Malthus/Ricardo catch-up class (TBD)

- Jean Baptiste-Say, *Letters to Malthus on Political Economy and Stagnation of Commerce*, Letter 2
- A nice **optional** background reading: Dorfman, Robert. 1989. “Thomas Robert Malthus and David Ricardo”. *Journal of Economic Perspectives*. 3(3): 153-164.

October 8th and 11th

John Stuart Mill – Supply and demand, and crises and the steady state

Please read Sandmo, chapter 5 through page 101 **for the 8th** and from 101 through 114 **for the 11th**. Also:

- John Stuart Mill, *Principles of Political Economy*, Book III Chapter II and Book III Chapter XVIII **for the 8th**.
- John Stuart Mill, *Principles of Political Economy*, Book III Chapter XIV, Book IV Chapter IV, and Book IV Chapter VI **for the 11th**.

October 15th and 18th

Marx – Circulation, surplus value, and crisis theory

Please read Sandmo, chapter 6. Also:

- Karl Marx, *Capital* Volume 1, Chapters 4, 6, and 9 **for the 15th**.
- Karl Marx, Selections from *Theories of Surplus Value* **for the 18th**.

October 22nd and 25th

Marginalism

Please read Sandmo, chapters 7 through 9

October 29th

Marshall and neoclassicism

Please read Sandmo, chapter 10 and 11

November 1st

Early Monetarists: Fisher, Wicksell, Keynes

Please read Sandmo, chapter 12. Also:

- Fisher, Irving. 1911. "Recent Changes in the Price Level and their Causes". *The American Economic Review* 1(2): 37-45.
- Fisher, Irving. 1933. "The Debt-Deflation Theory of Great Depressions". *Econometrica* 1(4): 337-357.

November 5th

Institutionalists

Please read Sandmo, chapter 13 - the section on Thorstein Veblen.

November 8th

Keynes – Introduction

Please read Sandmo, chapter 15.

November 12th and 15th

Keynes – Consumption and Investment

TBD

November 19th

Keynes – Interest rates

TBD

November 22nd

Austrian economics, Hayek, and Austrian business cycle theory

Please read Sandmo, chapter 14. Also:

- F.A. Hayek's *Price and Production*, Lecture II

November 26th

Guest lecturer to talk about Post-Keynesianism and Kalecki or cancelled (TBD)

No readings. Keep working on your long essay.

December 3rd and 6th

Post-war economics

Please read Sandmo, chapter 17 for the 3rd and chapter 18 for the 6th. Also:

- Robert Lucas, *Econometric Policy Evaluation: A Critique* (1976), Sections 1, 2, 5.3, 6, and 7 **for the 6th**.