

History of Economic Thought

ECO 4303

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Tuesday 6:20-9:05 PM
SOS 152

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Prerequisites

ECO 2013: Principles of Macroeconomics & ECO 2023: Principles of Microeconomics

Required Readings

Henry W. Spiegel, *The Growth of Economic Thought* (3rd ed.) Durham: Duke University Press, 1991

Robert Heilbroner, *The Worldly Philosophers* (7th ed.)

Adam Smith, *The Wealth of Nations*. [1776] Chicago: University of Chicago Press, 1976. (This is known as the Cannan edition; it was edited by Edwin Cannan, who also provided an introduction, margin summaries, and index.)

Robert Tucker, *The Marx-Engels Reader* (2nd ed.) New York: Norton, 1978.

Alfred Marshall, *Principles of Economics*. (8th ed.) Cosimo Classics, 2009.

John Stuart Mill, *On Liberty*. Simon & Brown, 2011.

Thorstein Veblen, *The Theory of the Leisure Class* [1899] (New York: Oxford University Press, 2007).

John Maynard Keynes. *Essays in Persuasion* (New York: Harcourt Brace, 1932).

Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962)

Recommended

G. Graff, C. Birkemstein (2009). *They Say/I Say* (2nd ed.). W.W. Norton.

In addition to these books, there will be other readings assigned/ recommended during the semester: journal articles, handouts, etc...Most of them can be found in the Schedule of Readings.

Synopsis of the course

Karl Marx once said that “history repeats itself, first as a tragedy, then as farce.” To avoid the tragedy, we must study our history. To avoid the farce, we must study it very hard.

Course Description

This course is designed to introduce students to the evolution of economic thought from the ancient world to the twentieth century. It is an *intensive* study of the ideas of the great economic thinkers that have shaped our discipline and, more or less, the world that we live in today.

We will start in ancient times, move quickly through the Middle Ages, and then stop to examine the first attempts for organized economic thought in the early modern days (late Renaissance) by Mercantilists and Physiocrats (Thomas Mun, Richard Cantillon, Francois Quesnay). This will set the picture for the next couple of weeks when we will discuss the works of classical economists (Adam Smith, Thomas Malthus, Jean Baptist Say, David Ricardo, Karl Marx, and John Stuart Mill). We will cover a range of different topics—what is economic value and how prices are determined, what causes economic growth and development, what is the proper role of the state, and how social inequality affects economic life.

We will then spend a lecture studying the works of neoclassical economists: Jevons, Menger, Marshall, Pareto, and Pigou. Most of the ideas in this section are what is taught in principles and intermediate courses, so it will be a good way for students to test what they have previously learned and compare original texts to modern ones. Next, we will look at the “Socialist Calculation” debate that emerged at the end of the 19th century and examine the main ideas of thinkers from the Austrian School (von Mises and Hayek).

In the final third of the course, we will look at selected economic schools from the twentieth century. We will start with Institutionalism (Thorsten Veblen), then examine the birth of modern Macroeconomics (Maynard Keynes), its opposition by Monetarists and Public Choice scholars (Friedman, Stigler, Downs, and Tullock), and finish with some more recent trends like Behavior Economics (as time permits of course).

Objectives

- A. Identify the key ideas of major economic thinkers, trace their evolution, and relate them to contemporary economic thought.
- B. Place those ideas in a variety of historical, cultural, and intellectual contexts, so that students can gain a better understanding (and common sense) of the basic principles of economics.
- C. Discover that most modern ideas are not modern at all, but the end-product of a long history of intellectual development. (Indeed, see how economics got where it is today.)

D. Recognize that even though economic ideas are often abstract and ideologically driven, they are nevertheless the foundation on which our social rests (which makes them a powerful tool for social change).

E. Discredit some common myths about the ideas of the great economic thinkers that are often taught at the undergraduate level.

F. Challenge the existing economic paradigm by exploring theories that are radically different from modern mainstream economics.

G. Develop appreciation (or not) for the modern progress by studying some of the challenges of the past.

H. Finally, this course fulfills the reading, writing, and speaking intensive requirement for undergraduate students. It is organized in the form of a seminar, so an important goal of the class is to help students improve their reading, writing, and presentation skills.

Course Requirements and Grading

Weekly Quizzes (10%)

Your success in this and any other class depends on your systematic studying the book and the assigned readings. Therefore, weekly quizzes will be given to assess your progress in this respect.

Presentation (30%)

Since this course fulfills the requirements for a speaking intensive course, you will have to give a short 15-20 min presentation on the life, ideas, contributions, or selected work of an economist, school of economic thought, or a journal article. Presentations will be assigned during the first day of class.

*Note: Failure to show up for your presentation will result in an automatic F for the course.

Short Response Papers (20%)

You will be required to read Robert Heilbroner's *The Worldly Philosophers* and write two short response papers (3-4 pages each) to chapters 3-6 and 7-10. This book is supposed to be a light reading and introduce you to some of the main ideas of the economic thinkers we will study. For both papers, you will have to review one or two major ideas from the economists discussed in the assigned chapters (i.e. one or two ideas per chapter; not overall). You will then have to put the ideas into their social and political context, explain their importance, and how they relate to economic theory today. The first paper is due on Jan 24th; the second one on Feb 28th.

Research Paper (30%)

The largest component of your grade will be your final research paper. There will be no topic for this assignment. It is supposed to be an independent and creative research project on a subject in the history of economic thought that you find particularly interesting. This is also your opportunity to contribute to the development of the course. Your research should make use of both primary and secondary literature. The final 12-18 pages research paper will be due on Apr 10th. Ideally, you will also present your findings in front of the class during our final two lectures (this requirement could be waived due to time constraints).

Class Participation (10%)

This course is organized in the form of a seminar. In addition, the emphasis in this class is on learning not what to think, but how to think; not what kind of arguments to support, but how to weigh those arguments and make informed decisions. Therefore, class discussion is an important component of the course, and respect for the ideas of others is a quality you need to bring to the classroom. You will be expected to come to class prepared and ready to thoroughly discuss the assigned readings.

Your final grade will be a weighted average of the above items according to the following grading scale.

A+ (96-100) **A** (93-96) **A-** (90-93) **B+** (86-90) **B** (83-86) **B-** (80-83) **C+** (76-80) **C** (73-76) **C-** (70-73) **D+** (66-70) **D** (63-66) **D-** (60-63) **F** (60-)

Course Policies

Attendance

If you do not plan to attend lectures and participate constructively in class discussions, then you should withdraw from this course. Liberal arts education is by its nature aimed on careful self-examination and discussion. Such are the goals of this course too—by studying the history of ideas to challenge our own preconceived notions about the realities of economic life. While missing class will not affect your grade directly, a great deal of your grade will be determined by in-class assignments. There will be **no make-up** for these exercises.¹ In addition, experience shows that students who miss more than two lectures finish with a grade significantly below average. And students who do not attend lectures regularly fail the course.

Cheating and Plagiarism

¹ Should you decide to attend class I will ask that you do it the way it has to be done —no text messaging, no sleeping, be on time, etc ... The following penalties will be enforced in the case of: Sleeping: You will lose 40 pts on one of your papers. Text-messaging: You will lose 25 pts on one of your papers. Being more than 5 minutes late: You will lose 10 pts on one of your papers. To be fair to you, the same rules will apply to me as well. Only I will award the same amount of points in case I happen to violate THE rules.

University policies regarding academic dishonesty will be rigorously enforced in this class. It is your responsibility to familiarize yourself with these policies and to follow them strictly (refer to pages 46 – 47 in the Undergraduate Catalog). Pay particular attention to the policy on plagiarism as plagiarism is not limited to word-for-word copying of another’s work. You are expected to complete all assignments for this class independently unless the assignment specifically states otherwise. I reserve the right to penalize dishonesty with sanctions *up to and including* an F in the course.

Available Help

I encourage you to talk to me after class, to stop by my office or to email me if you have questions regarding assignments, readings etc. I will be happy to explain material and help you prepare for assignments.

Grade Disputes

If you want to dispute a particular question(s) that you feel was not graded fairly do this in a civilized manner by turning your request in writing, explaining the reasoning behind your answer, and why you should receive points back. However, if you wish me to re-grade a question, keep in mind that the revised grade may go in the opposite direction you wish it to.

“Flat Tire on the Day of Exam” and “Crashed Operating System the Night before Paper Is Due” Policy

As the name of this policy suggests, no excuses of this type will be accepted. Make sure you back up your work regularly and have a contingency plan to get to school if your car breaks. It is your responsibility to complete all assignments on time.

Schedule of Lectures & Readings

1. **Introduction to the course..... Jan 10^h**
 - Personal Introductions.
 - Discussion of the Syllabus.
 - Why study the history of economic thought?
 - The Economic Revolution.

Readings:

 - Robert Heilbroner, *The Worldly Philosophers* (7th edition), New York: Simon & Schuster, 1999.
 - Galbraith, "Who Are These Economists, Anyway? *Thought and Action*.
 - Mark Blaug, "No History of Ideas Please, We're Economists," *The Journal of Economic Perspectives*, Vol. 15, No. 1 (Winter 2001), 145-164.
 - Beth Gardiner, WSJ "Back to School."

2. **Pre-classical economic thought Jan 17th**
 - Spiegel, Chapter 8, pp. 183-200, Optional – Chapters 3, 5, and pp. 119-135 of Chapter 6.
 - Heilbroner, TFTPW, pp. 1-53.
 - Jacob Viner, "Mercantilist Thought" [1968], reprinted in *Essays on the Intellectual History of Economics*, ed. Douglas Irwin (Princeton: Princeton University Press, 1991), pp. 262-76.
 - Paul Krugman, editorial columns "Chinese New Year" and "Taking on China."

- Emile Guillaumin, *The Life of a Simple Man* [1904], translated by Margaret Crosland. (Hanover, N. H.: University Press of New England, 1983), chapter 42.
- 3. The Scottish Enlightenment and Adam Smith Jan 24th & Jan 31st**
- Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, ed. Edwin Cannan, New York: Modern Library, 1937 [1776].
 - i. Smith's Introduction
 - ii. Book I, Chapters 1-4 and 6-7 complete, Chapter 5, pp. 34-43; Chapter 8, pp. 72-82; Chapter 9, pp. 98-99, 109-110; Chapter 11, pp. 161-63 & 269-78
 - iii. Book II, Chapters 1, 3 (pp. 351-65 only), 4
 - iv. Book IV, Chapters 1, pp. 450-56, 468-473; Chapter 2, pp. 474-80.
 - Heilbroner, TFTPWP, pp. 56-105.
 - Maria Paganelli, "The Adam Smith Problem in Reverse: Self-interest in Adam Smith's *Wealth of Nations* and *Theory of Moral Sentiments*." *HOPE*, vol. 40, Summer 2008, pp. 365-82.
 - Amartya Sen, "Introduction" to *Adam Smith, Theory of Moral Sentiments* (New York: Penguin Classics edition, 2009).
 - Response paper 1 DUE Jan 24th
- 4. Thomas Malthus & David Ricardo Feb 7th**
- Spiegel, Chapter 12, and pp. 286-99 of Chapter 13, Chapter 14.
 - Heilbroner, TFTPWP, pp. 106-127.
 - Thomas Malthus, *Essay on the Principle of Population*, 1st ed., 1798, chapters 1, 2, 5.
- 5. John Stuart Mill and Utilitarianism Feb 14th**
- Spiegel, Chapter 16.
 - Heilbroner, TFTPWP, pp. 56-105.
 - George Stigler, "The Nature and Role of Originality in Scientific Progress," *Economica*, vol. 22, November 1955, pp. 293-302.
 - Thomas Carlyle, "Occasional Discourse on the Negro Question," *Fraser's Magazine*, 1849.
 - John Stuart Mill, "The Negro Question," *Fraser's Magazine*, 1850. *Session 3 – Classical Growth Theory*.
 - John Stuart Mill, "On Liberty."
- 6. Utopian Socialists and Karl Marx Feb 21nd**
- Spiegel, Chapter 19-20.
 - Heilbroner, TFTPWP, pp. 159-197.
 - *The Communist Manifesto*
- 7. The Marginal Revolution and Alfred Marshall Feb 28th**
- Spiegel, Chapter 22, pp. 505-507, 513-524; Chapter 24, Chapter 25, pp. 563-74.
 - Heilbroner, TFTPWP, pp. 197-228.
 - Alfred Marshall, *Principles of Economics*, [8th. Ed., 1920] (Philadelphia: Porcupine Press, 1990), as follows: Prefaces to 1st and 8th eds.; Book I, chapters 1, 4; Book III, chapters 1-4; Book IV, chapter 13; Book V, chapters 1-3.
 - Jacob Viner, "Marshall's Economics, in Relation to the Man and to His Times," *American Economic Review*, Vol. 31, No. 2 (June 1941), 223-235.
 - Response paper 2 due

8. **Mises and Hayek: The socialist calculation debate..... Mar 7th**
- Friedrich von Hayek, "The Use of Knowledge in Society," *American Economic Review*, Volume 35, Issue 4 (September 1945), 519-530.
 - Mises, "Economic Calculation in the Socialist Commonwealth."
 - Rothbard, "Ludwig von Mises: Scholar, Creator, Hero"
 - Klein, "Biography F.A. Hayek (1899-1992)"
 - Garrison, "Overconsumption and Forced Saving in the Mises-Hayek Theory of the Business Cycle.
 - Rothbard, "The End of Socialism and the Calculation Debate Revisited"
9. **No Class – Spring Break Mar 13th**
10. **American Institutionalism and Thorsten Veblen Mar 20th**
- Heilbroner, TFTP, pp. 247-64.
 - Spiegel, Chapter 27, pp. 628-643.
 - Thorstein Veblen, *The Theory of the Leisure Class* [1899] (New York: Oxford University Press, 2007). Chapters 1-3.
 - Thorstein Veblen, *The Theory of Business Enterprise*. (New York: Scribner's, 1904). Chapters 2-4.
 - Thorstein Veblen, "Why is Economics not an Evolutionary Science?" *The Quarterly Journal of Economics*, Vol. 12, No. 4 (July 1898), 373-397.
 - Thorstein Veblen, "The Limitations of Marginal Utility," *The Journal of Political Economy*, Vol. 17, No. 9 (November 1909), 620-636.
11. **Keynes and the birth of modern macroeconomics Mar 27th**
- Heilbroner, TFTP, pp. 264-97.
 - Spiegel, Chapter 26, pp. 597-610.
 - Keynes, John Maynard. "Am I a Liberal?" [1925], "The End of Laissez-Faire"[1926], and "Economic Possibilities for Our Grandchildren" [1930], all in *Essays in Persuasion* (New York: Harcourt Brace, 1932).
 - Keynes, J. M. 1919. *Economic Consequences of the Peace*. Chapters 1 & 2;
 - "The End of Laissez Faire," [1926] and "The Great Slump of 1930," [1930], both in *Essays in Persuasion*.
 - Peter Clark, "Keynes in History," *HOPE*, vol. 26, Spring 1994, pp. 117-36.
 - Laidler, David. "Keynes and the Birth of Modern Macroeconomics," in *The Cambridge Companion to Keynes*, pp. 271-90.
12. **Milton Friedman and the Monetarist Apr 3rd**
- Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), pp. 1-36; "The Methodology of Positive Economics," in Friedman, ed., *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953), pp. 3-43.
 - Gary Becker, *The Economic Approach to Human Behavior* (Chicago: University of Chicago Press, 1976), chapter 1.
 - Milton Friedman and Anna Schwartz, "The Great Contraction, 1929-33," excerpts from chapter 7 of *A Monetary History of the United States, 1867-1960* (Princeton: Princeton University Press, 1963), pp.299-332.

- Friedman, "Inflation and Unemployment."
- Garrison, "Is Milton Friedman a Keynesian?"

• Research Paper Due

- 13. The Public Choice School: Politics as Business Apr 10th**
- Gordon Tullock, "The Welfare Cost of Tariffs, Monopolies, and Theft." Western Economic Journal, 5:3 (1967:June) p.224
- 14. Behavioral Economics Apr 17th**
- Simon, Herbert (1987). "Behavioral Economics". The New Palgrave: A Dictionary of Economics,. 1. pp. 221–24.
 - Kahneman, Daniel, and Amos Tversky (1979) "Prospect Theory: An Analysis of Decision under Risk", Econometrica, XLVII (1979), 263-291.
- 15. Where do we go from here? Apr 24th**
- Concluding Remarks

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Presentation Guidelines

Boris Nikolaev

This is a higher level *seminar* class. What this means is that the success of the course/lectures depends on everybody's effort, i.e. it is a collective endeavor. We all read, meet, and discuss what we have learned. It is a good idea to start writing down questions/or thoughts about the readings and bringing them to class to enrich the discussion.

It is also an *elective* course, so if you are taking it, I assume that you are interested in learning the material, and willing to put the effort to do the tedious readings. I know it's not an easy thing to do, and I know that the marginal benefit may be rather small for students who are taking it just to pass another economics elective, but you should be aware of this and I will try to emphasize it during my first lecture and throughout the course.

So here are a few rules/guidelines to help you prepare for your presentation.

1. **Not** showing for your presentation is **unacceptable** and will result in your **failing** of the course. The only valid reason for missing your presentation is if you are sick (has to be verified by a doctor's note). I expect that you will show at least some courtesy and let me know a **week in advance** (or at least a few days) if you are not going to present, so I can prepare and present instead of you.
2. On the day you have to present, at the **minimum**, I expect you to have done the readings for the day. While Wikipedia is a great social achievement and tool, and could be a great starting point for your research, using only Wikipedia (and only trivial information from Wikipedia) is unacceptable and only shows the lack of interest you have for the course.
3. As far as the content of your presentation goes, I would like the emphasis to be on ideas versus biography. Spiegel, Heilbroner, and the other assigned readings for the day are usually a good starting point. I feel that the assigned readings for the day will provide you with sufficient amount of information.
4. Your presentation should include 2 primary and 2 secondary sources (textbooks don't count; scholarly articles & books do). Your sources should be cited at the end of your presentation. The assigned papers/ readings can be used as such sources.
5. Your presentation should finish with a discussion topic that relates some of the ideas you have just talked about to modern day economics. Hopefully, this will make the class more engaging.

History of Economic Thought

Research Paper Guidelines

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Basic Information

Summary: This is an independent and creative research project on a subject in the history of economic thought that you find particularly interesting. This is also your opportunity to contribute to the development of the course by discussing economists and their ideas that were not covered in the readings and lectures.

Style: Your research should make use of both primary and secondary literature (described in detail later). Thus, you should follow the [American Economic Association Style Guide](#), which is based on the [Chicago Manual of Style](#). It could be helpful to use [RefWorks](#) — an online tool that helps you organize your sources according to different citation styles.

Length: 12-18 pages (12 pts Times New Roman, double spaced, standard 1-inch border).

Due Date: April 10th, 2011

Objectives

The main goals of this paper are:

- To improve your writing and research skills.
- To apply your critical thinking to a topic that you find particularly interesting.
- To gain in-depth knowledge of an area/economist of interest.
- To get a feel of what research in HOPE looks like.
- To have a nice sample of your writing after the end of the semester.

Topic

You may choose several different approaches:

- A historical survey of a particular economic theory/ topic/ debate. For example, you can pick as your starting point the Socialist Calculation Debate. While this debate is associated with von Mises, Hayek, Lerner, Lange, and Taylor, what the role of government in the economy should be has been discussed by almost any economists we have talked about: Adam Smith, Karl Marx, J.S. Mill, the Utopian Socialists, and as we will see extends to the works of many public choice scholars such as Friedman, Tullock, and so on ... Thus, you can present the debate, track its historical development, and discuss what is its relevance to modern day economics.
- Another approach is to do an extensive review of the ideas of an economist that you find interesting. Ideally, this would be an economist that was not covered extensively by the

lectures and readings (but I will make an exception even if it is someone that we have discussed in class). For example, you can survey the writing of Thorsten Veblen (or K. Galbraith), who played an important role in the development of Institutionalism. To make your paper more relevant (and interesting for both you and the reader, i.e. me) you can relate his criticism of Western society to our consumerist culture and the erosion of social values. Whereas the emphasis of your paper should be on Veblen's ideas, you can certainly take a more psychological approach and discuss how his life may have influenced his thinking. Finally, if you decide to go this route you can discuss what/who influenced his ideas, and how he influenced modern economic thought.

- Any other creative ideas (topics) are welcome. However, if you choose another approach, I would like you to discuss it with me before you proceed with it.

Writing Style

What you will/should be doing in this paper is writing an **explanatory synthesis**.

What is a synthesis? A Synthesis is a written description that draws on two or more sources, inferring relationships among the main ideas in each source. You want to determine how the sources relate to each other, explaining how the authors view an important subtopic and how they try to support their viewpoints with evidence and reasoning. Thus, understanding the sources is crucial. In other words, it is important to read carefully, annotate and be able to summarize each source.

Why explanatory? An explanatory synthesis helps the readers understand a topic. Writers explain when they divide a subject into its component parts and present them to the reader in a clear and orderly fashion. Your job in writing an explanatory paper is not to argue a particular point, but rather *to present facts in a reasonably objective manner*.

To write the synthesis, consider the following suggestions:

1. **Carefully read and annotate each article.** Underline important parts. Write comments in the margins. Take notes in your notebook as you read – create brief one- or two-sentence summaries of the key points of each source.
2. Identify several of the most important subtopics to which both authors refer.
3. In each section of the body of your paper, paraphrase both authors' perspectives on one of these important topics, first explaining one author's view, and then explaining the other author's view.
4. In each section of the body of your paper, also explain what evidence and reasoning both authors use to support their perspectives.

5. After drafting the paragraphs in the body of your paper, write an introduction. If it works better for you – write the introduction first and then proceed to drafting the body. In the introduction, review the controversy over the topic – mention what your topic is and summarize the authors’ divergent approaches to the topic. Then, include an essay map that mentions the important subtopics around which you will objectively synthesize the authors’ approaches.

INTRODUCTION

- Introduce the topic (thesis statement).
- Establish the controversy by introducing the two articles and pointing out how each article treats the topic.
- Briefly summarize the competing views in the two articles. These are the views that you plan to center your paper on (essay map).

6. After drafting the introduction, write a summary of the topic, drawing from at least one of the articles. This way, the reader will know what the topic is about and have a better understanding of the general controversy between the sources.

7. After drafting the intro and the body, write a conclusion that explains the significance of the topic. You might also try to end the conclusion with a provoking quotation or question.

8. Include parenthetical citations after all summarized, paraphrased, and quoted material within your essay.

Grading

Here is an excellent discussion of what constitutes a well/poorly written paper by Professor Reynold: http://www.boisestate.edu/econ/lreynol/web/PDF_HET/Term%20Paper_Grades.pdf

Plagiarism

You will have to submit your paper through **safeassign** on Blackboard. Plagiarism will result in a failing grade for the course.

Sources

You are required to use at least **4 primary** sources and **4 secondary** sources. More is welcome.

Books and/or textbooks are an excellent place to start your research, get ideas, or gain some rudimentary understanding about a topic. If you decide to use a textbook as a reference I would only encourage you to do so if it is a higher level one. For example, don't cite your Principles of Microeconomics textbook, but do cite your advanced (graduate level) Public Choice text.

Often, however, books and textbooks present one-sided arguments, or the information them is outdated, or too much. This is why it is good to supplement your research with other more

current, diverse, and manageable sources such as journal articles. A good place to find them is [Google scholar](#). If you are using it from home you may not be able to download the articles **directly**, so you will have to go the website of the [USF library](#) , log in to your account, search for the journal where the article was published in (e.g. Public Choice), then click on ***Find it @ USF***, enter the information, and download.

When citing your sources you should follow the [Chicago Style](#).

Good luck.