

Economics 231 S

History of Economic
Thought

Fall 2006

CRN 14636

Classroom: Chambers 2130

T Th: 11³⁰–12⁴⁵

Texts

1. Brue, Stanley L. and Randy R. Grant. 2007. *The Evolution of Economic Thought*, 7th edition. Mason: Thompson South-Western. ISBN: 0-324-32145-7.
2. Heilbroner, Robert L. 1999. *The Worldly Philosophers*, 7th edition. New York: Touchstone. ISBN: 0-684-86214-X.

Requirements

- I. **Reviews:** 45%. First review @ 20%, Second review @ 25%.
- II. ***The Worldly Philosophers* Reading Notes:** 10% (equally weighted).
Three sets of reading notes, one each on any three of the following chapters from *The Worldly Philosophers*: Chapters III, IV, VI, VII, IX, X.

The Reading Notes must describe two or three key themes, must be about three pages in length, and typed in 12-point font with double spacing. You may read the chapters in any order you wish.

Notes are due in class on the dates given below. Late submissions without prior permission will not be accepted.

Reading Notes 1: Thursday, September 14
 Reading Notes 2: Thursday, October 5
 Reading Notes 3: Thursday, October 26

- III. **Group Assignment:** 15%. (Notes: 10%, Presentation: 5%)
For this assignment you will work in groups of three students. Each group will select one of the Great Books listed on page 2, and read one hundred pages of the text dealing with one or more significant economic ideas. Based on this and other readings, each group will prepare a handout for the class containing a biographical summary, a discussion of the key idea/s in the reading, and a discussion of its/their historical importance in the development of economic thought.

Fifteen minute class presentations will be scheduled for each group. Group members will divide the presentation among themselves by consensus. Group members will receive the same grade. The presentations will be evaluated on the basis of organization, articulation and clarity, and originality and appeal.

The written portion is due on Tuesday, November 14. I will post the group assignments on the Eco 231S course page on my website, so provide me with a soft copy of your handout.

- IV. **Term Paper:** 30%
The completed term paper is due in my office by Noon on Thursday, December 7. Requirements for the term paper are detailed after the Course Outline.

Office
Hours

- Monday, Wednesday 1⁰⁰ - 2⁰⁰
- Tuesday, Thursday 10⁰⁰ - 11⁰⁰

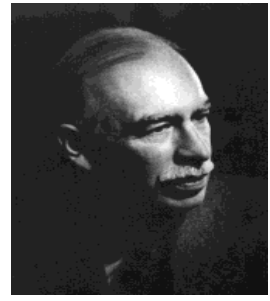
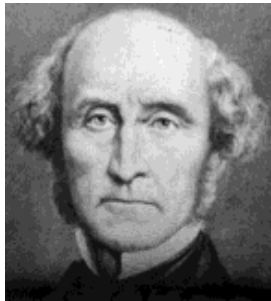
Schedule of
Reviews

- Review 1: Thursday, October 12
- Review 2: Tuesday, December 5

Great Books on Reserve

Chamberlin, E.H.	<i>The Theory of Monopolistic Competition</i>	330.1/C44t
Clark, J.B.	<i>The Distribution of Wealth</i>	339.2/C59d
Keynes, J.M.	<i>The General Theory of Employment, Interest and Money</i>	330.15/k44g
Marshall, A.	<i>Principles of Political Economy</i>	330/M36p
Marx, K.	<i>Capital</i>	330.15/M39K-te
Mill, J.S.	<i>Principles of Political Economy</i>	330/M64p
Robinson, J.	<i>The Economics of Imperfect Competition</i>	330.1/R66e
Smith, A.	<i>An Inquiry into the Nature and Causes of the Wealth of Nations</i>	330.1/S64w
Smith, A.	<i>The Theory of Moral Sentiments</i>	170/S64T

A Rogues' Gallery of Economists: Can You Name Them?



Course Outline*♣

I.	Introduction		EET: Chapter 1 WP: Ch. 1 and 2
II	The Mercantilist School	Historical Background and Major Tenets: Nationalism, Trade and Protectionism, Colonization, Static View of Output Lasting Contributions The People: Mun, Malynes, Davenant, Colbert, Petty	EET: Chapter 2
III	The Physiocratic School	Historical Background and Major Tenets: Natural Order, Laissez-faire, Agriculture, Systemic view of the Economy Lasting Contributions: Tableau Economique The People: Quesnay, Turgot	EET: Chapter 3
IV	The Classical School		
1	Forerunners	Historical Background and Major Tenets: Scientific and Industrial Revolutions, Laissez-faire, Importance of All Resources Self Interested Behavior, Economic Laws The People: North, Cantillon, Hume	EET: Chapter 4
2	Adam Smith	Biographical Review and Early Influences The Theory of Moral Sentiments The Wealth of Nations The Competitive Economy: Value, Price, Wage, Profit, Rent, Money, Growth	EET: Chapter 5 WP: Chapter 3
3	Thomas Malthus	Biographical Review and Early Influences Theory of Population: The Poor Laws Theory of Insufficient Demand	EET: Chapter 6 WP: Chapter 4
4	David Ricardo	Biographical Review Rent and the Theory of Diminishing Returns Relative Prices and Value in Exchange Distribution of Income: Wage, Profit, Rent Theory of Comparative Costs	EET: Chapter 7 WP: Chapter 4
5	Other Notables	Jeremy Bentham: Utilitarianism, Diminishing Marginal Utility J-B. Say: Law of Markets J.S. Mill: Production and Distribution, The Wages Fund, International Value, Growth	EET: Chapter 8

* EET = *Evolution of Economic Thought*.

WP = *The Worldly Philosophers*.

* Read Topics V.1 (Utopian Socialism), and VI (The Historical School) on your own.

V Socialism

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|----------|---------------------|--|----------------------------------|
| 1 | Utopian Socialism | Overview and Types of Socialism
Lasting Contributions
The People: Robert Owen, Simonde de Sismonde | EET: Chapter 9
WP: Chapter 5 |
| 2 | Karl Marx & Marxism | Biographical Review and Early Influences
Theory of History
Law of Motion: Labor Theory of Value, Theory of Exploitation, Surplus Value, Organic Composition of Capital, Capital Accumulation, Crisis | EET: Chapter 10
WP: Chapter 6 |

VI The Historical School

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| Historical Background and Major Tenets
Positive Role of Government, Inductive Approach to Economic Thought
The People: Friedrich List, Gustav Schmoller, Max Weber | EET: Chapter 11 |
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VII The Marginalist School

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| 1 | Forerunners | Historical Background and Major Tenets
The Margin, Microeconomic Analysis, Rational Behavior, Subjective Utility, Equilibrium
Lasting Contributions
The People:
A. Cournot: Monopoly, Duopoly
J. Dupuit: Marginal Utility, Consumer Surplus, Price Discrimination | EET: Chapter 12 |
| 2 | Early Marginalists | W.S. Jevons: Value Theory, Diminishing MU, Rational Choice Rule
F. von Wieser: Opportunity Cost
E. von Bohm-Bawerk: Theory of Interest, Capital | EET: Chapter 13 |
| 3 | Later Marginalists | F. Y. Edgeworth: Indifference Curves, Contract Curves, Duopoly, Marginal v. Average Product
J.B. Clark: Marginal Productivity Theory of Distribution, The Adding-Up Condition | EET: Chapter 14
WP: Chapter 7 |

VIII The Neoclassical School

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| 1 | Alfred Marshall | Biographical Review
Demand and Utility: Elasticity of Demand
Supply: Market, Short and Long Runs
Equilibrium Price and Quantity
Distribution of Income: Wage, Interest, Profit, Rent, Quasi-Rent
Taxes | EET: Chapter 15
WP: Chapter 7 |
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2	Monetary Economics	Irving Fisher: Theory of Interest, Quantity Theory of Money, Monetary Policy	EET: Chapter 16
3	Impure Competition	E. H. Chamberlin: Theory of Monopolistic Competition Joan Robinson: Monopsony, Monopolistic Competition	EET: Chapter 17
IX The Keynesian School			
1	John Maynard Keynes	Biographical Review Historical Background and Major Tenets Wage and Price Rigidity, Demand Deficiency, Policy Activism The Keynesian System: Consumption Function, Investment Demand, Liquidity Preference, Multiplier	EET: Chapter 21 WP: Chapter 9
2	Early Interpreters	Historical Background The People: John Hicks: The SI-LL Curve Alvin Hansen: Hicks-Hansen Synthesis	EET: Chapter 22
X Mathematical Economics			
		Variety in Mathematical Economics The People: Leon Walras: System of Markets, General Equilibrium John Hicks: Demand Theory, Production Theory, The IS-LM Model (Also see IX.2)	EET: Chapter 18
XI Growth and Development			
		J.A. Schumpeter: Business Cycles, Creative Destruction, Decay of Capitalism R. Harrod and E. Domar: Dual Role of Investment, Economic Growth Model	EET: Chapter 23 WP: Chapter 10
XII Welfare Economics			
		V. Pareto: Pareto Optimality A.C. Pigou: Income Redistribution, Externality Oscar Lange: Economic Theory of Socialism	EET: Chapter 20
XIII Overview			
			EET: Chapter 25 WP: Chapter 11

Deadlines and Instructions for the Economics 231 S Term Paper

The term paper should examine the historical development of a *contemporary* economic issue or problem.

It is extremely important that your paper is well written and carefully edited. Read your work carefully to ensure it is free of grammatical and spelling errors. Sloppy editing and spell errors will be penalized.

All papers must include a substantive discussion of the relevant economic theory. Your arguments should be based on such discussion.

I will provide you with a sample of topics for guidance, but you may pursue those not in the list. Each student should decide what issue s/he wishes to write about based upon their own interests, but in consultation with me.

The formatting instructions are given below. Formatting instructions should be followed for each phase of the term paper. Further requirements and deadlines for each phase of the paper are also provided. Note the relevant due dates. All written work is due in class, except that the final paper is due in my office. Failure to follow all instructions or meet the deadlines may result in significant penalties.

Formatting Instructions

All works used must be properly cited in footnotes or in a Reference section at the end of the paper. Note that at least 5 academic references must be used and cited.

The term paper should be typed with double-spacing, 12-point font and normal margins. It should be 16-20 pages in length. Number all pages.

The draft and term paper should have a Title Page, giving the title of your paper, your name, etc.

The Title Page should be followed by a Table of Contents, listing the Section headings (discussed below) and the associated page numbers.

Your paper should be conceptually arranged in logical 'Sections' associated with the development of the arguments. Each Section should be labeled by an appropriate heading. Also note that:

- The term paper must begin with a Section entitled 'Introduction.' It should be about 10% of the length of the term paper. Present your motivation for the paper and argue why the topic selected merits the readers' attention.
- Examples of other sections are: Historical Background, Contemporary Relevance, Theoretical Issues, Policy Implications, etc.
- Conclude your paper with Section entitled 'Concluding Remarks.' Herein, summarize your findings, their policy implications, and your own opinions.

Deadlines

	Due Date
Paper Proposal	Tuesday, September 26
Working Draft	Thursday, November 9
Term Paper	Thursday, December 7 (by Noon)

Tuesday, September 26: Paper Proposal Due

- The paper proposal accounts for 5% of the total term paper grade.
- The proposal should include the proposed title of the paper, a proposed 'Table of Contents' you hope to develop on, a page long summary of your project, and 5 academic references.
- While preliminary and subject to change, you are advised to develop this proposal after due thought, having browsed some source materials. This submission should reflect your overall approach to the paper.
- Carefully think about your writing project well ahead of this date. It is important to *attempt to narrow your area of interest* early.
- You are required to meet with me to discuss this paper prior to the due date.

Thursday, November 9: Paper Draft Due

- The draft accounts for 20% of the paper grade.
- Though the paper is expected to be incomplete at this stage, the draft should meet each of the following requirements:
 - It should be based on at least 5 academic references.
 - It should be a clear exposition of the issue you propose to examine, and be at a stage of development where the reader can tell the sorts of arguments that will follow in the completed paper.
 - It should be approximately 10 pages in length.
 - See formatting instructions above.

Thursday, December 7, by Noon: Completed Paper Due

- This portion of the project accounts for 75% of the paper grade. It is due in my office by Noon.
- See formatting instructions above.