

Econ20021: History of Economic Thought

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Pavel Kuchar

pavel.kuchar@bristol.ac.uk

Does economics have a useful past? Or is it the case that all truly important contributions of the past are incorporated in our present theory? Is the discovery of the errors made by earlier thinkers a waste of time? In this course we will examine the efficiency of the market for ideas. We will see that there are arguments in the work of earlier thinkers which remain unincorporated in our contemporary theory and which, once incorporated, can improve our understanding of matters.

The course focuses on both themes (such as the labour theory of value, the law of markets, gender in economics) to detailed studies of selected authors (e.g. Hume, Say, Malthus, Keynes). The unit is largely based on reading extracts from primary texts although some attention is also paid to the secondary literature, the contemporary reception of the works and the historical situations in which they were written.

Basic literature

Blaug, Mark. *Economic Theory in Retrospect*. 5 edition. Cambridge; New York: Cambridge University Press, 1997.

Heilbroner, Robert L. *The Worldly Philosophers: The Lives, Times, and Ideas of the Great Economic Thinkers*. Revised. New York: Touchstone Pr, 1999.

Medema, Steven G, and Warren J Samuels. *The History of Economic Thought a Reader*. London; New York: Routledge, 2003.

Rima, Ingrid H. *Development of Economic Analysis* 7th Edition. 1 edition. New York, NY: Routledge, 2008.

Course outline

Week 14 [Feb 04 – Feb 08]

[Lecture 0] Introduction: Why study history of economics?

Does economics have a useful past? How did the economic revolution change economic thought and how, at the same time, have economic ideas moulded the economic environment?

Week 15 [Feb 11 – Feb 15]

[Tutorial 1] Self-interest and sympathy in the work of Adam Smith.

We will read Bernard Mandeville's "Grumbling Hive" (1732 [1988]) and selected parts of Adam Smith's *Theory of Moral Sentiments* (1759 [1981]) discussing the role of sympathy in the work of Smith.

[L1] From Plato to Adam Smith

What early works were the sources of economic thought? How did analytical economics emerge and how did the early economic thought transition into classical economics?

Week 16 [Feb 18 – Feb 22]

[T2] Division of labour, profit and the invisible hand

We will read selected paragraphs from Turgot's *Reflections*, Cantillon's *Essai* and Smith's *Wealth of Nations*.

[L2] The emergence of economic systems

What was mercantilism and how did the physiocrats criticise it? How did we get from moral philosophy to political economy? How is it possible for a community in which everyone is busily following their self-interest not to fly apart from sheer centrifugal force? What is it that guides everyone's private business so that it conforms to the needs of the group?

Week 17 [Feb 25 – Mar 01]

[T3] Corn laws, free markets and international trade

We will read Smith's "Digression on Corn Laws" (WN, Book IV, ch. 5), compare Robert Torrens's *Essay on Corn Trade* (1815) with David Ricardo's discussion of foreign trade (1817 [2015]) and evaluate reasons in favour of Corn Laws by Thomas Malthus (1815) and John Stuart Mill (1825).

[L3] Dismal Science: The political economy of value and distribution

Is the number of people bound, sooner or later, to outstrip the amount of food available? Is a society where everyone moves up the escalator of progress possible? Could it be that the escalator works with different effects on different classes, and while some ride triumphantly to top, others are carried a few steps only to be kicked back to the bottom?

Week 18 [Mar 04 – Mar 08]

[T4] The law of markets

Is production the source of market demand? Can there be a case of general overproduction? We will read James Mill's "Commerce Defended" (1808), compare the argument with the writings of Jean Baptiste Say (1803) and David Ricardo (1817), and discuss why Thomas Malthus (1836) thought Mill's and Say's argument is utterly unfounded. Finally, we will see why John Stuart Mill thought that the demand for money matters for understanding of the law of markets (1844).

[L4] Man as a creature of circumstances

Is production the true province of economic laws? Does that make distribution a matter of human institution? What were the early views of utopian socialists and how did they influence political economy?

Week 19 [Mar 11 – Mar 15]

[T5] Gender in the history of economics

We will read parts of John Stuart Mill's essay on the *Subjection of Women* (1869), selected paragraphs of Adam Smith's *Lectures on Jurisprudence* (1762-1766 [2005]), and selected paragraphs of J. B. Say's novel *Olbie* ([1800] 2001) discussing why "the standard economic model of the family is a story of a benevolent patriarch" (Strassmann 1993, p. 58).

[L5] The criticism of political economy

How can profits exist? What is the surplus value? What is the materialist conception of history? Are the ultimate causes of all social changes and political revolutions to be sought not in the minds of men or in changing modes of production and exchange? Will capitalism sooner or later destroy itself?

Week 20 [Mar 18 – Mar 22]

[T6] Choice and equilibrium

We will read W. S. Jevons' *Theory of Political Economy* (1871) and the Lionel Robbins's *Essay* (1932) discussing the source of value and compare the subject matter of economics to that of political economy.

[L6] The Marginalist Revolution and the subject matter of economics

Was there such a thing as a Marginalist Revolution? How did economic take place of political economy becoming a science of allocation? How did economists come to see capitalism not an historic social vehicle under constant tension but as a static, rather ahistorical, mode of organization? What is the subjective theory of value? How is it different from the labour theory of value? Was neoclassical economic theory appropriated wholesale from mid-nineteenth century physics?

Week 21 [Mar 25 – Mar 29]

[T7] Risk, uncertainty and *The General Theory*

We will read selected chapters of Keynes's *General Theory* (1936), discuss the main charge that Keynes raises with respect to the "classical" economics, compare his theory of uncertainty with that of Frank Knight (1921) and decide whether Joseph Schumpeter was right that Keynes's theory is not in fact "general".

[L7] The heresies of John Maynard Keynes

What were Keynes's key points about the uncertainty and decision making? Is there a kind of unemployment that cannot be remedied by the price mechanism? Could saving harm the economy?

Week 22 [Apr 01 – Apr 05]

[T8] The problem of historical specificity: Induction vs Deduction in economics

Are there universals in economic theory? We will read and compare the accounts of the method of political economy by Cliffe Leslie (1876), Thomas Malthus (1836), Reverend Richard Jones (1831), John Stuart Mill (1844) and Alfred Marshall (1885).

[L8] Beyond high theory

What were the origins of institutional economics as a characteristically American counterpart of European historical schools of economics? What were the historicist and institutionalist lines of criticism regarding conventional economic science of the time? What is the Coase theorem? How did the application of the analytical tools of economics to political science and law give rise to Public Choice and Law and Economics? Did economists forget history?

A few words on course organization

There are nine lectures and eight tutorials: each will be devoted to a specific topic. For each topic, all essential readings will be placed on Blackboard. After the first lecture, we expect you to read all the documents before your tutorial. To guide you in the reading process, there is a set of questions for each document. Try to answer the questions before the tutorial, as these questions provide the basis for discussion.

Tutorials

Tutorials will focus mostly on understanding the readings (unfamiliar terminology, implicit assumptions, key ideas), during the tutorial, we will discuss collectively some of the questions provided with the reading list, and you will be asked to briefly and informally present your answers.

Lectures

There are nine two-hour lectures, presenting in more details the topics introduced during the tutorials. The lectures will be a mix of standard presentations by the lecturer and more active engagement and discussion by students. Please note that you will need to take good notes in tutorials and lectures as the subject matter is not well suited to slides. Please ensure that you bring copies of the readings to lectures and tutorials (on a computer or printed out – either is fine) so that you can follow and annotate important passages.

Aims, objectives and intended learning outcomes

After taking this course students will be able to display:

1. An ability to discuss key ideas in the history of economic thought including how those ideas were transmitted, contested and developed by various authors.
2. An ability to discuss critically and in depth the contribution made by major authors in the history of economic thought.
3. An ability to support their writing with appropriate attribution through quotation and citation.
4. An ability to assess and compare economic arguments presented in unfamiliar terminology and with implicit assumptions different from those of modern mainstream economics.
5. An ability to reflect on modern economics through an historical perspective.

How successfully you can demonstrate you have achieved these intended learning outcomes [ILOs] will determine how well you do in the unit. The unit is essentially non-mathematical. Some of the reading can be linguistically and conceptually challenging. You should be aware that the reading load for this unit is considerably higher than most other units in economics. This is inevitable given the nature of the material but remember that you will not have any exercises or practical classes in this course. Most of your study time should be devoted to reading, discussing and thinking about the core extracts.

Assessment and feedback

There will be one formative assignment and then two summative essays to be completed each of which will count 50% towards the final mark for the unit. The formative work will give you a chance to practice writing for a course such as this, and you will receive feedback on it. You will receive details of the formative assignment separately. The two summative essay titles will be put on Blackboard.

The first summative essay will be due on Monday March 25, 15:00 The second summative essay will be due on Tuesday May 07, 15:00. Each of the summative essays is a maximum length of 2000 words. A course such as this requires you to be able to express your ideas clearly in well-constructed prose. To help you learn how to write well, we will provide guidelines about good writing on Blackboard. Finally, the goal of this course is for students to read deeply rather than widely. We'd much rather prefer you became experts on a topic [ILO 1] and an author [ILO 2] writing two excellent essays on these [ILO 3-5] than had you merely acquired superficial knowledge about most of the topics covered in this course.