

Duke Summer Institute 2012
The Emergence of Modern Economics
June 10 – 22, 2012

Detailed schedule for the Duke Summer Institute:

There are 2 sessions a day, Monday through Thursday, and one morning session on Friday. The morning sessions are from 9:30am to 11:30am and the afternoon sessions are from 2:00pm to 4pm. There will be a short break (5-10 minutes) half way through each session.

Sunday, June 10

2 – 6 p.m. Participants arrive and register at Dormitory on West Campus

6:30pm Welcome Barbecue, Center for the History of Political Economy, Social Science Suite 07

Monday, June 11

Session 1- Introductions and Time Line –Bruce Caldwell and Marcel Boumans

Session 2 - The Austrian School and Its Opponents - Bruce Caldwell

Required Reading:

Bruce Caldwell, *Hayek's Challenge* (henceforth HC), Chapter 1, pp. 17-27; Chapter 3, pp. 64-74, Chapters 4 and 5, complete.

Supplementary Reading:

The rest of Chapters 1 – 5 of HC, and Appendix A.

7:05pm Durham Bulls versus Toledo Mud Hens, Durham Bulls Stadium-complimentary tickets

Tuesday, June 12

Session 3 - American Institutionalism in the Interwar Period: An Overview – Malcolm Rutherford

Required Reading:

Malcolm Rutherford. 2011. *The Institutional Movement in American Economics, 1918-1947: Science and Social Control*. Cambridge: Cambridge University Press, Chapters 1 and 2.

Supplementary Reading:

Hamilton, Walton H. 1919a. The Institutional Approach to Economic Theory. *American Economic Review* 9 (March): 309-318.

Mitchell, Wesley C. 1925. Quantitative Analysis in Economic Theory. *American Economic Review* 15 (March): 1-12.

Clark, John M. 1926. *Social Control of Business*. Chicago: University of Chicago Press, Chapter 3.

Eddie, Lionel. 1927. Some Positive Contributions of the Institutional Concept. *Quarterly Journal of Economics* 41 (May): 405-440.

Session 4 – Early Metrics – Marcel Boumans

Required Reading:

Augustin Cournot [1897] 1927. *Researches into the Mathematical Principles of the Theory of Wealth*. New York: Macmillan. Translated by Nathaniel Bacon of 1838. *Recherches sur les Principes Mathématique de la Théory Richesses*, pp. 1-5.

William Stanley Jevons 1866. Brief Account of a General Mathematical Theory of Political Economy. *Journal of the Statistical Society of London* 29(2): 282-287.

Irving Fisher [1892] 1925. Appendix III. The Utility and History of Mathematical Method in Economics. *Mathematical Investigations in the Theory of Value and Prices*. New Haven: Yale University Press, pp. 106-19.

I. Fisher [1911] Chapter II Purchasing Power of Money as Related to the Equation of Exchange, in *The Purchasing Power of Money. Its Determination and Relation to Credit, Interest and Crises*. 2d rev. ed. New York: Kelley, pp 8-32.

Supplementary Reading:

These general supplementary readings are secondary sources that provide material relevant to all three of the sessions I will lead.

Boumans, Marcel, Ariane Dupont-Kieffer and Duo Qin (eds.) 2011. *Histories on Econometrics. History of Political Economy*, supplement to Volume 43. Durham and London: Duke University Press. (These histories cover the development of econometrics from its foundation in the early 1930 until today.)

Hendry, David F. and Mary S. Morgan (eds.) 1995. *The Foundations of Econometric Analysis*. Cambridge: Cambridge University Press. (This companion to Morgan 1990 is both a compilation of classic econometric articles as well as a commentary by the editors on the readings.)

Klein, Judy L. and Mary S. Morgan (eds.) 2001. *The Age of Economic Measurement. History of Political Economy*, supplement to Volume 33. Durham and London: Duke University Press.

(The age of measurement is the period from 1830 to 1950. The histories in this volume cover rising practices of measurement and of mathematization in that period.)

Morgan, Mary S. 1990. *The History of Econometric Ideas*. Cambridge: Cambridge University Press. (This history covers the period from William Stanley Jevons' work of the 1870s through Trygve Haavelmo's *Probability Approach* published in 1944.)

Weintraub, E. Roy 2002. *How Economics Became a Mathematical Science*. Durham and London: Duke University Press. (This history covers the 20th century mathematization of economics.)

Wednesday, June 13

Session 5 - American Institutionalism: Walton Hamilton and Creative Problem Solving – Malcolm Rutherford

Required Reading:

Malcolm Rutherford. 2011. *The Institutional Movement in American Economics, 1918-1947: Science and Social Control*. Cambridge: Cambridge University Press, Chapters 3 and 6.

Supplementary Materials:

Hamilton, Walton H. 1923. Education--Ritual or Adventure? *The Nation* 116 (June): 720-721.

Hamilton, Walton H. 1926. The Problem of Bituminous Coal. *American Labor Legislation Review* 16: 217-229.

Hamilton, Walton H. 1930. An Economist Audits his Costs. *The Survey* 63 (January 1): 380-383.

Hamilton, Walton H. 1932. The Control of Big Business. *The Nation* 134 (May 25): 591-593.

Hamilton, Walton H. 1938. The Path of Due Process of Law. *Ethics* 48 (April): 269-296.

Hamilton, Walton H. 1946. The Economic Man Affects a National Role. *American Economic Review* 36 (May): 735-744.

Hamilton, Walton H. 1948. What is a Patent? *Law and Contemporary Problems* 13 (Spring): 245-259.

Session 6 - Robbins, Friedman, and Economic Methodology – Wade Hands

Required Reading:

Robbins, Lionel (1935), *An Essay on the Nature and Significance of Economic Science*

(excerpt in Chapter 3 of Daniel Hausman, *The Philosophy of Economics: An Anthology*, 3rd Edition, CUP, 2008)

Friedman, Milton (1953) "The Methodology of Positive Economics"
(excerpt in Chapter 7 of Daniel Hausman, *The Philosophy of Economics: An Anthology*, 3rd Edition, CUP, 2008)

Supplementary Reading:

Hands, D. Wade (2009), "Effective Tension in Robbins's Economic Methodology," *Economica*, 76, 831-44.

Mäki, Uskali (2009), "Reading *the* Methodological Essay in Twentieth-Century Economics: Map of Multiple Perspectives," in *The Methodology of Positive Economics: Reflections on the Milton Friedman Legacy*, U. Mäki (ed.), CUP, 47-67.

Hands, D. Wade (2001), "The Methodological Tradition in Economics," in *Reflection Without Rules: Economic Methodology and Contemporary Science Theory*, CUP, Chapter 2, pp. 13-69.

Thursday, June 14

Session 7 - Interwar Metrics – Marcel Boumans

Required Reading:

Ragnar Frisch 1933. Editorial. *Econometrica* 1 (1): 1-4.

R. Frisch 1933. Propagation and Impulse Problems in Dynamic Economics. In *Economics Essays in Honour of Gustav Cassel*. London: Allen and Unwin, pp. 171-75, 197-205; excerpt.

Eugen Slutsky 1937. The Summation of Random Causes as the Source of Cyclic Processes. *Econometrica* 5(2): 105-114 only.

Jan Tinbergen 1939a. Chapter I. Introduction. *Statistical Testing of Business Cycle Theories I: A Method and its Application to Investment Activity*. Geneva: League of Nations, pp. 11-14.

J. Tinbergen 1939b. Introduction. *Statistical Testing of Business Cycle Theories II: Business Cycles in the United States of America 1919-1932*. Geneva: League of Nations, pp. 9-20.

John Maynard Keynes 1939. Professor Tinbergen's Method. *The Economic Journal* 49: 558-568.

J.M. Keynes 1940. Comment. *The Economic Journal* 50: 154-56.

Milton Friedman 1940. Review of Business Cycles in the United States of America, 1919-1932 by Jan Tinbergen. *American Economic Review* 30: 657-660.

Supplementary Reading: See session 4 supplementary reading

Session 8 - Interwar Demand and Consumer Choice Theory: The Ordinal Revolution and Revealed Preference – Wade Hands

Required Reading:

Giocoli, Nicola (2003), "The Escape From Psychology," in *Modeling Rational Agents: From Interwar Economics to Early Modern Game Theory*, Edward Elgar, Chapter 2, pp. 41-133.

Samuelson, Paul A. (1938), "A Note on the Pure Theory of Consumer's Behavior," *Economica*, 5, 61-71.

Supplementary Reading:

Mirowski, Philip and Hands, D. Wade (1998), "A Paradox of Budgets: The Postwar Stabilization of American Neoclassical Demand Theory," in *From Interwar Pluralism to Postwar Neoclassicism* [Annual Supplement to History of Political Economy vol. 30], M. S. Morgan and M. Rutherford (eds.), Durham, NC: Duke University Press, 269-92.

Hands, D. Wade (2006), "Integrability, Rationalizability, and Path-Dependency in the History of Demand Theory," in *Agreement on Demand: Consumer Theory in the Twentieth Century*, P. Mirowski and D. W. Hands (eds.), Durham, NC: Duke University Press [Annual Supplement to History of Political Economy Vol. 38], 153-85.

Hands, D. Wade (2011), "Paul Samuelson and Revealed Preference Theory."

Friday, June 15

Session 9 - Philosophy of Science and Economics: Positivism, Popper, and After – Wade Hands

Required Reading:

Hands, D. Wade (2001), "Positivism" and "Popperian Economic Methodology," in *Reflection Without Rules: Economic Methodology and Contemporary Science Theory*, CUP, pp. 70-95 and pp. 274-304.

Supplementary Reading:

Blaug, Mark (1976), "Kuhn versus Lakatos, or Paradigms versus Research Programmes in the History of Economics," *History of Political Economy*, 7, 399-419.

Blaug, Mark (1994), "Why I Am Not a Constructivist: Confessions of an Unrepentant Popperian," in *New Directions in Economic Methodology*, R. Backhouse (ed.), Routledge, 109-36.

Hands, D. Wade (2007), "2006 HES Presidential Address: A Tale of Two Mainstreams: Economics and Philosophy of Natural Science in the mid-Twentieth Century," *Journal of the History of Economic Thought*, 29, 1-13.

Monday, June 18

Session 10 - The Interwar Period and the Austrians - Bruce Caldwell

Required Reading:

Hayek, "Economics and Knowledge" [1937], reprinted in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), chapter 2. (The entire book, henceforth IEO, is available online at mises.org, the website of the Mises Institute.)

HC, Chapter 10.

Caldwell, "Editor's Introduction" to F. A. Hayek, *The Road to Serfdom: Texts, Documents*. [1944] Chicago: University of Chicago Press, 2007.

Supplementary Reading:

Ludwig von Mises, "Economic Calculation in the Socialist Commonwealth," available online at the Mises Institute.

Oskar Lange, "On the Economic Theory of Socialism," in Benjamin Lippincott, ed. *On The Economic Theory of Socialism* (Minneapolis: University of Minnesota Press, 1938).

Hayek, "The Meaning of Competition" – Chapter 5, IEO

Hayek, "Socialist Calculation III: The Competitive 'Solution'" – Chapter 9, IEO

Session 11 – Game Theory 1: Oskar Morgenstern and Interwar Vienna - Rob Leonard

Required Reading:

Leonard, Robert (2010) *Von Neumann, Morgenstern and the Creation of Game Theory* (Cambridge University Press), Ch. 8

Morgenstern, Oskar (1935), "Perfect Foresight and Economic Equilibrium", in Schotter, Andrew (ed.) (1976), *Selected Economic Writings of Oskar Morgenstern*, pp. 169-83. A translation, by Frank Knight (Univ. Chicago), of "Vollkommene Voraussicht und wirtschaftliches Gleichgewicht", *Zeitschrift für Nationalökonomie* 6, No. 3, pp. 337-57.

Supplementary Reading:

Neurath, Otto (1917), "The Conceptual Structure of Economic Theory and its Foundations", in Otto Neurath, *Economic Writings, Selections 1904-1945*, edited by Thomas Uebel and Robert S. Cohen, Dordrecht: Reidel, pp. 312- 341. Translation by Thomas Uebel of "Das

Begriffsgebäude der Wirtschaftslehre und seine Grundlagen", *Zeitschrift für die gesamte Staatswissenschaft* 73, pp. 484-520.

Von Mises, Ludwig (1920) "Economic Calculation in the Socialist Commonwealth". Reprinted in Hayek, Friedrich (ed.) (1935), *Collectivist Economic Planning: Critical Studies on the Possibilities of Socialism*, London: Routledge and Sons.

Mayer, Hans (1932), "The Cognitive Values of Functional Theories of Price: Critical and Positive Investigations Concerning the Price Problem" in Kirzner, Israel (ed.) (1994), *Classics in Austrian Economics*, Vol. II, pp. London: William Pickering, pp. 55 – 168 A translation of "Der Erkenntniswert der Funktionellen Preistheorien", in *Die Wirtschaftstheorie der Gegenwart*, Vol. II, pp. 147-239b, Vienna.

Hayek, Friedrich (1937), "Economics and Knowledge", *Economica*, New Series, Vol. 4, No. 13, pp. 33-54.

Leonard, Robert (2010) *Von Neumann, Morgenstern and the Creation of Game Theory* (Cambridge University Press), Ch. 7

Tuesday, June 19

Session 12 – The Background to Modern Macroeconomics (Before the 1930s) – Kevin Hoover

Required Reading:

Irving Fisher, *The Purchasing Power of Money* (1911), chapter 3.

Don Patinkin, *Money, Interest, and Prices* (1956), notes E-G.

David Laidler, *Fabricating the Keynesian Revolution* (1999), excerpts from chapters 4 and 5.

Mary Morgan, *The History of Econometric Ideas* (1990), chapter 2.

Supplementary Reading:

Primary Sources:

Hume, David, *Essays: Moral, Political, and Literary*, particularly (a) "Of Money," (b) "Of Interest," (c) "Of the Balance of Trade." (Classic book available in various editions. A fine one is edited by Eugene F. Miller, Indianapolis: LibertyClassics, and reprints an 1885 edition.)

A. C. Pigou, "The Value of Money," *Quarterly Journal of Economics* 32(1), November 1917, 38-65.

John Maynard Keynes, *A Tract on Monetary Reform*. London: Macmillan, 1923.

John Maynard Keynes, *A Treatise on Money*. London: Macmillan, 1930.

Knut Wicksell, *Interest and Prices*, 1898.

Knut Wicksell, *Lectures on Political Economy*, vol. 1, 1901; vol. 2, 1906.

Secondary Sources:

Antoin Murphy, *The Genesis of Macroeconomics: New Ideas from Sir William Petty to Henry Thornton*. Oxford: Oxford University Press, 2009.

Arie Arnon, *Monetary Theory and Policy from Hume and Smith to Wicksell: Money, Credit, and the Economy*. Cambridge: Cambridge University Press.

Kevin D. Hoover, *Causality in Macroeconomics*, ch. 1. (Presents Hume's monetary theory and outlines its causal structure.)

Session 13 –Doing HET Research – Roy Weintraub and Craufurd Goodwin

Craufurd Goodwin 2008. "Ecologist Meets Economics: Aldo Leopold, 1887-1948." *Journal of the History of Economic Thought* 30 (4): 429-452

Simon Bowmaker 2012. Interview with E. Roy Weintraub in *The Art and Practice of Economic Research: Lessons from Leading Minds*. Northampton MA: Edward Elgar.

4:30pm Presentation on Duke's Archival Holdings, the Economists' Papers Project, Rare Book Room- Perkins Library

Wednesday, June 20

Session 14 – Game Theory 2: From Chess to the Social Order with John von Neumann - Rob Leonard

Required Reading:

Leonard, Robert (2010) *Von Neumann, Morgenstern and the Creation of Game Theory* (Cambridge University Press), Chs. 1 and 9

Supplementary Reading:

Lasker, Emanuel (1907) *Struggle*, University of Michigan Library Reprint (available on Amazon). Translation of *Kampf* (New York: Lasker's Publishing Co., 1907), reprinted in 2001 by Berlin-Brandenburg: Potsdam, with foreword by Lothar Schmid.

Von Neumann, John (1928), "Zur Theorie der Gesellschaftsspiele", *Mathematische Annalen*, 100:pp. 295-320; trans. by S. Bargmann as "On the Theory of Games of Strategy", *Contributions to the theory of games*, Vol. 4, Eds. Albert Tucker and R. Duncan Luce (Princeton: Princeton U. Press, 1959), pp. 13-42.

Von Neumann, John and Oskar Morgenstern (1944), *Theory of Games and Economic Behavior*, Princeton University Press, Ch. 1.

Session 15 - Postwar metrics – Marcel Boumans

Required Reading:

Arthur F. Burns and Wesley C. Mitchell 1946. Chapter I. Working Plans. *Measuring Business Cycles*. New York: NBER, pp. 3-17 only.

Tjalling C. Koopmans 1947. Measurement without Theory. *Review of Economic Statistics* 29 (3): 161-172.

Rutledge Vining 1949. Koopmans on the Choice of Variables to Be Studied and of Methods of Measurement. *The Review of Economic and Statistics* 31(2): 77-86.

Hendry, David F. 1980. Econometrics – Alchemy or Science? *Economica* 47(188): 387-398 (extract).

Edward C. Prescott 2001. Business Cycle Research: Methods and Problems. In Lionello F. Punzo (ed.), *Cycles, Growth and Structural Change*. London: Routledge. pp. 283-300.

Thursday, June 21

Session 16 – Keynes and His Critics (The 1930s) - Kevin Hoover

Required Reading:

J.M. Keynes, *The General Theory of Employment Interest and Money* (1936), excerpts.

David Laidler, *Fabricating the Keynesian Revolution* (1999), chapter 2.

J.R. Hicks, "Mr. Keynes and the Classics: A Suggested Interpretation," *Econometrica* 5(2), 147-159.

Supplementary Reading:

Primary Sources:

John R. Hicks, *Value and Capital*, 2nd edition. Oxford: Clarendon Press, 1946.

Friedrich A. Hayek, *Monetary Theory and the Trade Cycle*, 1929.

Friedrich A. Hayek, *Prices and Production*, 1931.

Secondary Sources:

Peter Clarke, *The Keynesian Revolution in the Making, 1924-1936*. Oxford: Oxford University Press.

Alan Coddington, *Keynesian Economics: The Search for First Principles*. London: Unwin Hyman, 1984.

Alvin Hansen, *A Guide to Keynes*. New York: McGraw-Hill, 1953.

Kevin D. Hoover, "Relative Wages, Rationality and Involuntary Unemployment in Keynes's Labor Market," *History of Political Economy* 27(4), 1995, 653-85.

Kevin D. Hoover, "Is There a Place for Rational Expectations in Keynes's General Theory?" in G.C. Harcourt and P.A. Riach, editors. *Keynes's General Theory: A Second Edition*. London: Routledge, 1997. (Useful for discussion of the relationship of Keynes's notion of uncertainty to his macroeconomics.)

Bradley Bateman, *Keynes' Uncertain Revolution*. Ann Arbor: University of Michigan Press, 1996.

Session 17 - Hayek's Postwar Contributions – Bruce Caldwell

Required Reading:

Hayek, "The Use of Knowledge in Society" Chapter 4, IEO.

Hayek, "The Theory of Complex Phenomena" [1964], reprinted in *Studies in Philosophy, Politics and Economics* (Chicago: University of Chicago Press, 1967), pp. 22-42.

HC, Chapter 13.

Supplementary Reading:

Hayek, "Individualism: True and False," Chapter 1, IEO

Hayek, "The Errors of Constructivism" [1970], reprinted in *New Studies in Philosophy, Politics, Economics and the History of Ideas* (Chicago: University of Chicago Press, 1978), pp. 3-22.

Hayek, "The Pretence of Knowledge" [1975], reprinted in *New Studies*, pp. 23-34. [This is Hayek's Nobel address.]

7:00pm Closing Dinner – Tyler's Tap Room, Durham

Friday, June 22

Sessions 18 – Macroeconometrics and The New Economics (1930-1950)- Kevin Hoover

Required Reading:

Frisch, Ragnar, "Propagation Problems and Impulse Problems in Dynamic Economics," in *Economic Essays in Honor of Gustav Cassel* (1933) [The whole paper is relevant, but don't get bogged down in the mathematical details].

Mary Morgan, *The History of Econometric Ideas* (1990), chapter 4.

Lawrence Klein, *The Keynesian Revolution* (1947), excerpts.

Lerner, Abba, "Functional Finance and the Federal Debt," *Social Research* (1943), excerpts.

Supplementary Reading:

Primary Sources:

Gottfried Habeler, *Prosperity and Depression*. Geneva: League of Nations, 1937.

Jan Tinbergen, *Business Cycles in the United States, 1919-1932*. Geneva: League of Nations, 1939.

John Hicks, *Value and Capital*, 2nd edition. Oxford: Clarendon Press, 1946.

Secondary Sources:

Seymour Harris, editor. *The New Economics: Keynes's Influence on Theory and Public Policy*. New York: Knopf, 1947.

12noon - 2pm Check out of Dormitory on West Campus