

Office Hours: By appointment

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## **EVOLUTION of ECONOMIC THOUGHT**

### Reading Requirements:

The majority of our readings are online.

<http://www.jstor.org>, <http://oll.libertyfund.org> (please use the facsimile pdf),

<http://cepa.newschool.edu/het>, <http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/>

Even if the texts are online, I would encourage the purchase of the following from [www.libertyfund.org](http://www.libertyfund.org):

SMITH, Adam. [1776] 1981. *An Inquiry onto the Nature and Causes of the Wealth of Nations*. Indianapolis: Liberty Fund.

SMITH, Adam. [1759] 1984. *The Theory of Moral Sentiments*. Indianapolis: Liberty Fund.

Other materials are available on blackboard.

### Course Objective:

This course addresses vital micro- and macro-economic questions that concern us today and examines how economic thinking has evolved over time to answer them. The course complements the mechanical problem solving skills that students have. It allows students to develop a broader perspective based on the wide-ranging background and views of the economists of past ages. The course will benefit students who want to have a better understanding of modern economics and economic problems. Some of the questions we will look at are: How does an economist distinguish a man from a rat, given that they are both maximizers? Are our preferences fixed or does exchange change our preferences? Under what conditions is paper money preferred to commodity money? Under what condition is public debt the preferred form of public financing? Why do we observe differences in wage rates? Why is economics dismal? The course is topical, not chronological.

## Grading:

The class aims at a dialogue. You are expected to have done the readings for that day and to contribute actively to the discussion.

Before every class, you are expected to write one or two pages with your thoughts on the material for that class.

A research paper on a topic of your choice is due at the end of the semester.

Your total grade will be based on the following:

Class participation	33%
1-2 page paper	33%
Research paper	33%

I will use the standard grading scale (A>90%, B>80%, C>70% ...) and I do not intend to curve the grading.

## Tentative Schedule

### GENERAL BACKGROUND

#### What is economics?

- Groenewegen, Peter. 2002. *Eighteenth-Century Economics: Turgot, Beccaria and Smith and their Contemporaries*. New York and London. Routledge.  
On blackboard.

### INFLUENCE OF COMMERCE

- Hume, David. [1752] 1987. “Refinements of the Arts”. in *Essays, Moral, Political, and Literary*. Ed. Eugene F. Miller. Indianapolis: Liberty Press.  
At: <http://oll.libertyfund.org>
- Smith, Adam. From Lectures on Jurisprudence.  
On Blackboard.
- Ensminger, Jean. 2004. “Market Integration and Fairness: Evidence from Ultimatum, Dictator, and Public Goods Experiments in East Africa” in *Foundation of Human Sociality: Economic Experiments and Ethnographic Evidence from Fifteen Small-Scale Societies*. Eds. Henrich, Joseph, Robert Boyd, Samuel Bowels, Colin Camerer, Ernst Fehr, Herbert Gintis.  
On Blackboard.

#### Suggested readings:

- Mandeville. [1732] 1988. *The Fable of the Bees*. Indianapolis: Liberty Fund.  
At <http://oll.libertyfund.org/>
- Cowen, Tyler. 2000. *What Price Fame?* Harvard University Press.
- Thorstein Veblen. 1899. *The Theory of the Leisure Class*. Chap. 4 “Conspicuous Consumption”  
At <http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3ll3/>

## HOW DOES COOPERATION MATTER?

- Greif, Avner. 2006. "History Lessons: The Birth of Impersonal Exchange: The Community Responsibility System and Impartial Justice" *Journal of Economic Perspectives*. 20.2: 221-236.
- de Waal, F.B.M. and Berger, M. L. 2000, Payment for labour in Monkeys. *Nature* 404:563.
- Brosnan, S.F. and de Waal F.B.M. 2003, Monkeys reject unequal pay. *Nature*, 425, 297-299.
- Keith Jensen, et al. 2007. Chimpanzees Are Rational Maximizers in an Ultimatum Game, *Science* 318, 107
- Clutton-Brock, Tim. 2009. "Cooperation Between Non-Kin in Animal Societies". *Nature*. 462. 51-57.
- Smith, Adam. [1776] 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow edition. Liberty Fund. I.ii (p. 25-30)
- Smith, Adam. [1759] 1984. *The Theory of Moral Sentiments*. Indianapolis: Liberty Fund. I.i.1 and I.i.2 (p. 9-16)
- Smith, Adam. [1759] 1984. *The Theory of Moral Sentiments*. Indianapolis: Liberty Fund. II.ii.2-3 (p. 82-91)
- Smith, Adam. [1759] 1984. *The Theory of Moral Sentiments*. Indianapolis: Liberty Fund. III.1-2.3 (p. 109-114)
- Smith, Adam. [1759] 1984. *The Theory of Moral Sentiments*. Indianapolis: Liberty Fund. III.3.1-6 (p. 134-138)
- Smith, Adam. [1759] 1984. *The Theory of Moral Sentiments*. Indianapolis: Liberty Fund. III.3.4 (p. 156-161)

### Suggested readings:

de Waal, F.B.M. 2003 On the Possibility of Animal Empathy. In *Feelings and Emotions: The Amsterdam Symposium*, T. Manstead, N. Frijda & A Fisher (eds), pp. 279-299. Cambridge : Cambridge University Press.

Iacoboni, Marco. 2008. *Mirroring People: the new science of how we connect with others*. New York: Farrar, Straus and Giroux.

## WHO IS THIS ADAM SMITH?

- Montes, Leonidas. 2004. "Das Adam Smith Problem: its origins and the debate" in *Adam Smith in Context: a Critical Reassessment of some Central Components of his Thought*. Palgrave.  
On blackboard.
- Coase, Ronald. 1976. "Adam Smith's View of Man." *Journal of Law and Economics*, Vol. 19, No. 3, pp. 529-546.

Additional reading:

- Bittermann, Henry J. 1940. "Adam Smith's Empiricism and the Law of Nature." *The Journal of Political Economy*, Vol. 48, No. 4, pp. 487-520, and *The Journal of Political Economy*, Vol. 48, 5, pp. 703-734.

## What do we do with Adam Smith today?

- Smith, Vernon. 1998. "The Two Faces of Adam Smith" *Southern Economic Journal*. Vol. 65. No. 1. pp. 1-19.
- Ashraf, Nava, Colin F. Camerer and George Loewenstein. 2005. "Adam Smith Behavioral Economist?" *Journal of Economic Perspectives*, Vol. 19, No. , pp. 131–145
- Smith, Vernon. 2010. "What Would Adam Smith Think?" *JEBO*, 73: 83-86.

## MONEY

- “Quantity Theory of Money” in *The New Palgrave : a dictionary of economics* , edited by John Eatwell, Murray Milgate, Peter Newman, New York : Stockton Press, c1987  
On blackboard.
- Lucas, Robert. 1996. “Nobel Lecture: Monetary Neutrality.” *The Journal of Political Economy*, Vol. 104, No. 4, pp. 661-682.
- Aristotle. *Nicomachean Ethics*. Book V.  
At <http://cepa.newschool.edu/het/>
- David Hume. [1752] 1987. “On Money” AND “On the balance of trade” in *Essays, Moral, Political, and Literary*. Ed. Eugene F. Miller. Indianapolis: Liberty Press.  
At <http://oll.libertyfund.org>
- Smith, Adam. [1776] 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow edition. Liberty Fund, WN. I.iv, I.v and II.ii 1-36 85-106  
(to better understand this chapters I would encourage the reading of all WN II.ii and of WN II.i)

Suggested readings:

Simmel, Georg. [1900] 1990. *The Philosophy of Money*. London and New York: Routledge.

Galiani, Ferdinando. [1751] 1977. *On Money: a translation of Della moneta*. Ann Arbor: Published for Dept. of Economics of the University of Chicago.

# TRADE

## Mercantilism

- Viner, Jacob. 1930. “English Theories of Foreign Trade Before Adam Smith”  
*The Journal of Political Economy*. Vol. 38, No. 3, pp. 249-301.
- Hume, David. [1752] 1987. “Of the balance of trade” in *Essays, Moral, Political, and Literary*. Ed. Eugene F. Miller. Indianapolis: Liberty Press.  
At <http://oll.libertyfund.org>
- Bastiat, Frederic. [1845-1850] 1997. “Abundance and Scarcity”, “The Balance of Trade”, “Theory and Practice”, “Conflict of principles” in *Economic Sophisms*.  
At <http://oll.libertyfund.org>
- Smith, Adam. [1776] 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow edition. Liberty Fund. WN IV.i-ii.

## PUBLIC CREDIT

- Barro, Robert. 1974. "Are Government Bonds Net Wealth?" *Journal of Political Economy* 82, 1095-1117.
- Buchanan, James, 1976, "Barro on the Ricardian Equivalence Theorem" *Journal of Political Economy* 84, 337-343.
- David Ricardo. 1821. *On the Principles of Political Economy and Taxation*. Chapter 29  
At <http://www.econlib.org/library/Ricardo/ricP7.html#Ch.29>
- Hume, David. [1752] 1987. "Of Public Credit" in *Essays, Moral, Political, and Literary*. Ed. Eugene F. Miller. Indianapolis: Liberty Press.  
<http://oll.libertyfund.org/>
- Smith, Adam. [1776] 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow edition. Liberty Fund. *WN*. V.iii



## LABOR: human homogeneity and heterogeneity

- Stigler, George J., and Gary S. Becker. 1977. "De Gustibus non est disputandum". *The American Economic Review*, Vol. 67, No. 2., pp. 76-90.
- "LOGOS" in Henry George Liddell, Robert Scott, *A Greek-English lexicon*.  
At <http://www.perseus.tufts.edu> (go to Classics, then to secondary sources, or directly to [http://www.perseus.tufts.edu/cache/perscoll\\_Greco-Roman.html](http://www.perseus.tufts.edu/cache/perscoll_Greco-Roman.html) ) and in Catholic Encyclopedia at <http://www.newadvent.org/cathen/09328a.htm>
- Smith Adam. [1776] 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow edition. Liberty Fund. WN. Book 1 chap. 1, 2, 3,
- Smith, Adam. [1776] 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow edition. Liberty Fund. Book 1 chap. 10
- Plato. *The Republic*. Especially Book II §367-376d, Book IV § 427d-434d, § 458-460.  
At <http://oll.libertyfund.org/Home3/Author.php?recordID=0204>
- Leonard, Thomas C. 2003. "More Merciful and Not Less Effective: Eugenics and American Economics in the Progressive Era" *History of Political Economy* 35(4): 709-734.  
At <http://www.princeton.edu/~tleonard/papers/Eugenics.pdf>
- "Dismal" on the OED.  
At <http://dictionary.oed.com>
- Carlyle, Thomas. 1849. "Occasional Discourse on the Negro Question" *Fraser's Magazine*  
At <http://cepa.newschool.edu/het/texts/carlyle/carlodnq.htm>
- Mill, John Stuart Mill. 1850. "The Negro Question" *Fraser's Magazine*  
At <http://cepa.newschool.edu/het/texts/carlyle/millnegro.htm>
- Carlyle, Thomas. 1851. "The Present Time" in *The Latter-day Pamphlets*  
At <http://cepa.newschool.edu/het/>
- "Am I Not a Man and a Brother?" (picture)  
<http://www.pbs.org/wgbh/aia/part2/2h67.html>  
<http://www.picturehistory.com/find/p/632/mcms.html>

<http://www.yale.edu/glc/archive/928.htm>

- Pictures on blackboard

**The wrong dismal story...**

- David Levy. 1991. "Some normative aspects of the Malthusian Controversy" in *The Economic Ideas of Ordinary People*. Rutledge.  
On blackboard.

## KNOWLEDGE and PERCEPTION

- Kahneman, Daniel. 2003. Prize Lecture: Maps of Bounded Rationality. *The American Economic Review*. Vol. 93, No. 5, pp. 1449-1475
- F. A. Hayek. 1943. "The Facts of the Social Sciences" *Ethics*. Vol. 54, No. 1, pp. 1-13
- Smith, Adam. [1776] 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow edition. Liberty Fund. Book 1 chap. 1, 2, 3, 10
- Smith, Adam. [1759] 1984. *The Theory of Moral Sentiments*. Indianapolis: Liberty Fund. I.1, III.3-4, and IV.1
- Plato. *The Republic*. Book VI § 514a-521b  
At <http://www.perseus.tufts.edu/cgi-bin/ptext?doc=Perseus%3Atext%3A1999.01.0168>  
(or go to: [http://www.perseus.tufts.edu/cache/perscoll\\_Greco-Roman.html#text1](http://www.perseus.tufts.edu/cache/perscoll_Greco-Roman.html#text1)  
and then scroll down until you find Plato's Republic)

## APPLICATIONS

### The lottery puzzle: Milton Friedman v. Adam Smith

- Friedman, Milton, and L. J. Savage. 1948. “The Utility Analysis of Choices Involving Risk” in *The Journal of Political Economy*, Vol. 56, No. 4, pp. 279-304.
- Smith, Adam. [1776] 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow edition. Liberty Fund. WN. I.10.  
  
+ search Liberty Fund electronic edition for lottery.

### The usury problem: Stiglitz and Wiess v. Adam Smith v. Jeremy Bentham

- Stiglitz and Wiess. 1981. “Credit Rationing in Markets with Imperfect Information” *AER*. vol. 71, no. 3. p. 393-410.
- Smith, Adam. [1776] 1981. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Glasgow edition. Liberty Fund. WN. II.4
- Bentham, Jeremy. “LETTER XIII. To Dr. Smith, on Projects in Arts, &c.” in *Defence of Usury*.
- Hollander, Samuel. 1999. “Jeremy Bentham and Adam Smith on the Usury Laws: a Smithian reply to Bentham and a new problem” in *The European Journal of History of Economic Thought*. 6:4 523-551.  
On blackboard.

### Disperse knowledge.

- Hayek F.A. 1945. “The Use of Knowledge in Society” *The American Economic Review*. Vol. 35, No. 4, pp. 519-530
- Boettke, Peter. 1998. “Economic Calculation: the Austrian contribution to political economy” in *Advances in Austrian Economics*, Vol. 5, p. 131-158  
On blackboard.
- Smith. Search Liberty Fund electronic edition for “invisible hand”

### Additional readings:

- Rizzo, Mario and Gerald O'Driscoll. 1985. *The economics of time and ignorance*. Oxford, UK ; New York, NY, USA : B. Blackwell.