

ECO 099 – FCS.02
Freedom and Markets: The Clash of Economic Ideas
Syllabus

Fall 2011
MW 2:50 – 4:05 p.m.
Room: Social Science 109

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As often occurs when things go badly wrong, the recent economic crisis has caused many to look to the past for answers. Two names that have repeatedly come up in the last few years are those of the British economist John Maynard Keynes and the Austrian economist Friedrich A. Hayek. Keynes' 1936 book *The General Theory of Employment, Interest and Money* ultimately spawned "the Keynesian Revolution," and popularized the idea that the federal government could, and should, stabilize the economy through the use of its spending and tax policies. Keynes' theories were very popular in the 1960s, but with the stagflation of the 1970s they went out of favor, only to be revived again, as is evident by, for example, Robert Skidelsky's recent (and extravagantly titled) *Keynes: The Return of the Master* (2009). In his most famous book, *The Road to Serfdom*, Hayek warned about the dangers of government interventions that restrict economic freedom, interventions that he felt could lead to restrictions on political freedom. First published in 1944, *The Road to Serfdom* held the number one spot for all books for about ten days on Amazon.com during the summer of 2010, and stayed in the top ten for over a month, principally due to a television endorsement by the Fox network political commentator Glenn Beck, who claimed it delivered "a Mike Tyson right hook to the jaw of socialism." Who today is prepared to judge who was right, Keynes or Hayek? And what did they actually say about such matters? Does the Rap Anthem video "Fear the Boom and Bust" get it right? <http://www.youtube.com/watch?v=d0nERTFo-Sk> What about the sequel, "Fight of the Century"? <http://www.youtube.com/watch?v=GTQnarzmTOc&feature=relmfu>

Hyperbole aside, it is a commonplace that earlier writers can provide insightful lessons for the present: "those who cannot remember the past are condemned to repeat it." In this course we will explore a selection of works, many famous, some less so, about economic matters and their relationship to the larger society. By the end of this course you will know more about the "big questions" in economics, about some of the most well-known people who have written about them and the times in which they were writing, and about the relevance of these early ideas for past and current debates in political economy.

Course Structure and Requirements:

The course will be run partly as a lecture, and partly as a seminar, where we discuss common readings. I will lead the discussion on certain topics, and students will be chosen to lead others. Whatever the format, the basic requirement is to have read and thought about the material **before class**, and even if the format is a lecture, to be prepared to discuss it. To encourage you, before certain classes I will ask you to prepare a 1-2 page typed “response” to the assigned reading, which you will turn in at the end of the class. The “responses” should provide us with a good starting point for our class discussions.

The syllabus should be considered provisional, and topics may be added or deleted as we go along. The number of topics ultimately covered will depend on how quickly we move through the material.

Grades will be determined as follows: 20% for the assigned “response” papers, for general seminar participation, and for performance leading the seminar presentations; 40% for performance on a mid-term, which will consist in answering a subset of essay questions that you will have seen in advance; and 40% for your performance on a final exam.

For a discussion class like this one to be a success, everyone must attend class and participate: your absence imposes negative externalities on your classmates and on me. If you cannot commit to this, this class is not for you. Any absence not signed off on by your dean is graded as a zero, as is any failure to turn in the reading response. Excused absences usually will require some sort of onerous make-up assignment (Malthus would approve!). I will attempt to keep you informed about your participation/ response paper/ presentation performance grade during the course of the semester.

Students will purchase the two texts indicated below. PDFs of other material (articles and book excerpts) will either be posted on Blackboard or their availability online will be noted.

We will have a couple of guest lectures during the semester who may assign their own material. One of these will be Professor John Lewis, who will lead a discussion on Ayn Rand.

Texts:

Robert Tucker, ed. *The Marx-Engel Reader*. 2nd Ed. New York: Norton, 1978. Paperback.

F.A. Hayek, *The Road to Serfdom: Texts and Documents*, edited by Bruce Caldwell. Chicago: University of Chicago Press, 2007. paperback.

Course Outline

1. Mercantilism

Readings:

Jacob Viner, "Mercantilist Thought" (1968), in Jacob Viner, *Essays on the Intellectual History of Economics*, ed. Douglas Irwin (Princeton: Princeton University Press, 1991), pp. 262-276. Blackboard.

Thomas Mun, *England's Treasure by Forraign Trade* (1664), chapters 2 & 3.

http://books.google.com/books?id=HSo5AAAAMAAJ&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false

2. Adam Smith

Readings:

Jacob Viner, "Adam Smith and Laissez-Faire" (1927), in Jacob Viner, *Essays*, pp. 85-113. Blackboard.

Smith, *Theory of Moral Sentiments* (1766), excerpts. Blackboard.

Smith, *The Wealth of Nations* (1776), Book I, chapters 1, 2, 3 (sections 1 – 4), 4 (sections 1-4, 11-18), 7 (sections 1 – 33), 10 (section 82), 11 (sections 262-264).

Book II, chapter 3 (sections 1 -3, 12 -18, 30-32); Book IV, chapter 1 (sections 1 – 10), 2 (sections 1-15, 23-24, 31, 37-38, 40, 43).

<http://www.econlib.org/library/Smith/smWN.html>

3. Thomas Robert Malthus

Readings:

Emile Guillaumin, *The Life of a Simple Man* (1904) (Hanover, N. H.: University Press of New England, 1983), chapters 42 and 43. Blackboard.

Thomas Robert Malthus, *An Essay on the Principle of Population* (1798), Preface, chapters 1, 2 (sections 1-17, 33-37 only), 4 (sections 7-15 only), 5 (sections 1-14, 23-30 only) at <http://www.econlib.org/library/Malthus/malPop.html>

4. Karl Marx and Friedrich Engels

Readings:

From *The Marx-Engels Reader*:

Marx and Engels, "The Communist Manifesto" (1848), pp. 473-91; 499-500. Omit section III

Marx, "Marx on the History of His Opinions" (1859), pp. 3-6.

Engels, "Socialism: Utopian and Scientific" (1880), pp. 681-717.

Marx, "Wage Labor and Capital" (1849), pp. 203-17.

Marx, *Capital*, vol. 1 (1867), pp. 329-36, 436-38.

5. The Marginal Revolution: Carl Menger and the German Historical School

Readings: Bruce Caldwell, *Hayek's Challenge: An Intellectual Biography of F. A. Hayek* (Chicago: University of Chicago Press, 2004), pp. 17-35. Blackboard.

6. Institutionalism

Readings: Thorstein Veblen, *Theory of the Leisure Class* (1899), ch. 2. Blackboard.
Veblen, *The Theory of Business Enterprise* (1904), chapters 1, 2 and parts of 3. Blackboard.

Malcolm Rutherford, *The Institutional Movement in American Economics, 1918-1947: Science and Social Control*, chapter 1. Blackboard.

7. Alfred Marshall

Readings: Alfred Marshall, *The Principles of Economics*, 8th ed. (1920): Book I, chapters 1, 4; Book V, chapters 1-3.

<http://www.econlib.org/library/Marshall/marP.html>

Gregory Mankiw, "The Market Forces of Supply and Demand." *Principles of Microeconomics*, 4th ed. (Mason, OH: Thomson, 2007), pp. 61-84. Blackboard.

8. John Maynard Keynes

Readings: John Maynard Keynes, "The End of Laissez-Faire"(1926), pp. 312-322, in *Essays in Persuasion* (New York: Harcourt Brace, 1932). Blackboard.

Keynes, J. M. *The General Theory of Employment, Interest and Money* (New York: Harcourt Brace, 1936), Chapter 2, pp. 18-22; Chapter 3, pp. 32-34; Chapter 12; Chapter 22, pp. 313-320, Chapter 24. Blackboard.

Bradley Bateman, "Keynes and Keynesianism," in *The Cambridge Companion to Keynes*, edited by Roger E. Backhouse and Bradley W. Bateman (Cambridge: Cambridge University Press), 2006, pp. 271-90. Blackboard.

9. Joseph Schumpeter

Readings: *Capitalism, Socialism, and Democracy* (1942), Chapter 7. Blackboard.

10. Friedrich Hayek

Readings: Friedrich Hayek, "The Use of Knowledge in Society" (1945). Blackboard.
Hayek, *The Road to Serfdom* (1944), chapters to be determined. Students will lead class discussions.