

K.D. Hoover
ECN 201A (crosslisted with ECN 190)
Fall 2003

History of Economic Thought

Lecture: Thursday 6:10-8:40 PM, 226 Wellman.

Course Requirements: The course is text based. The class will be divided into four groups (even A, even B, odd A, odd B). In alternate weeks, each individual in either the even or odd group will be required to write a short essay (4 to 10 pages (maximum)) on set topics. While these may involve reading in secondary literature, they are not meant to be fully documented, polished research papers; rather they should be efforts to master the reading and should provide a basis for class discussion. In the off week, each individual will be required to do a set of gobbets. (Gobbets are short passages of text for which one has to identify the context and briefly explain the meaning (one paragraph maximum). Each student will also write a research paper on a topic chosen in consultation with me. Papers may be related to reading from class, but may also work on other topics in the history of economic thought. Please choose a topic early. *I must approve your topic (an unapproved topic may fail to get credit).* I strongly advise getting an early start on your paper as I will be very reluctant to give extensions or incompletes. There will also be a final examination (Friday, Dec 12 from 7-9 PM). It will have one section of gobbets as well as essay questions.

Grading: Grading will be according to the Economics Department's Preliminary Examination grading scale with the following conversions to letter grades:

A+ = 4.0,	A = 3.0,	A- = 2.7
B+ = 2.4,	B = 2.0,	B- = 1.5
C = 1.0,	D = 0.5,	F = 0.0

Essays, gobbets and class discussion will count for 40% of the final grade; the research paper for 30%; and the final examination for 30%.

Required Texts:

Adam Smith *The Wealth of Nations*, Book I, omitting in chapter xi the "Digression concerning the value of silver. . ." down to the start of the "Effects of progress of improvement upon the real price of manufactures;" Books II, III and IV.

David Ricardo *The Principles of Political Economy and Taxation* (Cambridge edition, Sraffa and Dobb, editors), Chapters I-IX, XV, XVI, XIX-XXI, XIV, XXX-XXXII

Thomas Robert Malthus *An Essay on the Principle of Population* (Norton edition)

Karl Marx *Capital*, vol. I, chapters 1-10, 12, 15-19, 23-25; Vol. II, chs. 20-21; vol. III, chs. 8, 9, 13, 14, 15.

Background Reading: I strongly advise you to read a good general history of economic thought – at least through the classical period. My current favorite is Roger Backhouse's *The Business of Ordinary Life: A History of Economics from the Ancient World to the 21st Century* (Princeton).

Additional Background Reading:

Roger Backhouse *History of Modern Economic Analysis*

Mark Blaug *Economic Theory in Retrospect*

Phyllis Deane *The Development of Economic Ideas*

Ekelund and Hebert *History of Economic Theory and Method*

Walter Eltis *The Classical Theory of Economic Growth*

Robert Heilbroner *The Worldly Philosophers*

Samuel Hollander *Classical Economics*

Landreth and Colander *History of Economic Theory*

Joseph Schumpeter *A History of Economic Analysis*

The principal journals dedicated to the history of economic thought are *History of Political Economy*, *Journal of the History of Economic Thought* (formerly *Bulletin of the History of Economics Society*), *History of Economic Thought Newsletter* (UK); *The European Journal of the History of Economic Thought*.

These are well worth consulting for ideas for research papers. (Student subscriptions are available to *HOPE* (see me); membership in the History of Economics Society is cheap and comes with a subscription to *JHET*.

Topics:

1. INTRODUCTION TO THE HISTORY OF ECONOMIC THOUGHT AND SOME BACKGROUND TO ADAM SMITH.

Consult one or more introductory textbooks.

Quesnay *Tableau Economique* (Kuczyński and Meek, eds.)

Eltis *The Classical Theory of Economic Growth*, chapters 1 and 2.

2.A SMITH ON THE DIVISION OF LABOR AND THE GROWTH OF MODERN INDUSTRY.

What, according to Smith, are the sources of, and limitations to, increasing productivity due to the division of labor? What is Modern Industry as distinct from manufacture, and is the difference significant?

Smith *Wealth of Nations*, Book I, chapters 1-3.

Hollander *The Economics of Adam Smith*, chapter 3 and pp. 208-18.

Marglin in Gorz (ed.) *The Division of Labor*.

Rosenberg in *Economica* 1965.

Rosenberg in *Perspectives on Technology*, ch. 7.

2.B SMITH ON ECONOMIC GROWTH.

What role does Smith's distinction between productive and unproductive labor play in his account of economic growth? What effect did accumulation have on employment, the real wage and the rate of profit and rents?

Smith *The Wealth of Nations* Book I, chapters 8, 9, 11 (excluding the digression); Book II, ch. 3.

Essays by Eltis, Lowe and Rosenberg in Wilson and Skinner (eds.) *Essays on Adam Smith*.

Hollander *The Economics of Adam Smith*, chapters 5,6,8.

Anspach "Smith's Growth Paradigm," in *History of Political Economy*, Winter 1976 (part I).

Riesman *Adam Smith's Sociological Economics*, chapters 4, 5.

Karl Marx *Theories of Surplus Value*, vol. I, pp. 148-172.

Gobbets: Smith Topic #2

1. "The spinner is almost always a distinct person from the weaver; but the ploughman, the harrower, the sower of the seed, and the reaper of the corn, are often the same."
2. "Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog."
3. "The nations that, according to the best authenticated history, appear to have been first civilized, were those that dwelt round the coast of the Mediterranean sea."
4. "Luxury in the fair sex, while it enflames perhaps the passion for enjoyment, seems always to weaken, and frequently to destroy altogether, the powers of generation."
5. "A great stock, though with small profits, generally increases faster than a small stock with great profits."
6. "Great nations are never impoverished by private, though they sometimes are by public prodigality and misconduct."

3.A SMITH ON MERCANTILISM

On what grounds, and how convincingly, does Adam Smith criticize the Mercantile system?

Smith *The Wealth of Nations*, especially Book IV.

Barber *A History of Economic Thought*, chapter 1.

Pollard *The Idea of Progress*, chapter 2.

Coats "Adam Smith and the Mercantile System," in Skinner (ed.) *Essays on Adam Smith*.

Roll *A History of Economic Thought* (revised edition 1973), ch. 4, part 2.

3.B SMITH ON LAISSEZ FAIRE

Did Smith resolve the contradiction between the operation of the invisible hand and the natural tendencies of traders of all kinds to conspire against the public if they could?

Smith *The Wealth of Nations*, Book II (except chapter 2); Book III, chapter 2, Book IV, chapters 3-7, 9.

Hollander *The Economics of Adam Smith*.

Skinner *A System of Social Science: Papers Relating to Adam Smith*, papers 3, 5, 9.

Wilson "Sympathy and Self-interest," in Wilson and Skinner (eds.) *The Market and the State. Essays in Honour of Adam Smith*.

Gobbets: Smith Topic #3

1. "Avarice and injustice are always short-sighted, and they did not foresee how much this regulation must obstruct improvement, and thereby hurt in the long-run the real interest of the landlord."
2. "Wealth, therefore, according to them consisted in cattle, as according to the Spaniards it consisted in gold and silver. Of the two, the Tartar notion, perhaps, was the nearest to the truth."
3. "Upon every account, therefore, the attention of the government never was so unnecessarily employed, as when directed to watch over the preservation or increase of the quantity of money in any country."
4. "I have never known much good done by those who affected to trade for the publick good."
5. "It is a losing trade, it is said, which a workman carries on with an alehouse; and the trade which a manufacturing nation would naturally carry on with a wine country, may be considered as a trade of the same nature."
6. "Even in such countries, however, drought is, perhaps, scarce ever so universal as necessarily to occasion famine, if the government would allow a free trade."

4.A&B MALTHUS ON POPULATION

Why are Malthus and Marx more pessimistic than Smith over the prospects for an expanding population? With regard to population, does Malthus predict a future calamity or describe a current condition? Does Malthus see any hope for mankind? What implications does Malthus's theory have for wages?

Malthus *An Essay on the Principle of Population*; also part I and the chapters by Gordon and Flew in part IV of the Norton edition.

Malthus *Principles of Political Economy*, 2nd ed., chapters 4, sections 1-3.

Smith *The Wealth of Nations*, Book I, chapters 3, 8; Book II, chapter 3; Book III, chapters 1, 4.

Marx *Capital*, vol. I, chapter 25; vol. III, chapters 13-15.

Schumpeter *History of Economic Analysis*, part II, chapter 5.

Davis, "Malthus and the Theory of Population," in Lazarfeld and Rosenberg (eds.) *The Language of Social Research*.

Meek "Increasing Misery," in *Economics and Ideology and Other Essays*.

Sweezy *Theories of Capitalist Development*, chapters 5, 6.

Gobbets: Malthus Topic #4

1. "I think I may fairly make two postulata.
"First, That food is necessary to the existence of man.
"Secondly, That passion between the sexes is necessary and will remain nearly in its present state."
2. "The North American Indians, considered as a people cannot be justly called free and equal."
3. "The parish persecution of men whose families are likely to become chargeable, and of women who are near lying-in, is a most disgraceful and disgusting tyranny."
4. "An event at such a distance might fairly be left to providence; but the truth is that if the view of the argument given in this essay be just, the difficulty, so far from being remote, would be imminent and immediate."
5. "The rich, though they think themselves of great importance, bear but a small proportion in point of numbers to the poor, and would therefore relieve them but of a small part of their burdens by taking a share."
6. "A person who contemplated the happy state of the lower classes of people in America twenty years ago, would naturally wish to retain them for ever in that state, and might think, perhaps, that by preventing the introduction of manufactures and luxury he might effect that purpose; but he might as reasonably expect to prevent a wife or mistress from growing old by never exposing her to the sun or air."

5A&B. RICARDO AND SMITH ON VALUE

Is Smith's theory of value based on utility? On what grounds did Ricardo criticize Smith's retreat from a labor theory of value? Was Ricardo any more explicit than Smith on the source and nature of profit? What is the relationship between rent and profit?

Smith *Wealth of Nations*, Book I, chapters 4-7.

Ricardo *Principles*, chapters 1, 2, 4-6.

Meek *Studies in the Labor Theory of Value*, chapters 2, 3.

Dobb *Theories of Value and Distribution*, chapters 2, 3.

Hollander *The Economics of Adam Smith*, chapters 4, 5.

Stigler "Ricardo and the 93% Labor Theory of Value," *American Economic Review*, 1958.

Marx *Theories of Surplus Value*, vol. I, pp. 68-95; vol. II pp. 161-172; vol. III, pp. 395-417.

Gobbets: Ricardo and Smith Topic #5

1. "From century to century, corn is a better measure than silver, because from century to century, equal quantities of corn will command the same quantity of labor more nearly than equal quantities of silver. From year to year, on the contrary, silver is a better measure than corn. . . ."
2. "The profits of stock, it may perhaps be thought, are only a different name for the wages of a particular sort of labour, the labour of inspection and direction."
3. "A very poor man may be said in some sense to have a demand for a coach and six; he might like to have it; but his demand is not an effectual demand, as the commodity can never be brought to market in order to satisfy it."
4. "Even in that early state . . . some capital, though possibly made and accumulated by the hunter himself, would be necessary to enable him to kill his game."
5. "Corn is not high because rent is paid, but a rent is paid because corn is high; and it has been justly observed, that no reduction would take place in the price of corn, although landlords should forgo the whole of their rent. Such a measure would only enable some farmers to live like gentlemen. . . ."
6. "Long indeed before this period, the very low rate of profits will have arrested all accumulation, and almost the whole produce of the country, after paying the labourers, will be the property of the owners of land and receivers of tithes and taxes."

6.A&B RICARDO ON GROWTH AND PROFITS

On what assumptions were Ricardo's theory of the falling rate of profit based? What were Ricardo's views on the effects of accumulation on wages and employment? Should Ricardo's distributional theory be regarded as short run or long run?

Ricardo *Principles*, chapters 2-6, 21 and 31.

Ricardo "Essay on the Profits of Stock," in Sraffa (ed.) *Works and Correspondence of David Ricardo*, vol. IV, pp. 1-43.

Blaug *Ricardian Economics*, chapter 4.

Hicks *Classics and Moderns* (vol. III of *Collected Essays on Economic Theory*), chapters 3 and 4.

Casarsosa in *Oxford Economic Papers*, March 1978.

Hollander in *History of Political Economy*, Spring 1971 and Spring 1978.

Gobbets: Ricardo Topic #6

1. "From whatever cause it may have proceeded, the effect has been so slow and gradual, that little practical inconvenience has been felt from gold and silver being the general medium in which the value of all other things is estimated. Though undoubtedly a variable measure of value, there is probably no commodity subject to fewer variations."
2. "If the necessaries of the workman could be increased with the same facility, there could be no permanent alteration in the rate of profits or wages, to whatever amount of capital might be accumulated."
3. "No man produces, but with a view to consume or sell, and he never sells, but with an intention to purchase some other commodity, which may be immediately useful to him, or which may contribute to future production."
4. "If by the discovery of a new mine, by the abuses of banking, or by any other cause, the quantity of money be greatly increased, its ultimate effect is to raise the prices of commodities in proportion to the increased quantity of money: but there is probably always an interval, during which some effect is produced on the rate of interest."
5. ". . . although I am not aware that I have ever published any thing respecting machinery which it is necessary for me to retract, yet I have in other ways given my support to doctrines which I now think erroneous; it, therefore, becomes a duty in me to submit my present views to examination, with my reasons for entertaining them."

6. "The employment of machinery could never be safely discouraged in a State. . ."

7.A&B RICARDO AND MALTHUS ON GENERAL GLUTS

What were Ricardo's arguments against the possibility of gluts. Would they convince Marx?

Ricardo *Principles*, ch. 21.

Ricardo *Works and Correspondence of David Ricardo*, vol. II, pp. 300-452, especially pp. 300-331.

Malthus *Principles of Political Economy*, 2nd ed., Book II, especially sections 1-3, 6, 9, 10 (NB: parts of this are published in the last cited entry by Ricardo).

Blaug *Ricardian Economics*, ch. 5.

Sowell *Say's Law*, chapters 1, 3, 4, 6.

Marx *Theories of Surplus Value*, vol. II, pp. 492-547; vol. III, pp. 34-63.

Sweezy *Theory of Capitalist Development*, chapter 10.

Gobbets: Ricardo and Malthus Topic #7

1. "Whoever is possessed of a commodity is necessarily a demander. . ."
2. "In the first place, they have considered commodities as if they were so many mathematical figures, or arithmetical characters, the relations of which were to be compared, instead of articles of consumption, which must of course be referred to the numbers and wants of consumers."
3. "Theoretical writers in Political Economy, from fear of appearing to attach too much importance to money, have perhaps been too apt to throw it out of their consideration in their reasonings."
4. "The condition of the labourer which we are called upon to commiserate is of a different description; he will be balancing in his mind whether in addition to tea and tobacco he shall prefer a new coat to indolence. The small tenant will not know on what to spend his surplus produce, - and the care of the merchant or trader will be whether he can find any market abroad in which he can exchange our home commodities for claret and champagne, for his situation will be so prosperous that nothing less than those refined beverages can stimulate him to continue his usual exertions. If these are all the sufferings that will be entailed upon us from a want of demand for home commodities, I am prepared to meet them."
5. "Mr. [_____] seems to think that it is quite the same to the labourer, whether he is able to command more of the necessaries of life by a rise in the money price of labour, or by a fall in the money price of provisions;. . ."

6. "A body of unproductive labourers are just as necessary and as useful with a view to future production, as a fire, which should consume in the manufacturers warehouse the goods which those unproductive labourers would otherwise consume."

8.A MARX ON THE LABOR THEORY OF VALUE

What was the significance of Marx's analysis of the "two-fold character of labor" and "socially necessary labor"? How are they related to Smith's distinction between "productive" and "unproductive labor"? Do Smith, Ricardo and Marx share essentially the same theory of value?

See readings for topics 3 and 8.

Marx *Capital*, vol. I, chapters 1-9, 12, 16, 19.

Meek *Studies in the Labor Theory of Value*, chapters 4, 5 (sections 1-3).

Dobb *Political Economy and Capitalism*, chapter 1.

Sweezy *Theories of Capitalist Development*, chapters 1-4.

8.B MARX AND THE TRANSFORMATION PROBLEM

Why is exchange in proportion to embodied labor inconsistent with a uniform rate of profit? Which of the following two positions do you think is more accurate?

"The transformation of values into prices of production merely shows how the predetermined surplus is distributed among competing capitalists?"

"The correct solution to the transformation problem destroys Marx's identification of unpaid labor as the source of profit."

Marx *Capital*, vol. III, chapters 8 and 9.

Sweezy *Theory of Capitalist Development*, chapter 7.

Böhm-Bawerk *Karl Marx and the Close of His System* (Sweezy, editor), chapters 2, 3; also Hilferding in chapter 2 of the same book.

Steedman in *The New Left Review* 1975.

Samuelson in *The Journal of Economic Literature*, June 1971, March 1972.

Morishima *Marx's Economics*, chapter 7.

Gobbets: Topic #8 Marx

1. "It might seem that if the value of a commodity is determined by the quantity of labour expended to produce it, it would be the more valuable the more unskilful and lazy the worker who produced it, because it would need more time to complete the article."

2. "It is nothing but the definite social relation between men themselves which assumes here, for them, the fantastic form of a relation between things."

3. "If the foreign trade imposed on Japan by Europe brings with it the transformation of rents in kind into money rents, then the exemplary agriculture of that country will be done for."

4. "He recites the catechism: 'Consider my abstinence. I might have squandered the 15 shillings, but instead I consumed it productively and made yarn with it.' Very true; and as a reward he is now in possession of good yarn instead of a bad conscience."

5. "The mother country of capitalism is not the tropical region, with its luxuriant vegetation, but the temperate zone."

6. "The assumption that the commodities of the various spheres of production are sold at their value merely implies, of course, that their value is the centre of gravity around which their prices fluctuate, and their continual rises and drops tend to equalise."

9.A MARX ON PROFITS AND UNEMPLOYMENT

Are Marx's theories of the maintenance of the reserve army of labor and of the falling rate of profit (a) clearly demonstrated individually (b) consistent with each other?

Marx *Capital*, vol. I, chapters 24, 25 (sections 1-4); vol. III, chapters 13-15.

Marx "Wages, Prices and Profits," in Marx and Engels *Selected Works*, vol. II (Progress Publishers).

Sweezy *Theory of Capitalist Development*, chapter 6.

Meek "Increasing Misery" in *Economics and Ideology*.

Howard and King *The Political Economy of Marx*, pp. 195-210.

Leibowitz "Marx's Falling Rate of Profit," *Canadian Journal of Economics*, 1976.

Hodgson in *The New Left Review*, March/April 1974.

9.B MARX ON CLASS

How, according to Marx, does capitalism affect the position of the working class? To what extent are his views anticipated by Smith and Ricardo?

Consult reading for topics 2, 3, 6, and 7.

Marx *Capital*, vol. I, chapter 10.

Ricardo *Principles*, chapters 5, 6, 21, 31.

Marx *Theories of Surplus Value*, vol. II, pp. 438-470, 550-576.

Berg *The Machinery Question and the Making of Political Economy*.

Gobbets: Topic #9 Marx

1. "If, therefore, the amount of value advanced in wages is not merely found again in the product, but augmented by a surplus-value, this is not because the seller has been defrauded, for he has really received the value of his commodity; it is due solely to the fact that this commodity has been used up by the buyer."
2. "Accumulation of capital is therefore multiplication of the proletariat."
3. "An abstract law of population exists only for plants and animals, and even then only in the absence of any historical intervention by man."
4. "Now this mutual exchange is accomplished by means of a circulation of money, which promotes it just as much as it renders its understanding difficult. . ."
5. "Long hours of labour seem to be the secret of the rational and healthful processes, which are to raise the condition of the labourer by an improvement of his mental and moral powers and to make a rational consumer of him."
6. "There are not too many means of production produced to employ the able-bodied portion of the population. Quite the reverse."

Useful Websites:

The History of Economics Society:

<http://www.eh.net/HE/HisEcSoc/>

The History of Economics on EH.Net:

<http://www.eh.net/HE/>

McMaster Archive for the History of Economic Thought:

<http://socserv2.mcmaster.ca/~econ/ugcm/3ll3/>

The History of Economic Thought Homepage:

<http://cepa.newschool.edu/het/home.htm>

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2 HOUR RESERVE READING LIST

- Roger Backhouse *The Business of Ordinary Life: A History of Economics from the Ancient World to the 21st Century*
- Roger Backhouse *History of Modern Economic Analysis*
- William Barber *A History of Economic Thought*.
- Maxine Berg *The Machinery Question and the Making of Political Economy*.
- Mark Blaug *Ricardian Economics*.
- Mark Blaug *Economic Theory in Retrospect*
- Eugen Böhm-Bawerk *Karl Marx and the Close of His System* (Sweezy, editor).
- Phyllis Deane *The Evolution of Economic Ideas*
- Maurice Dobb *Theories of Value and Distribution*.
- Robert Ekelund and Hebert *History of Economic Theory and Method*
- Walter Eltis *The Classical Theory of Economic Growth*
- Andibe Gorz (ed.) *The Division of Labor*.
- Robert Heilbroner *The Worldly Philosophers*
- John Hicks *Classics and Moderns* (vol. III of *Collected Essays on Economic Theory*).
- Samuel Hollander *Classical Economics*
- Samuel Hollander *The Economics of Adam Smith*,
- Michael Howard and King *The Political Economy of Marx*, pp. 195-210.
- Lazarfeld and Nathan Rosenberg (eds.) *The Language of Social Research*.
- Thomas Malthus *Principles of Political Economy*, 2nd ed.
- Karl Marx *Theories of Surplus Value*, vols. I, II and III.
- Ronald Meek *Economics and Ideology and Other Essays*.
- Ronald Meek *Studies in the Labor Theory of Value*.
- Michio Morishima *Marx's Economics*.
- Sidney Pollard *The Idea of Progress*.
- Francois Quesnay *Tableau Economique*, Kuczyinski and Meek (eds.).
- David Ricardo *Works and Correspondence of David Ricardo*, vol. IV, Sraffa (ed.).
- David Ricardo *Works and Correspondence of David Ricardo*, vol. II, Sraffa (ed.).
- David Riesman *Adam Smith's Sociological Economics*.
- Richard Roll *A History of Economic Thought* (revised edition 1973 or later).
- Nathan Rosenberg *Perspectives on Technology*.
- Joseph Schumpeter *History of Economic Analysis*.
- Andrew Skinner *A System of Social Science: Papers Relating to Adam Smith*.
- Thomas Sowell *Say's Law*.
- George Stigler *The Economist as Preacher*.
- Paul Sweezy *Theories of Capitalist Development*.
- Wilson and Andrew Skinner (eds.) *The Market and the State. Essays in Honour of Adam Smith*.