**LECTURE AND READING GUIDE**

**History of Economic Thought, ECOS3004**

**Semester 2, 2022**

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**Classes:** Fridays 10am–1pm, in Old Teachers College Lecture Theatre 306

**Consultation:** (by Zoom)Thursday 3 – 4 pm

**Unit Description**

Where do the current beliefs – theories, doctrines, postulates and attitudes – of modern economics come from? If current theories and doctrines had a definite historical beginning, what schools of thought did they supplant? Are there alternative or dissident views which subsisted alongside mainstream economics in the twentieth century – and if so, what are they and where did they originate from? This unit seeks to answer these questions, as well as others.

It provides an overview of the development of economic ideas from the seventeenth century to the twentieth century, combined with a more intensive focus on the theories and thought of certain key figures in that history. Following an examination of the rise of political economy – particularly in the seventeenth and eighteenth centuries, classical economics is examined in detail: the economic thought of Adam Smith, David Ricardo and Karl Marx, followed by an overview of classical economics as a whole, from 1776 to 1873, and concluding with J.S. Mill and the decline (and reconstruction) of classical economics. Then the rise and development of modern ‘marginalist’ economics from 1871 is considered, including a detailed study of the most important figure among the ‘second generation’ of marginalist economists, Knut Wicksell. A detailed analysis of the most influential economist of the twentieth century, John Maynard Keynes, and of Keynesian economics, is the penultimate topic. The unit concludes with a brief examination of main currents, heterodox and orthodox, in subsequent twentieth-century economics.

An intellectual history such as this unit provides – of a discipline, Economics, that is of long standing and with a large literature – is a vast terrain of ideas, doctrines, literature and persons, all interacting in various ways with wider political, social and economic developments in history. In the most general terms,*economics is the study of how societies organize the production and distribution of the means of human sustenance and larger consumption.* Here, we are providing a history of the ideas about that. How is one to make this history *tractable* in a one-semester unit of study, while still giving students a reasonable sense of its overall contours? The approach taken here is to focus upon the fundamental streams or schools of economic theory that have arisen since the beginning of economic science in the 17th and 18th centuries. A summary statement of the topics follows:

1. Formation of Economic Science 5 lectures + 1 Q&A hours (weeks 1-2, 3)
2. Classical Political Economy 9 lectures + 2 Q&A hours (weeks 2-6, 7)
3. Marginalist Economics 9 lectures + 2 Q&A hours (weeks 6-10, 11)
4. Keynesian Economics 4 lectures + 1 Q&A hours (weeks 11 & 12)
5. Aftermath 2 lectures + 1 Q&A hour (week 13)

**Texts and Other Resources**

There are many general histories of economic thought which could serve as a textbook (and most of them are available in Fisher Library). The following two references are listed with relevant page references in the detailed outline of topics below:

A. Roncaglia (2015) *The Wealth of Ideas*: *A History of Economic Thought*, Cambridge University Press: Cambridge (hereafter cited as AR). Online reference pages.

E. Screpanti & S. Zamagni (2001) *An Outline of the History of Economic Thought*, transl. D. Field, Oxford: Clarendon (hereafter cited as S&Z). Online reference pages.

The more significant reference of these two for each topic is denoted by an asterisk. The main text I am using for this unit is Roncaglia. The other readings, including primary readings, should be accessible electronically through Fisher Library and *via* the Canvas ‘Reading List’. For further reading, the primary and secondary literature in the history of economics is primarily located at call #330.1 forward, in Fisher Library (especially the research collection). For a collection of history-of-economic-thought online resources (from Routledge), via ‘Quick links’ on the Fisher homepage, go to ‘Databases’, and then under ‘H’, see ‘History of Economic Thought’. For an excellent and comprehensive guide to web-based resources related to the history of economic thought, see <http://www.hetwebsite.net/het> .

1. **Assessment**

**5.1 Assessment Tasks and Due Dates**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Assessment items** | **Word length**\* | **Weight** | **Due Time & Date** | **Closing Date** |
| Mid-Semester Exam | 30 minutes | 30% | 23 September |  |
| Essay | 1,000 words | 20% | 9 October |  |
| Final Exam | 90 minutes | 50% | Exam Period | Date of Exam |
|  |  |  |  |  |

\* Or equivalent thereof.

**5.2 Detailed Assessment Information**

**1. IN-SEMESTER TEST**. The mid-semester exam will be held **23 September**, online via Canvas. It is a multiple-choice test of 30 questions (to be completed in 30 minutes), drawn **specifically from the required reading and lectures for topics 1 and 2**.

(Note**:** Students who are absent from this exam for legitimate medical or other reasons *will be required to later undertake a substitute exam of the same character and coverage*; that is to say, there will NOT be merely a re-weighting of their final exam from 50% to 80%).

**2. ESSAY**.

Students must undertake this written paper as a critical review – involving both exposition and critical appraisal.

**Essay Topics** (choose one)**:**

1. Adam Smith’s analysis of competition and the determination of prices, in the *Wealth of Nations* (1976 [1776]: book I, chs. IV–X, pp. 37–159): an Outline and Critical Appraisal.

***or***

1. David Ricardo’s Theory of Distribution, in the *Essay on Profits* (1815)\* and *Principles of Political Economy* (1821 [1951], chs. I-VI, pp. 11-127): an Outline and Critical Appraisal.

\* Full title is: *An Essay on the influence of a low price of corn on the profits of stock shewing the inexpediency of restrictions on importation* (accessible electronically *via* Fisher Library).

In addressing either of these topics, students, in the first instance, should take their bearings from lectures and readings relevant from topic 2.

***Written papers in excess of 1,100 words (including footnotes, but not including References) will not be read, and therefore will receive a mark of zero.*** The paper must conform to a consistent citation style. The best style is to use the most economical citation method. For example, if you use a quotation from p. 312 of the Samuels *et al.* 2003 *Companion* (listed under the reading for topic 3 below), in the text proper after the quotation insert parenthetically ‘Samuels *et al.* 2003: 312’, and place the full citation details for the book in a list of ‘References’ at the end your essay, as follows:

Samuels, W.J., Biddle, J.E. and J.B. Davis (eds) (2003) *A Companion to the History of Economic Thought*, Oxford: Blackwell.

**3. FINAL EXAM**. The final exam paper will have 2 essay questions – **one *either/or* question drawn from topic 3 and one question drawn from topic 4**. (That is to say, topics 1–2, examined in the mid-semester exam, will not be also examined in the Final Exam.) Students will be required to answer two questions. Essay exam answers must be handwritten***.***

1. **University and Faculty Policies and Support:** on the Canvas site.
2. **Reading & Lecture Guide**

It will be useful for students to start the reading for each topic ***prior to*** the lectures being presented (but not the primary-source reading). In other words, start preparing for each topic *the week before* the lectures on that topic are to begin.

**Topic 1. Formation of Economic Science (5 lectures + 1 Q&A hours: weeks 1–2, 3)**

* 1. Why Study the History of Economic Thought?
  2. Economic Science versus Economic Thought
  3. Petty, Cantillon, Quesnay
  4. Anne Robert Jacques Turgot
  5. Mercantilism and Monetary Economics
  6. What is Classical Economics?

Reading:

* AR, ch 1, ch 2, pp. 41-6, ch 3., ch 4, pp. 90-107.
* [Petty, W.] (1662) *A Treatise of Taxes & Contributions …* , London; as repr. in C.H. Hull (ed.) (1899) *The Economic Writings of Sir William Petty …* , vol. 1, Cambridge: Cambridge University Press, pp. 29–31, 89–91.
* [Cantillon, R.] (1755) *Essai sur la Nature du Commerce en Général. Traduit de l’Anglois*, London[?]; repr. in H. Higgs (1931) *Essai sur la Nature du Commerce en Général by Richard Cantillon: edited with an English translation and other material*, London: Frank Cass, pp. 27–31, 43–47, 59–65.
* Kuczynski, M. and Meek, R.L. (eds) (1972) *Quesnay’s* Tableau Économique*: Edited, with New Material, Translations and Notes*, London: Macmillan and New York: Kelley, pp. i–xii (the ‘3rd edn’).
* Turgot, A.R.J. (1769–70) *Réflexions sur la Formation et la Distribution des Richesses*, in *Éphémérides du Citoyen*, Paris, November 1769, December 1769, January 1770 [in 3 instalments]; as transl. P.D. Groenewegen (from the 1788 edn) (1977) *Reflections on the Formation and Distribution of Wealth*, in P.D. Groenewegen (ed.) *The Economics of A.R.J. Turgot*, The Hague: Martinus Nijhoff, pp. 85–95.

*Supplementary:*

S & Z pp. ch. 1, 1-36; ch 2, 1-6.

Aspromourgos, T. (1996) ‘On the origins of classical economics: distribution and value from William Petty to Adam Smith’, London: Routledge, pp. 20-41, 73-85, 103-25.

Aspromourgos, T. (2017) ‘Why History of Economics?’, *History of Economics Review* 67: 59–69.

**Topic 2. Classical Political Economy (9 lectures + 2 Q&A hours: weeks 3–6, 7)**

2.1 Adam Smith

2.2 David Ricardo

2.3 Other Prominent Classical Economists

2.4 Karl Marx

2.5 The Character of Classical Economics

2.6 Classical Monetary Economics

2.7 The Decline (and Reconstruction) of Classical Economics

Reading:

* AR, ch 5, ch 7, ch 8: pp. 207-18, 221-30, 233-43, ch 9: pp. 244-67.
* Smith, A. (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations*, 2 vols., London: Strahan and Cadell; as repr. in R.H. Campbell, A.S. Skinner and W.B. Todd (eds) (1976) *The Glasgow Edition of the Works and Correspondence of Adam Smith*, vol. 2, 2 vols., Oxford: Clarendon, pp. 72–81 [Book I, Ch. vii (‘Of the Natural and Market Price of Commodities’)], 276–85 [Book II, Intro. and Ch. i (‘Of the Division of Stock’)].
* Ricardo, D. (1817) *On the Principles of Political Economy, and Taxation*, London: John Murray; as repr. in P. Sraffa (ed.) (1951) *The Works and Correspondence of David Ricardo*, vol. 1., Cambridge: Cambridge University Press, pp. 88–92 [Ch. IV (‘On Natural and Market Price’)], 110–27 [Ch. VI (‘On Profits’)].
* Marx, K. (1867) *Capital: a Critique of Political Economy*, vol. 1 (*The Process of Capitalist Production*), Hamburg; as repr. transl. New York: International Publishers, 1967), pp. 199–230 [Part III, Ch. 8 (‘Constant Capital and Variable Capital’) & Ch. 9 (‘The Rate of Surplus-Value’)].
* Sraffa, P. (1960) *Production of Commodities by Means of Commodities: Prelude to a Critique of Economic Theory*, Cambridge: Cambridge University Press, pp. v–vii (Preface), 3–10 [Ch. 1 (‘Production for Subsistence’) and part Ch. 2 (‘Production with a Surplus’)].

*Supplementary:*

S & Z, ch 2, pp. 13-38, ch 3, ch 4.

Aspromourgos, T. (2009) *The Science of Wealth: Adam Smith and the Framing of Political Economy*, London: Routledge, Ch 3, pp. 65-100, 131-4, Ch 4.

Garegnani, P.(1983) ‘The Classical Theory of Wages and the Role of Demand Schedules in the Determination of Relative Prices’, *American Economic Review*, **73** (Papers and Proceedings): 309–13.

Smith, M. (2011) *Thomas Tooke and the Monetary Thought of Classical Economics*, London: Routledge, Ch. 7.6, pp. 197-204, Ch. 8.4-8.5, pp.218-31.

**Topic 3. Marginalist Economics (9 lectures + 2 Q&A hours: weeks 7–10)**

3.1 The ‘Marginal Revolution’

3.2 The Founders: Jevons, Walras, Menger

3.3 Marshall and Partial Equilibrium

3.4 The ‘Second Generation’ of Marginalism

3.5 The Core Logic of the Theory

3.6 Wicksell and Monetary Economics

Reading:

* AR, ch 10, ch 11, pp. 297-306, 308-15, ch 12, pp. 322-40, 343-49, ch 13, pp. 350-74.

* Jevons, W.S. (1911 [1871]) *The Theory of Political Economy*, 4th edn, London: Macmillan, pp. 28–57 [Ch. 2 (‘Theory of Pleasure and Pain’), part Ch. 3 (‘Theory of Utility’)].
* Pareto, V. (1906) *Manuale d’Economia Politica*; as transl. A.S. Schwier (from the 1927 French edn) (1971) *Manual of Political Economy*, New York: Kelley, pp. 103–19 [part Ch. 3 (‘General Notion of Economic Equilibrium’)].
* Wicksell, K. (1898) ‘The Influence of the Rate of Interest on Commodity Prices’, in E. Lindahl (ed.) (1958) *Knut Wicksell. Selected Papers on Economic Theory*, London: George Allen & Unwin, pp. 67–89.

*Supplementary:*

S & Z, chs 5 & 6

Samuels, W.J., Biddle, J.E. and J.B. Davis (eds) (2003) *A Companion to the History of Economic Thought*, Oxford: Blackwell, pp. 246–93 [Ch. 16 (P. Groenewegen, ‘English Marginalism: Jevons, Marshall, and Pigou), Ch. 17 (S. Horwitz, ‘The Austrian Marginalists: Menger, Böhm-Bawerk, and Wieser’), Ch. 18 (D.A. Walker, ‘Early General Equilibrium Economics: Walras, Pareto, and Cassel’)], 308–24 [Ch. 20 (R.E. Backhouse, ‘The Stabilization of Price Theory, 1920–1955’)].

**Topic 4. Keynesian Economics (4 lectures + 2 Q&A hours: weeks 11–12)**

* 1. The *General Theory*: Effective Demand & Unemployment
  2. The *General Theory*: Interest & Money
  3. Economic Policy & the State
  4. Keynes, Keynesianism & Marginalism
  5. Keynes’s Economics and Growth Theory

Reading:

* AR, ch 14
* Keynes, J.M. (1936) *The General Theory of Employment, Interest and Money*, London: Macmillan, pp. 23–34 [Ch. 3 (‘The Principle of Effective Demand’)], 257–71 [Ch. 19 (‘Changes in Money-Wages’)].
* Milgate, M. (1987) ‘Keynes’s *General Theory*’, in J. Eatwell, M. Milgate and P. Newman (eds) *The New Palgrave: a Dictionary of Economics*; as repr. in J. Eatwell and M. Milgate (2011) *The Fall and Rise of Keynesian Economics*, Oxford: Oxford University Press, pp. 329–38.
* Eatwell, J. (1987) ‘Keynesianism’, in Eatwell *et al.*, *op. cit.*, vol. 3, pp. 46–7.
* Smith, M. (2012) ‘Demand-led Growth Theory: a Historical Approach’, *Review of Political Economy*, vol. 24 (no. 4): 543–73.

*Supplementary*:

* S & Z, ch 7
* Tarshis, L. (1987) ‘Keynesian Revolution’, in Eatwell *et al.*, *op. cit.*, vol. 3, pp. 47–50.

**Topic 5. Aftermath (2 lectures + 1 Q&A: week 13)**

This material will not be examined. The basic purpose of this material is to link up the developments examined over the previous 12 weeks with more recent developments in economics in the latter decades of the 20th century and into the 21st century.

Sraffa, capital theory and the reconstruction of the classical approach / Marxist economics / the Historical Schools and American Institutional economics / developments in general equilibrium theory / game theory / issues in industrial organization theory / Keynesian themes and developments in macroeconomics / behavioural and experimental economics

Reading:

* AR, chs 16 & 17.
* S & Z, chs 8 & 9