MACQUARIE UNIVERSITY

Division of Economic and Financial Studies

Semester 1, 2007

ECON356 HISTORY OF ECONOMIC THOUGHT

UNIT OUTLINE

Unit Convenor: Wylie Bradford

Prerequisites: ECON110; ECON111; 6 cp at 200 level in Division of Economic & Financial Studies

You should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult the unit convenor.

ABOUT THIS UNIT

3 credit points: Each credit point assumes 2-3 hours private study in addition to class attendance. This unit covers the major developments in economic analysis since the eighteenth century and before. The main emphasis is on tracing the historical evolution of modern economic theories, but the philosophical and socio-economic factors which have influenced the development of economic ideas are also given importance.

The **aims of the unit** are:

- to acquaint students with the major contributions to the evolution of economic analysis and the main scientific controversies which have arisen in the course of this evolution;
- to enable students to analyse the reasons for changes in economic thinking so that they acquire a deeper insight and perspective on the nature of modern economics.

The approach taken in this course is *thematic*, rather than author-based. We will examine the development of particular fundamental areas of economics (Theory of Value, Distribution Theory, Growth Theory and the Theory of Cycles and Fluctuations) in order to achieve an enhanced understanding of the path that economic thought has taken from the past on the way to its present form.

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop students' generic skills in a range of areas. One of the aims of this unit is that students develop skills in the following:

- Essay writing.
- Critical analysis.
- Communication (especially in presenting your ideas to an audience).
- Working in teams.

TEACHING STAFF

Convenor: Dr Wylie Bradford
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Consulting hours: TBA

CLASSES

1 x 2 hour lecture per week, for 12 weeks and 1 x 1 hour tutorial p.w. for 6 weeks. Lectures are 11 am to 1 pm on Mondays in W6B 338. Tutorials are at 4 pm on Mondays in C5A 401 in weeks 8-13. Lectures will be recorded using the iLecture system and made available for download via the unit's WebCT page.

ANNOTATED READING GUIDE

Given the thematic approach I favour there is no traditional (i.e topic by topic) reading guide for this course. There are many, many substantial works available covering various aspects of the history of economic thought (HET), some of which I describe below. You should take note of the ideas and authors covered in lectures and look them up in a range of texts. I will endeavour to have as many of them as I can available on Reserve in the Library. Extremely useful surveys of many topics are available in **The New Palgrave: A Dictionary of Economics** (New York, Stockton Press, 1987) in the Reference section of the Library. In preparing essays students should also be prepared to consult relevant journals, such as *History of Political Economy*, *Journal of the History of Ideas*, *Journal of the History of Economic Thought*, *European Journal of the History of Economic Thought*, *History of Economics Review* and any others you come across in your reading

I have divided my list of possible sources in to textbook treatments, reference works, overviews and others of interest. I have added comments where I can, and indicated my personal favourites. All of these works will contain extensive references to other works. Trawling through those is not only half the fun of scholarship but more than half the battle so far as learning goes.

Textbooks

- Blaug, M., Economic Theory in Retrospect (various editions).

  The standard in the now-defunct genre of postgraduate texts in HET (i.e it belongs to a time when HET was a typical component of postgraduate economics programs in US universities). Detailed, opinionated and aspiring (having pretensions?) to a certain level of technical sophistication. Partisan in the 'relativism' vs 'absolutism' debate in HET and very much the establishment Received View in general but valuable so long as that is kept in mind (especially for the detailed bibliographies that follow each chapter).

- Rima, I.H, *Development of Economic Analysis* (various editions).

  Traditional-style text pitched at a lower level than Blaug. To be honest, I've never really been particularly keen on it, although it has a reasonable reputation and my old HET professor thought well of it (and Ingrid Rima herself!) so have a look for yourself and see what you think.

- Roll, E., *History of Economic Thought* (various editions).

  A venerable entrant in the HET text stakes. An erudite and literary work that serves as an example of the 'relativist' approach that Blaug scorns so. Worthwhile in its own right, and as a counterpoint to Blaug.

- Screpanti, E & Zamagni, S, *An Outline of the History of Economic Thought* (1995).

- Spiegel, H.W., *The Growth of Economic Thought* (various editions).

  A sprawling, comprehensive undergraduate text that touches on virtually all bases of HET in some way. By necessity less directed and 'tight' than Blaug but always a very useful starting point, particularly on ancient and medieval thought.

Reference works

- Aspromourgos, A. *On the Origins of Classical Economics: Distribution and Value from William Petty to Adam Smith* (1996).

  Excellent study, in the 'surplus approach' tradtion, of 17th and 18th century precursors to classical economics by a noted Australian authority on William Petty.

- Dobb, M. *Theories of Value and Distribution Since Adam Smith* (1973).

  A great work by the great Cambridge Marxist – a notable work in the so-called 'surplus' approach to HET, focussing (as its subtitle suggests) on the role of ideological factors in the post-classical development of economic theory. A thoroughly stimulating example of a kind of scholarship and economic writing that has sadly now passed virtually into oblivion. One to be savoured.

- Hutchison T.W., *A Review of Economic Doctrines 1870-1929* (1953).

  My favourite HET book of all. Hutchison is a curmudgeonly character who crops up in the 20th century (from the 1930's on) in various famous methodological disputes. He is also a wonderful writer, acerbic yet very amusing, and a truly fine scholar. This book covers its period in two ways: (notable) person by person, and then thematic developments in various areas (such as money and interest, welfare economics, and so on). The latter approach especially makes plain the evolutionary nature (in a modern post-Darwinian sense) of the history of economics – after reading it, I maintain, one must acknowledge the various developmental paths that the discipline *might* have taken and that the actual sequence of changes over time need not be equated to *progress*. I should add that this need not have been Hutchison's intent, but it is certainly what I drew from the work and it has been my position ever since. The thematic approach in this course is a direct *homage* to this remarkable book. Read it.

- Marget, A.W., *Theory of Prices* (1938) 2 vols

  A staggeringly comprehensive survey of monetary and related macroeconomic thought of the latter 19th and early 20th centuries. Beware however – the work was written as a response to Keynes's attacks in his *Treatise on Money* and *General Theory of Employment, Interest and Money* on what he chose to label the 'classical' view. As such, Marget can come off as almost obsessive in his determination to counter Keynes on every point, no matter how slight. Furthermore, the book is insanely reference-heavy and written in a most turgid style – basically, an hour reading this leaves you feeling like you've been smashed about the head with a sack full of billiard balls. Still, an invaluable source of information on the literature and thought of the period.

- Marx, K., *Theories of Surplus Value* (various editions, written c. 1863).

Intended to be the 4th volume of Marx's *Capital*, this incredibly voluminous examination of economic thought from the immediate pre-Classical period onwards (from the perspective of Marx's system) is a marvel of scholarship, very funny (in a cutting way) and a very big bite to take all at once. Great for dipping into.

- O'Brien, D.P., *The Classical Economists Revisited* (2004).

  Updated and revised edition of O'Brien's outstanding survey of the key aspects of classical economics. Highly recommended.

- Schumpeter, J.A., *History of Economic Analysis* (1954).

  The most famous and celebrated single work in the HET field. Published posthumously, it represents the best possible realisation of the great economists planned *magnum opus* on the nature and history of economics. Idiosyncratic in style and conception, opinionated, even prejudiced. Nonetheless this is scholarship *par excellence* and one of the shining examples of intellectual achievement that the discipline can claim with validity. A must for all topics up to the Keynesian revolution.

- Walsh, V. & Gram. H., *Classical and Neoclassical Theories of General Equilibrium* (1980).

  A wonderful book that sets out the conceptual bases of (as the title suggests!) classical and neoclassical theories through the use of a simple analytical model. Rich in historical detail and explanation of the intuition behind the alternative approaches. High on my all-time list. [For a similar approach, see Stephen Marglin's *Growth, Distribution and Prices* which compares neoclassical, neo-Marxian and neo-Keynesian approaches within the context of a given modelling framework. These are modern i.e 20th century approaches, but there is much HET compressed into the ideas and Marglin's treatment].

Overviews

- Bharadwaj, K., *Decline of Classical Political Economy and Rise to Dominance of Supply and Demand Based Theories* (1978).

  There are times in one's life that I refer to as intellectual 'wow' moments – occasions when works that one reads or ideas to which one is exposed have such a profound effect that one's views can never be the same again. I had such a moment on a rainy afternoon in Cambridge when, following up a suggestion by my PhD supervisor – Prof Geoff Harcourt, see below – I lay on my bed and read through Krishna Bharadwaj's slim volume. Afterwards, I went for a long walk in the rain, *sans* umbrella. A door had been opened, never to be closed again. As far as I am concerned, the point of life is to have such moments. You may or may not have the same experience, but this remains a superb concentrated statement of a particular *classical* approach to describing the development of economics.

- Gray, A., *The Development of Economic Doctrines* (1931).

  A delightful little book surveying economic thought from its earliest manifestations up until the early 20th century. Quite a joy to read, and very informative despite Gray's excessive hostility to Marx.

- Gordon, B.L.J. *Economic Analysis Before Adam Smith: Hesiod to Lessius* (1975).

  From the man from whom I first learnt HET, a great work on his specialty: ancient and medieval economics. Very learned, but extremely accessible, even breezy. Not to be overlooked.

- Heilbroner, R., *The Worldly Philosophers* (19??).

  It seems that everybody loves this one except me. Often touted as the essential HET survey, but I consider Heilbroner to be the Galbraith of the HET world (and I *don't* mean that as a compliment). To me this is superficial coffee-table stuff, but then again there are some whose opinion I respect who take a different view. Judge for yourself – just, please, don't come to me raving about it!

- Langholm, O.I., *Economics in the medieval schools : wealth, exchange, value, money, and usury according to the Paris theological tradition, 1200-1350* (1992).

  If Barry Gordon's book (above) sparks an appetite for medieval economic thought, then this is the feast of feasts. Everything you ever wanted to know about Scholastic economics but were afraid to ask.

- Robbins, L. *The Theory of Economic Development in the History of Economic Thought* (1968).

  Although many of Lionel (by the time of this book, Lord) Robbins positions on economics leave me cold, this is a great little book, superbly written and the product of true old-school scholarship. By 'economic development' he really means growth, so this is a survey of growth theory in general from the Mercantilists onwards. A gem.

- Viaggi, G. and Groenewegen, P., *A Concise History of Economic Thought: From Mercantilism to Monetarism* 2nd Ed (2003).

  A recent but outstanding entrant into the line of HET texts, partly the work of Prof Groenewegen, the doyen of Australian historians of economic thought. It is (as promised) concise, but the immense scholarship of the authors makes it an intellectual reduction of surprising and satisfying depth. Keep it under your pillow.

Other

- Carr, E.H., *What is History?* 2nd Ed (1986).

  Not a work on HET, but a classic in the English language on the philosophy of history. A beautifully written and perspicacious examination of the subject matter

of history and the nature of the historian's task. Required reading on purely educational grounds.

- Harcourt, G.C. *Some Cambridge Controversies in the Theory of Capital* (1972).

  One for the ages. A captivating account of the famous controversies that raged between economists in the two Cambriges (UK and Massachusetts) in the 1960's. It is hard for us that missed out on the preparation in basic theory that earlier generation received to completely follow what went on (if you doubt me chase down Richard Goodwin's *Elementary Economics from a Higher Standpoint* and see what Cambridge 2nd-years got served up to them in the late 1960's!) but nonetheless the controversies over capital theory really represent the ultimate 'clash of civilisations' between the neoclassical and (revived) classical world-views. There is so much here to savour in terms of HET that repeated readings will be required. Thankfully, Geoff Harcourt has the rare gift of combining erudition with entertainment – repeated readings are no chore. [Be sure to also see his latest book *The Structure of Post-Keynesian Economics: The Core Contributions of the Pioneers* (2006), a *tour de force* survey of a dissenting stream of 20th century thought that is replete with HET insights].

- Gordon, B.L.J. *Political Economy in Parliament 1819-1823* (1976).

  Barry Gordon again, with a fascinating look at how classical economics was injected into the political process via the personage of David Ricardo, economist and MP. Show that the abstract nature of economic reasoning has been worrying non-economists for nearly 200 years! A fine educational experience.

- Kurz, H. and Salvadori, N., *Theory of Production: a Long Period Analysis* (1995).

  A technical treatment of competitive theory from a classically-oriented perspective. Has valuable historical *excursi* following each chapter. [In a similar vein, see the historical overview at the beginning of Luigi Pasinetti's *Lectures on the Theory of Production* (1977)].

- Lemon, M.C., *The Discipline of History and the History of Thought* (1995).

  An intriguing work on the philosophy of history, and the particular question of what it means to construct a history of thought in an area. More jargony than Carr, and not as entertaining, but still thought-provoking, and directly relevant to the subject matter of this course.

TEACHING AND LEARNING STRATEGY

Lectures cover the basic content of the unit. They do not, however, cover the entire content which must be made up with extra reading and tutorial work. Tutorials consist of student presentations and class discussion.

Students are expected not only to attend classes, but to prepare for them in advance (it helps to know what the class is about!). You are encouraged to ask questions in lectures. You are expected to ask questions in tutorials.

You are required to submit an essay by the due date.

You are required **to pass the examination (as a necessary condition) in order to pass the unit**. This is Economics Department policy.

TUTORIALS

Tutorials in ECON356 will focus on extracts from notable primary sources by six authors: Adam Smith, David Ricardo, Karl Marx, Leon Walras, Alfred Marshall and John Maynard Keynes. Students will be assigned to authors at random and will be expected to make short presentations during their assigned classes. Tutorial questions will be made available prior to tutorial sessions.

Tutorial assessment comprises 2 parts:

(1) Presentation of a written paper (5% of total) of **not more than 4 double-spaced A4 pages**. Excessive length will be penalised proportionately. **Papers are due immediately after the presentation**. Failure to submit will result in zero marks being awarded. As with essays, they must be submitted in both hard copy and electronically via Turnitin. Hard copy must be submitted to me in person in class.

Rationale for this assessment:
o ability to present an argument in a succinct, short form;
o development of writing skills.

(2) Tutorial participation and presentation (10% of total).

Participation marks will be awarded according to the level and quality of your participation. Questions/discussion that show no evidence of preparation will not be rewarded. Mere attendance is insufficient to earn marks. Marks will be deducted for non-attendance (1 mark per class missed).

Presentation marks will be awarded on the basis of your ability to communicate an argument to the other students. Individual presentations must not be more than 5 minutes long.

Marks will be awarded for:
o coherent and succinct argument in response to specific question(s);
o structure of presentation;
o good content;
o quality of presentation (high tech not important);

Marks will be deducted for:
o failure to present (5 marks).

Rationale for these assessments:
o practice in presenting to an audience (communication skills);
o practice at working in teams;
o practice at expressing ideas in public.

ASSESSMENT
Final examination 70%
Essay 15%
Tutorial paper 5%
Tutorial participation and presentation 10%

The **examination** (70% of total) will consist of a two hour paper in which students will be required to answer *three questions.*

The rationale for this examination is twofold:
(1) to ensure that each student has covered the unit content adequately;
(2) to ensure that students are able to express what they have learned in their own words.

It is **very important** to note that you cannot pass the unit unless you pass the exam. You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

http://www.timetables.mq.edu.au/exam

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. Information about unavoidable disruption and the special consideration process is available at

http://www.reg.mq.edu.au/Forms/APSCon.pdf

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

You are advised that it is Macquarie University policy not to set early examinations for individuals or groups of students. All students are expected to ensure that they are available until the end of the teaching semester, that is the final day of the official examination period.

The **essay** (15% of total) will be of 1500-2000 words. Essays are due on **Friday 20 April**. Excessive length will be penalised proportionately.

Essays are to be submitted by two methods:
(1) Hard copy to assignment boxes in ERIC before closing time on the due date.

(2) Electronic version via Turnitin. Login details etc will be provided subsequently. Extensions of time may be granted for medical or compassionate reasons, at the discretion of the unit convenor. Written evidence of the extension must be attached to the hard copy of the essay when it is submitted. Late essays (without an extension) will be penalised at the rate of 1% of the available marks per day (so an essay that is 15 days late will receive no marks).

Essay topics will be announced separately.

Marks will be awarded for:
o presentation of a coherent, logical argument;
o structure of the essay;
o evidence of critical analysis of the sources used;
o use of evidence (including quotation from sources) in support of the argument;
o evidence of use of original texts (NOT including passages and phrases that are frequently quoted in secondary works!);
o presentation – this means tidy and readable text with adequate margins and spacing, clear paragraphing and use of subheadings where necessary.

Marks will be deducted for:
o plagiarism (please note that this includes not referencing your sources according to one of the accepted methods).
o failure to submit identical versions by the due date.

Essays will be returned before the end of lectures.

The rationale for the essay consists of:
(1) enabling students to cover at least one part of the unit in greater depth than is possible in lectures/exams.
(2) gaining practice at the important skill of report/essay writing.

In relation to (2) above, study the University's policy on plagiarism.

PLAGIARISM
The University defines plagiarism in its rules: 'Plagiarism involves using the work of another person and presenting it as one's own.' Plagiarism is a serious breach of the University's rules and carries significant penalties. You must read the University's practices and procedures on plagiarism. These can be found in the *Handbook of Undergraduate Studies* or on the web at: http://www.student.mq.edu.au/plagarism/

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

UNIVERSITY POLICY ON GRADING

The Academic Senate has a set of guidelines on the distribution of grades across the range from fail to high distinction. Your final result will include one of these grades plus a standardised numerical grade (SNG). On occasion your raw mark for a unit (i.e. the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, so that units with the same past performances of their students should receive similar results.

It is important that you realize that the policy does not require that a minimum of students be failed in any unit. In fact it does something like the opposite, in requiring examiners to explain their actions if more than 20% of students fail in a unit.

<u>The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another will also receive a higher final scaled mark.</u>

For an explanation of the policy see
http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc or
http://www.mq.edu.au/senate/MQUonly/Issues/detailguidelines.doc.

STUDENT SUPPORT SERVICES

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at http://www.student.mq.edu.au.
You may also seek help from ERIC (Economics Resource and Information Centre).

UNIT CALENDAR

Week	Date	Lecture	Tutorial
1	26 Feb	Introduction – History of Economic Thought: What, Why, How?	
2	5 Mar	Theory of Value I (Origins, Ancient & Medieval, Pre-Classical)	
3	12 Mar	Theory of Value II (Classical, Neoclassical)	
4	19 Mar	Theory of Value III (Neoclassical, Modern)	
5	26 Mar	Distribution Theory(Origins, Pre-Classical)	
6	2 Apr	Distribution Theory(Classical, Neoclassical)	
		Mid-semester break	
7	23 Apr	Distribution Theory(Neoclassical, Modern)	
8	30 Apr	Growth Theory (Origins, Pre-Classical)	Adam Smith
9	7 May	Growth Theory (Classical)	David Ricardo
10	14 May	Growth Theory (Neoclassical, Modern)	Karl Marx
11	21 May	Fluctuations and Cycles (Origins, Classical)	Leon Walras
12	28 May	Fluctuations and Cycles (Classical, Crisis Theories, Neoclassical)	Alfred Marshall
13	4 Jun	Fluctuations and Cycles (Modern)	John Maynard Keynes

Exam period **13-29 June**