ECO 5305

History of Economic Ideas

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Office Hours: Monday-Friday 2:00-3:00, or by appointment.
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Course Objectives: (1) To use the knowledge of the history of economic ideas to better understand contemporary economic analysis. (2) To understand how economics has developed over the past 300 years from a branch of moral philosophy into an independent discipline. (3) To develop writing and critical thinking skills.

Grading: Grades will be based on a final examination (25 percent); a paper on the development of economic analysis since 1950, based on a reading of mainstream economics journal articles (35 percent); and a research paper on the role of equilibrium analysis in twenty-first century economics (40 percent). All assignments must be handed in on real paper. Electronic submissions of assignments (such as via e-mail) are not acceptable.

Final Examination: The final exam will be a take-home examination that will be handed out at the end of class on Wednesday, June 19 and will be due at the beginning of class on Thursday, June 20.

No Class: We will not have class on May 20 and 21, May 27 (Memorial Day holiday), and June 7.

Reading Material: A good textbook is Harry Landreth and David C. Colander, History of Economic Thought (Boston: Houghton Mifflin). The book is in its fourth edition, but earlier editions are nearly equally informative, and less expensive. The best reading material for understanding the ideas of earlier economists is their own original writing, much of which is in the public domain and available on-line. The course outline also lists good reference material.

Project on Economic Analysis in Major Journals: Write a paper, in the format of an economics journal article, discussing the changes in economic analysis in the past 70 years, based on your analysis of journal articles in the American Economic Review, Journal of Political Economy, and Quarterly Journal of Economics. You may select any one of these journals, or look at two or all three, to see how economic analysis has changed since the 1950s. You should compare the type of research that appears in the journals in the 21st century with that of the 1950s through the 1970s and beyond. You can examine the methods employed in the articles (mathematical and statistical analysis, for example), the subject matter (including what fields, such as international trade, industrial organization, etc., are represented), the mix between pure theory and policy-oriented articles, and other interesting differences in the type of work that appeared in the journals then compared to now. You can organize your analysis by adding charts and tables to your paper, for example, to show how fields covered in articles have changed, or to categorize mathematical and statistical techniques employed. You can limit your analysis to a particular field if you want, to show, for example, how labor economics or industrial organization research has changed over that time period. Based on an examination of articles in the 1950s and the 1970s, would you say that economic analysis changed more from the 1950s to the 1970s, or from the 1970s to today? Your ultimate goal in the paper is to understand and explain how the subject matter and methodology of economics has changed over the past 60 years, and to gain some insight into why those changes took place. You may want to look at the
first two articles in the February 2011 American Economic Review for some background. Your paper is due on Thursday, June 6.

**Research Paper:** Your research paper should discuss the role of equilibrium concepts in twenty-first century economics from the perspective of the history of economic ideas. You should reference and discuss the significance of the marginal revolution in the late 1800s on the direction of economics, and discuss the development of equilibrium concepts through the twentieth century. Discuss how recent developments in areas such as the new institutional economics, behavioral, and experimental economics impact the role of equilibrium in economics. Explain the methodology of twentieth century equilibrium economics and its usefulness in understanding economic phenomena. How do you think that the equilibrium framework within which economic analysis takes place affects the views of economists on public policy issues? Looking ahead, what are the alternatives to this equilibrium framework? In what ways do you see these alternatives affecting the future development of economics? Is the equilibrium framework the only foundation for economic analysis, or do you envision it being augmented (or even replaced) by other concepts? Based on your analysis, what is your best guess about the development of economic analysis in the twenty-first century? Your paper will require some creative thinking on your part, but an excellent paper will draw heavily on the existing economics literature and reference both the literature supporting an equilibrium approach to economics and the literature offering alternatives.

Papers should be referenced and footnoted in the style and manner you would use to write a journal article. Your papers are due on Friday, July 19.

**Honor Code:** You are expected to do your own work. Please list all references you use for your papers. Do not list references you did not use. For references that come from Strozier Library, list the call number. For other references, state where you got the reference. List URLs and dates accessed for web references.

**Disabled Students:** Students with disabilities requesting academic accommodations should register with the Student Disability Resource Center, and provide a letter from SDRC indicating what accommodations are requested.

**Course Outline:** The course will follow the course outline, with a few exceptions. First, there are more topics than can be reasonably covered in a semester, so expect some sketchy coverage in places, and perhaps some omitted topics. Second, we may jump ahead (and back) at times to relate earlier ideas to later ideas. The outline is an approximately chronological outline of major figures in the history of economic ideas, with the qualifications that writers prior to the 18th century are rarely represented, and there is some question about who should be represented in 20th century economics. For some of the topics, references are given. The references make good reading for those who are interested, and give an indication of the source material for some of the lectures. For reading original material, check out http://socserv2.socsci.mcmaster.ca/~econ/ugcm/3113/index.html, which is a wonderful source for writings by the original authors, and some commentary, in the history of economic ideas. Another good site is http://cepa.newschool.edu/het/ which has information on a large number of economists through history.

**Course Outline**

1. Economic Methodology: Positivism and Other Methodological Approaches
   A. Uses and limits of models to understand real economic phenomena.
   B. Positivism.
   C. Other methodological approaches.
   D. Empirical evidence.
2. Economic Analysis: Ideas and History
   A. Neoclassical and institutional economics.
   B. Are all useful ideas in the past of economics embodied in current economics?
   C. Mises: Economics is the youngest of the sciences.

References:

3. Three Centuries, Three Major Issues in the History of Economic Ideas
   A. 18th century: How is wealth created?
B. 19th century: What determines value?
C. 20th century: What are the properties of economic equilibrium?

4. Before Adam Smith
   A. The creation of economic society
   B. Mercantilists & Thomas Mun (1571-1641).
   C. Physiocrats & Francois Quesnay (1694-1774).
   D. Other economists.
      1. Richard Cantillon (1680-1734).
      4. David Hume (1711-1776).
      5. Spanish economists (1750-1800).

References:

5. Adam Smith (1723-1790) and the *Wealth of Nations* (1776)

References:

6. Classical Economics I: Thomas Robert Malthus (1766-1834) and David Ricardo (1772-1823)

Reference:

7. Smith versus Malthus and Ricardo

8. Classical Economics II
   A. Jean-Baptiste Say (1776-1832)
   B. Jeremy Bentham (1748-1832)
C. Nassau Senior (1790-1864)
D. Hermann Heinrich Gossen (1810-1858)
E. Henry George (1839-1897)
F. John Stuart Mill (1806-1873)

9. Utopian Socialism
Robert Owen (1771-1858)
Claude Henri de Rouvroy de Saint-Simon (1760-1825)
Charles Fourier (1772-1837)

10. Karl Marx (1818-1883)

11. The Marginal Revolution
1. Carl Menger (1840-1921)
2. William Stanley Jevons (1835-1882)
3. Leon Walras (1834-1910)

References:

Reference:

13. 20th Century Innovations

A. Institutionalists
1. Thorstein Veblen (1857-1929)
2. Wesley Clair Mitchell (1874-1948)
3. John R. Commons (1862-1945)

References:

B. Imperfect Competition
1. Edward Chamberlin (1899-1967)
2. Joan Robinson (1903-1983)

References:

C. Joseph Schumpeter (1883-1950)
References:

D. Knut Wicksell (1851-1926)

References:

E. Philip Wicksteed (1844-1927)

Reference:

F. Vilfredo Pareto (1848-1923)

Reference:

G. A.C. Pigou (1877-1959)

Reference:

H. Macroeconomics

1. Irving Fisher (1867-1947)

References:

2. John R. Hicks (1904-1989)

References:

3. Wassily Leontief (1906-1999)

Reference:

14. John Maynard Keynes (1883-1946) and the Keynesian Revolution

References:

15. Macroeconomics and Macroeconomic Policy

A. Keynesian economics and IS-LM.
B. General equilibrium models
References:
John R. Hicks, "Mr. Keynes and the 'Classics'; A Suggested Interpretation," Econometrica 5 (April 1937), pp. 147-159.

16. The Austrian School
   A. Menger (1840-1921)
   B. Friedrich von Wieser (1851-1926)
   B. Bohm-Bawerk (1851-1914)
   C. Mises (1881-1973)
   D. Hayek (1899-1992)
   E. Rothbard (1926-1995), Kirzner (1930-)

References:
Randall G. Holcombe, ed. 15 Great Austrian Economists (Auburn AL: Ludwig von Mises Institute, 1999).

17. Austrian Business Cycle Theory
References:
Friedrich A. Hayek, Prices and Production, 2nd ed. (New York: Augustus M. Kelley, 1967 [1935]).
Friedrich A. Hayek, Monetary Theory and the Trade Cycle (New York: Augustus M. Kelley, 1975 [1933]).

18. 20th Century Equilibrium Economics
   A. Milton Friedman (1912-2006)
   B. Paul Samuelson (1915-2009)

References:
References:

19. Welfare Economics
A. Social indifference curves
B. Welfare economics; market failure
C. Economic man: Neoclassical assumptions imply public-spirited behavior

References:

20. Evolutionary Economics
A. Evolution versus equilibrium
B. Path dependency
C. The evolutionary process
1. Differentiation (mutation)
2. Selection
3. Amplification

References: